UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

Form 10-Q

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended July 31, 2021

OR

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Ollie’s Bargain Outlet Holdings, Inc.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

001-37501 **(Commission File Number)**	**80-0848819** **(IRS Employer Identification No.)**
6295 Allentown Boulevard **Suite 1** **Harrisburg, Pennsylvania** **(Address of principal executive offices)**	**17112** **(Zip Code)**

(717) 657-2300
(Registrant’s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Trading Symbol	Name of each exchange on which registered
Common Stock, $0.001 par value	OLLI	The NASDAQ Stock Market LLC

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of the registrant’s common stock, $0.001 par value, outstanding as of August 26, 2021 was 65,071,055.

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ITEM 1 – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2021	**August 1, 2020**	**July 31, 2021**	**August 1, 2020**
Net sales	$ 415,881	$ 529,313	$ 868,373	$ 878,676
Cost of sales	252,846	322,471	522,728	531,468
Gross profit	163,035	206,842	345,645	347,208
Selling, general and administrative expenses	110,119	109,149	214,489	198,869
Depreciation and amortization expenses	4,669	4,122	9,153	8,066
Pre-opening expenses	2,541	1,545	5,076	5,267
Operating income	45,706	92,026	116,927	135,006
Interest expense (income), net	66	(26)	41	(109)
Income before income taxes	45,640	92,052	116,886	135,115
Income tax expense (benefit)	11,317	(7,331)	27,343	2,276
Net income	$ 34,323	$ 99,383	$ 89,543	$ 132,839
Earnings per common share:				
Basic	$ 0.53	$ 1.53	$ 1.37	$ 2.07
Diluted	$ 0.52	$ 1.50	$ 1.36	$ 2.02
Weighted average common shares outstanding:				
Basic	65,311	65,137	65,407	64,093
Diluted	65,825	66,051	65,972	65,641

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except per share amounts)
(Unaudited)

	July 31, 2021	August 1, 2020	January 30, 2021
Assets			
Current assets:			
Cash and cash equivalents	$ 444,262	$ 305,110	$ 447,126
Inventories	373,550	327,164	353,704
Accounts receivable	824	2,447	621
Prepaid expenses and other assets	8,214	22,539	7,316
Total current assets	826,850	657,260	808,767
Property and equipment, net of accumulated depreciation of $110,052, $87,810 and $98,627, respectively	142,299	137,467	138,712
Operating lease right-of-use assets	395,195	369,842	380,546
Goodwill	444,850	444,850	444,850
Trade name	230,559	230,559	230,559
Other assets	2,337	2,462	2,421
Total assets	$ 2,042,090	$ 1,842,440	$ 2,005,855
Liabilities and Stockholders' Equity			
Current liabilities:			
Current portion of long-term debt	$ 298	$ 320	$ 328
Accounts payable	92,798	107,685	117,217
Income taxes payable	-	-	10,960
Current portion of operating lease liabilities	72,339	56,062	64,732
Accrued expenses and other	80,428	77,521	90,559
Total current liabilities	245,863	241,588	283,796
Revolving credit facility	-	-	-
Long-term debt	610	592	656
Deferred income taxes	65,934	64,254	65,064
Long-term operating lease liabilities	330,565	317,948	321,454
Other long-term liabilities	4	5	4
Total liabilities	642,976	624,387	670,974
Stockholders' equity:			
Preferred stock - 50,000 shares authorized at $0.001 par value; no shares issued	-	-	-
Common stock - 500,000 shares authorized at $0.001 par value; 66,388, 66,005 and 66,165 shares issued, respectively	66	66	66
Additional paid-in capital	658,899	641,677	648,949
Retained earnings	815,810	616,410	726,267
Treasury - common stock, at cost; 1,132, 698 and 702 shares, respectively	(75,661)	(40,100)	(40,401)
Total stockholders' equity	1,399,114	1,218,053	1,334,881
Total liabilities and stockholders' equity	$ 2,042,090	$ 1,842,440	$ 2,005,855

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Stockholders' Equity
(In thousands)
(Unaudited)

Thirteen weeks ended July 31, 2021 and August 1, 2020

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of May 1, 2021	66,349	$ 66	(813)	$ (49,980)	$ 655,069	$ 781,487	$ 1,386,642
Stock-based compensation expense	-	-	-	-	2,312	-	2,312
Proceeds from stock options exercised	37	-	-	-	1,541	-	1,541
Vesting of restricted stock	2	-	-	-	-	-	-
Common shares withheld for taxes	-	-	-	-	(23)	-	(23)
Shares repurchased	-	-	(319)	(25,681)	-	-	(25,681)
Net income	-	-	-	-	-	34,323	34,323
Balance as of July 31, 2021	66,388	$ 66	(1,132)	$ (75,661)	$ 658,899	$ 815,810	$ 1,399,114
Balance as of May 2, 2020	63,859	$ 64	(698)	$ (40,100)	$ 617,188	$ 517,027	$ 1,094,179
Stock-based compensation expense	-	-	-	-	1,727	-	1,727
Proceeds from stock options exercised	2,146	2	-	-	22,765	-	22,767
Common shares withheld for taxes	-	-	-	-	(3)	-	(3)
Net income	-	-	-	-	-	99,383	99,383
Balance as of August 1, 2020	66,005	$ 66	(698)	$ (40,100)	$ 641,677	$ 616,410	$ 1,218,053

Twenty-six weeks ended July 31, 2021 and August 1, 2020

	Common stock		Treasury stock		Additional paid-in capital	Retained earnings	Total stockholders' equity
	Shares	Amount	Shares	Amount			
Balance as of January 30, 2021	66,165	$ 66	(702)	$ (40,401)	$ 648,949	$ 726,267	$ 1,334,881
Stock-based compensation expense	-	-	-	-	4,332	-	4,332
Proceeds from stock options exercised	181	-	-	-	6,799	-	6,799
Vesting of restricted stock	55	-	-	-	-	-	-
Common shares withheld for taxes	(13)	-	-	-	(1,181)	-	(1,181)
Shares repurchased	-	-	(430)	(35,260)	-	-	(35,260)
Net income	-	-	-	-	-	89,543	89,543
Balance as of July 31, 2021	66,388	$ 66	(1,132)	$ (75,661)	$ 658,899	$ 815,810	$ 1,399,114
Balance as of February 1, 2020	63,712	$ 64	(698)	$ (40,100)	$ 615,350	$ 483,571	$ 1,058,885
Stock-based compensation expense	-	-	-	-	3,046	-	3,046
Proceeds from stock options exercised	2,246	2	-	-	24,083	-	24,085
Vesting of restricted stock	64	-	-	-	-	-	-
Common shares withheld for taxes	(17)	-	-	-	(802)	-	(802)
Net income	-	-	-	-	-	132,839	132,839
Balance as of August 1, 2020	66,005	$ 66	(698)	$ (40,100)	$ 641,677	$ 616,410	$ 1,218,053

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

	Twenty-six weeks ended	
	July 31, 2021	August 1, 2020
Cash flows from operating activities:		
Net income	$ 89,543	$ 132,839
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property and equipment	11,893	10,921
Amortization of debt issuance costs	128	128
(Gain) loss on sale of assets	(20)	46
Deferred income tax provision	870	4,853
Stock-based compensation expense	4,332	3,046
Changes in operating assets and liabilities:		
Inventories	(19,846)	8,017
Accounts receivable	(203)	393
Prepaid expenses and other assets	(942)	(17,030)
Accounts payable	(25,545)	45,760
Income taxes payable	(10,960)	(3,906)
Accrued expenses and other liabilities	(7,404)	25,127
Net cash provided by operating activities	41,846	210,194
Cash flows from investing activities:		
Purchases of property and equipment	(17,703)	(18,077)
Proceeds from sale of property and equipment	2,956	32
Net cash used in investing activities	(14,747)	(18,045)
Cash flows from financing activities:		
Repayments on finance leases	(321)	(272)
Proceeds from stock option exercises	6,799	24,085
Common shares withheld for taxes	(1,181)	(802)
Payment for shares repurchased	(35,260)	-
Net cash (used in) provided by financing activities	(29,963)	23,011
Net (decrease) increase in cash and cash equivalents	(2,864)	215,160
Cash and cash equivalents at the beginning of the period	447,126	89,950
Cash and cash equivalents at the end of the period	$ 444,262	$ 305,110
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$ 194	$ 161
Income taxes	$ 41,298	$ 19,537
Non-cash investing activities:		
Accrued purchases of property and equipment	$ 3,105	$ 2,482

See accompanying notes to the condensed consolidated financial statements.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
July 31, 2021 and August 1, 2020
(Unaudited)

(1) Organization and Summary of Significant Accounting Policies

(a) Description of Business

Ollie's Bargain Outlet Holdings, Inc. and subsidiaries (collectively referred to as the "Company" or "Ollie's") principally buys overproduced, overstocked, and closeout merchandise from manufacturers, wholesalers and other retailers. In addition, the Company augments its name-brand closeout deals with directly sourced private label products featuring names exclusive to Ollie's in order to provide consistently value-priced goods in select key merchandise categories.

