**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 30, 2016**
**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** | **80-0848819** |
| **(Commission File Number)** | **(IRS Employer Identification No.)** |
| **6295 Allentown Boulevard**<br>**Suite 1**<br>**Harrisburg, Pennsylvania** | **17112** |
| **(Address of principal executive offices)** | **(Zip Code)** |

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

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

| | | | |
|---|---|---|---|
| Large accelerated filer | ☐ | Accelerated filer | ☐ |
| Non-accelerated filer | ☒ (Do not check if a smaller reporting company) | Smaller reporting company | ☐ |

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 31, 2016 was 60,234,033.

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## ITEM 1 – CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

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

| **Assets** | **July 30, 2016** | **August 1, 2015** | **January 30, 2016** |
|---|---|---|---|
| Current assets: | | | |
| Cash and cash equivalents | $ 30,732 | $ 782 | $ 30,259 |
| Inventories | 215,724 | 187,242 | 190,608 |
| Accounts receivable | 163 | 570 | 183 |
| Deferred income taxes | - | 4,322 | - |
| Prepaid expenses and other assets | 7,484 | 5,612 | 2,756 |
| Total current assets | 254,103 | 198,528 | 223,806 |
| Property and equipment, net of accumulated depreciation of $33,181, $23,673 and $28,270, respectively | 44,967 | 36,136 | 39,292 |
| Goodwill | 444,850 | 444,850 | 444,850 |
| Trade name and other intangible assets, net of accumulated amortization of $1,448, $1,268 and $1,259, respectively | 233,165 | 233,399 | 233,354 |
| Other assets | 2,435 | 2,268 | 2,520 |
| Total assets | $ 979,520 | $ 915,181 | $ 943,822 |
| **Liabilities and Stockholders' Equity** | | | |
| Current liabilities: | | | |
| Current portion of long-term debt | $ 5,052 | $ 3,372 | $ 5,018 |
| Accounts payable | 54,181 | 40,304 | 52,075 |
| Income taxes payable | - | - | 4,102 |
| Accrued expenses | 33,738 | 27,117 | 35,573 |
| Total current liabilities | 92,971 | 70,793 | 96,768 |
| Revolving credit facility | - | 9,648 | - |
| Long-term debt | 191,209 | 206,589 | 193,433 |
| Deferred income taxes | 85,582 | 91,706 | 87,171 |
| Other long-term liabilities | 4,964 | 3,321 | 4,501 |
| Total liabilities | 374,726 | 382,057 | 381,873 |
| 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; 60,165, 58,472, and 58,807 shares issued, respectively | 60 | 58 | 59 |
| Additional paid-in capital | 554,276 | 530,317 | 536,315 |
| Retained earnings | 50,544 | 2,835 | 25,661 |
| Treasury - common stock, at cost; 9 shares | (86) | (86) | (86) |
| Total stockholders' equity | 604,794 | 533,124 | 561,949 |
| Total liabilities and stockholders' equity | $ 979,520 | $ 915,181 | $ 943,822 |

See accompanying notes to the condensed consolidated financial statements.

**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 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| Net sales | $ 211,256 | $ 181,933 | $ 404,975 | $ 344,403 |
| Cost of sales | 127,442 | 111,875 | 242,146 | 210,302 |
| Gross profit | 83,814 | 70,058 | 162,829 | 134,101 |
| Selling, general and administrative expenses | 57,737 | 49,575 | 112,546 | 95,446 |
| Depreciation and amortization expenses | 2,068 | 1,760 | 4,046 | 3,455 |
| Pre-opening expenses | 2,024 | 1,882 | 3,273 | 2,872 |
| Operating income | 21,985 | 16,841 | 42,964 | 32,328 |
| Interest expense, net | 1,471 | 4,423 | 3,135 | 8,997 |
| Loss on extinguishment of debt | - | 2,351 | - | 2,351 |
| Income before income taxes | 20,514 | 10,067 | 39,829 | 20,980 |
| Income tax expense | 7,379 | 3,715 | 14,946 | 7,967 |
| Net income | $ 13,135 | $ 6,352 | $ 24,883 | $ 13,013 |
| Earnings per common share: | | | | |
| Basic | $ 0.22 | $ 0.13 | $ 0.42 | $ 0.26 |
| Diluted | $ 0.21 | $ 0.12 | $ 0.40 | $ 0.26 |
| Weighted average common shares outstanding: | | | | |
| Basic | 60,046 | 50,102 | 59,857 | 49,149 |
| Diluted | 62,358 | 52,057 | 62,113 | 50,801 |

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, except per share amounts)

(Unaudited)

| | Common stock – Class A | | Common stock | | Treasury stock | | Additional paid-in capital | Retained earnings | Total stockholders' equity |
|---|---|---|---|---|---|---|---|---|---|
| | Shares | Amount | Shares | Amount | Shares | Amount | | | |
| Balance as of January 31, 2015 | 48,203 | $ 48 | - | $ - | (3) | $ (29) | $ 393,078 | $ 23,738 | $ 416,835 |
| Stock-based compensation expense | - | - | - | - | - | - | 2,296 | - | 2,296 |
| Proceeds from stock options exercised | 5 | - | - | - | - | - | 34 | - | 34 |
| Coversion of Class A and Class B common stock to a single class of common stock | (48,208) | (48) | 48,208 | 48 | - | - | - | - | - |
| Proceeds from issuance of common stock, net of expenses | - | - | 10,264 | 10 | - | - | 149,841 | - | 149,851 |
| Dividend paid ($1.01 per share) | - | - | - | - | - | - | (14,932) | (33,916) | (48,848) |
| Purchase of treasury stock | - | - | - | - | (6) | (57) | - | - | (57) |
| Net income | - | - | - | - | - | - | - | 13,013 | 13,013 |
| Balance as of August 1, 2015 | - | $ - | 58,472 | $ 58 | (9) | $ (86) | $ 530,317 | $ 2,835 | $ 533,124 |
| | | | | | | | | | |
| Balance as of January 30, 2016 | - | $ - | 58,807 | $ 59 | (9) | $ (86) | $ 536,315 | $ 25,661 | $ 561,949 |
| Stock-based compensation expense | - | - | - | - | - | - | 3,272 | - | 3,272 |
| Proceeds from stock options exercised | - | - | 1,358 | 1 | - | - | 9,194 | - | 9,195 |
| Excess tax benefit related to exercises of stock options | - | - | - | - | - | - | 5,495 | - | 5,495 |
| Net income | - | - | - | - | - | - | - | 24,883 | 24,883 |
| Balance as of July 30, 2016 | - | $ - | 60,165 | $ 60 | (9) | $ (86) | $ 554,276 | $ 50,544 | $ 604,794 |

