

HIBBETT SPORTS INC
Form 10-Q
December 04, 2017
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q
(Mark One)

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

For the quarterly period ended October 28, 2017

OR

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

For the transition period from _____ to _____

COMMISSION FILE NUMBER: 000-20969

HIBBETT SPORTS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 20-8159608
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

2700 Milan Court, Birmingham, Alabama 35211
(Address of principal executive offices, including zip code)

205-942-4292
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

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

Large accelerated filer Accelerated filer

Non-accelerated filer Smaller reporting company

Emerging growth company

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of common stock, par value \$.01 per share, outstanding as of November 28, 2017, were 19,088,747 shares.

HIBBETT SPORTS, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Balance Sheets

(in thousands, except share and per share information)

| | October 28, 2017 | January 28, 2017 |
|---|---------------------|---------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$58,325 | \$38,958 |
| Inventories, net | 265,422 | 280,701 |
| Other current assets | 17,051 | 18,605 |
| Total current assets | 340,798 | 338,264 |
| Property and equipment | 256,007 | 247,416 |
| Less accumulated depreciation and amortization | 144,293 | 135,782 |
| Property and equipment, net | 111,714 | 111,634 |
| Other assets, net | 5,820 | 8,956 |
| Total Assets | \$458,332 | \$458,854 |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| Current Liabilities: | | |
| Accounts payable | \$91,223 | \$77,046 |
| Accrued payroll expenses | 8,912 | 8,268 |
| Deferred rent | 5,615 | 5,050 |
| Short-term capital lease obligations | 620 | 595 |
| Other accrued expenses | 6,455 | 5,113 |
| Total current liabilities | 112,825 | 96,072 |
| Deferred rent | 20,597 | 21,664 |
| Other liabilities | 6,535 | 7,078 |
| Total liabilities | 139,957 | 124,814 |
| Stockholders' Investment: | | |
| Preferred stock, \$.01 par value, 1,000,000 shares authorized, no shares issued | - | - |
| Common stock, \$.01 par value, 80,000,000 shares authorized, 38,849,775 and 38,739,079 shares issued at October 28, 2017 and January 28, 2017, respectively | 388 | 387 |
| Paid-in capital | 179,723 | 174,719 |
| Retained earnings | 722,168 | 697,658 |
| Treasury stock, at cost; 19,268,695 and 17,067,482 shares repurchased at October 28, 2017 and January 28, 2017, respectively | (583,904) | (538,724) |
| Total stockholders' investment | 318,375 | 334,040 |
| Total Liabilities and Stockholders' Investment | \$458,332 | \$458,854 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES

Unaudited Condensed Consolidated Statements of Operations

(in thousands, except per share information)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|------------------|-------------------------|------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Net sales | \$237,834 | \$237,006 | \$701,480 | \$726,031 |
| Cost of goods sold, including wholesale, logistics and store occupancy costs | 161,721 | 153,181 | 472,741 | 468,947 |
| Gross margin | 76,113 | 83,825 | 228,739 | 257,084 |
| Store operating, selling and administrative expenses | 57,993 | 55,853 | 169,886 | 165,415 |
| Depreciation and amortization | 6,333 | 4,799 | 18,060 | 14,036 |
| Operating income | 11,787 | 23,173 | 40,793 | 77,633 |
| Interest expense, net | 53 | 60 | 176 | 187 |
| Income before provision for income taxes | 11,734 | 23,113 | 40,617 | 77,446 |
| Provision for income taxes | 4,170 | 8,509 | 15,320 | 28,426 |
| Net income | \$7,564 | \$14,604 | \$25,297 | \$49,020 |
| Net income per common share: | | | | |
| Basic | \$0.37 | \$0.66 | \$1.22 | \$2.19 |
| Diluted | \$0.37 | \$0.66 | \$1.21 | \$2.18 |
| Weighted average shares outstanding: | | | | |
| Basic | 20,318 | 21,989 | 20,805 | 22,350 |
| Diluted | 20,385 | 22,186 | 20,905 | 22,525 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES
 Unaudited Condensed Consolidated Statements of Cash Flows
 (in thousands)

| | Thirty-Nine Weeks Ended | |
|---|----------------------------|---------------------|
| | October 28, 2017 | October 29, 2016 |
| Cash Flows From Operating Activities: | | |
| Net income | \$25,297 | \$49,020 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 18,060 | 14,036 |
| Stock-based compensation | 3,179 | 3,771 |
| Other non-cash adjustments to net income | 237 | 96 |
| Decrease (increase) in inventories, net | 15,278 | (9,362) |
| Decrease (increase) in prepaid expenses | 37 | (1,095) |
| Increase (decrease) in accounts payable | 14,178 | (2,746) |
| Changes in other operating assets and liabilities | 7,007 | 6,108 |
| Net cash provided by operating activities | 83,273 | 59,828 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (18,875) | (19,554) |
| Other, net | 39 | 82 |
| Net cash used in investing activities | (18,836) | (19,472) |
| Cash Flows From Financing Activities: | | |
| Cash used for stock repurchases | (44,469) | (30,691) |
| Payments on capital lease obligations | (444) | (344) |
| Proceeds from options exercised and purchase of shares under the employee stock purchase plan | 554 | 458 |
| Other, net | (711) | (858) |
| Net cash used in financing activities | (45,070) | (31,435) |
| Net increase in cash and cash equivalents | 19,367 | 8,921 |
| Cash and cash equivalents, beginning of period | 38,958 | 32,274 |
| Cash and cash equivalents, end of period | \$58,325 | \$41,195 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES

Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation and Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Hibbett Sports, Inc. and its wholly-owned subsidiaries (including the condensed consolidated balance sheet as of January 28, 2017, which has been derived from audited financial statements) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. References to "we," "our," "us" and the "Company" refer to Hibbett Sports, Inc. and its subsidiaries as well as its predecessors.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed on March 28, 2017. In our opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position as of October 28, 2017 and the results of our operations and cash flows for the periods presented.