Since its first store opened in 1982, the Company has grown to 409 retail locations in 28 states as of July 31, 2021. Ollie's Bargain Outlet retail locations are located in Alabama, Arkansas, Connecticut, Delaware, Florida, Georgia, Indiana, Kansas, Kentucky, Louisiana, Maryland, Massachusetts, Michigan, Mississippi, Missouri, New Jersey, New York, North Carolina, Ohio, Oklahoma, Pennsylvania, Rhode Island, South Carolina, Tennessee, Texas, Vermont, Virginia and West Virginia.

(b) Fiscal Year

Ollie's follows a 52/53-week fiscal year, which ends on the Saturday nearer to January 31 of the following calendar year. References to the thirteen weeks ended July 31, 2021 and August 1, 2020 refer to the thirteen weeks from May 2, 2021 to July 31, 2021 and from May 3, 2020 to August 1, 2020, respectively. References to year-to-date periods ended July 31, 2021 and August 1, 2020 refer to the twenty-six weeks from January 31, 2021 to July 31, 2021 and from February 2, 2020 to August 1, 2020, respectively. References to "2020" refer to the fiscal year ended January 30, 2021 and references to "2021" refer to the fiscal year ending January 29, 2022. Both periods consist of 52 weeks.

(c) Basis of Presentation

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ("GAAP") for interim financial information and applicable rules and regulations of the Securities and Exchange Commission ("SEC") regarding interim financial reporting. The condensed consolidated financial statements reflect all normal recurring adjustments which management believes are necessary to present fairly the Company's results of operations, financial condition, and cash flows for all periods presented. The condensed consolidated balance sheets as of July 31, 2021 and August 1, 2020, and the condensed consolidated statements of income and stockholders' equity for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 and the condensed consolidated statements of cash flows for the twenty-six weeks ended July 31, 2021 and August 1, 2020 have been prepared by the Company and are unaudited. The Company's business is seasonal in nature and results of operations for the interim periods presented are not necessarily indicative of operating results for 2021 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The Company's balance sheet as of January 30, 2021, presented herein, has been derived from the audited balance sheet included in the Company's Annual Report on Form 10-K filed with the SEC on March 24, 2021 ("Annual Report"), but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for 2020 and footnotes thereto included in the Annual Report.

For purposes of the disclosure requirements for segments of a business enterprise, it has been determined that the Company is comprised of one operating segment.

(d) Use of Estimates

The preparation of condensed consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(e) Fair Value Disclosures

Fair value is defined as the price which the Company would receive to sell an asset or pay to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date. In determining fair value, GAAP establishes a three-level hierarchy used in measuring fair value, as follows:

- Level 1 inputs are quoted prices available for identical assets and liabilities in active markets.
- Level 2 inputs are observable for the asset or liability, either directly or indirectly, including quoted prices for similar assets and liabilities in active markets or other inputs which are observable or can be corroborated by observable market data.
- Level 3 inputs are less observable and reflect the Company's assumptions.

The Company's financial instruments consist of cash and cash equivalents, accounts receivable, accounts payable and its credit facilities. The carrying amount of cash and cash equivalents, accounts receivable and accounts payable approximates fair value because of their short maturities. The carrying amount of the Company's credit facilities approximates its fair value because the interest rates are adjusted regularly based on current market conditions.

(f) Impact of the Novel Coronavirus ("COVID-19")

The outbreak of the novel coronavirus COVID-19, which was declared a global pandemic by the World Health Organization on March 11, 2020, has led to adverse impacts on the U.S. and global economies. The outbreak of COVID-19 and related measures to quell the outbreak have impacted the Company's inventory supply chain, operations and customer demand. The Company's stores and distribution centers have continued to operate as an essential business during the COVID-19 pandemic and the Company is committed to maintaining a safe work and shopping environment. The Company is experiencing labor pressures in its stores and distribution centers as well as supply chain disruptions due to the ongoing impacts of COVID-19 and related measures. The COVID-19 pandemic could further affect the Company's operations and the operations of its suppliers and vendors as a result of continuing or renewed restrictions and limitations on travel, limitations on store or facility operations up to and including closures, and other governmental, business or consumer actions. The extent to which the COVID-19 pandemic will impact the Company's operations, liquidity or financial results in subsequent periods is uncertain, but such impact could be material.

(2) Net Sales

Ollie's recognizes retail sales in its stores when merchandise is sold and the customer takes possession of merchandise. Also included in net sales is revenue allocated to certain redeemed discounts earned via the Ollie's Army loyalty program and gift card breakage. Net sales are presented net of returns and sales tax. The Company provides an allowance for estimated retail merchandise returns based on prior experience.

Revenue Recognition

Revenue is deferred for the Ollie's Army loyalty program where members accumulate points that can be redeemed for discounts on future purchases. The Company has determined it has an additional performance obligation to Ollie's Army members at the time of the initial transaction. The Company allocates the transaction price to the initial transaction and the discount awards based upon its relative standalone selling price, which considers historical redemption patterns for the award. Revenue is recognized as those discount awards are redeemed. Discount awards issued upon the achievement of specified point levels are subject to expiration. Unless temporarily extended, the maximum redemption period is 45 days. At the end of each fiscal period, unredeemed discount awards and accumulated points to earn a future discount award are reflected as a liability. Discount awards are combined in one homogeneous pool and are not separately identifiable. Therefore, the revenue recognized consists of discount awards redeemed that were included in the deferred revenue balance at the beginning of the period as well as discount awards issued during the current period. The following table is a reconciliation of the liability related to this program (in thousands):

	Twenty-six weeks ended	
	July 31, 2021	August 1, 2020
Beginning balance	$ 8,113	$ 8,254
Revenue deferred	8,169	9,070
Revenue recognized	(7,936)	(7,807)
Ending balance	$ 8,346	$ 9,517

Gift card breakage for gift card liabilities not subject to escheatment is recognized as revenue in proportion to the redemption of gift cards. Gift cards do not expire. The rate applied to redemptions is based upon a historical breakage rate. Gift cards are combined in one homogenous pool and are not separately identifiable. Therefore, the revenue recognized consists of gift cards that were included in the liability at the beginning of the period as well as gift cards that were issued during the period. The following table is a reconciliation of the gift card liability (in thousands):

	Twenty-six weeks ended	
	July 31, 2021	August 1, 2020
Beginning balance	$ 1,902	$ 1,679
Gift card issuances	2,440	1,854
Gift card redemption and breakage	(2,440)	(1,876)
Ending balance	$ 1,902	$ 1,657

(3) Earnings per Common Share

Basic earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per common share is computed by dividing net income by the weighted average number of common shares outstanding after giving effect to the potential dilution, if applicable, from the assumed exercise of stock options into shares of common stock as if those stock options were exercised and the assumed lapse of restrictions on restricted stock units.

The following table summarizes those effects for the diluted earnings per common share calculation (in thousands, except per share amounts):

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
Net income	$ 34,323	$ 99,383	$ 89,543	$ 132,839
Weighted average number of common shares outstanding - Basic	65,311	65,137	65,407	64,093
Incremental shares from the assumed exercise of outstanding stock options and vesting of restricted stock units	514	914	565	1,548
Weighted average number of common shares outstanding - Diluted	65,825	66,051	65,972	65,641
Earnings per common share - Basic	$ 0.53	$ 1.53	$ 1.37	$ 2.07
Earnings per common share - Diluted	$ 0.52	$ 1.50	$ 1.36	$ 2.02

The effect of the weighted average assumed exercise of stock options outstanding totaling 435,356 and 196,750 for the thirteen weeks ended July 31, 2021 and August 1, 2020, respectively, and 365,228 and 459,221 for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

The effect of weighted average non-vested restricted stock units outstanding totaling 0 for both of the thirteen weeks ended July 31, 2021 and August 1, 2020, and 0 and 23,896 for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively, were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

(4) Commitments and Contingencies

Commitments

The Company accounts for leases in accordance with Accounting Standards Update ("ASU") 2016-02, *Leases*, which was adopted as of February 3, 2019. Pursuant to the adoption of the new standard, the Company elected the practical expedients upon transition that did not require it to reassess existing contracts to determine if they contain leases under the new definition of a lease, or to reassess historical lease classification or initial direct costs. The Company also adopted the practical expedient to not separate lease and non-lease components for new leases after adoption of the new standard. In addition, the Company applied a policy election to exclude leases with an initial term of 12 months or less from balance sheet recognition. The Company did not adopt the hindsight practical expedient and, therefore, will continue to utilize lease terms determined under previous lease guidance for leases existing at the date of adoption that are not subsequently modified.