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 30, 2016 | Twenty-six weeks ended August 1, 2015 |
|---|---|---|
| Cash flows from operating activities: | | |
| Net income | $ 24,883 | $ 13,013 |
| Adjustments to reconcile net income to net cash used in operating activities: | | |
| Depreciation and amortization of property and equipment | 4,911 | 4,317 |
| Amortization of debt issuance costs | 374 | 698 |
| Amortization of original issue discount | 12 | 260 |
| Loss on extinguishment of debt | - | 2,351 |
| Amortization of intangibles | 189 | 226 |
| Deferred income tax benefit | (1,589) | (1,706) |
| Deferred rent expense | 636 | 578 |
| Stock-based compensation expense | 3,272 | 2,296 |
| Excess tax benefit related to exercises of stock options | (5,495) | - |
| Changes in operating assets and liabilities: | | |
| Inventories | (25,116) | (17,370) |
| Accounts receivable | 20 | (252) |
| Prepaid expenses and other assets | (4,851) | (3,485) |
| Accounts payable | 1,683 | (10,664) |
| Income taxes payable | 1,393 | (4,960) |
| Accrued expenses and other liabilities | (2,008) | (2,457) |
| Net cash used in operating activities | (1,686) | (17,155) |
| Cash flows from investing activities: | | |
| Purchases of property and equipment | (9,982) | (6,024) |
| Proceeds from sale of property and equipment | - | 23 |
| Net cash used in investing activities | (9,982) | (6,001) |
| Cash flows from financing activities: | | |
| Borrowings on revolving credit facility | 430,866 | 424,499 |
| Repayments on revolving credit facility | (430,866) | (414,851) |
| Repayments on term loan and capital leases | (2,549) | (109,254) |
| Payment of debt issuance costs | - | (1,152) |
| Proceeds from issuance of common stock, net of expenses | - | 151,615 |
| Proceeds from stock option exercises | 9,195 | 34 |
| Excess tax benefit related to exercises of stock options | 5,495 | - |
| Payment of dividend | - | (48,848) |
| Purchase of treasury stock | - | (57) |
| Net cash provided by financing activities | 12,141 | 1,986 |
| Net increase (decrease) in cash and cash equivalents | 473 | (21,170) |
| Cash and cash equivalents at the beginning of the period | 30,259 | 21,952 |
| Cash and cash equivalents at the end of the period | $ 30,732 | $ 782 |
| Supplemental disclosure of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest | $ 2,762 | $ 8,017 |
| Income taxes | $ 20,482 | $ 14,645 |
| Non-cash investing activities: | | |
| Accrued purchases of property and equipment | $ 825 | $ 907 |

See accompanying notes to the condensed consolidated financial statements.

**OLLIE'S BARGAIN OUTLET HOLDINGS, INC. AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

July 30, 2016 and August 1, 2015

(Unaudited)

## (1) Organization and Summary of Significant Accounting Policies

### *(a) Description of Business*

Ollie's Bargain Outlet Holdings, Inc., operates through its operating subsidiary, Ollie's Bargain Outlet, Inc., a chain of retail stores which offer brand name products at deeply discounted and closeout prices across a broad selection of product categories. Ollie's Bargain Outlet Holdings, Inc., together with its subsidiaries, will be referenced herein as the Company or Ollie's. Ollie's principally buys overproduced, overstocked, and closeout merchandise from manufacturers, wholesalers, and other retailers. In addition, the Company augments brand name closeout deals with directly sourced private label products featuring names exclusive to Ollie's in order to provide consistent assortment of value-priced goods in select key merchandise categories.

Since the first store opened in 1982, the Company has grown to 216 Ollie's Bargain Outlet retail locations as of July 30, 2016. Ollie's Bargain Outlet retail locations are located in 19 states (Alabama, Connecticut, Delaware, Florida, Georgia, Indiana, Kentucky, Maryland, Michigan, Mississippi, New Jersey, New York, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia) as of July 30, 2016.

*Initial Public Offering*

On July 15, 2015, the Company priced its initial public offering ("IPO") of 8,925,000 shares of its common stock. In addition, on July 17, 2015, the underwriters of the IPO exercised their option to purchase an additional 1,338,750 shares of common stock from the Company. As a result, 10,263,750 shares of common stock were issued and sold by the Company at a price of $16.00 per share.

As a result of the IPO, the Company received net proceeds of $153.1 million, after deducting the underwriting fees of $11.1 million. The Company used the net proceeds from the IPO to pay off outstanding borrowings under its Revolving Credit Facility and a portion of the principal balance of its then outstanding Term Loan.

*Secondary Offerings*

On February 18, 2016, the Company completed a secondary offering of 7,873,063 shares of common stock, of which 1,152,500 shares were sold by certain directors, officers and employees upon the exercise of stock options in connection with the offering. In addition, on February 19, 2016, the underwriters exercised their option to purchase an additional 1,180,959 shares of the Company's common stock from certain selling stockholders. As a result 9,054,022 shares of common stock were sold by certain selling stockholders at a price of $19.75 per share in the secondary offering. The Company did not sell any shares in or receive any proceeds from the secondary offering, except for $7.5 million of proceeds from the exercise of stock options. The Company incurred expenses of $0.6 million related to legal, accounting and other fees in connection with the secondary offering, which are included in selling, general and administrative expenses in the condensed consolidated statement of income for the twenty-six weeks ended July 30, 2016.

On June 6, 2016, the Company completed a secondary offering of 12,152,800 shares of common stock. In addition, on June 10, 2016, the underwriters exercised their option to purchase an additional 1,822,920 shares of the Company's common stock from certain selling stockholders. As a result 13,975,720 shares of common stock were sold by certain selling stockholders at a price of $25.00 per share in this secondary offering. The Company did not sell any shares in or receive any proceeds from this secondary offering. The Company incurred expenses of $0.6 million related to legal, accounting and other fees in connection with this secondary offering, which are included in selling, general and administrative expenses in the condensed consolidated statement of income for the thirteen and twenty-six weeks ended July 30, 2016.

### *(b) Fiscal Year*

Ollie's follows a 52/53-week fiscal year, which ends on the Saturday nearest to January 31st. References to the fiscal year ended January 30, 2016 refer to the period from February 1, 2015 to January 30, 2016. The fiscal quarters ended July 30, 2016 and August 1, 2015 refer to the thirteen weeks from May 1, 2016 to July 30, 2016 and from May 3, 2015 to August 1, 2015, respectively. The year-to-date periods ended July 30, 2016 and August 1, 2015 refer to the twenty-six weeks from January 31, 2016 to July 30, 2016 and February 1, 2015 to August 1, 2015, respectively.

### *(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 financial condition, results of operations, and cash flows for all periods presented. The condensed consolidated balance sheets as of July 30, 2016 and August 1, 2015, the condensed consolidated statements of income for the thirteen and twenty-six weeks ended July 30, 2016 and August 1, 2015, respectively, and the condensed consolidated statements of stockholders' equity and cash flows for the twenty-six weeks ended July 30, 2016 and August 1, 2015 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 the year ending January 28, 2017 or any other period. All intercompany accounts, transactions, and balances have been eliminated in consolidation.

The Company's balance sheet as of January 30, 2016, 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 April 11, 2016 ("Annual Report"), but does not include all disclosures required by GAAP. These financial statements should be read in conjunction with the financial statements for the fiscal year ended January 30, 2016 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, revolving credit facility and term loan facility. 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 revolving credit facility and term loan facility approximates its fair value because the interest rates are adjusted regularly based on current market conditions.

***(f) Recently Issued Accounting Pronouncements***

*Revenue*

In May 2014, the Financial Accounting Standards Board ("FASB") issued an Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace most existing revenue recognition guidance in GAAP when it becomes effective. Early application is not permitted. The standard permits the use of either the retrospective or cumulative effect transition method. On August 8, 2015, the FASB issued ASU 2015-14, which defers the effective date of ASU No. 2014-09 by one year, and permits early adoption as long as the adoption date is not before the original public entity effective date. The standard is effective for public entities for annual and interim periods beginning after December 15, 2017. The Company is currently evaluating the effect of the standard on its consolidated financial statements and related disclosures.

*Debt Issuance Costs*

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred charge. The new guidance is effective for annual reporting periods beginning after December 15, 2015, but early adoption is permitted. In August 2015, the FASB issued ASU 2015-15, Presentation and Subsequent Measurement of Debt Issuance Costs Associated with Line-of-Credit Arrangements, which was issued to address the presentation and subsequent measurement of debt issuance costs related to line-of-credit arrangements. The Company has applied the guidance in ASU 2015-03 effective on April 30, 2016 and retroactively to the prior periods presented in the condensed consolidated balance sheets. As a result, the Company reclassified the August 1, 2015 condensed consolidated balance sheets resulting in a reduction of other assets and long-term debt of $3.2 million. The Company also reclassified the January 30, 2016 condensed consolidated balance sheets resulting in a reduction of other assets and long-term debt of $1.5 million. The Company also adopted ASU 2015-15 and elected to present the debt issuance costs related to the revolving credit agreement in other long term assets.