There have been no material changes in our significant accounting policies as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the Securities and Exchange Commission on March 28, 2017.

2. Recent Accounting Pronouncements

In the first quarter of the current fiscal year (Fiscal 2018), we adopted Accounting Standard Update (ASU) 2016-09 – Compensation – Stock Compensation: Improvements to Employee Share-Based Payment Accounting, which aims to simplify several aspects of accounting and reporting for share-based payment transactions. One provision of this pronouncement requires that excess income tax benefits and tax deficiencies related to share-based payments be recognized within income tax expense in the statement of income, rather than within additional paid-in capital on the balance sheet. The impact to our results of operations related to this provision through the third quarter of Fiscal 2018 was an increase in the provision for income taxes of \$0.7 million. The future impact of this provision on our future results of operations will depend in part on the market prices of our common stock on the dates there are taxable events related to equity awards, and therefore the impact is difficult to predict. In another provision of this pronouncement, we elected to account for forfeitures of share-based awards as they occur rather than estimate expected forfeitures, with the change being applied on a modified retrospective basis that resulted in a cumulative effect reduction to retained earnings of \$0.8 million as of January 28, 2017. We do not expect that any other provisions within the pronouncement will have a material impact on our consolidated financial statements.

In May 2014, the Financial Accounting Standards Board (FASB) issued ASU 2014-09, Revenue from Contracts with Customers. This ASU updates accounting guidance on revenue recognition. In August 2015, the FASB provided a one-year deferral of the effective date for annual and interim reporting periods beginning after December 15, 2017. The FASB has also issued clarification guidance as it relates to principal versus agent considerations for revenue recognition purposes and clarification guidance on other various considerations related to the new revenue recognition guidance. Additionally, during April 2016, the FASB issued further clarification guidance related to identifying performance obligations and licensing. We will adopt this ASU in the first quarter of Fiscal 2019. The standard will result in the implementation of new processes and internal controls over revenue recognition primarily related to gift card breakage and our Hibbett Rewards customer loyalty program. We expect the adoption to result in a change to gift card breakage which will be recognized in proportion to the customer redemption pattern as opposed to when redemption of the gift card is deemed remote. Further, the stand-alone benefit received by customers through the

Hibbett Rewards program will be recorded as a separate performance obligation and deferral of revenue in the period the benefit is earned. We expect to adopt this ASU using the modified retrospective method which will result in a cumulative effect to retained earnings. We continue to evaluate the impact of the new standard on our consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, Inventory – Simplifying the Measurement of Inventory, which requires all inventory, other than inventory measured at last-in, first out (LIFO) or the retail inventory method, to be measured at the lower of cost and net realizable value. This ASU was effective for fiscal years beginning after December 15, 2016. The adoption of ASU 2015-11 did not have any impact on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 – Leases, which requires lessees to recognize leases on the balance sheet and disclose key information about leasing arrangements. The new standard establishes a right-of-use model (ROU) that requires a lessee to recognize a ROU asset and lease liability on the balance sheet for all leases with a term longer than 12 months. Leases will be classified as finance or operating, with classification affecting the pattern and classification of expense recognition in the income statement. ASU 2016-02 is effective for us with the fiscal year beginning February 3, 2019 (Fiscal 2020), with early adoption permitted. We expect to adopt ASU 2016-02 in Fiscal 2020. A modified retrospective transition approach is required for leases existing at, or entered into after, the beginning of the earliest comparative period presented in the financial statements (Fiscal 2018), with certain practical expedients available.

While we continue to assess the effect of adoption of ASU 2016-02, we anticipate its implementation will result in recognition of approximately \$195.0 million in net ROU assets and approximately \$220.0 million in lease liabilities in the earliest comparative period. We do not expect a significant change in our leasing strategy between now and adoption. We expect to elect all of the standard's available practical expedients on adoption. The discount rate used in the modified retrospective transition will be our incremental borrowing rate as of January 29, 2017 or 4.0%. We plan to elect to separate non-lease components from lease components on all asset classes.

We continuously monitor and review all current accounting pronouncements and standards from the FASB of U.S. GAAP for applicability to our operations. As of October 28, 2017, there were no other new pronouncements, interpretations or staff positions that had or were expected to have a significant impact on our operations since our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed on March 28, 2017.

3. Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Subtopic 820, Fair Value Measurement, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

Level I – Quoted prices in active markets for identical assets or liabilities.

Level II – Observable inputs other than quoted prices included in Level I.

Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The table below segregates all financial assets that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value as of October 28, 2017 and January 28, 2017 (in thousands):

| | October 28, 2017 | | | January 28, 2017 | | |
|------------------------|------------------|----------|-----------|------------------|----------|-----------|
| | Level I | Level II | Level III | Level I | Level II | Level III |
| Short-term investments | \$240 | \$ - | \$ - | \$79 | \$ - | \$ - |
| Long-term investments | 2,726 | - | - | 2,666 | - | - |
| Total investments | \$2,966 | \$ - | \$ - | \$2,745 | \$ - | \$ - |

Short-term investments are reported in other current assets on our unaudited condensed consolidated balance sheets. Long-term investments are reported in other assets on our unaudited condensed consolidated balance sheets.

4. Debt

At October 28, 2017 and January 28, 2017, we had two unsecured credit facilities; one which allows for borrowings up to \$30.0 million with an interest rate at one month LIBOR plus 2.0% and one which allows for borrowings up to \$50.0 million at a rate agreed upon between lender and borrower at the time loan is made. Both facilities expire in November 2017. Under the provisions of both facilities, we do not pay commitment fees and are not subject to covenant requirements. At October 28, 2017, a total of \$80.0 million was available to us from these facilities.