Ollie's generally leases its stores, offices and distribution facilities under operating leases that expire at various dates through 2034. These leases generally provide for fixed annual rentals; however, several provide for minimum annual rentals plus contingent rentals based on a percentage of annual sales. A majority of the Company's leases also require a payment for all or a portion of common-area maintenance, insurance, real estate taxes, water and sewer costs and repairs, on a fixed or variable payment basis, the cost of which, for leases existing as of the adoption of ASU 2016-02, is charged to the related expense category rather than being accounted for as rent expense. For leases entered into after the adoption of ASU 2016-02, the Company accounts for lease components together with non-lease components as a single component for all classes of underlying assets. Most of the leases contain options to renew for three to five successive five-year periods. The Company is generally not reasonably certain to exercise renewal options; therefore, the options are not considered in determining the lease term, and associated potential option payments are excluded from the lease payments. Ollie's lease agreements generally do not contain any material residual value guarantees or material restrictive covenants.

Store and office lease costs are classified in selling, general and administrative expenses and distribution center lease costs are classified in cost of sales on the condensed consolidated statements of income.

The following table summarizes the maturity of the Company's operating lease liabilities by fiscal year as of July 31, 2021 (in thousands):

2021	$ 35,094
2022	86,239
2023	85,283
2024	67,326
2025	51,927
Thereafter	128,718
Total undiscounted lease payments [1]	454,587
Less: Imputed interest	(51,683)
Total lease obligations	402,904
Less: Current obligations under leases	(72,339)
Long-term lease obligations	$ 330,565

(1) Lease obligations exclude $32.0 million of minimum lease payments for leases signed, but not commenced.

The following table summarizes other information related to the Company's operating leases as of and for the respective periods (dollars in thousands):

	Twenty-six weeks ended	
	July 31, 2021	**August 1, 2020**
Cash paid for operating leases	$ 41,743	$ 37,663
Operating lease cost	42,240	37,688
Variable lease cost	3,545	2,341
Non-cash right-of-use assets obtained in exchange for lease obligations	34,653	33,632
Weighted-average remaining lease term	6.5 years	6.9 years
Weighted-average discount rate	3.8%	4.3%

Marketing Commitment

The Company has entered into an agreement with Valassis Communications, Inc. for marketing services. This agreement has a guaranteed spend commitment of $23.0 million over a two-year period ending May 28, 2022.

Related Party Leases

The Company has entered into five non-cancelable operating leases with related parties for office and store locations that expire at various dates through 2033. Ollie's made $0.8 million in rent payments to such related parties during each of the twenty-six weeks ended July 31, 2021 and August 1, 2020. The lease payments are included in the operating lease disclosures stated above.

Contingencies

From time to time the Company may be involved in claims and legal actions that arise in the ordinary course of its business. The Company cannot predict the outcome of any litigation or suit to which it is a party. However, the Company does not believe that an unfavorable decision of any of the current claims or legal actions against it, individually or in the aggregate, will have a material adverse effect on its financial position, results of operations, liquidity or capital resources.

(5) Accrued Expenses and Other

Accrued expenses and other consists of the following (in thousands):

	July 31, 2021	August 1, 2020	January 30, 2021
Compensation and benefits	$ 24,651	$ 23,612	$ 32,943
Deferred revenue	10,248	11,174	10,015
Freight	7,129	7,050	7,180
Real estate related	6,432	5,196	5,753
Sales and use taxes	6,285	6,718	6,487
Insurance	5,901	5,766	6,318
Advertising	2,933	1,353	4,325
Other	16,849	16,652	17,538
	$ 80,428	$ 77,521	$ 90,559

(6) Debt Obligations and Financing Arrangements

Long-term debt consists of finance leases as of July 31, 2021, August 1, 2020 and January 30, 2021.

The Company's credit facility (the "Credit Facility") provides for a five-year $100.0 million revolving credit facility, which includes a $45.0 million sub-facility for letters of credit and a $25.0 million sub-facility for swingline loans (the "Revolving Credit Facility"). Loans under the Revolving Credit Facility mature on May 22, 2024. In addition, the Company may at any time add term loan facilities or additional revolving commitments up to $150.0 million pursuant to terms and conditions set out in the Credit Facility.

The interest rates for the Credit Facility are calculated as follows: for Base Rate Loans, the higher of the Prime Rate, the Federal Funds Effective Rate plus 0.50% or the Eurodollar Rate plus 1.0%, plus the Applicable Margin, or, for Eurodollar Loans, the Eurodollar Rate plus the Applicable Margin. The Applicable Margin will vary from 0.00% to 0.50% for a Base Rate Loan and 1.00% to 1.50% for a Eurodollar Loan, based on availability under the Credit Facility. The Eurodollar Rate is subject to a 0% floor.

Under the terms of the Revolving Credit Facility, as of July 31, 2021, the Company could borrow up to 90.0% of the most recent appraised value (valued at cost, discounted for the current net orderly liquidation value) of its eligible inventory, as defined, up to $100.0 million.

As of July 31, 2021, the Company had no outstanding borrowings under the Revolving Credit Facility, with $88.6 million of borrowing availability, outstanding letters of credit commitments of $11.2 million and $0.2 million of rent reserves. The Revolving Credit Facility also contains a variable unused line fee ranging from 0.125% to 0.250% per annum.

The Credit Facility is collateralized by the Company's assets and equity and contains a financial covenant, as well as certain business covenants, including restrictions on dividend payments, which the Company must comply with during the term of the agreement. The financial covenant is a consolidated fixed charge coverage ratio test of at least 1.0 to 1.0 applicable during a covenant period, based on reference to availability. The Company was in compliance with all terms of the Credit Facility during the twenty-six weeks ended July 31, 2021.

The provisions of the Credit Facility restrict all of the net assets of the Company's consolidated subsidiaries, which constitutes all of the net assets on the Company's condensed consolidated balance sheet as of July 31, 2021, from being used to pay any dividends or make other restricted payments to the Company without prior written consent from the financial institutions that are a party to the Credit Facility, subject to material exceptions including proforma compliance with the applicable conditions described in the Credit Facility.

(7) Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective tax rates for the thirteen weeks and twenty-six weeks ended July 31, 2021 were 24.8% and 23.4%, respectively. The effective tax rates during the thirteen and twenty-six weeks ended August 1, 2020 were (8.0)% and 1.7%, respectively. The effective tax rates during the thirteen and twenty-six weeks ended July 31, 2021 were affected by excess tax benefits related to stock-based compensation of $0.4 million and $2.5 million, respectively. The thirteen and twenty-six weeks ended August 1, 2020 included a similar discrete tax benefit of $30.5 million and $31.7 million, respectively, primarily due to the exercise of stock options by the estate of a former executive of the Company.

(8) Equity Incentive Plans

During 2012, Ollie's established an equity incentive plan (the "2012 Plan"), under which stock options were granted to executive officers and key employees as deemed appropriate under the provisions of the 2012 Plan, with an exercise price at the fair value of the underlying stock on the date of grant. The vesting period for options granted under the 2012 Plan is five years (20% ratably per year). Options granted under the 2012 Plan are subject to employment for vesting, expire 10 years from the date of grant and are not transferable other than upon death. As of July 15, 2015, the date of the pricing of the Company's initial public offering, no additional equity grants will be made under the 2012 Plan.

In connection with its initial public offering, the Company adopted the 2015 equity incentive plan (the "2015 Plan") pursuant to which the Company's Board of Directors may grant stock options, restricted shares or other awards to employees, directors and consultants. The 2015 Plan allows for the issuance of up to 5,250,000 shares. Awards will be made pursuant to agreements and may be subject to vesting and other restrictions as determined by the Board of Directors or the Compensation Committee of the Board. The Company uses authorized and unissued shares to satisfy share award exercises. As of July 31, 2021, there were 2,570,106 shares available for grant under the 2015 Plan.

Stock Options

The exercise price for stock options is determined at the fair value of the underlying stock on the date of grant. The vesting period for awards granted under the 2015 Plan is generally set at four years (25% ratably per year). Awards are subject to employment for vesting, expire 10 years from the date of grant, and are not transferable other than upon death.