*Deferred Taxes*

In November 2015, the FASB issued ASU 2015-17, *Balance Sheet Classification of Deferred Taxes*. This update requires an entity to classify deferred tax liabilities and assets as noncurrent within a classified balance sheet. ASU 2015-17 is effective for annual reporting periods, and interim periods therein, beginning after December 15, 2016. This update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. Early application is permitted as of the beginning of the interim or annual reporting period. The Company elected to prospectively adopt the accounting standard as of January 30, 2016. Prior periods were not retroactively adjusted.

*Leases*

In February 2016, the FASB issued ASU 2016-02, *Leases*. ASU 2016-02 requires that lease arrangements longer than 12 months result in an entity recognizing an asset and liability. The updated guidance is effective for interim and annual periods beginning after December 15, 2018, and early adoption is permitted. The Company has not evaluated the impact of the standard on its consolidated financial statements and related disclosures.

*Stock Compensation*

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share -Based Payment Accounting*, which is intended to simplify several aspects of the accounting for share-based payment award transactions. The guidance will be effective for the fiscal year beginning after December 15, 2016, including interim periods within that year. The Company is currently evaluating the effect of the standard on its consolidated financial statements and related disclosures.

## (2) 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 as well as assumed lapse of restrictions on restricted stock units.

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

| | Thirteen weeks ended | | Twenty-six weeks ended | |
|---|---|---|---|---|
| | July 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| Net income | $ 13,135 | $ 6,352 | $ 24,883 | $ 13,013 |
| Weighted average number of common shares outstanding – Basic | 60,046 | 50,102 | 59,857 | 49,149 |
| Dilutive impact of stock options and restricted stock units | 2,312 | 1,955 | 2,256 | 1,652 |
| Weighted average number of common shares outstanding - Diluted | 62,358 | 52,057 | 62,113 | 50,801 |
| Earnings per common share – Basic | $ 0.22 | $ 0.13 | $ 0.42 | $ 0.26 |
| Earnings per common share - Diluted | $ 0.21 | $ 0.12 | $ 0.40 | $ 0.26 |

Weighted average stock option shares totaling 2,166 and 884,582 for the thirteen weeks ended July 30, 2016 and August 1, 2015, respectively, and 157,559 and 702,526 for the twenty-six weeks ended July 30, 2016 and August 1, 2015, respectively were excluded from the calculation of diluted weighted average common shares outstanding because the effect would have been antidilutive.

## (3) Accrued Expenses

Accrued expenses consists of the following (in thousands):

| | July 30, 2016 | August 1, 2015 | January 30, 2016 |
|---|---|---|---|
| Accrued compensation and benefits | $ 8,147 | $ 5,906 | $ 10,775 |
| Sales and use taxes | 2,376 | 1,815 | 2,278 |
| Accrued real estate related | 2,876 | 1,967 | 2,659 |
| Accrued insurance | 3,239 | 2,820 | 2,605 |
| Accrued advertising | 2,420 | 1,723 | 3,519 |
| Accrued freight | 5,225 | 3,905 | 3,620 |
| Other | 9,455 | 8,981 | 10,117 |
| | $ 33,738 | $ 27,117 | $ 35,573 |

**(4) Debt Obligations and Financing Arrangements**

Long-term debt consists of the following (in thousands):

| | July 30, 2016 | August 1, 2015 | January 30, 2016 |
|---|---|---|---|
| Term loan, net | $ 196,064 | $ 209,905 | $ 198,385 |
| Capital leases | 197 | 56 | 66 |
| Total debt | 196,261 | 209,961 | 198,451 |
| Less: current portion | (5,052) | (3,372) | (5,018) |
| Long-term debt | $ 191,209 | $ 206,589 | $ 193,433 |

On January 29, 2016, the Company completed a transaction, in which it refinanced its existing Senior Secured Credit Facility with the proceeds of the New Credit Facilities (as defined below). The new credit facilities consist of a $200.0 million term loan (“New Term Loan”) and a $100.0 million revolving credit facility (“New Revolving Credit Facility”, and together with the New Term Loan, the “New Credit Facilities”) which includes a $25.0 million sub-facility for letters of credit and a $25.0 million sub-facility for swingline loans.

The interest rates for the New Credit Facilities are not subject to a floor and are calculated as 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 0.75% to 1.25% for a Base Rate Loan and 1.75% to 2.25% for a Eurodollar Loan, based on reference to the total leverage ratio. The New Credit Facilities mature on January 29, 2021.

As of January 30, 2016, the New Term Loan is subject to amortization with principal payable in quarterly installments of $1.25 million to be made on the last business day of each fiscal quarter prior to maturity commencing on April 29, 2016. The quarterly installment payments increase after fiscal year ended February 3, 2018 to $2.5 million. The remaining initial aggregate advances under the New Term Loan are payable at maturity.

Under the terms of the New Revolving Credit Facility, as of July 30, 2016, 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 30, 2016, Ollie’s had $197.5 million of outstanding borrowings under the New Term Loan and no outstanding borrowings under the New Revolving Credit Facility, with $97.6 million of borrowing availability, letter of credit commitments of $2.2 million and $0.2 million of rent reserves. The interest rate on the outstanding borrowings under the New Term Loan was 1.75% plus the 30-day Eurodollar Rate, or 2.25%. The New Revolving Credit Facility also contains a variable unused line fee ranging from 0.250% to 0.375% per annum.

As of July 30, 2016, August 1, 2015, and January 30, 2016 the amounts outstanding under the term loan, are net of unamortized original issue discount of $0.1 million, $1.7 million and $0.1 million, respectively, and deferred financing fees of $1.3 million, $3.2 million and $1.5 million, respectively.

The New Credit Facilities are collateralized by the Company’s assets and equity and contain financial covenants, as well as certain business covenants, including restrictions on dividend payments, which the Company must comply with during the term of the agreements. The Company was in compliance with all terms of the New Credit Facilities as of the thirteen and twenty-six weeks ended July 30, 2016.

The provisions of the New Credit Facilities restrict all of the net assets of the Company’s consolidated subsidiaries, which constitutes all of the net assets on the Company’s consolidated balance sheet as of July 30, 2016, 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 New Credit Facilities, subject to certain exceptions.

## (5) 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 and twenty-six weeks ended July 30, 2016 were 36.0% and 37.5%, respectively. The effective tax rates for the thirteen and twenty-six weeks ended August 1, 2015 were 36.9% and 38.0%, respectively.

## (6) Commitments and Contingencies

The Company commenced 18 new store leases during the twenty-six weeks ended July 30, 2016. The fully executed leases have initial terms typically between five to seven years with options to renew for two or three successive five-year periods. The initial terms of these new store leases have future minimum lease payments totaling approximately $20.2 million.

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 that we are party to. 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.

## (7) 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 equal to 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 IPO, no additional equity grants will be made under the 2012 Plan.

In connection with the IPO, the Company adopted the 2015 equity incentive plan (the “2015 Plan”) pursuant to which the Company’s board of directors (the “Board”) 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 are made pursuant to agreements and may be subject to vesting and other restrictions as determined by the Board or the Company’s Compensation Committee of the Board. The exercise price for stock options is determined equal to the fair value on 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. The Company uses authorized and unissued shares to satisfy share award exercises. As of July 30, 2016, there were 4,104,689 shares available for grant under the 2015 Plan.