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We did not incur any borrowings against our credit facilities during the thirteen week period ended October 28, 2017. There were 7 days during the thirty-nine weeks ended October 28, 2017, where we incurred borrowings against our credit facilities for an average and maximum borrowing of \$4.2 million and \$4.9 million, respectively, and an average interest rate of 2.8%. There were 19 days during the fifty-two weeks ended January 28, 2017, where we incurred borrowings against our credit facilities for an average and maximum borrowing of \$6.6 million and \$11.8 million, respectively, and an average interest rate of 2.5%.

Subsequent to October 28, 2017, we renewed and amended our \$50.0 million facility which now allows for borrowings up to \$30.0 million at a rate agreed upon between lender and borrower at the time loan is made. The renewal was effective November 17, 2017 and will expire on March 31, 2018. We also renewed our \$30.0 million facility with an interest rate at one month LIBOR plus 2.5%. The renewal was effective November 30, 2017 and will expire on April 30, 2018.

5. Stock-Based Compensation

The compensation costs that have been charged against income for the thirteen and thirty-nine weeks ended October 28, 2017 and October 29, 2016 were as follows (in thousands):

| | Thirteen Weeks Ended October 28, 2017 | | Thirty-Nine Weeks Ended October 29, 2016 | |
|---|---|-------|--|---------|
| Stock-based compensation expense by type: | | | | |
| Stock options | \$8 | \$ - | \$181 | \$384 |
| Restricted stock unit awards, including performance-based | 796 | 629 | 2,905 | 3,237 |
| Employee stock purchases | 19 | 22 | 75 | 80 |
| Director deferred compensation | 6 | 24 | 18 | 70 |
| Total stock-based compensation expense | 829 | 675 | 3,179 | 3,771 |
| Income tax benefit recognized | 305 | 240 | 1,151 | 1,363 |
| Stock-based compensation expense, net of income tax | \$524 | \$435 | \$2,028 | \$2,408 |

In the thirteen and thirty-nine weeks ended October 28, 2017 and October 29, 2016, we granted the following equity awards:

| | Thirteen Weeks Ended October 28, 2017 | | Thirty-Nine Weeks Ended October 29, 2016 | |
|--|---|-----|--|---------|
| Stock options | 18,577 | - | 38,949 | 36,359 |
| Restricted stock unit awards | - | - | 108,429 | 100,775 |
| Performance-based restricted stock unit awards | - | - | 54,900 | 45,300 |
| Deferred stock units | 417 | 588 | 904 | 14,744 |

At October 28, 2017, the total compensation costs related to nonvested restricted stock unit awards not yet recognized was \$6.3 million and the weighted-average period over which such awards are expected to be recognized was 2.4 years. The total compensation costs related to nonvested stock options to be recognized was \$0.1 million and the period over which the award is expected to be recognized was 0.9 years at October 28, 2017.

Under the 2012 Non-Employee Director Equity Plan (2012 Plan), a total of 3,361 and 2,851 shares of our common stock were awarded during the thirteen and thirty-nine weeks ended October 28, 2017 and October 29, 2016, respectively, as part of the annual equity award to directors in the first quarter.

The weighted-average grant date fair value of stock options granted during the thirteen and thirty-nine weeks ended October 28, 2017 was \$4.20 and \$6.20 per share, respectively. There were no stock options granted during the thirteen weeks ended October 29, 2016. The weighted-average grant date fair value of stock options granted during the thirty-nine weeks ended October 29, 2016 was \$10.56 per share.

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Our employee purchases of common stock, the average price per share and the weighted-average grant date fair value of shares purchased through our employee stock purchase plan were as follow:

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|----------------------|------------------|-------------------------|------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Shares purchased | 6,239 | 3,236 | 16,984 | 11,874 |
| Average price per share | \$12.11 | \$29.29 | \$18.00 | \$27.66 |
| Weighted average fair value at grant date | \$4.52 | \$7.25 | \$4.43 | \$6.94 |

6. Earnings Per Share

The computation of basic earnings per share (EPS) is based on the number of weighted average common shares outstanding during the period. The computation of diluted EPS is based on the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options and issuance of restricted stock. The number of incremental shares is calculated by applying the treasury stock method. The following table sets forth the weighted average common shares outstanding (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|------------------|-------------------------|------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| Weighted-average shares used in basic computations | 20,318 | 21,989 | 20,805 | 22,350 |
| Dilutive equity awards | 67 | 197 | 100 | 175 |
| Weighted-average shares used in diluted computations | 20,385 | 22,186 | 20,905 | 22,525 |

For the thirteen weeks ended October 28, 2017, we excluded 288,235 options from the computation of diluted weighted-average common shares and common share equivalents outstanding because of their anti-dilutive effect. For the thirteen weeks ended October 29, 2016, we excluded 104,091 options from the computation of diluted weighted-average common shares and common share equivalents outstanding because of their anti-dilutive effect.

We excluded 92,200 nonvested stock awards granted to certain employees from the computation of diluted weighted-average common shares and common share equivalents outstanding because they are subject to certain performance-based annual vesting conditions which had not been achieved by October 28, 2017. Assuming the performance-criteria had been achieved as of October 28, 2017, the incremental dilutive impact would have been 67,057 shares.

7. Stock Repurchase Activity

In November 2015, the Board of Directors (Board) authorized a Stock Repurchase Program (Program) of \$300.0 million to repurchase our common stock through February 2, 2019. The Program replaced an existing program and authorizes repurchases of our common stock in open market or negotiated transactions, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management. In addition to the Program, we also acquire shares of our common stock from holders of restricted stock unit awards to satisfy tax withholding requirements due at vesting. Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements do not reduce the Program authorization.