A summary of the Company's stock option activity and related information for the twenty-six weeks ended July 31, 2021 follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (years)
Outstanding at January 30, 2021	1,244,235	$ 42.39	
Granted	277,990	86.13	
Forfeited	(42,906)	62.55	
Exercised	(181,337)	37.49	
Outstanding at July 31, 2021	1,297,982	51.77	7.3
Exercisable at July 31, 2021	514,474	33.64	5.2

The weighted average grant date fair value per option for options granted during the twenty-six weeks ended July 31, 2021 and August 1, 2020 was $34.02 and $13.13, respectively. The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model that used the weighted average assumptions in the following table:

	Twenty-six weeks ended	
	July 31, 2021	August 1, 2020
Risk-free interest rate	1.33%	0.77%
Expected dividend yield	-	-
Expected life (years)	6.25 years	6.25 years
Expected volatility	38.38%	30.49%

The expected life of stock options is estimated using the "simplified method," as the Company does not have sufficient historical information to develop reasonable expectations about future exercise patterns and post-vesting employment termination behavior for its stock option grants. The simplified method is based on the average of the vesting tranches and the contractual life of each grant. For stock price volatility, the Company uses its historical information since its initial public offering as well as comparable public companies as a basis for its expected volatility to calculate the fair value of option grants. The risk-free interest rate is based on U.S. Treasury notes with a term approximating the expected life of the option.

Restricted Stock Units

Restricted stock units ("RSUs") are issued at a value not less than the fair value of the common stock on the date of the grant. RSUs outstanding vest ratably over four years or cliff vest in one or four years. Awards are subject to employment for vesting and are not transferable other than upon death.

A summary of the Company's RSU activity and related information for the twenty-six weeks ended July 31, 2021 is as follows:

	Number of shares	Weighted average grant date fair value
Non-vested balance at January 30, 2021	148,838	$ 52.28
Granted	52,970	86.17
Forfeited	(4,181)	54.58
Vested	(55,333)	42.73
Non-vested balance at July 31, 2021	142,294	68.54

Stock-Based Compensation Expense

The compensation cost for stock options and RSUs which have been recorded within selling, general and administrative expenses related to the Company's equity incentive plans was $2.3 million and $1.7 million for the thirteen weeks ended July 31, 2021 and August 1, 2020, respectively, and $4.3 million and $3.0 million for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively.

As of July 31, 2021, there was $22.4 million of total unrecognized compensation cost related to non-vested stock-based compensation arrangements. That cost is expected to be recognized over a weighted average period of 2.9 years. Compensation costs related to awards are recognized using the straight-line method.

(9) Common Stock

Common Stock

The Company's capital structure consists of a single class of common stock with one vote per share. The Company has authorized 500,000,000 shares at $0.001 par value per share. Additionally, the Company has authorized 50,000,000 shares of preferred stock at $0.001 per value per share; to date, however, no preferred shares have been issued. Treasury stock, which consists of the Company's common stock, is accounted for using the cost method.

Share Repurchase Program

On December 15, 2020, the Board of Directors of the Company authorized the repurchase of up to $100.00 million of shares of the Company's common stock. On March 16, 2021, the Board of Directors of the Company authorized an increase of $100.0 million in the Company's share repurchase program. Both of these authorizations are authorized to be executed through January 2023. Shares under both authorizations may be purchased from time to time in open market transactions (including blocks), privately negotiated transactions, accelerated share repurchase programs or other derivative transactions, issuer self-tender offers or any combination of the foregoing. The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of the Company's shares, general market, economic and business conditions, and other corporate considerations. In addition, the authorizations are subject to extension or earlier termination by the Board of Directors at any time.

During the twenty-six weeks ended July 31, 2021, the Company repurchased 430,178 shares of its common stock for $35.3 million, inclusive of transaction costs, pursuant to its share repurchase program. These expenditures were funded by cash generated from operations. As of July 31, 2021, the Company had $164.7 million remaining under its share repurchase authorization. There can be no assurance that any additional repurchases will be completed, or as to the timing or amount of any repurchases. The share repurchase program may be discontinued at any time.

(10) Subsequent Event

Subsequent to July 31, 2021 through August 30, 2021, the Company repurchased 464,857 shares of its common stock for $36.4 million, inclusive of transaction costs, pursuant to its share repurchase program resulting in $128.3 million remaining under its share repurchase authorization.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis of the financial condition and results of our operations should be read together with the financial statements and related notes of Ollie's Bargain Outlet Holdings, Inc. included in Item 1 of this Quarterly Report on Form 10-Q and with our audited financial statements and the related notes included in our Annual Report on Form 10-K filed with the Securities and Exchange Commission, or SEC, on March 24, 2021 ("Annual Report"). As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "Ollie's," the "Company," "we," "our" and "us" refer to Ollie's Bargain Outlet Holdings, Inc. and subsidiaries.

We operate on a fiscal calendar widely used by the retail industry that results in a fiscal year consisting of a 52- or 53-week period ending on the Saturday nearer to January 31 of the following year. References to "2021" refer to the 52-week period of January 31, 2021 to January 29, 2022. References to "2020" refer to the 52-week period of February 2, 2020 to January 30, 2021. References to the "second quarter of fiscal 2021" and the "second quarter of fiscal 2020" refer to the thirteen weeks of May 2, 2021 to July 31, 2021 and May 3, 2020 to August 1, 2020, respectively. Year-to-date periods ended July 31, 2021 and August 1, 2020 refer to the twenty-six weeks of January 31, 2021 to July 31, 2021 and February 2, 2020 to August 1, 2020, respectively. Historical results are not necessarily indicative of the results to be expected for any future period and results for any interim period may not necessarily be indicative of the results that may be expected for a full year.

Cautionary Note Regarding Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the U.S. Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by words such as "could," "may," "might," "will," "likely," "anticipates," "intends," "plans," "seeks," "believes," "estimates," "expects," "continues," "projects" and similar references to future periods, prospects, financial performance and industry outlook. Forward-looking statements are based on our current expectations and assumptions regarding our business, the economy and other future conditions. Because forward-looking statements relate to the future, by their nature, they are subject to inherent uncertainties, risks and changes in circumstances that are difficult to predict. As a result, our actual results may differ materially from those contemplated by the forward-looking statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include regional, national or global political, economic, business, competitive, market and regulatory conditions, including, but not limited to, legislation, national trade policy, and the following: our failure to adequately procure and manage our inventory or anticipate consumer demand; changes in consumer confidence and spending; risks associated with our status as a "brick and mortar" only retailer; risks associated with intense competition; our failure to open new profitable stores, or successfully enter new markets, on a timely basis or at all; the risks associated with doing business with international manufacturers and suppliers including, but not limited to, transportation and shipping challenges, and potential increases in tariffs on imported goods; outbreak of viruses or widespread illness, including the continued impact of COVID-19 and continuing or renewed regulatory responses thereto; our inability to operate our stores due to civil unrest and related protests or disturbances; our failure to properly hire and to retain key personnel and other qualified personnel; our inability to obtain favorable lease terms for our properties; the failure to timely acquire, develop and open, the loss of, or disruption or interruption in the operations of, our centralized distribution centers; fluctuations in comparable store sales and results of operations, including on a quarterly basis; risks associated with our lack of operations in the growing online retail marketplace; risks associated with litigation, the expense of defense, and potential for adverse outcomes; our inability to successfully develop or implement our marketing, advertising and promotional efforts; the seasonal nature of our business; risks associated with the timely and effective deployment, protection, and defense of computer networks and other electronic systems, including e-mail; changes in government regulations, procedures and requirements; risks associated with natural disasters, whether or not caused by climate change; and our ability to service indebtedness and to comply with our financial covenants together with each of the other factors set forth under "Item 1A - Risk Factors" contained herein and in our filings with the SEC, including our Annual Report. Any forward-looking statement made by us in this Quarterly Report on Form 10-Q speaks only as of the date on which such statement is made. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by law. You are advised, however, to consult any further disclosures we make on related subjects in our public announcements and SEC filings.

Overview

Ollie's is a highly differentiated and fast-growing, extreme value retailer of brand name merchandise at drastically reduced prices. Known for our assortment of products offered as "Good Stuff Cheap," we offer customers a broad selection of brand name products, including housewares, food, books and stationery, bed and bath, flooring, toys and hardware. Our differentiated go-to market strategy is characterized by a unique, fun and engaging treasure hunt shopping experience, compelling customer value proposition and witty, humorous in-store signage and advertising campaigns.

COVID-19 Update

The COVID-19 pandemic has significantly impacted the U.S. and global economies, resulting in business slowdowns or shutdowns, reduced economic activity, changes in consumer behavior, and changes in the mindset and availability of the labor force. We continue to monitor the impact of the pandemic on our business, including on our associates, customers, business partners and supply chain.

We continue to take measures to protect the health and safety of our associates and customers, a primary concern of our management team. We have also taken measures to support the communities that we serve to address the challenges posed by the pandemic.

Following the onset of the pandemic, our net sales have benefited from increased consumer spending associated with federal stimulus funds for said pandemic. At this time, there is uncertainty with regard to the continuation of these stimulus measures and, as a result, there may be potential changes in consumer spending behavior or demand. In addition, we are experiencing labor pressures at both our stores and distribution centers, and we are experiencing supply chain disruptions due to COVID-19 and related measures. We are increasing our hiring efforts in certain impacted markets and working closely with our suppliers and transportation partners to mitigate the impact of the supply chain challenges. The potential significance and duration of these elevated costs is uncertain, and we will continue to assess and respond to current and evolving conditions.