A summary of the Company's stock option activity and related information for the twenty-six weeks ended July 30, 2016, is as follows:

| | Number of options | Weighted average exercise price | Weighted average remaining contractual term (years) |
|---|---|---|---|
| Outstanding at January 30, 2016 | 6,991,825 | $ 8.04 | |
| Granted | 510,453 | 20.28 | |
| Forfeited | (85,832) | 7.88 | |
| Exercised | (1,357,410) | 6.77 | |
| Outstanding at July 30, 2016 | 6,059,036 | 9.35 | 7.2 |
| Exercisable at July 30, 2016 | 2,637,425 | 7.36 | 6.6 |

Determining the appropriate fair value of stock-based awards requires the input of subjective assumptions, including the fair value of the Company's common stock and for stock options, the expected life of the option and expected stock price volatility. The Company uses the Black-Scholes option pricing model to value its stock option awards. The assumptions used in calculating the fair value of stock-based awards represent management's best estimates and involve inherent uncertainties and the application of management's judgment. As a result, if factors change and management uses different assumptions, stock-based compensation expense could be materially different for future awards.

The expected life of stock options was estimated using the "simplified method," as the Company has no 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 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.

The weighted average grant date fair value per option for options granted during the twenty-six weeks ended July 30, 2016 and August 1, 2015 was \$6.45 and \$5.02, 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 30, 2016 | August 1, 2015 |
| Risk-free interest rate | 1.72% | 1.99% |
| Expected dividend yield | — | — |
| Expected term (years) | 6.25 years | 6.4 years |
| Expected volatility | 28.52% | 31.69% |

*Restricted Stock Units ("RSUs")*

During the twenty-six weeks ended July 30, 2016, the Company granted 136,840 RSUs related to its common stock to various employees and certain members of its Board under the 2015 Plan. Of those RSUs, 88,771 were granted to certain employees and vest in four equal annual installments beginning on the first anniversary of the grant date, provided the respective award recipient continues to be employed by the Company through each of those dates. Another 34,625 RSUs granted to certain employees vest in full upon the four-year anniversary of the date of grant, provided the respective award recipient continues to be employed by the Company through that date. Finally, the 13,444 RSUs granted certain members of the Board vest in three equal annual installments beginning one year following the date of grant, provided that the Board member continues to serve of the Board through each of those dates. The grant date fair value of these awards totaled \$2.8 million. The Company recognizes the expense relating to these awards on a straight-line basis over the service period of each award, commencing on the date of grant.

A summary of the Company’s RSU activity and related information for the twenty-six weeks ended July 30, 2016, is as follows:

| | Number of shares | Weighted average grant date fair value |
|---|---|---|
| Nonvested balance at January 30, 2016 | — | $ - |
| Granted | 136,840 | 20.32 |
| Nonvested balance at July 30, 2016 | 136,840 | 20.32 |

*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 $1.7 million and $3.3 million for the thirteen and twenty-six weeks ended July 30, 2016, respectively and $1.2 million and $2.3 million for the thirteen and twenty-six weeks ended August 1, 2015, respectively.

As of July 30, 2016, there was $16.1 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 3.4 years as of July 30, 2016. Compensation costs related to awards are recognized using the straight-line method.

## (8) Transactions with Related Parties

The Company has entered into five non-cancelable operating leases with related parties for office and store locations. Ollie’s has made $0.6 million in rent payments to such related parties during the twenty-six weeks ended July 30, 2016 and August 1, 2015, respectively.

During the twenty-six weeks ended July 30, 2016 and August 1, 2015, the Company paid approximately $0.1 million and $39,000 for the use of an airplane owned by a related party, respectively.

## 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 April 11, 2016. As used in this Quarterly Report on Form 10-Q, except where the context otherwise requires or where otherwise indicated, the terms "Company", "Ollie's", "we", "our" and "us" refer to Ollie's Bargain Outlet Holdings, Inc.*

*We operate on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52- or 53-week period ending on the Saturday closest to January 31 of the following year. References to "fiscal year 2016" or "fiscal 2016" refer to the period from January 31, 2016 to January 28, 2017 and consists of a 52-week fiscal year. References to "fiscal year 2015" or "fiscal 2015" refer to the period from February 1, 2015 to January 30, 2016 and consists of a 52-week fiscal year. The fiscal quarters or "second quarter" ended July 30, 2016 and August 1, 2015 refer to the thirteen weeks from May 1, 2016 to July 30, 2016 and from May 3, 2015 to August 1, 2015, respectively. Year-to-date periods ended July 30, 2016 and August 1, 2015 refer to the twenty-six weeks from January 31, 2016 to July 30, 2016 and February 1, 2015 to August 1, 2015, 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 Statement 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, or by the inclusion of forecasts or projections, the outlook for the Company's future business, prospects, financial performance, industry outlook and financial guidance. 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 and the following: our failure to adequately manage our inventory or anticipate consumer demand; changes in consumer confidence and spending; risks associated with intense competition; our failure to open new profitable stores, or successfully enter new markets, on a timely basis or at all; our ability to manage our inventory balances; our failure to hire and retain key personnel and other qualified personnel; our inability to obtain favorable lease terms for our properties; the loss of, or disruption 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; our inability to successfully implement our marketing, advertising and promotional efforts; the seasonal nature of our business; the risks associated with doing business with international manufacturers; changes in government regulations, procedures and requirements, the risk associated with the anticipated loss of our emerging growth company status; and our ability to service our indebtedness and to comply with our financial covenants together with the other factors set forth under "Item 1A - Risk Factors" contained herein and in our filings with the United States Securities and Exchange Commission ("SEC"), including our Annual Report on Form 10-K. 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. Ollie's undertakes 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, floor coverings, 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.

## Our Growth Strategy

Since 1982, when we were founded, we have grown organically, expanding into contiguous areas and backfilling in existing marketplaces. Through this approach, we have leveraged our brand awareness, marketing and infrastructure to expand into new markets in contiguous states. In 2003, Mark Butler, our co-founder, assumed his current role as President and Chief Executive Officer. Under Mr. Butler's leadership, we expanded from 28 stores located in three states at the end of fiscal year 2003 to 216 stores located in 19 states as of July 30, 2016.

Our stores are supported by two distribution centers, one in York, PA and one in Commerce, GA, which we believe can support between 375 to 400 stores. 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;
- opening two new distribution centers since 2011 with a total capacity of approximately 1.6 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 stores sales of approximately $3.7 million and an expected cash-on-cash return of approximately 55% in the first 12 months of operations and payback of approximately two years.

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 additional 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 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, 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, selling, general and administrative expenses, pre-opening expenses, operating income, EBITDA (as defined herein) and Adjusted EBITDA (as defined herein).

***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 make initial investments in capital expenditures such as fixtures and equipment, which we amortize over time, inventory and we incur pre-opening expenses described below under "Pre-Opening Expenses."

We expect to open between 28 and 32 new stores in fiscal year 2016, of which we opened 13 new stores in the twenty-six weeks ended July 30, 2016. We expect new store growth to be the primary driver of our sales growth. Our initial lease terms are typically between five to seven years with options to renew for two or three 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***

Net sales constitute gross sales 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. These cycles correspond with declines in general consumer spending habits and we 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 consists 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. As of July 30, 2016 and August 1, 2015, there were 177 and 159 stores, respectively, in our comparable store base. For the thirteen weeks ended July 30, 2016 and August 1, 2015 our comparable stores generated average net sales per store of $1.0 million and Adjusted EBTIDA margin of 17.0% and 15.5%, respectively. For the twenty-six weeks ended July 30, 2016 and August 1, 2015 our comparable stores generated average net sales per store of $2.0 million and $1.9 million, respectively and Adjusted EBTIDA margin of 17.3% and 15.2%, respectively.

