Risk Factors Comparison 2024-03-27 to 2023-03-24 Form: 10-K

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Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors, as well as other information in this Annual Report on Form 10- K, before deciding whether to invest in the shares of our common stock. The occurrence of any of the events described below could have a material adverse effect on our business, financial condition **,** or results of operations. In the case of such an event, the trading price of our common stock may decline **,** and you may lose all or part of your investment. RISK FACTOR SUMMARY We are providing the following summary of the risk factors contained in our Form 10- K to enhance the readability and accessibility of our risk factor disclosures. We encourage our stockholders to carefully review the full risk factors contained in this Form 10- K in their entirety for additional information regarding the risks and uncertainties that could cause our actual results to vary materially from recent results or from our anticipated future results. Risks Related to Business and Operations • We may not be able to execute our opportunistic buying strategy; • Fluctuations in comparable store sales and results of operations, including fluctuations on a quarterly basis, could cause our business performance to decline substantially **, as comparable store sales and results of operations have fluctuated in the past and may do so again in the future** ; • Consumer confidence and spending may be reduced in light of factors beyond our control and our **results of operations and** financial results may suffer; • Competition may increase in our segment of the retail market, which could put negative pressure on our results of operations and financial condition; • Identification of potential store locations and lease negotiations may not keep pace with our growth strategy; • We are a " brick and mortar only " retailer. Our lack of an online shopping option **and an omnichannel customer experience** may mean that we **could** face challenges to grow and retain customers. Our customers, including our **Ollie' s Army** loyalty program members, may determine to shop at other stores or through web- **and mobile-** enabled services and therefore **may** not be as likely to shop at our stores; • We may not be able to develop and operate our ~~multiple~~ distribution centers in an efficient or effective manner and that **may result in** ~~could mean that we do~~ not ~~have~~ **having** sufficient inventory in our ~~store~~ **stores** ~~locations~~ . **•** The loss or disruption of one or more of our distribution centers or disruption of our supply chain or third- party shipping carriers could also make it difficult for us to timely receive or distribute ~~goods~~ **merchandise** to our stores; • External economic pressures over which we have no or limited control, including **among other items** inflation **, a significant decline in economic activity across the economy** , occupancy costs, and transportation costs may reduce our profitability; • **Shrinkage or the loss or theft of** ~~Inventory~~ **inventory and / or inventory** management **may** ~~and / or shrinkage or the loss or theft of inventory can~~ result in material negative impacts on our results of operations; • We ~~need to~~ **may not** be able to hire and retain the right people to run our stores and our distribution centers. We also ~~need~~ **may not be able** to hire and retain managerial personnel, ~~a~~ **the appropriate** merchant team **for our retail segment** , **and the senior management team** and executive officers **sufficient to meet** ~~. If we are not effective in these areas,~~ our **goals. As a consequence, our results of operations and financial** results may suffer; and ~~• Comparable store sales and results of operations have fluctuated in the past and may do so again in the future.~~ IndexRisks Related to Legal and Regulatory Issues • We are subject to governmental **laws,** regulations, procedures, and requirements that can lead to substantial penalties if we fail to achieve **and / or maintain** compliance; • We are subject to risks associated with laws and regulations generally applicable to retailers **and the risks associated with failing to comply with these laws and regulations** ; • From time to time **,** we are involved in legal proceedings from customers, suppliers, **other vendors,** employees, governments **and governmental agencies** , or competitors; ~~and~~ • From time to time **,** we are involved in legal proceedings from stockholders **; and • Legislative, regulatory and other actions resulting from the November 2024 elections for the U. S. President and the U. S. Congress are unpredictable and could have unforeseen consequences that could materially, adversely affect our business, financial position, results of operations, and cash flows. Without limiting the generality of the foregoing statement, certain proposals regarding federal corporate tax reform and border- adjusted taxes, taxes levied on imported goods, may result in a material adverse effect on our financial position, results of operations, and cash flows** . Risks Related to Technology and Cybersecurity • We may fail to maintain the security of information we hold relating to personal information or payment card data of our customers, employees, and suppliers; • We may not adequately prepare for **,** or respond to **,** existing and future privacy legislation; and • We may not be able to timely or adequately maintain or upgrade our technology systems needed for operations. Risks Related to Accounting and Financial Matters • If our estimates or judgments relating to significant accounting policies prove to be incorrect, we could suffer negative financial results; and • Changes to the accounting rules or regulations could have material adverse effects on our results of operations. Risks Related to Ownership of Our Common Stock and Corporate Governance • There is risk associated with our fluctuating quarterly operating results and we may fall short of prior periods, our projections **,** or the expectations of securities analysts or investors; • We may not declare dividends on our common stock in the foreseeable future; and • There are provisions in our organizational documents that could delay or prevent a change of control. Risks Related