As we continue to monitor the COVID-19 pandemic and potentially take actions based on the requirements and recommendations of federal, state and local authorities, we intend to focus on managing the business for future, long-term growth. In certain circumstances, there may be developments outside our control, including resurgences of COVID-19 and, in particular, new and more contagious or vaccine resistant variants, requiring us to refine our operations. As such, given the evolving nature of the pandemic, we cannot reasonably estimate its impact on our financial condition, results of operations or cash flows in the future. Refer to Part I, Item 1A. Risk Factors of our 2020 Form 10-K for a full discussion of the risks associated with the COVID-19 pandemic.

Our Growth Strategy

Since the founding of Ollie's in 1982, we have grown organically by backfilling existing markets and leveraging our brand awareness, marketing and infrastructure to expand into new markets in contiguous states. We have expanded to 409 stores located in 28 states as of July 31, 2021.

Our stores are supported by three distribution centers, one each in York, PA, Commerce, GA and Lancaster, TX. We believe our distribution capabilities can support a range of 500 to 600 stores over the next several years.

We have invested in our associates, infrastructure, distribution network and information systems to allow us to continue to rapidly grow our store footprint, including:

- growing our merchant buying team to increase our access to brand name/closeout merchandise;
- adding members to our senior management team;

- expanding the capacity of our distribution centers to their current 2.2 million square feet; and

- investing in information technology, accounting, and warehouse management systems.

Our business model has produced consistent and predictable store growth over the past several years, during both strong and weaker economic cycles. We plan to continue to enhance our competitive positioning and drive growth in sales and profitability by executing on the following strategies:

- growing our store base;

- increasing our offerings of great bargains; and

- leveraging and expanding Ollie's Army, our customer loyalty program.

We have a proven portable, flexible and highly profitable store model that has produced consistent financial results and returns. Our new store model targets a store size between 25,000 to 35,000 square feet and an average initial cash investment of approximately $1.0 million, which includes store fixtures and equipment, store-level and distribution center inventory (net of payables) and pre-opening expenses. We target new store sales of approximately $4 million in their first full year of operations.

While we are focused on driving comparable store sales and managing our expenses, our revenue and profitability growth will primarily come from opening new stores. The core elements of our business model are procuring great deals, offering extreme values to our customers and creating consistent, predictable store growth and margins. In addition, our new stores generally open strong, immediately contributing to the growth in net sales and profitability of our business. We plan to achieve continued net sales growth, including comparable stores sales, by adding stores to our store base and by continuing to provide quality merchandise at a value for our customers as we scale and gain more access to purchase directly from major manufacturers. We also plan to leverage and expand our Ollie's Army database marketing strategies. In addition, we plan to continue to manage our selling, general and administrative expenses ("SG&A") by continuing to make process improvements and by maintaining our standard policy of reviewing our operating costs.

Our ability to grow and our results of operations may be impacted by additional factors and uncertainties, such as consumer spending habits, which are subject to macroeconomic conditions and changes in discretionary income. Our customers' discretionary income is primarily impacted by gas prices, wages and consumer trends and preferences, which fluctuate depending on the environment. The potential consolidation of our competitors or other changes in our competitive landscape could also impact our results of operations or our ability to grow, even though we compete with a broad range of retailers.

Our key competitive advantage is our direct buying relationships with many major manufacturers, wholesalers, distributors, brokers and retailers for our brand name and closeout products and unbranded goods. We also augment our product mix with private label brands. As we continue to grow, we believe our increased scale will provide us with even greater access to brand name and closeout products as major manufacturers seek a single buyer to acquire an entire deal.

How We Assess the Performance of Our Business and Key Line Items

We consider a variety of financial and operating measures in assessing the performance of our business. The key measures we use are number of new stores, net sales, comparable store sales, gross profit and gross margin, SG&A, pre-opening expenses, operating income, EBITDA and Adjusted EBITDA.

Number of New Stores

The number of new stores reflects the number of stores opened during a particular reporting period. Before we open new stores, we incur pre-opening expenses described below under "Pre-Opening Expenses" and we make an initial investment in inventory. We also make initial capital investments in fixtures and equipment, which we amortize over time.

We expect new store growth to be the primary driver of our sales growth. Our initial lease terms are approximately seven years with options to renew for three to five successive five-year periods. Our portable and predictable real estate model focuses on backfilling existing markets and entering new markets in contiguous states. Our new stores often open with higher sales levels as a result of greater advertising and promotional spend in connection with grand opening events, but decline shortly thereafter to our new store model levels.

Net Sales

Ollie's recognizes retail sales in its stores when merchandise is sold and the customer takes possession of the merchandise. Also included in net sales is revenue allocated to certain redeemed discounts earned via the Ollie's Army loyalty program and gift card breakage. Net sales are presented net of returns and sales tax. Net sales consist of sales from comparable stores and non-comparable stores, described below under "Comparable Store Sales." Growth of our net sales is primarily driven by expansion of our store base in existing and new markets. As we continue to grow, we believe we will have greater access to brand name and closeout merchandise and an increased deal selection, resulting in more potential offerings for our customers. Net sales are impacted by product mix, merchandise mix and availability, as well as promotional activities and the spending habits of our customers. Our broad selection of offerings across diverse product categories supports growth in net sales by attracting new customers, which results in higher spending levels and frequency of shopping visits from our customers, including Ollie's Army members.

The spending habits of our customers are subject to macroeconomic conditions and changes in discretionary income. Our customers' discretionary income is primarily impacted by gas prices, wages, and consumer trends and preferences, which fluctuate depending on the environment. However, because we offer a broad selection of merchandise at extreme values, we believe we are less impacted than other retailers by economic cycles that correspond with declines in general consumer spending habits. We believe we also benefit from periods of increased consumer spending.

Comparable Store Sales

Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. Comparable store sales consist of net sales from our stores beginning on the first day of the sixteenth full fiscal month following the store's opening, which is when we believe comparability is achieved. Comparable store sales are impacted by the same factors that impact net sales.

We define comparable stores to be stores that:

- have been remodeled while remaining open;
- are closed for five or fewer days in any fiscal month;
- are closed temporarily and relocated within their respective trade areas; and
- have expanded, but are not significantly different in size, within their current locations.

Non-comparable store sales consist of new store sales and sales for stores not open for a full 15 months. Stores which are closed temporarily, but for more than five days in any fiscal month, are included in non-comparable store sales beginning in the fiscal month in which the temporary closure begins until the first full month of operation once the store re-opens, at which time they are included in comparable store sales.

Opening new stores is the primary component of our growth strategy and as we continue to execute on our growth strategy, we expect a significant portion of our sales growth will be attributable to non-comparable store sales. Accordingly, comparable store sales are only one measure we use to assess the success of our growth strategy.

Gross Profit and Gross Margin

Gross profit is equal to our net sales less our cost of sales. Cost of sales includes merchandise costs, inventory markdowns, shrinkage and transportation, distribution and warehousing costs, including depreciation. Gross margin is gross profit as a percentage of our net sales. Gross margin is a measure used by management to indicate whether we are selling merchandise at an appropriate gross profit.

In addition, our gross margin is impacted by product mix, as some products generally provide higher gross margins, by our merchandise mix and availability, and by our merchandise cost, which can vary.

Our gross profit is variable in nature and generally follows changes in net sales. We regularly analyze the components of gross profit, as well as gross margin. Specifically, our product margin and merchandise mix is reviewed by our merchant team and senior management, ensuring strict adherence to internal margin goals. Our disciplined buying approach has produced consistent gross margins and we believe helps to mitigate adverse impacts on gross profit and results of operation.

The components of our cost of sales may not be comparable to the components of cost of sales or similar measures of our competitors and other retailers. As a result, our gross profit and gross margin may not be comparable to similar data made available by our competitors and other retailers.

Selling, General and Administrative Expenses

SG&A are comprised of payroll and benefits for store, field support and support center associates. SG&A also include marketing and advertising expense, occupancy costs for stores and the store support center, insurance, corporate infrastructure and other general expenses. The components of our SG&A remain relatively consistent per store and for each new store opening. The components of our SG&A may not be comparable to the components of similar measures of other retailers. Consolidated SG&A generally increase as we grow our store base and as our net sales increase. A significant portion of our expenses is primarily fixed in nature, and we expect to continue to maintain strict discipline while carefully monitoring SG&A as a percentage of net sales. We expect that our SG&A will continue to increase in future periods with future growth.

Depreciation and Amortization Expenses

Property and equipment are stated at original cost less accumulated depreciation and amortization. Depreciation and amortization expenses are calculated over the estimated useful lives of the related assets, or in the case of leasehold improvements, the lesser of the useful lives or the remaining term of the lease. Expenditures for additions, renewals, and betterments are capitalized; expenditures for maintenance and repairs are charged to expense as incurred. Depreciation and amortization are computed on the straight-line method for financial reporting purposes. Depreciation as it relates to our distribution centers is included within cost of sales on the condensed consolidated statements of income.