We define comparable stores to be stores:

- that have been remodeled while remaining open;
- that are closed for five or fewer days in any fiscal month;
- that are closed temporarily and relocated within their respective trade areas; and
- that 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, transportation costs, inventory markdowns, shrink, and certain distribution, warehousing and storage 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 profit margin are 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 profit as a percentage of sales. 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***

Selling, general and administrative expenses are comprised of payroll and benefits for store, field support and support center associates. Selling, general and administrative expenses also include marketing and advertising, occupancy, utilities, supplies, credit card processing fees, insurance and professional services. The components of our selling, general and administrative expense remain relatively consistent per store and for each new store opening. Consolidated selling, general and administrative expenses 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 selling, general and administrative expenses as a percentage of net sales.

The components of our selling, general and administrative expenses may not be comparable to the components of similar measures of other retailers. We expect that our selling, general and administrative expenses will increase in future periods with future growth and in part due to additional legal, accounting, insurance, and other expenses as a result of being a public company, including compliance with the Sarbanes-Oxley Act of 2002 and related rules and regulations.

### *Pre-Opening Expenses*

Pre-opening expenses consist of expenses of opening new stores and distribution centers. For 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 distribution centers, pre-opening expenses primarily include inventory transportation costs, employee travel expenses and occupancy costs.

### *Operating Income*

Operating income is gross profit less selling, general and administrative expenses, depreciation and amortization and pre-opening expenses. Operating income excludes interest expense, net and income tax expense. 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.

We define EBITDA as net income before net interest expense, loss on extinguishment of debt, depreciation and amortization expenses and income taxes. Adjusted EBITDA represents EBITDA as further adjusted for non-cash stock based compensation expense, pre-opening expenses, non-cash purchase accounting items, and debt financing expenses and other expenses, which we do not consider representative of our ongoing operating performance. 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 EBITDA and Adjusted EBITDA to net income, the most directly comparable GAAP measure, 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 events, 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.

### *Financing Transactions and Payments to Stockholders*

On May 27, 2015 we amended the credit agreements governing our Senior Secured Credit Facilities to, among other things, increase the size of the Revolving Credit Facility from $75.0 million to $125.0 million and to permit a dividend to holders of our outstanding common stock. We also drew $50.0 million of borrowings on the Revolving Credit Facility, the proceeds of which were used to pay an aggregate cash dividend of $48.8 million to holders of our common stock.

On January 29, 2016, we completed a transaction, ("Refinancing") in which we refinanced the Senior Secured Credit Facilities with the proceeds of the New Credit Facilities, (as defined below). The new credit facilities consist of a $200.0 million term loan ("New Term Loan")and $100.0 million revolving credit facility ("New Revolving Credit Facility," and together with the New Term Loan, the "New Credit Facilities") which includes a $25.0 million sub-facility for letters of credit and a $25.0 million sub-facility for swingline loans. We incurred various arrangement fees and legal fees totaling $2.1 million in connection with the Refinancing, of which $2.0 million was recorded as deferred financing fees and $0.1 million was recognized as selling, general and administrative expense on the date of the Refinancing.

### *Our IPO and Other Transactions*

On July 15, 2015, we priced our initial public offering ("IPO") of 8,925,000 shares of our common stock. As a result of the IPO, we received net proceeds of $153.1 million, after deducting the underwriting fees of $11.1 million. We used the net proceeds from the IPO to pay off outstanding borrowings under the Revolving Credit Facility and a portion of the outstanding principal balance of the Term Loan Facility.

On February 18, 2016, the Company completed a secondary offering of 7,873,063 shares of common stock, of which 1,152,500 shares were sold by certain directors, officers and employees upon the exercise of stock options in connection with the offering. In addition, on February 19, 2016, the underwriters exercised their option to purchase an additional 1,180,959 shares of the Company's common stock from certain selling stockholders. As a result 9,054,022 shares of common stock were sold by selling stockholders at a price of $19.75 per share in the secondary offering. The Company did not sell any shares in or receive any proceeds from the secondary offering, except for $7.5 million of proceeds from the exercise of stock options.

On June 6, 2016, the Company completed a secondary offering of 12,152,800 shares of common stock. In addition, on June 10, 2016, the underwriters exercised their option to purchase an additional 1,822,920 shares of the Company's common stock from certain selling stockholders. As a result 13,975,720 shares of common stock were sold by certain selling stockholders at a price of $25.00 per share in this secondary offering. The $0.6 million related to legal, accounting and other fees in connection with this secondary offering, which are included in selling, general and administrative expenses in the condensed consolidated statement of income for the thirteen and twenty-six weeks ended July 30, 2016.

### *Store Openings*

During the thirteen weeks ended July 30, 2016, we opened eight new stores. During the thirteen weeks ended August 1, 2015, we opened seven new stores and closed one store, respectively. In connection with these store openings, we incurred pre-opening expenses of $2.0 million and $1.9 million for the thirteen weeks ended July 30, 2016 and August 1, 2015, respectively. During the twenty-six weeks ended July 30, 2016, we opened 13 new stores. For the same period ended August 1, 2015, we opened 12 new stores and closed one store. For the twenty-six weeks ended July 30, 2016 and August 1, 2015, we incurred pre-opening expenses of $3.3 million and $2.9 million in connection with these new store openings, respectively.

### *Distribution Center*

In April 2014, we opened our second distribution center, located in Commerce, GA. As of May 1, 2016 through April 30, 2017, we are entitled to occupy 699,840 square feet of the facility and are under a lease obligation to incrementally add square footage up to 962,280 square feet through November 2017. We expect to make additional expenditures related to our utilization of this additional space in fiscal years 2016 through 2017.

## 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 consolidated statements of income for the thirteen and twenty-six weeks ended July 30, 2016 and August 1, 2015 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 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| | ( dollars in thousands) | | | |
| **Condensed consolidated statements of income data**: | | | | |
| Net sales | $ 211,256 | $ 181,933 | $ 404,975 | $ 344,403 |
| Cost of sales | 127,442 | 111,875 | 242,146 | 210,302 |
| Gross profit | 83,814 | 70,058 | 162,829 | 134,101 |
| Selling, general and administrative expenses | 57,737 | 49,575 | 112,546 | 95,446 |
| Depreciation and amortization expenses | 2,068 | 1,760 | 4,046 | 3,455 |
| Pre-opening expenses | 2,024 | 1,882 | 3,273 | 2,872 |
| Operating income | 21,985 | 16,841 | 42,964 | 32,328 |
| Interest expense, net | 1,471 | 4,423 | 3,135 | 8,997 |
| Loss on extinguishment of debt | - | 2,351 | - | 2,351 |
| Income before income taxes | 20,514 | 10,067 | 39,829 | 20,980 |
| Income tax expense | 7,379 | 3,715 | 14,946 | 7,967 |
| Net income | $ 13,135 | $ 6,352 | $ 24,883 | $ 13,013 |
| **Percentage of net sales (1)**: | | | | |
| Net sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales | 60.3 | 61.5 | 59.8 | 61.1 |
| Gross profit | 39.7 | 38.5 | 40.2 | 38.9 |
| Selling, general and administrative expenses | 27.3 | 27.2 | 27.8 | 27.7 |
| Depreciation and amortization expenses | 1.0 | 1.0 | 1.0 | 1.0 |
| Pre-opening expenses | 1.0 | 1.0 | 0.8 | 0.8 |
| Operating income | 10.4 | 9.3 | 10.6 | 9.4 |
| Interest expense, net | 0.7 | 2.4 | 0.8 | 2.6 |
| Loss on extinguishment of debt | — | 1.3 | — | 0.7 |
| Income before income taxes | 9.7 | 5.5 | 9.8 | 6.1 |
| Income tax expense | 3.5 | 2.0 | 3.7 | 2.3 |
| Net income | 6.2% | 3.5% | 6.1% | 3.8% |
| **Select operating data:** | | | | |
| Number of new stores | 8 | 7 | 13 | 12 |
| Number of store closings | — | (1) | — | (1) |
| Number of stores open at end of period | 216 | 187 | 216 | 187 |
| Average net sales per store (2) | $ 992 | $ 986 | $ 1,937 | $ 1,899 |
| Comparable stores sales change | 3.5% | 7.8% | 4.7% | 8.3% |

(1) Components may not add to totals due to rounding.
(2) Average net sales per store represents the weighted average of total net sales divided by the number of stores open, in each case at the end of each week in each fiscal period.