During the thirteen weeks ended October 28, 2017, we repurchased 1.2 million shares of our common stock at a cost of \$15.9 million, including 170 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$2,100. During the thirty-nine weeks ended October 28, 2017, we repurchased 2.2 million shares of our common stock at a cost of \$45.2 million, including 24,369 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$0.7 million.

During the thirteen weeks ended October 29, 2016, we repurchased 54,000 shares of our common stock at a cost of \$1.9 million, including 111 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$4,600. During the thirty-nine weeks ended October 29, 2016, we repurchased 0.9 million shares of our common stock at a cost of \$31.6 million, including 25,993 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$0.9 million.

As of October 28, 2017, we had approximately \$213.4 million remaining under the Program for stock repurchases. Subsequent to October 28, 2017, we have repurchased 0.5 million shares of our common stock at a cost of \$6.2 million through November 28, 2017.

8. Commitments and Contingencies

Lease Commitments.

We have entered into capital leases for certain property. At October 28, 2017, the total capital lease obligations were \$3.0 million, of which \$0.6 million was included in short-term capital lease obligations and \$2.4 million was included in other liabilities on our unaudited condensed consolidated balance sheet. At January 28, 2017, the total capital lease obligations were \$3.5 million, of which \$0.6 million was included in short-term capital lease obligations and \$2.9 million was included in other liabilities on our unaudited condensed consolidated balance sheet.

During the thirteen weeks ended October 28, 2017, we opened 13 stores and closed 11 stores, thus increasing our lease commitments by a net of two retail stores. The stores we opened have initial lease termination dates between October 2022 and November 2027.

Annual Bonuses and Equity Incentive Awards.

Specified officers and corporate employees of our Company are eligible to receive annual bonuses, based on measures of Company operating performance. At October 28, 2017 and January 28, 2017, there was \$1.2 million and \$3.3 million, respectively, of annual bonus related expenses included in accrued payroll expenses on our unaudited condensed consolidated balance sheets.

In addition, the Compensation Committee of the Board has placed performance criteria on awards of restricted stock units (PSUs) to our "named executive officers" as determined in accordance with Item 402(a) of Regulation S-K. The performance criteria are tied to performance targets with respect to future return on invested capital and earnings before interest and taxes over a specified period of time. These PSUs are expensed under the provisions of ASC Topic 718, Compensation – Stock Compensation, and are evaluated each quarter to determine the probability that the performance conditions set within will be met.

Legal Proceedings and Other Contingencies.

If we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, Contingencies. No material amounts were accrued at October 28, 2017 or January 28, 2017 pertaining to legal proceedings or other contingencies.

9. Income Taxes

Our effective tax rate is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. For interim financial reporting, we estimate the annual effective tax rate based on expected taxable income for the full year and record a quarterly income tax provision (benefit) in accordance with the anticipated annual effective rate and adjust for discrete items. We update the estimates of the taxable income throughout the year as new information becomes available, including year-to-date financial results. This process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision (benefit) during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual effective tax rate.

We apply the provisions of ASC Subtopic 740-10 in accounting for uncertainty in income taxes. In accordance with ASC Subtopic 740-10, we recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management.

At October 28, 2017, we had a liability of \$1.3 million associated with unrecognized tax benefits. We file income tax returns in the U.S. federal and various state jurisdictions. Generally, we are not subject to changes in income taxes by the U.S. federal taxing jurisdiction for years prior to Fiscal 2015 or by most state taxing jurisdictions for years prior to Fiscal 2014.

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

Important Notice Regarding Forward-Looking Statements

This document contains "forward-looking statements" as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as "believe," "anticipate," "expect," "intend," "plan" or "estimate." For example, our forward-looking statements would include:

- our expectations concerning store growth, locations, types and size, and growth in our e-commerce business;
- our expectations concerning cash needs and capital expenditures, including our intentions and ability to fund our new stores and other future capital expenditures and working capital requirements;
- our ability and plans to renew or increase our revolving credit facilities;
- our estimates and assumptions as they relate to preferable tax and financial accounting methods, accruals, inventory valuations, long-lived assets, store closures, carrying amount and liquidity of financial instruments, fair value of options and other stock-based compensation, economic and useful lives of depreciable assets and leases, income tax liabilities, deferred taxes and uncertain tax positions;
- our assessment of the materiality and impact on our business of recent accounting pronouncements adopted by the Financial Accounting Standards Board;
- our assumptions as they relate to pending legal actions and other contingencies; and
- seasonality and the effect of inflation.

You should assume that the information appearing in this report is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date. For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully consider the risk factors described from time to time in our other documents and reports, including the factors described under "Risk Factors," "Business" and "Properties" in our Form 10-K for the fiscal year ended January 28, 2017 filed with the Securities and Exchange Commission on March 28, 2017. You should also read such information in conjunction with our unaudited condensed financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in this report.

Our forward-looking statements could be wrong in light of these risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this Quarterly Report and you should not expect us to do so. Investors should also be aware that while we do, from time to time, communicate with

securities analysts and others, we do not, by policy, selectively disclose to them any material non-public information with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Investor Access to Company Filings

We make available free of charge on our website, www.hibbett.com under the heading "Investor Relations," copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (Securities Exchange Act) as well as all Forms 3, 4 and 5 filed by our executive officers and directors, as soon as the filings are made publicly available by the Securities and Exchange Commission on its EDGAR database at www.sec.gov. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, at no charge, by writing to: Investor Relations, Hibbett Sports, Inc., 2700 Milan Court, Birmingham, Alabama 35211.