Pre-Opening Expenses

Pre-opening expenses consist of expenses of opening new stores and distribution centers, as well as store closing costs. For opening new stores, pre-opening expenses include grand opening advertising costs, payroll expenses, travel expenses, employee training costs, rent expenses and store setup costs. Pre-opening expenses for new stores are expensed as they are incurred, which is typically within 30 to 45 days of opening a new store. For opening distribution centers, pre-opening expenses primarily include inventory transportation costs, employee travel expenses and occupancy costs. Store closing costs primarily consist of insurance deductibles, rent and store payroll.

Operating Income

Operating income is gross profit less SG&A, depreciation and amortization and pre-opening expenses. Operating income excludes net interest income or expense and income tax expense or benefit. We use operating income as an indicator of the productivity of our business and our ability to manage expenses.

EBITDA and Adjusted EBITDA

EBITDA and Adjusted EBITDA are key metrics used by management and our Board to assess our financial performance. EBITDA and Adjusted EBITDA are also frequently used by analysts, investors and other interested parties to evaluate companies in our industry. We use Adjusted EBITDA to supplement U.S. generally accepted accounting principles ("GAAP") measures of performance to evaluate the effectiveness of our business strategies, to make budgeting decisions, to evaluate our performance in connection with compensation decisions and to compare our performance against that of other peer companies using similar measures. Management believes it is useful to investors and analysts to evaluate these non-GAAP measures on the same basis as management uses to evaluate the Company's operating results. We believe that excluding items from operating income, net income and net income per diluted share that may not be indicative of, or are unrelated to, our core operating results, and that may vary in frequency or magnitude, enhances the comparability of our results and provides a better baseline for analyzing trends in our business.

We define EBITDA as net income before net interest income or expense, depreciation and amortization expenses and income taxes. Adjusted EBITDA represents EBITDA as further adjusted for non-cash stock-based compensation expense. EBITDA and Adjusted EBITDA are non-GAAP measures and may not be comparable to similar measures reported by other companies. EBITDA and Adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP. In the future we may incur expenses or charges such as those added back to calculate Adjusted EBITDA. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by these items. For further discussion of EBITDA and Adjusted EBITDA and for reconciliations of net income, the most directly comparable GAAP measure, to EBITDA and Adjusted EBITDA, see "Results of Operations."

Factors Affecting the Comparability of our Results of Operations

Our results over the past two years have been affected by the following factors, which must be understood in order to assess the comparability of our period-to-period financial performance and condition.

Historical Results

Historical results are not necessarily indicative of the results to be expected for any future period.

Store Openings and Closings

We opened 12 and six new stores in the second quarters of fiscal 2021 and fiscal 2020, respectively. In connection with these store openings, we incurred expenses of $2.5 million and $1.5 million for the second quarters of fiscal 2021 and fiscal 2020, respectively. We opened 23 new stores, including two relocated stores, in the twenty-six weeks ended July 31, 2021. We opened 23 new stores and closed two stores, one as planned and one closed temporarily due to smoke damage from a fire at an adjacent tenant, in the twenty-six weeks ended August 1, 2020. In connection with these store openings and closings, we incurred expenses of $5.1 million and $5.3 million for the twenty-six weeks ended July 31, 2021 and August 1, 2020, respectively.

Seasonality

Our business is seasonal in nature and demand is generally the highest in our fourth fiscal quarter due to the holiday sales season. To prepare for the holiday sales season, we must order and keep in stock more merchandise than we carry during other times of the year and generally engage in additional marketing efforts. We expect inventory levels, along with accounts payable and accrued expenses, to reach their highest levels in our third and fourth fiscal quarters in anticipation of increased net sales during the holiday sales season. As a result of this seasonality, and generally because of variation in consumer spending habits, we experience fluctuations in net sales and working capital requirements during the year. Because we offer a broad selection of merchandise at extreme values, we believe we are less impacted than other retailers by economic cycles which correspond with declines in general consumer spending habits and we believe we still benefit from periods of increased consumer spending.

Results of Operations

The following tables summarize key components of our results of operations for the periods indicated, both in dollars and as a percentage of our net sales.

We derived the condensed consolidated statements of income for the thirteen and twenty-six weeks ended July 31, 2021 and August 1, 2020 from our unaudited condensed consolidated financial statements and related notes. Our historical results are not necessarily indicative of the results that may be expected in the future.

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(dollars in thousands)			
Condensed consolidated statements of income data:				
Net sales	$ 415,881	$ 529,313	$ 868,373	$ 878,676
Cost of sales	252,846	322,471	522,728	531,468
Gross profit	163,035	206,842	345,645	347,208
Selling, general and administrative expenses	110,119	109,149	214,489	198,869
Depreciation and amortization expenses	4,669	4,122	9,153	8,066
Pre-opening expenses	2,541	1,545	5,076	5,267
Operating income	45,706	92,026	116,927	135,006
Interest expense (income), net	66	(26)	41	(109)
Income before income taxes	45,640	92,052	116,886	135,115
Income tax expense (benefit)	11,317	(7,331)	27,343	2,276
Net income	$ 34,323	$ 99,383	$ 89,543	$ 132,839
Percentage of net sales (1):				
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	60.8	60.9	60.2	60.5
Gross profit	39.2	39.1	39.8	39.5
Selling, general and administrative expenses	26.5	20.6	24.7	22.6
Depreciation and amortization expenses	1.1	0.8	1.1	0.9
Pre-opening expenses	0.6	0.3	0.6	0.6
Operating income	11.0	17.4	13.5	15.4
Interest expense (income), net	—	—	—	—
Income before income taxes	11.0	17.4	13.5	15.4
Income tax expense (benefit)	2.7	(1.4)	3.1	0.3
Net income	8.3%	18.8%	10.3%	15.1%
Select operating data:				
New store openings	12	6	23	23
Number of closed stores	—	—	(2)	(2)
Number of stores open at end of period	409	366	409	366
Average net sales per store (2)	$ 1,024	$ 1,454	$ 2,173	$ 2,441
Comparable stores sales change	(28.0)%	43.3%	(9.3)%	20.2%

(1) Components may not add to totals due to rounding.

(2) Average net sales per store represents the weighted average of total net weekly sales divided by the number of stores open at the end of each week for the respective periods presented.

The following table provides a reconciliation of our net income to Adjusted EBITDA for the periods presented:

	Thirteen weeks ended		Twenty-six weeks ended	
	July 31, 2021	August 1, 2020	July 31, 2021	August 1, 2020
	(dollars in thousands)			
Net income	$ 34,323	$ 99,383	$ 89,543	$ 132,839
Interest expense (income), net	66	(26)	41	(109)
Depreciation and amortization expenses (1)	6,094	5,653	12,012	11,063
Income tax expense (benefit)	11,317	(7,331)	27,343	2,276
EBITDA	51,800	97,679	128,939	146,069
Non-cash stock-based compensation expense	2,312	1,727	4,332	3,046
Adjusted EBITDA	$ 54,112	$ 99,406	$ 133,271	$ 149,115

(1) Includes depreciation and amortization relating to our distribution centers, which is included within cost of sales on our condensed consolidated statements of income.

Second Quarter of Fiscal 2021 Compared to Second Quarter of Fiscal 2020

Net Sales

Net sales decreased to $415.9 million in the second quarter of fiscal 2021 from $529.3 million in the second quarter of fiscal 2020, a decrease of $113.4 million, or 21.4%. The decrease was the result of a comparable store sales decrease of $139.4 million offset by an increase in non-comparable store sales of $26.0 million. The increase in non-comparable store sales was driven by new store unit growth.

Comparable store sales decreased 28.0% in the second quarter of fiscal 2021 compared with a 43.3% increase in the second quarter of fiscal 2020. In the second quarter of fiscal 2020, we benefited from increased consumer spending associated with federal economic stimulus funds for the COVID-19 pandemic and having our stores open during the quarter while other retailers were closed for a portion of the period.

The decrease in comparable store sales in the quarter consisted of a decrease in both the number of transactions and average transaction size. Sales in our health and beauty aids and housewares departments significantly decreased during the quarter due to a surge of COVID-related personal protective equipment and cleaning supplies sales in the prior year.

Gross Profit and Gross Margin

Gross profit decreased to $163.0 million in the second quarter of fiscal 2021 from $206.8 million in the second quarter of fiscal 2020, a decrease of $43.8 million, or 21.2%. Gross margin increased 10 basis points to 39.2% in the second quarter of fiscal 2021 from 39.1% in the second quarter of fiscal 2020. The increase in gross margin in the second quarter of fiscal 2021 is due to improvement in the merchandise margin, partially offset by deleveraging of supply chain costs, primarily the result of higher transportation expenses.