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 30, 2016 | August 1, 2015 | July 30, 2016 | August 1, 2015 |
| | ( dollars in thousands) | | | |
| Net Income | $ 13,135 | $ 6,352 | $ 24,883 | $ 13,013 |
| Interest expense, net | 1,471 | 4,423 | 3,135 | 8,997 |
| Loss on extinguishment of debt | - | 2,351 | - | 2,351 |
| Depreciation and amortization expenses (1) | 2,595 | 2,305 | 5,100 | 4,543 |
| Income tax expense | 7,379 | 3,715 | 14,946 | 7,967 |
| EBITDA | 24,580 | 19,146 | 48,064 | 36,871 |
| Non-cash stock based compensation expense | 1,727 | 1,209 | 3,272 | 2,296 |
| Pre-opening expenses (2) | 2,024 | 1,882 | 3,273 | 2,872 |
| Non-cash purchase accounting items (3) | (41) | (81) | (90) | (167) |
| Transaction related expenses (4) | 260 | 322 | 1,150 | 322 |
| Adjusted EBITDA | $ 28,550 | $ 22,478 | $ 55,669 | $ 42,194 |

(1) Includes depreciation and amortization relating to our distribution centers, which is included within cost of sales on our consolidated statements of income.
(2) Represents expenses of opening new stores. For new stores, pre-opening expenses includes grand opening, advertising costs, payroll expenses, travel expenses, employee training costs, rent expenses and store setup costs.
(3) In September 2012 we were acquired by affiliates of CCMP Capital Advisors, LLP, along with certain members of management (the "CCMP Acquisition"). Includes purchase accounting impact from unfavorable lease liabilities related to the CCMP Acquisition.
(4) Represents professional services and expenses primarily related to the secondary offerings on February 18, 2016 and June 6, 2016.

**Second Quarter 2016 Compared to Second Quarter 2015**

***Net Sales***

Net sales increased to $211.3 million in the thirteen weeks ended July 30, 2016 from $181.9 million in the thirteen weeks ended August 1, 2015, an increase of $29.3 million, or 16.1%. The increase was the result of a comparable store sales increase of $5.9 million, or 3.5% and a non-comparable store sales increase of $23.4 million. The increase in non-comparable store sales was driven by sales from the 29 new stores opened, partially offset by one store closing since the end of the prior year second quarter ended August 1, 2015.

Comparable store sales increased 3.5% for the thirteen weeks ended July 30, 2016 compared to a 7.8% increase for the thirteen weeks ended August 1, 2015. The increase in comparable store sales for the thirteen weeks ended July 30, 2016 was driven by strong sales in our health & beauty aids, food & candy, electronics, housewares and pets departments.

***Cost of Sales***

Cost of sales increased to $127.4 million in the thirteen weeks ended July 30, 2016 from $111.9 million in the thirteen weeks ended August 1, 2015, an increase of $15.6 million, or 13.9%. The increase in cost of sales was primarily the result of increases in net sales volume.

***Gross Profit and Gross Margin***

Gross profit increased to $83.8 million in the thirteen weeks ended July 30, 2016 from $70.1 million in the thirteen weeks ended August 1, 2015, an increase of $13.8 million, or 19.6%. Gross margin increased to 39.7% in the thirteen weeks ended July 30, 2016 from 38.5% for the thirteen weeks ended August 1, 2015, an increase of 116 basis points. The increase in gross margin was primarily the result of lower distribution and transportation expenses as a percentage of net sales and slightly higher merchandise margins.

### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased to $57.7 million in the thirteen weeks ended July 30, 2016 from $49.6 million in the thirteen weeks ended August 1, 2015, an increase of $8.2 million, or 16.5%.

Included in SG&A expenses for the thirteen weeks ended July 30, 2016, was $0.3 million of transaction related expenses primarily from the Company's secondary stock offering on June 6, 2016. The $0.3 million of transaction expenses for the thirteen weeks ended August 1, 2015 were finance fees incurred related to the amendment of the credit facilities to pay an aggregate cash dividend of $48.8 million dollars to holders of outstanding common stock on May 27, 2015. Excluding the $0.3 million of transaction related expenses, SG&A expenses increased 16.7% to $57.5 million and as a percent of net sales increased 14 basis points to 27.2%. Other than the transaction related expenses, the increase in SG&A expenses was primarily driven by increased selling expenses related to new store growth and increased sales volume. The increased selling expenses consisted primarily of store payroll and benefits, store occupancy costs, and other store related expenses. We also incurred additional expenses related to general and administrative infrastructure to support continued growth in the business and public company expenses.

### *Pre-Opening Expenses*

Pre-opening expenses increased to $2.0 million in the thirteen weeks ended July 30, 2016 from $1.9 million in the thirteen weeks ended August 1, 2015, an increase of $0.1 million. The increase in pre-opening expenses during the thirteen weeks ended July 30, 2016 was due to the timing of new store openings during the thirteen weeks ended July 30, 2016 when compared to the same period in the prior year.

### *Interest Expense, Net*

Net interest expense decreased to $1.5 million in the thirteen weeks ended July 30, 2016 from $4.4 million in the thirteen weeks ended August 1, 2015, a decrease of $3.0 million, or 66.7%. Proceeds from the IPO were used to reduce borrowings on the Term Loan Facility and Revolving Credit Facility, which primarily caused the decrease in interest expense for the thirteen weeks ended July 30, 2016 compared to the thirteen weeks ended August 1, 2015. Also, the effective interest rate on our term loan and revolving credit facility decreased as a result of the Refinancing that occurred on January 29, 2016.

### *Income Tax Expense*

Income tax expense for the thirteen weeks ended July 30, 2016 was $7.4 million compared to $3.7 million for the thirteen weeks ended August 1, 2015, an increase of $3.7 million, or 98.6%. This increase in income tax expense was primarily the result of a $10.4 million increase in pre-tax income, partially offset by a decrease in our effective tax rate.

### *Net Income*

As a result of the foregoing, net income increased to $13.1 million in the thirteen weeks ended July 30, 2016 from $6.4 million in the thirteen weeks ended August 1, 2015, an increase of $6.8 million or 106.8%.

### *Adjusted EBITDA*

Adjusted EBITDA increased to $28.6 million for the thirteen weeks ended July 30, 2016 from $22.5 million for the thirteen weeks ended August 1, 2015, an increase of $6.1 million, or 27.0%. The increase in Adjusted EBITDA for the thirteen weeks ended July 30, 2016 is primarily due to an increase in net sales which was driven by a 3.5% increase in comparable store sales and an increase in store count over the thirteen weeks ended August 1, 2015. Our gross margin increased by 116 basis points to improve our Adjusted EBITDA performance compared to the same period last year.