General Overview

Hibbett Sports, Inc. is a leading athletic-inspired fashion retailer primarily located in small and mid-sized communities across the country. Founded in 1945, Hibbett stores have a rich history of convenient locations, personalized customer service and access to coveted footwear, apparel and equipment from top brands like Nike, Under Armour and Adidas. Consumers can browse styles, find new releases, shop looks and make purchases online or in their nearest store by visiting www.Hibbett.com. Follow us @HibbettSports. We became a public company in October 1996. As of October 28, 2017, we operated a total of 1,082 retail stores in 35 states composed of 1,063 Hibbett Sports stores and 19 Sports Additions athletic shoe stores.

The Hibbett Sports store is our primary retail format and growth vehicle and is an approximately 5,000 square foot store located primarily in strip centers which are frequently influenced by a major chain retailer such as a Wal-Mart store. Our Hibbett Sports store base consisted of 846 stores located in strip centers, 26 free-standing stores and 191 enclosed mall locations. We expect to continue to grow our store base in strip centers versus enclosed malls.

Our current primary merchandising strategy is to provide a broad assortment of quality brand name footwear, apparel, accessories and athletic equipment at competitive prices in a conveniently located full-service environment. At the end of the second quarter, we successfully launched our e-commerce website. We will continue to grow our online business aggressively, while continuing to enhance our stores to improve the overall customer experience. We believe that the breadth and depth of our brand name merchandise consistently exceeds the product selection carried by most of our competitors, particularly in our smaller markets. Many of these brand name products are highly technical and require expert sales assistance. We continuously educate our sales staff on new products and trends through coordinated efforts with our vendors.

Comparable store sales data for the periods presented reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year and e-commerce sales. If a store remodel, relocation or expansion results in the store being closed for a significant period of time, its sales are removed from the comparable store sales base until it has been open a full 12 months. During the thirteen and thirty-nine weeks ended October 28, 2017, we included 1,012 and 981 stores in comparable store sales, respectively.

Executive Summary

Net sales for the thirteen weeks ended October 28, 2017, increased 0.4% to \$237.8 million compared with \$237.0 million for the thirteen weeks ended October 29, 2016. Comparable store sales decreased 1.3%, with strong performance in footwear offset by negative comparable store sales in other merchandise categories. E-commerce sales accounted for 4.9% of total sales for the period. Gross margin was 32.0% of net sales for the thirteen weeks ended October 28, 2017, compared with 35.4% for the thirteen weeks ended October 29, 2016. The decrease in the gross margin percentage was mainly due to promotions and markdowns taken to improve our inventory position.

Net sales for the thirty-nine weeks ended October 28, 2017, decreased 3.4% to \$701.5 million compared with \$726.0 million for the thirty-nine weeks ended October 29, 2016. Comparable store sales decreased 5.7%, with all merchandise categories experiencing negative comparable store sales. E-commerce sales accounted for 1.7% of total sales for the period. Gross margin was 32.6% of net sales for the thirty-nine weeks ended October 28, 2017, compared with 35.4% for the thirty-nine weeks ended October 29, 2016. The decrease in the gross margin percentage was mainly due to promotions and markdowns taken to liquidate excess and aged inventory, and de-leverage of logistics and store occupancy expenses associated with lower comparable sales.

During the third quarter of Fiscal 2018, we opened 13 new stores and closed 11 underperforming stores, bringing the store base to 1,082 in 35 states as of October 28, 2017. In addition, we expanded one high-performing store. We ended the third quarter of Fiscal 2018 with \$58.3 million of available cash and cash equivalents on the unaudited condensed consolidated balance sheet and full availability under our credit facilities. We also acquired 1.2 million shares of our common stock for a total expenditure of \$15.9 million during the thirteen weeks ended October 28, 2017.

Significant Accounting Estimates

The unaudited condensed consolidated financial statements are prepared in conformity with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies and estimates are described more fully in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017, as filed on March 28, 2017. There have been no changes in our accounting policies in the current period that had a material impact on our unaudited condensed consolidated financial statements.

Recent Accounting Pronouncements

See Note 2 to the unaudited condensed consolidated financial statements included in this Form 10-Q for the period ended October 28, 2017, for information regarding recent accounting pronouncements.

Results of Operations

Summarized Unaudited Information

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|---------------------|-------------------------|---------------------|
| | October 28, 2017 | October 29, 2016 | October 28, 2017 | October 29, 2016 |
| <u>Statements of Operations</u> | | | | |
| Net sales increase (decrease) | 0.4 | % 3.8 | % (3.4) | % 4.1 |
| Comparable store sales (decrease) increase | (1.3 | % 0.7 | % (5.7) | % 1.0 |
| Gross margin (as a % to net sales) | 32.0 | % 35.4 | % 32.6 | % 35.4 |
| Store operating, selling and administrative expenses (as a % to net sales) | 24.4 | % 23.6 | % 24.2 | % 22.8 |
| Depreciation and amortization (as a % to net sales) | 2.7 | % 2.0 | % 2.6 | % 1.9 |
| Provision for income taxes (as a % to net sales) | 1.8 | % 3.6 | % 2.2 | % 3.9 |
| Net income (as a % to net sales) | 3.2 | % 6.2 | % 3.6 | % 6.8 |
| Diluted earnings per share | \$0.37 | \$0.66 | \$1.21 | \$2.18 |
| Weighted-average dilutive shares (in thousands) | 20,385 | 22,186 | 20,905 | 22,525 |
| <u>Balance Sheets</u> | | | | |
| Ending cash and cash equivalents (in thousands) | \$58,325 | \$41,195 | | |
| Average inventory per store | \$245,307 | \$274,097 | | |
| <u>Store Information</u> | | | | |
| Beginning of period | 1,080 | 1,059 | 1,078 | 1,044 |
| New stores opened | 13 | 13 | 32 | 44 |
| Stores closed | (11) | (5) | (28) | (21) |
| End of period | 1,082 | 1,067 | 1,082 | 1,067 |
| Stores remodeled, expanded or relocated | 1 | 2 | 9 | 4 |
| Estimated square footage at end of period (in thousands) | 6,158 | 6,090 | | |
| <u>Share Repurchase Activity</u> | | | | |
| Shares purchased | 1,200,470 | 53,519 | 2,231,213 | 911,356 |
| Cost (in thousands) | \$15,929 | \$1,941 | \$45,180 | \$31,634 |