Selling, General and Administrative Expenses

SG&A increased to $110.1 million in the second quarter of fiscal 2021 from $109.1 million in the second quarter of fiscal 2020, an increase of $1.0 million, or 0.9%, primarily driven by an increased number of stores and partially offset by tight expense controls throughout the organization. As a percentage of net sales, SG&A increased 590 basis points to 26.5% in the second quarter of fiscal 2021 from 20.6% in the second quarter of fiscal 2020. The increase was primarily due to significant deleveraging as a result of the decrease in sales.

Pre-Opening Expenses

Pre-opening expenses for new stores increased to $2.5 million in the second quarter of fiscal 2021 from $1.5 million in the second quarter of fiscal 2020 due to the comparative number and timing of new stores. We opened 12 and six new stores in the second quarters of fiscal 2021 and fiscal 2020, respectively. As a percentage of net sales, pre-opening expenses increased 30 basis points to 0.6% in the second quarter of fiscal 2021 from 0.3% in the second quarter of fiscal 2020.

Income Tax Expense (Benefit)

Income tax expense in the second quarter of fiscal 2021 was $11.3 million compared to income tax benefit of $7.3 million in the second quarter of fiscal 2020. The effective tax rates for the second quarters of fiscal 2021 and fiscal 2020 were 24.8% and (8.0)%, respectively. The variance in the effective tax rates in the quarters was primarily due to a significant decrease in excess tax benefits related to stock-based compensation. The prior year effective tax rate was impacted by tax benefits due to the exercise of stock options by the estate of the Company's former chief executive officer. Discrete tax benefits totaled $0.4 million and $30.5 million in the second quarter of fiscal 2021 and the second quarter of fiscal 2020, respectively.

Net Income

As a result of the foregoing, net income decreased to $34.3 million in the second quarter of fiscal 2021 from $99.4 million in the second quarter of fiscal 2020, a decrease of $65.1 million or 65.5%.

Adjusted EBITDA

Adjusted EBITDA decreased to $54.1 million in the second quarter of fiscal 2021 from $99.4 million in the second quarter of fiscal 2020, a decrease of $45.3 million, or 45.6%.

Twenty-Six Weeks 2021 Compared to Twenty-Six Weeks 2020

Net Sales

Net sales decreased to $868.4 million in the twenty-six weeks ended July 31, 2021 from $878.7 million in the twenty-six weeks ended August 1, 2020, a decrease of $10.3 million, or 1.2%. The decrease was the result of a comparable store sales decrease of $77.0 million and a non-comparable store sales increase of $66.7 million. The increase in non-comparable store sales was driven by new store unit growth and strong new store performance.

Comparable store sales decreased 9.3% in the twenty-six weeks ended July 31, 2021 compared with a 20.2% increase in the twenty-six weeks ended August 1, 2020. In fiscal 2020, we benefited from increased consumer spending associated with federal economic stimulus funds for the COVID-19 pandemic and having our stores open while other retailers were closed for a portion of the period.

The decrease in comparable store sales in the twenty-six weeks ended July 31, 2021 consisted of a decrease in both the number of transactions and average transaction size. Sales in our health and beauty aids and housewares departments significantly decreased in the twenty-six weeks ended July 31, 2021 due to a surge of COVID-related personal protective equipment and cleaning supplies sales in the prior year.

Gross Profit and Gross Margin

Gross profit decreased to $345.6 million in the twenty-six weeks ended July 31, 2021 from $347.2 million in the twenty-six weeks ended August 1, 2020, a decrease of $1.6 million, or 0.5%. Gross margin increased 30 basis points to 39.8% in the twenty-six weeks ended July 31, 2021 from 39.5% in the twenty-six weeks ended August 1, 2020. The increase in gross margin in the twenty-six weeks ended July 31, 2021 is due to improvement in the merchandise margin, partially offset by increases in and deleveraging of supply chain costs, primarily the result of higher transportation expenses.

Selling, General and Administrative Expenses

SG&A increased to $214.5 million in the twenty-six weeks ended July 31, 2021 from $198.9 million in the twenty-six weeks ended August 1, 2020, an increase of $15.6 million, or 7.9%, primarily driven by an increased number of stores and partially offset by tight expense controls throughout the organization. As a percentage of net sales, SG&A increased 210 basis points to 24.7% in the twenty-six weeks ended July 31, 2021 from 22.6% in the twenty-six weeks ended August 1, 2020. The increase was primarily due to a significant deleveraging as a result of the decrease in sales.

Pre-Opening Expenses

Pre-opening expenses for new stores decreased to $5.1 million in the twenty-six weeks ended July 31, 2021 from $5.3 million in the twenty-six weeks ended August 1, 2020 due to the comparative number and timing of new stores. During the twenty-six weeks ended July 31, 2021, we opened 23 stores, including two relocated stores. During the twenty-six weeks ended August 1, 2020, we opened 23 stores and closed two stores, one as planned and one closed temporarily due to smoke damage from a fire at an adjacent tenant. As a percentage of net sales, pre-opening expenses were 0.6% in both the twenty-six weeks ended July 31, 2021 and August 1, 2020.

Income Tax Expense

Income tax expense in the twenty-six weeks ended July 31, 2021 was $27.3 million compared to income tax expense of $2.3 million in the twenty-six weeks ended August 1, 2020. The effective tax rates for the twenty-six weeks ended July 31, 2021 and August 1, 2020 were 23.4% and 1.7%, respectively. The variance in the effective tax rates in the twenty-six week periods was primarily due to a significant decrease in excess tax benefits related to stock-based compensation. The prior year effective tax rate was impacted by tax benefits due to the exercise of stock options by the estate of the Company's former chief executive officer. Discrete tax benefits totaled $2.5 million and $31.7 million in the twenty-six weeks ended July 31, 2021 and the twenty-six weeks ended August 1, 2020, respectively.

Net Income

As a result of the foregoing, net income decreased to $89.5 million in the twenty-six weeks ended July 31, 2021 from $132.8 million in the twenty-six weeks ended August 1, 2020, a decrease of $43.3 million or 32.6%.

Adjusted EBITDA

Adjusted EBITDA decreased to $133.3 million in the twenty-six weeks ended July 31, 2021 from $149.1 million in the twenty-six weeks ended August 1, 2020, a decrease of $15.8 million, or 10.6%.

Liquidity and Capital Resources

Overview

Our primary sources of liquidity are net cash flows provided by operating activities and available borrowings under our revolving credit facility ("Revolving Credit Facility"). Our primary cash needs are for capital expenditures and working capital. As of July 31, 2021, we had $88.6 million available to borrow under our Revolving Credit Facility and $444.3 million of cash and cash equivalents on hand. For further information regarding our Revolving Credit Facility, see Note 6 under "Notes to Unaudited Condensed Consolidated Financial Statements."

Our capital expenditures are primarily related to new store openings, store resets, which consist of improvements to stores as they are needed, expenditures related to our distribution centers, and infrastructure-related investments, including investments related to upgrading and maintaining our information technology systems. We spent $8.2 million and $5.7 million for capital expenditures during the second quarters of fiscal 2021 and fiscal 2020, respectively. For the twenty-six weeks ended July 31, 2021, we spent $17.7 million for capital expenditures compared to $18.1 million for the twenty-six weeks ended August 1, 2020. We expect to fund capital expenditures from net cash provided by operating activities. We opened 23 new stores including two relocated stores during the twenty-six weeks ended July 31, 2021 and expect to open approximately 46 to 47 stores during 2021. However, we may experience delays in construction and permitting of new stores due to COVID-19.

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash flows from operations.

Our primary working capital requirements are for the purchase of inventory, payroll, rent, other store operating costs, distribution costs and general and administrative costs. Our working capital requirements fluctuate during the year, rising in our third fiscal quarter as we increase quantities of inventory in anticipation of our peak holiday sales season in our fourth fiscal quarter. Fluctuations in working capital are also driven by the timing of new store openings.

Based on our new store growth plans, we believe our cash and cash equivalents position, net cash provided by operating activities and availability under our Revolving Credit Facility will be adequate to finance our planned capital expenditures, working capital requirements, debt service and other financing activities over the next 12 months. If cash provided by operating activities and borrowings under our Revolving Credit Facility are not sufficient or available to meet our capital requirements, we will then be required to obtain additional equity or debt financing in the future. There can be no assurance equity or debt financing will be available to us when needed or, if available, the terms will be satisfactory to us and not dilutive to our then-current stockholders.

We are not currently receiving, and do not currently intend to apply for, loans under any federal or state programs implemented as a result of the COVID-19 pandemic, including the Coronavirus Aid, Relief, and Economic Security (CARES) Act.