## Twenty-six Weeks 2016 Compared to Twenty-six Weeks 2015

### *Net Sales*

Net sales increased to $405.0 million in the twenty-six weeks ended July 30, 2016 from $344.4 million in the twenty-six weeks ended August 1, 2015, an increase of $60.6 million, or 17.6%. The increase was the result of a comparable store sales increase of $15.2 million, or 4.7% and a non-comparable store sales increase of $45.3 million. The increase in non-comparable store sales was driven by sales from the 29 new stores opened and one store closing since the end of the prior year second quarter ended August 1, 2015.

Comparable store sales increased 4.7% for the twenty-six weeks ended July 30, 2016 compared to an 8.3% increase for the twenty-six weeks ended August 1, 2015. The increase in comparable store sales for the twenty-six weeks ended July 30, 2016 was driven by strong sales in our food & candy, health & beauty aids, electronics, housewares and bed & bath departments.

***Cost of Sales***

Cost of sales increased to $242.1 million in the twenty-six weeks ended July 30, 2016 from $210.3 million in the twenty-six weeks ended August 1, 2015, an increase of $31.8 million, or 15.1%. The increase in cost of sales was primarily the result of increases in net sales volume.

***Gross Profit and Gross Margin***

Gross profit increased to $162.8 million in the twenty-six weeks ended July 30, 2016 from $134.1 million in the twenty-six weeks ended August 1, 2015, an increase of $28.7 million, or 21.4%. Gross margin increased to 40.2% in the twenty-six weeks ended July 30, 2016 from 38.9% for the twenty-six weeks ended August 1, 2015, an increase of 127 basis points. The increase in gross margin was primarily the result of lower distribution and transportation expenses as a percentage of net sales and higher merchandise margins.

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses increased to $112.5 million in the twenty-six weeks ended July 30, 2016 from $95.4 million in the twenty-six weeks ended August 1, 2015, an increase of $17.1 million, or 17.9%.

Included in SG&A expenses for the twenty-six of 2016 and 2015 were approximately $1.2 million and $0.3 million of transaction related expenses. The transaction related expenses for the twenty-six weeks ended July 30, 2016 primarily consist of expense related the Company's secondary stock offerings on February 18, 2016 and June 6, 2016. The transaction expense for the twenty-six weeks ended August 1, 2015 were finance fees incurred related to the amendment of the credit facilities to pay an aggregate cash dividend of $48.8 million dollars to holders of outstanding common stock on May 27, 2015. Excluding the $1.2 million and $0.3 million of transaction related expenses, SG&A expenses increased 17.1% to $111.4 million and as a percent of net sales decreased 11 basis points to 27.5%. Other than the transaction related expenses, the increase in SG&A expenses was primarily driven by increased selling expenses related to new store growth and increased sales volume. The increased selling expenses consisted primarily of store payroll and benefits, store occupancy costs, and other store related expenses. We also incurred additional expenses related to general and administrative infrastructure to support continued growth in the business and public company expenses.

***Pre-Opening Expenses***

Pre-opening expenses increased to $3.3 million in the twenty-six weeks ended July 30, 2016 from $2.9 million in the twenty-six weeks ended August 1, 2015, an increase of $0.4 million. The increase in pre-opening expenses during the twenty-six weeks ended July 30, 2016 was due to the timing of new store openings during the twenty-six weeks ended July 30, 2016 when compared to the same period in the prior year.

***Interest Expense, Net***

Net interest expense decreased to $3.1 million in the twenty-six weeks ended July 30, 2016 from $9.0 million in the twenty-six weeks ended August 1, 2015, a decrease of $5.9 million, or 65.2%. Proceeds from the IPO were used to reduce borrowings on the Term Loan Facility and Revolving Credit Facility, which primarily caused the decrease in interest expense for the twenty-six weeks ended July 30, 2016 compared to the twenty-six weeks ended August 1, 2015. Also, the effective interest rate on our term loan and revolving credit facility decreased as a result of the Refinancing that occurred on January 29, 2016.

***Income Tax Expense***

Income tax expense for the twenty-six weeks ended July 30, 2016 was $14.9 million compared to $8.0 million for the twenty-six weeks ended August 1, 2015, an increase of $6.9 million, or 87.6%. This increase in income tax expense was primarily the result of an $18.8 million increase in pre-tax income, partially offset by a decrease in our effective tax rate.

### *Net Income*

As a result of the foregoing, net income increased to $24.9 million in the twenty-six weeks ended July 30, 2016 from $13.0 million in the twenty-six weeks ended August 1, 2015, an increase of $11.9 million or 92.2%.

### *Adjusted EBITDA*

Adjusted EBITDA increased to $55.7 million for the twenty-six weeks ended July 30, 2016 from $42.2 million for the twenty-six weeks ended August 1, 2015, an increase of $13.5 million, or 31.9%. The increase in Adjusted EBITDA for the twenty-six weeks ended July 30, 2016 is primarily due to an increase in net sales which was driven by a 4.7% increase in comparable store sales and an increase in store count over the twenty-six weeks ended August 1, 2015. Our gross margin increased by 127 basis points to improve our Adjusted EBITDA performance compared to the same period last year.

## Liquidity and Capital Resources

### *Overview*

Our primary sources of liquidity are net cash provided by operating activities and borrowings under our New Revolving Credit Facility. Our primary cash needs are for capital expenditures and working capital. Under our $100.0 million New Revolving Credit Facility we had we had $97.6 million of available borrowings, $30.7 million of cash and cash equivalents on hand, and $197.5 million of outstanding borrowings under our New Term Loan as of July 30, 2016.

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. For the twenty-six weeks ended July 30, 2016 we have spent $10.0 million for capital expenditures compared to $6.0 million for the twenty-six weeks ended August 1, 2015. We expect to fund capital expenditures from net cash provided by operating activities. We opened 13 new stores during twenty-six weeks ended July 30, 2016 and expect to open a total of between 28 and 32 new stores during fiscal year 2016. We also expect to invest in our distribution centers, store resets and general corporate capital expenditures, including information technology in fiscal year 2016.

Historically, we have funded our capital expenditures and working capital requirements during the fiscal year with cash on hand and borrowings under our Revolving Credit Facility. When we have used our revolving credit facility, the amount of indebtedness outstanding under it has tended to be the highest in the beginning of our fourth fiscal quarter. Over the past two fiscal years, to the extent we have drawn on the Revolving Credit Facility, we have paid down the borrowings before the end of December of each fiscal year with cash generated during our peak selling season in our fourth fiscal quarter.

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 position, net cash provided by operating activities and availability under our New Revolving Credit Facility, will be adequate to finance our planned capital expenditures, working capital requirements and debt service over the next 12 months and the foreseeable future thereafter. If cash provided by operating activities and borrowings under our Revolving Credit Facility are not sufficient or available to meet our capital requirements, then we will 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 we need it or, if available, the terms will be satisfactory to us and not dilutive to our then-current stockholders.

***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 30, 2016 | August 1, 2015 |
| | (in thousands) | |
| Net cash used in operating activities | $ (1,686) | $ (17,155) |
| Net cash used in investing activities | (9,982) | (6,001) |
| Net cash provided by financing activities | 12,141 | 1,986 |
| Net increase (decrease) in cash and cash equivalents | $ 473 | $ (21,170) |

***Cash Used In Operating Activities***

Net cash used in operating activities for twenty-six weeks ended July 30, 2016 was $1.7 million compared to $17.2 million for the twenty-six weeks ended August 1, 2015. The decrease in net cash used in operating activities for the twenty-six weeks ended July 30, 2016 was primarily due to increases in net income and changes in certain working capital accounts including timing of account payable payments.