Thirteen Weeks Ended October 28, 2017 Compared to Thirteen Weeks Ended October 29, 2016

Net sales. Net sales increased \$0.8 million, or 0.4%, to \$237.8 million for the thirteen weeks ended October 28, 2017 from \$237.0 million for the comparable period in the prior year. Furthermore:

We opened 13 Hibbett Sports stores and closed 11 underperforming stores. In addition, we expanded one high-performing store and remodeled or relocated two stores.

Comparable store sales decreased 1.3% due to decreased performance in all merchandise categories with the exception of footwear.

Footwear experienced a mid-single-digit increase, driven by strength in basketball and lifestyle.

Branded apparel experienced a low single-digit decline, which was an improvement compared with the second quarter. This was mainly due to strong sell-through of cold weather merchandise.

· Licensed apparel experienced a mid-double-digit decline, driven by weakness in college, NBA, and NFL.
· Equipment experienced a high single-digit decline, driven by weakness in football and soccer, partially offset by strength in baseball.

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Gross margin. Cost of goods sold includes the cost of inventory, logistics expenses and store occupancy costs. Gross margin was \$76.1 million, or 32.0% of net sales, in the thirteen weeks ended October 28, 2017, compared with \$83.8 million, or 35.4% of net sales, in the same period of the prior fiscal year. Furthermore:

Product margin decreased 374 basis points as a percentage of net sales due to promotional activity, markdowns taken to liquidate excess and aged inventory, and freight costs incurred on store-to-home and e-commerce orders. Logistics expenses increased 7 basis points as a percentage of net sales primarily due to expenses associated with our omni-channel initiative and de-leverage of fixed costs associated with lower comparable store sales. Store occupancy expense decreased 45 basis points as a percentage of net sales due to a decrease in rent for those stores paying rent as a percentage of sales, and utility savings from investment in low energy-use lighting in our stores.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$58.0 million, or 24.4% of net sales, for the thirteen weeks ended October 28, 2017, compared to \$55.9 million, or 23.6% of net sales, for the comparable period a year ago. Furthermore:

Store labor costs were relatively flat, increasing 6 basis points as a percentage of net sales. Net advertising costs increased 50 basis points as a percentage of net sales mainly due to increased marketing costs associated with the launch of the new e-commerce website. Data processing costs increased 83 basis points as a percentage of net sales due to an increase in operational costs for the e-commerce business, including website hosting, order and payment processing, and call center costs. Professional fees decreased 35 basis points as a percentage of net sales mainly due to reduced development costs associated with the e-commerce platform. Credit card fees decreased 32 basis points as a percentage of net sales mainly due to the implementation of EMV chip technology and a corresponding decline in credit card chargebacks.

Depreciation and amortization. Depreciation and amortization increased 64 basis points as a percentage of net sales for the thirteen weeks ended October 28, 2017. This increase was mainly due to the capitalization of our omni-channel initiative and other investments to improve the business.

Provision for income taxes. The combined federal, state and local effective income tax rate as a percentage of pre-tax income (loss) was 35.5% and 36.8% for the thirteen weeks ended October 28, 2017 and October 29, 2016, respectively. The decrease in rate was primarily due to a favorable adjustment in the thirteen weeks ended October 28, 2017, related to additional federal tax credits.

Thirty-Nine Weeks Ended October 28, 2017 Compared to Thirty-Nine Weeks Ended October 29, 2016

Net sales. Net sales decreased \$24.6 million, or 3.4%, to \$701.5 million for the thirty-nine weeks ended October 28, 2017 from \$726.0 million for the comparable period in the prior year. Furthermore:

We opened 32 Hibbett Sports stores and closed 28 underperforming stores. In addition, we expanded 9 high-performing stores and remodeled or relocated three stores. Comparable store sales decreased 5.7% due to decreased performance in all merchandise categories. Footwear was approximately flat, with strength in basketball and lifestyle offset by weakness in performance running. Branded apparel experienced a high single-digit decline. Licensed apparel experienced a low double-digit decline. Equipment experienced a low double-digit decline, driven by weakness in team sports and fitness.

Gross margin. Cost of goods sold includes the cost of inventory, logistics expenses and store occupancy costs. Gross margin was \$228.7 million, or 32.6% of net sales, in the thirty-nine weeks ended October 28, 2017, compared with \$257.1 million, or 35.4% of net sales, in the same period of the prior fiscal year. Furthermore:

Product margin decreased 247 basis points as a percentage of net sales due to promotional activity, markdowns taken to liquidate excess and aged inventory, costs incurred to transition to an enhanced customer loyalty program, and freight costs incurred on store-to-home and e-commerce orders.

Logistics expenses increased 15 basis points as a percentage of net sales primarily due to expenses associated with our omni-channel initiative and de-leverage of fixed costs associated with lower comparable store sales.

Store occupancy expense increased 18 basis points as a percentage of net sales due to de-leverage associated with lower comparable store sales.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$169.9 million, or 24.2% of net sales, for the thirty-nine weeks ended October 28, 2017, compared to \$165.4 million, or 22.8% of net sales, for the comparable period a year ago. Furthermore:

Store labor cost increased 56 basis points as a percentage of net sales due to de-leverage associated with lower comparable store sales.