Share Repurchase Program

On March 26, 2019, the Board of Directors of the Company authorized the repurchase of up to $100.0 million of shares of our common stock. This initial tranche expired on March 26, 2021. The Board authorized the repurchase of another $100.0 million of our common stock on December 15, 2020 and a $100.0 million increase on March 16, 2021, resulting in $200.0 million approved for share repurchases through January 13, 2023. The shares to be repurchased may be purchased from time to time in open market conditions (including blocks), privately negotiated transactions, accelerated share repurchase programs or other derivative transactions, issuer self-tender offers or any combination of the foregoing. The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of our shares, general market, economic and business conditions, and other corporate considerations. Repurchases may be made pursuant to plans intended to comply with Rule 10b5-1 under the Securities Exchange Act of 1934, which could allow us to purchase our shares during periods when we otherwise might be prevented from doing so under insider trading laws or because of self-imposed trading blackout periods. Repurchases are expected to be funded from cash on hand or through the utilization of our Revolving Credit Facility. The repurchase authorization does not require the purchase of a specific number of shares and is subject to suspension or termination by our Board of Directors at any time.

During the twenty-six weeks ended July 31, 2021, we repurchased 430,178 shares of our common stock for $35.3 million, inclusive of transaction costs, pursuant to our share repurchase program. We made no share repurchases during the twenty-six weeks ended August 1, 2020. These expenditures were funded by cash generated from operations. As of July 31, 2021, we had $164.7 million remaining under our share repurchase authorization.

Subsequent to July 31, 2021 through August 30, 2021, we invested $36.4 million, inclusive of transaction costs, to repurchase an additional 464,857 shares of our common stock, resulting in $128.3 million remaining under our share repurchase authorization. There can be no assurances that any additional repurchases will be completed, or as to the timing or amount of any repurchases.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

	Twenty-six weeks ended	
	July 31, 2021	**August 1, 2020**
	(in thousands)	
Net cash provided by operating activities	$ 41,846	$ 210,194
Net cash used in investing activities	(14,747)	(18,045)
Net cash (used in) provided by financing activities	(29,963)	23,011
Net (decrease) increase in cash and cash equivalents	$ (2,864)	$ 215,160

Cash Provided by Operating Activities

Net cash provided by operating activities was $41.8 million for the twenty-six weeks ended July 31, 2021 compared to $210.2 million for the twenty-six weeks ended August 1, 2020. The decrease in net cash provided by operating activities for the twenty-six weeks ended July 31, 2021 was primarily due to a decrease in net sales.

Cash Used in Investing Activities

Net cash used in investing activities for the twenty-six weeks ended July 31, 2021 was $14.7 million compared to net cash used in investing activities of $18.0 million for the twenty-six weeks ended August 1, 2020. The comparative decrease in cash used in investing activities is primarily from proceeds from sale of property and equipment in the current year.

Cash (Used in) Provided by Financing Activities

Net cash used in financing activities was $30.0 million in the twenty-six weeks ended July 31, 2021 as compared with net cash provided by financing activities of $23.0 million in the twenty-six weeks ended August 1, 2020. The net cash outflow in the twenty-six weeks ended July 31, 2021 is due to payment for shares repurchased, partially offset by proceeds from stock option exercises.

Contractual Obligations

We enter into long-term contractual obligations and commitments in the normal course of business, primarily operating leases. Except as set forth in Note 4 of the accompanying unaudited condensed consolidated financial statements, there have been no material changes to our contractual obligations as disclosed in our Annual Report, other than those which occur in the ordinary course of business.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that have or are reasonably likely to have a current or future effect on our financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. There have been no significant changes in the significant accounting policies and estimates.

Recently Issued Accounting Pronouncements

Not applicable.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk

We are subject to interest rate risk in connection with borrowings under our Revolving Credit Facility, which bears interest at variable rates. As of July 31, 2021, we had no outstanding variable rate debt.

As of July 31, 2021, there were no material changes in the market risks described in the “Quantitative and Qualitative Disclosure of Market Risks” section of our Annual Report.

Impact of Inflation

Our results of operations and financial condition are presented based on historical cost. While it is difficult to accurately measure the impact of inflation due to the imprecise nature of the estimates required, we believe the effects of inflation, if any, on our historical results of operations and financial condition have been immaterial. We cannot be assured that our results of operations and financial condition will not be materially impacted by inflation in the future.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our management has evaluated, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, the effectiveness of our disclosure controls and procedures, as defined in Rule 13(a)-15(e) of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this Quarterly Report on Form 10-Q pursuant to Rule 13a-15(b) of the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures as of the end of the period covered by this Quarterly Report on Form 10-Q are effective at a reasonable assurance level in ensuring that information required to be disclosed in our Exchange Act reports is: (1) recorded, processed, summarized and reported in a timely manner, and (2) accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls and procedures will prevent or detect all errors and all fraud. While our disclosure controls and procedures are designed to provide reasonable assurance of their effectiveness, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected.

Changes in Internal Control over Financial Reporting

There were no changes to our internal control over financial reporting during the thirteen weeks ended July 31, 2021 that have materially affected, or that are reasonably likely to materially affect, our internal control over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

From time to time we may be involved in claims and legal actions that arise in the ordinary course of our business. We cannot predict the outcome of any litigation or suit to which we are a party. However, we do not believe that an unfavorable decision of any of the current claims or legal actions against us, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations, liquidity or capital resources.

ITEM 1A. RISK FACTORS

See Item 1A in our Annual Report for a detailed description of risk factors affecting the Company. There have been no significant changes from the risk factors previously disclosed in that filing.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information on Share Repurchases

Information regarding shares of common stock the Company repurchased during the thirteen weeks ended July 31, 2021 is as follows:

Period	Total number of shares repurchased (1)	Average price paid per share (2)		Total number of shares purchased as part of publicly announced plans or programs (3)	Approximate dollar value of shares that may yet be purchased under the plans or programs (3)	
May 2, 2021 through May 29, 2021	251,948	$	79.40	251,948	$	170,415,416
May 30, 2021 through July 3, 2021	59,945	$	83.97	59,945	$	165,381,786
July 4, 2021 through July 31, 2021	7,663	$	83.73	7,663	$	164,740,156
Total	319,556			319,556		

(1) Consists of shares repurchased under the publicly announced share repurchase program.

(2) Includes commissions for the shares repurchased under the share repurchase program.

(3) On December 15, 2020, the Board of Directors authorized the repurchase of up to $100.00 million of shares of the Company's common stock. On March 16, 2021, the Board of Directors of the Company authorized an increase of $100.0 million in the Company's share repurchase program resulting in $200.0 million approved for share repurchases through January 13, 2023. Shares under both authorizations may be purchased from time to time in open market transactions (including blocks), privately negotiated transactions, accelerated share repurchase programs or other derivative transactions, issuer self-tender offers or any combination of the foregoing. The timing of repurchases and the actual amount purchased will depend on a variety of factors, including the market price of the Company's shares, general market, economic and business conditions, and other corporate considerations. In addition, the authorizations are subject to extension or earlier termination by the Board of Directors at any time. As of July 31, 2021, the Company had $164.7 million remaining under its share repurchase program. For further discussion on the share repurchase program, see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations, Liquidity and Capital Resources, Share Repurchase Program."

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

Exhibit No.	Description of Exhibits
†10.1	Separation Agreement and General Release, dated August 11, 2021, by and between Ollie's Bargain Outlet, Inc. and Raymond Daugherty (incorporated by reference to Exhibit 10.1 to the Current Report filed on Form 8-K by the Company on August 12, 2021 (No. 001-37501)).
*31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) or 15d-14(a) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
*32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
*32.2	Certification of Chief Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
**101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document).
**101.SCH	Inline XBRL Taxonomy Extension Schema Document.
**101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
**101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document.
**101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document.
**101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document.
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101).

* Filed herewith.

** Submitted electronically with this Report.

† Previously filed.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

OLLIE'S BARGAIN OUTLET HOLDINGS, INC.

Date: August 31, 2021

/s/ Jay Stasz

Jay Stasz
Senior Vice President and
Chief Financial Officer
(Principal Financial and Accounting Officer)

Exhibit 31.1

CERTIFICATIONS

I, John Swygert, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ollie's Bargain Outlet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 31, 2021

/s/ John Swygert

John Swygert
President and Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

CERTIFICATIONS

I, Jay Stasz, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Ollie’s Bargain Outlet Holdings, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 31, 2021

/s/ Jay Stasz
Jay Stasz
Senior Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ollie's Bargain Outlet Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Swygert, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2021

/s/ John Swygert
John Swygert
President and Chief Executive Officer

Exhibit 32.2

CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Ollie's Bargain Outlet Holdings, Inc. (the "Company") on Form 10-Q for the quarter ended July 31, 2021, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jay Stasz, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: August 31, 2021

/s/ Jay Stasz

Jay Stasz
Chief Financial Officer