***Cash Used in Investing Activities***

Net cash used in investing activities for the twenty-six weeks ended July 30, 2016 was $10.0 million, an increase of $4.8 million compared to the twenty-six weeks ended August 1, 2015. The increase in cash used in investing activities relates to the timing of new store openings and a purchase of one of our store locations.

***Cash Provided By Financing Activities***

Net cash provided by financing activities for the twenty-six weeks ended July 30, 2016 was $12.1 million compared to $2.0 million for the twenty-six weeks ended August 1, 2015. The increase for the twenty-six weeks ended July 30, 2016 net cash flows provided by financing activities was primarily related to proceeds received from the exercise of stock options in connection with the secondary offering during the first quarter of fiscal 2016.

**Contractual Obligations**

We enter into long-term contractual obligations and commitments in the normal course of business, primarily operating leases. Except as set forth below, there have been no material changes to our contractual obligations as disclosed in our Annual Report on Form 10-K, other than those which occur in the ordinary course of business.

During the twenty-six weeks ended July 30, 2016, 18 new store leases commenced. The fully executed leases have initial terms typically between five to seven years with options to renew for two or three successive five-year periods which have future minimum lease payments which total approximately $20.2 million.

**Off-Balance Sheet Arrangements**

Except for operating leases entered into in the normal course of business, 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.

**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.

### Critical Accounting Policies and Estimates

The preparation of financial statements in conformity with GAAP requires us to make estimates and assumptions that affect reported amounts and disclosure of contingent assets and liabilities. There have been no significant changes in the critical accounting policies and estimates described in our Annual Report on Form 10-K.

### Jumpstart Our Business Act of 2012

We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act of 2012, which we refer to as the JOBS Act. We will remain an emerging growth company until the earlier of (1) the last day of our fiscal year (a) following the fifth anniversary of the completion of our IPO, (b) in which we have total annual gross revenue of at least $1.0 billion, or (c) in which we are deemed to be a large accelerated filer, which means the market value of our common stock that is held by non-affiliates exceeds $700.0 million as of the last business day of our most recently completed second fiscal quarter, and (2) the date on which we have issued more than $1.0 billion in non-convertible debt securities during the prior three-year period. An emerging growth company may take advantage of specified reduced reporting and other burdens that are otherwise applicable generally to public companies. As of July 30, 2016, the market value of our common stock that was held by non-affiliates exceeded $700.0 million and, therefore, we will no longer qualify as an "emerging growth company" commencing January 28, 2017.

### Recently Issued Accounting Pronouncements

Recently issued accounting pronouncements are discussed in Note 1(f) to the condensed consolidated financial statements.

## 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 credit facilities, which bear interest at variable rates. As of July 30, 2016, we had no outstanding borrowings under our revolving credit facility and $197.5 million under the New Term Loan Facility. The impact of a 1.0% rate change on the outstanding balance of the New Term Loan as of July 30, 2016 would be approximately $2.0 million.

As of July 30, 2016, other than as set out in Item 1A below, there were no other material changes in the market risks described in the "Quantitative and Qualitative Disclosure of Market Risks" section of our Annual Report on Form 10-K filed with the SEC on April 11, 2016.

***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. We have not engaged an independent registered accounting firm to perform an audit of our internal control over financial reporting as of any balance sheet date or for any period reported in our financial statements. This requirement will apply at the time of our Annual Report on Form 10-K for the year ending January 28, 2017, as the market value of our common stock that is held by non-affiliates exceeded $700.0 million as of the last business day of the most recently completed second quarter and we will meet the definition of large accelerated filer. Our independent public registered accounting firm will first be required to attest to the effectiveness of our internal control over financial reporting for our Annual Report on Form 10-K for fiscal year 2017, as we will no longer be an "emerging growth company". 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 twenty-six weeks ended July 30, 2016 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 that we are a party to. 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 on Form 10-K for the year ended January 30, 2016 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.

***Commencing January 28, 2017 we will no longer be an "emerging growth company," and the reduced disclosure requirements applicable to emerging growth companies will no longer apply.***

We currently are an "emerging growth company," or EGC, as defined in the JOBS Act. As of July 30, 2016, the market value of our common stock that was held by non-affiliates exceeded $700 million and, therefore, we will no longer qualify for such status commencing January 28, 2017. As a large accelerated filer, we will be subject to certain disclosure requirements that are applicable to other public companies that have not been applicable to us as an EGC, beginning with our Annual Report on Form10-K filed for the fiscal year ending January 28, 2017. These requirements include, but are not limited to:

- being required to comply with the auditor attestation requirements of Section 404 of the Sarbanes-Oxley Act of 2002, or the Sarbanes Oxley Act;
- being required to comply with any requirement that may be adopted by the Public Company Oversight Board regarding mandatory audit firm rotation or supplement to the auditor's report providing additional information about the audit and the financial statements; and
- disclosure obligations regarding executive compensation.

In addition, we will no longer be able to take advantage of an extended transition period for complying with new or revised accounting standards.

***We incur increased costs as a result of operating as a public company, and our management is now required to devote substantial time to new compliance initiatives.***

As a public company we incur, and particularly commencing January 28, 2017, when we will no longer be an EGC, we expect to incur further, significant legal, accounting and other expenses that we did not incur as a private company. In addition, the Sarbanes-Oxley Act and rules subsequently implemented by the SEC and NASDAQ have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Our management and other personnel devote a substantial amount of time to these compliance initiatives. Moreover, these rules and regulations have increased our legal and financial compliance costs and will make some activities more time-consuming and costly.

Pursuant to Section 404 of the Sarbanes-Oxley Act, or Section 404, we will be required to furnish a report by our management on our internal control over financial reporting, including an attestation report on internal control over financial reporting issued by our independent registered public accounting firm, which we expect to include with our annual report for the fiscal year ending January 28, 2017. To achieve compliance with Section 404 within the prescribed period, we are now and will be engaged in a process to document and evaluate our internal control over financial reporting, which is both costly and challenging. In this regard, we will need to continue to dedicate internal resources, potentially engage outside consultants and adopt a detailed work plan to assess and document the adequacy of internal control over financial reporting, continue steps to improve control processes as appropriate, validate through testing that controls are functioning as documented and implement a continuous reporting and improvement process for internal control over financial reporting. Despite our efforts, there is a risk that neither we nor our independent registered public accounting firm will be able to conclude within the prescribed timeframe that our internal control over financial reporting is effective as required by Section 404. This could result in an adverse reaction in the financial markets due to a loss of confidence in the reliability of our financial statements.

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

Not applicable.

## 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 |
|---|---|
| *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 | XBRL Instance Document. |
| **101.SCH | XBRL Taxonomy Extension Schema Document. |
| **101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| **101.DEF | XBRL Taxonomy Extension Definition Linkbase Document. |
| **101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| **101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document. |

* Filed herewith.

** Submitted electronically with this Report.

**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: September 1, 2016

/s/John Swygert

John Swygert
Executive Vice President and
Chief Financial Officer

**Exhibit 31.1**

**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 quarterly period ended July 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Mark Butler, 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: September 1, 2016

/s/ Mark Butler
Mark Butler
Chief Executive Officer

**Exhibit 31.2**

**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 quarterly period ended July 30, 2016, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, John Swygert, 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: September 1, 2016

/s/ John Swygert
John Swygert
Chief Financial Officer

**Exhibit 32.1**

## CERTIFICATIONS

I, Mark Butler, 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) Intentionally omitted;

   (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: September 1, 2016

/s/ Mark Butler

Mark Butler
President, Chief Executive Officer and Chairman of the Board
(Principal Executive Officer)

**Exhibit 32.2**

## 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) Intentionally omitted;

   (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: September 1, 2016

/s/ John Swygert

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