Net advertising costs increased 19 basis points as a percentage of net sales mainly due to increased marketing costs associated with the launch of the new e-commerce website.

Data processing costs increased 44 basis points as a percentage of net sales due to an increase in operational costs for the e-commerce business, including website hosting, order and payment processing, and call center costs.

Professional fees increased 10 basis points as a percentage of net sales mainly due to development costs associated with the e-commerce platform.

Credit card fees decreased 20 basis points as a percentage of net sales mainly due to the implementation of EMV chip technology and a corresponding decline in credit card chargebacks.

Depreciation and amortization. Depreciation and amortization increased 64 basis points as a percentage of net sales for the thirty-nine weeks ended October 28, 2017. This increase was mainly due to the capitalization of our omni-channel initiative and other investments to improve the business.

Provision for income taxes. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 37.7% and 36.7% for the thirty-nine weeks ended October 28, 2017 and October 29, 2016, respectively. The increase in rate was primarily due to an accounting standards change (ASU 2016-09) for stock-based compensation. This new accounting standard stipulates that the income tax effect of fluctuations in the value of stock-based awards between the grant date and vesting date are to be recorded directly to income tax expense. In the past, this effect was recorded directly to equity. This change primarily affects the first quarter due to the timing of stock-based awards.

Liquidity and Capital Resources

Our cash outlays relate primarily to new store openings, stock repurchases, IT systems and working capital requirements. Historically, we have funded our cash requirements primarily through our cash flow from operations and occasionally from borrowings under our revolving credit facilities. Due to the low interest rates currently available, we are using excess cash on deposit to offset bank fees versus investing such funds in interest-bearing deposits.

Our unaudited condensed consolidated statements of cash flows are summarized as follows (in thousands):

| | Thirty-Nine Weeks Ended | |
|---|----------------------------|---------------------|
| | October 28, 2017 | October 29, 2016 |
| Net cash provided by operating activities | \$83,273 | \$59,828 |
| Net cash used in investing activities | (18,836) | (19,472) |
| Net cash used in financing activities | (45,070) | (31,435) |
| Net increase in cash and cash equivalents | \$19,367 | \$8,921 |

Operating Activities.

We use cash flow from operations to increase inventory in advance of peak selling seasons, such as spring sports, back-to-school and winter holidays. Inventory levels are reduced following peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was \$83.3 million for the thirty-nine weeks ended October 28, 2017 compared with net cash provided by operating activities of \$59.8 million for the thirty-nine weeks ended October 29, 2016. Operating activities consist primarily of net income, adjusted for certain non-cash items and changes in operating assets and liabilities. Adjustments to net income for non-cash items include depreciation and amortization, deferred income taxes and stock-based compensation. The primary drivers of operating activities were net income (\$25.3 million), depreciation and amortization (\$18.1 million), a decrease in net inventories (\$15.3 million) and an increase in accounts payable (\$14.2 million). The decrease in net inventories was primarily due to the liquidation of excess and aged inventory and merchandise returned to vendors. The increase in accounts payable was mainly due to the timing of inventory receipts compared to the prior year. Accounts payable and net inventories fluctuate between quarters due to the seasonality of purchases.

Investing Activities.

Net cash used in investing activities in the thirty-nine weeks ended October 28, 2017 totaled \$18.8 million compared with net cash used in investing activities of \$19.5 million in the thirty-nine weeks ended October 29, 2016. Capital expenditures used \$18.9 million of cash in the thirty-nine weeks ended October 28, 2017 versus \$19.6 million of cash in the thirty-nine weeks ended October 29, 2016. Capital expenditures were used mainly to invest in our omni-channel initiative, open new stores, and remodel, expand or relocate existing stores. We opened 32 new stores and relocated, expanded or remodeled 12 existing stores during the thirty-nine weeks ended October 28, 2017 as compared to opening 44 new stores and remodeling, relocating or expanding four existing stores during the thirty-nine weeks ended October 29, 2016.

We estimate the cash outlay for capital expenditures in the fiscal year ending February 3, 2018 will be approximately \$25.0 million to \$30.0 million, which relates to expenditures for the opening of new stores; the remodeling, relocation or expansion of selected existing stores, investment in our omni-channel initiative, information system upgrades, and other departmental needs. Of the total budgeted dollars for capital expenditures for Fiscal 2018, we anticipate that approximately \$7.0 million will be related to our omni-channel initiative.

Financing Activities.

Net cash used in financing activities was \$45.1 million in the thirty-nine weeks ended October 28, 2017 compared to net cash used in financing activities of \$31.4 million in the prior year period. During the thirty-nine weeks ended October 28, 2017, we repurchased \$45.2 million of our common stock, including \$0.7 million from holders of restricted stock unit awards to satisfy tax withholding requirements. See Note 7 to the unaudited condensed consolidated financial statements, "Stock Repurchase Activity".

At October 28, 2017, we had two unsecured revolving credit facilities that allow borrowings up to \$30.0 million and \$50.0 million, both of which renew in November 2017. The facilities do not require a commitment or agency fee nor are there any covenant restrictions. We had no debt outstanding under either of these facilities as of October 28, 2017.

Subsequent to October 28, 2017, we renewed and amended our \$50.0 million facility which now allows for borrowings up to \$30.0 million at a rate agreed upon between lender and borrower at the time loan is made. The renewal was effective November 17, 2017 and will expire on March 31, 2018. We also renewed our \$30.0 million facility with an interest rate at one month LIBOR plus 2.5%. The renewal was effective November 30, 2017 and will expire on April 30, 2018.

Based on our current operating plans, store plans, plans for the repurchase of our common stock and budgeted capital expenditures, we believe that we can fund our cash needs for the foreseeable future through cash generated from operations and, if necessary, through periodic future borrowings against our credit facilities.

Off-Balance Sheet Arrangements.

We have not provided any financial guarantees as of October 28, 2017. All merchandise purchase obligations are cancelable. We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not included in the unaudited condensed consolidated financial statements.

Quarterly and Seasonal Fluctuations

We experience seasonal fluctuations in our net sales and results of operations. We typically experience higher net sales in early spring due to spring sports and annual tax refunds, late summer due to back-to-school shopping and winter due to holiday shopping. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, weather fluctuations, merchandise mix, demand for merchandise driven by local interest in sporting events, and the timing of sales tax holidays and annual income tax refunds.

Although our operations are influenced by general economic conditions, we do not believe that, historically, inflation has had a material impact on our results of operations as we are generally able to pass along inflationary increases in costs to our customers.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Credit Availability Risk

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity.

We also have financial institutions that are committed to provide loans under our revolving credit facilities. There is a risk that these institutions cannot deliver against these obligations. For a further discussion of this risk and risks related to our deposits, see "Risk Factors" in our Form 10-K for the fiscal year ended January 28, 2017.

Interest Rate Risk

Our exposure to market risks results primarily from fluctuations in interest rates. There have been no material changes to our exposure to market risks from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 filed with the Securities and Exchange Commission on March 28, 2017.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of October 28, 2017. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely

decisions regarding required disclosure.

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Changes in Internal Control Over Financial Reporting.

We have not identified any changes in our internal control over financial reporting that occurred during the period ended October 28, 2017, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

We are a party to various legal proceedings incidental to our business. Where we are able to reasonably estimate an amount of probable loss in these matters based on known facts, we have accrued that amount as a current liability on our balance sheet. We are not able to reasonably estimate the possible loss or range of loss in excess of the amount accrued for these proceedings based on the information currently available to us, including, among others, (i) uncertainties as to the outcome of pending proceedings (including motions and appeals) and (ii) uncertainties as to the likelihood of settlement and the outcome of any negotiations with respect thereto. We do not believe that any of these matters will, individually or in the aggregate, have a material effect on our business or financial condition. We cannot give assurance, however, that one or more of these proceedings will not have a material effect on our results of operations for the period in which they are resolved. No material amounts were accrued at October 28, 2017 or January 28, 2017.

ITEM 1A. Risk Factors.

We operate in an environment that involves a number of risks and uncertainties which are described in our Form 10-K for the year ended January 28, 2017. If any of the risks described in our Fiscal 2017 Form 10-K were to actually occur, our business, operating results and financial results could be adversely affected. There were no material changes to the risk factors disclosed in our Form 10-K for the fiscal year ended January 28, 2017.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table presents our stock repurchase activity for the thirteen weeks ended October 28, 2017 (1):

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Approximate Dollar Value of Shares that may yet be Purchased Under the Programs (in thousands) |
|---------------------------------------|---|----------------------------------|--|--|
| July 30, 2017 to August 26, 2017 | 90,000 | \$ 11.52 | 90,000 | \$ 228,307 |
| August 27, 2017 to September 30, 2017 | 520,470 | \$ 13.03 | 520,300 | \$ 221,527 |
| October 1, 2017 to October 28, 2017 | 590,000 | \$ 13.75 | 590,000 | \$ 213,417 |
| Total | 1,200,470 | \$ 13.27 | 1,200,300 | \$ 213,417 |

In November 2015, the Board authorized a Stock Repurchase Program (Program) of \$300.0 million to repurchase (1) our common stock through February 2, 2019 that replaced an existing authorization. See Note 7 to the unaudited condensed consolidated financial statements, "Stock Repurchase Activity".

ITEM 6. Exhibits.

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

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SIGNATURE

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.

HIBBETT SPORTS, INC.

Date: December 4, 2017 By: /s/ Scott J. Bowman

Scott J. Bowman

Senior Vice President & Chief Financial Officer

(Principal Financial and Accounting Officer)

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Exhibit Index

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|---|
| | <u>Certificate of Incorporation and By-Laws</u> |
| 3.1 | <u>Certificate of Incorporation of the Registrant</u> ; incorporated herein by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012. |
| 3.2 | <u>Bylaws of the Registrant</u> , as amended; incorporated herein by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012. |
| | <u>Form of Stock Certificate</u> |
| 4.1 | <u>Form of Stock Certificate</u> ; attached as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on September 26, 2007. |
| | <u>Material Agreements</u> |
| 10.1 | <u>Promissory Note</u> – Regions Bank Line of Credit; incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on September 5, 2017. |
| 10.2 | <u>Amendment No. 10 to Loan Documents</u> ; incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 21, 2017. |
| 10.3 | <u>Promissory Note</u> – Regions Bank Line of Credit; incorporated herein by reference to Exhibit 10.1 of the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on December 1, 2017. |
| | <u>Certifications</u> |
| 31.1 | * <u>Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer</u> |
| 31.2 | * <u>Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer</u> |
| 32.1 | * <u>Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002</u> |

Interactive Data Files

The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended October 28, 2017, formatted in XBRL (eXtensible Business Reporting Language) and submitted electronically herewith: (i) the Unaudited Condensed Consolidated Balance Sheets at October 28, 2017 and January 28, 2017; (ii) the Unaudited Condensed Consolidated Statements of Operations for the thirteen and thirty-nine weeks ended October 28, 2017 and October 29, 2016; (iii) the Unaudited Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended October 28, 2017 and October 29, 2016; and (iv) the Notes to Unaudited Condensed Consolidated Financial Statements.

- 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 Within