to Our Indebtedness and Capitalization • Our credit facility can limit our ability to find other sources of financing; • There are covenants contained in our credit facility that we must meet in order to be able to use it; • If we are unable to generate sufficient cash flow to meet debt service **,** it could negatively impact our liquidity; and • We cannot guarantee that our share repurchase program will be fully consummated or that it will enhance long- term stockholder value. For a more complete discussion of the material risks facing our business, see below. IndexBUSINESS AND OPERATIONS We may not be able to execute our opportunistic buying strategy, adequately manage our supply of inventory **,** or anticipate customer demand, which could have a material adverse effect on our business, financial condition **,** and results of operations. Our business is dependent on our ability to strategically source a sufficient volume and variety of brand name merchandise at opportunistic pricing. We do not have significant control over the supply, design, function, cost **,** or availability of ~~many~~ **much** of the ~~products~~ **merchandise** that we offer for sale in our stores. Additionally, because **we source** a substantial amount of our **merchandise** ~~store products are sourced by us~~ from suppliers on a closeout basis **,** or with significantly reduced prices for ~~specific~~ **various** reasons, we are not always able to purchase specific merchandise on a recurring basis. We do not have long- term contracts with our suppliers and, therefore, we have no contractual assurances of pricing or access to ~~products~~ **merchandise,** and any supplier could discontinue sales to us at any time or offer us less favorable terms on future transactions. ~~We~~ **Our merchant team** generally ~~make~~ **makes** individual purchase decisions for ~~products~~ **merchandise** that ~~become~~ **becomes** available, and these purchases may be for large quantities that we may not be able to sell on a timely or cost- effective basis. To the extent that certain of our suppliers are better able to manage their inventory levels and reduce the amount of their excess inventory, the amount of discount or closeout merchandise available to us could also be materially reduced, potentially compromising **our** profit margin goals for procured merchandise. Due to economic uncertainties, governmental orders, or other challenges, one or more of our suppliers could become unable to continue supplying discounted or closeout merchandise on terms or in quantities acceptable or desirable to us. We also compete with other retailers, wholesalers **,** and jobbers for discounted ~~or~~ **and** closeout merchandise to sell in our stores. Those businesses may be better able to anticipate customer demand or procure desirable ~~goods~~ **merchandise** . Shortages or disruptions in the availability of brand name or unbranded ~~products~~ **merchandise** of a quality acceptable to our customers and **to** us could have a material adverse effect on our business, financial condition **,** and results of operations and also may result in customer dissatisfaction. In addition, we may significantly overstock ~~products~~ **merchandise** that ~~prove~~ **proves** to be undesirable and be forced to take significant markdowns. We cannot ensure that our merchant team will continue to identify the appropriate customer demand and take advantage of appropriate buying opportunities, which could have a material adverse effect on our business, financial condition, and results of operations. Risks associated with or faced by our suppliers could adversely affect our **results of operations and** financial performance. We source our merchandise from a variety of suppliers, and we depend on them to supply merchandise in a timely and efficient manner. If one or more of our current suppliers became unable to supply ~~goods~~ **merchandise** , seeking alternative sources could increase our merchandise costs and supply chain lead time, potentially resulting in temporary ~~reduction~~ **reductions** in store inventory levels, and **could** reduce the selection and quality of our merchandise. An inability to obtain alternative sources could materially decrease our sales. Additionally, if a supplier fails to deliver on its commitments, we could experience merchandise out- of- stocks that could lead to lost sales and reputational harm. Further, failure of suppliers to meet our compliance protocols could prolong our procurement lead time, resulting in lost sales and adverse margin impact. Changes to the prices and flow of certain ~~goods are~~ **merchandise is** , at times, **beyond our control** for reasons **that include** ~~beyond our control~~ , ~~such as~~ **among others:** political or civil unrest, acts of war, currency fluctuations, disruptions in maritime lanes, port labor disputes, economic conditions and instability in countries in which foreign suppliers are located, the financial instability of suppliers, failure to meet our terms and conditions or our standards, issues with our suppliers' labor practices or labor disruptions they may experience (such as strikes, stoppages or slowdowns, which could also increase labor costs during and following the disruption), the availability and cost of raw materials, pandemic outbreaks, merchandise quality or safety issues, transport availability and cost, increases in wage rates and taxes, transport security, inflation, and other factors relating to suppliers. **Any** ~~Such~~ **such** ~~changes~~ **circumstances** could adversely affect our **results of** operations and profitability. IndexFluctuations in comparable store sales and results of operations, including fluctuations on a quarterly basis, could cause our business performance to decline substantially. Our results of operations have fluctuated in the past, including on a quarterly basis, and can be expected to continue to fluctuate in the future. Our comparable store sales and results of operations are affected by a variety of factors, including **without limitation** : • national and regional economic trends in the United States; • changes in gasoline prices; • changes in **shipping and transportation costs; • changes in** our merchandise mix; • the weather; • changes in pricing; • changes in the timing of promotional and advertising efforts; and • holidays or seasonal periods. If our future comparable store sales fail to meet expectations, then our cash flow and profitability ~~could~~ **may** decline substantially, which could have a material adverse effect on our business, financial condition, and results of operations. We rely on third parties to move ~~goods~~ **merchandise** through ports and transport them from ports to our centralized distribution centers. Our ability to timely and effectively deliver ~~goods~~ **merchandise** to our stores relies in part on shipping and transportation partners to timely and safely move our ~~goods~~ **merchandise** from manufacturing facilities to ports and then onto oceangoing carriers. The demand for space onboard oceangoing vessels can vary and costs to secure space can vary greatly. We may be subject to higher transportation costs or be unable to secure space for containers on economically reasonable terms. In addition, there may be labor or other disputes at either ports of departure or at ports of entry that may delay or otherwise hinder the flow of ~~goods~~ **merchandise** . Additional factors, such as customs or border control policies **and unanticipated tariffs, such as additional or new import tariffs** , may further delay or hinder transportation of ~~goods~~ **merchandise** or the costs to obtain them. There are multiple factors in the transportation of **merchandise** ~~goods from the manufacturer~~ that are both outside of our control and which may negatively impact the cost of the ~~goods~~ **merchandise** or the timeframes in which we receive ~~them~~ - **the same** . Factors such as inflation, cost increases **,** and energy prices could have a material adverse effect on our business, financial condition **,** and results of operations. Future increases in costs, such as the cost of **labor,** merchandise, shipping rates, freight **and other transportation** costs (including import costs) **,** and store occupancy costs, may reduce our profitability, given our pricing model. These cost increases may be the result of inflationary pressures, geopolitical factors, or public policies, which could further reduce our sales or profitability. Increases in other operating costs, including changes in energy prices, wage rates, and lease and utility costs, may increase our cost of ~~goods~~ **merchandise** sold or selling, general, and administrative expenses. Our low- price model and competitive pressures in our industry may ~~have the effect of inhibiting~~ --- **inhibit** our ability to reflect these increased costs in the prices of our ~~products~~ **merchandise** and, therefore, reduce our profitability and have a material adverse effect on our business, financial condition, and results of operations. IndexOur ability to generate ~~revenues~~ - **revenue** is dependent on consumer confidence and spending, which may be subject to factors beyond our control, including changes in economic and political conditions, ~~and~~ **as well as** health concerns. The success of our business depends, to a significant extent, on the level of consumer confidence and spending. A number of factors beyond our control affect the level of customer confidence and spending on **the** merchandise that we ~~offer~~ **sell** , including, among other ~~things~~ **items** : • energy and gasoline prices; • **shipping and transportation costs; •** disposable income of our customers, which **is** ~~may be~~ impacted by unemployment levels, personal debt levels **,** and ~~minimum~~ wages; • interest rates and inflation; • discounts, promotions, and merchandise offered by our competitors; • negative reports and publicity about the discount retail industry; • outbreak of viruses or widespread illness ~~, including COVID- 19~~ , and behavioral changes from a fear of contracting such viruses or illness; • general economic and industry conditions; • food prices; • the state of the housing market; • customer confidence in future economic conditions; • fluctuations in the financial markets; • **government sponsored relief packages and governmental benefits, such as social security benefits, as affected by current cost of living adjustments, as well as any government stimulus payments and enhanced unemployment benefits; •** tax rates and policies; and • natural disasters, war, terrorism **,** and other hostilities. Reduced customer confidence and spending ~~cutbacks~~ may result in reduced demand for our merchandise, including discretionary items, and may force us to take inventory markdowns. Reduced demand also may require increased selling and promotional expenses. Adverse economic conditions and any related decrease in customer demand for our merchandise could have a material adverse effect on our business, financial condition, and results of operations. Many of the factors identified above also affect commodity rates, transportation costs, costs of labor, insurance **,** and healthcare, the strength of the U. S. dollar, lease costs, measures that create barriers to or increase the costs associated with international trade, changes in other laws and regulations **,** and other economic factors, all of which may impact our cost of ~~goods~~ **merchandise** sold and our selling, general, and administrative expenses, which could have a material adverse effect on our business, financial condition, and results of operations. We do not compete in the growing online **and omnichannel** retail marketplace, which could have a material adverse effect on our business, financial condition, and results of operations. Our long- term business strategy does not presently include the development of online retailing capabilities **or offering of an omnichannel shopping experience** . To the extent that we implement online operations, we would incur substantial expenses related to such activities and would be exposed to additional **risks, including additional** cybersecurity ~~risks~~ - **risk** . Furthermore, ~~any~~ **the** development of an online retail marketplace is a complex undertaking, and there is no guarantee that ~~any~~ **the** resources we apply to this effort will result in **any material** increased revenues or **better overall** operating performance. However, with the growing acceptance of online **and omnichannel** shopping, which may have accelerated as a result of the COVID- 19 pandemic, both among consumers who previously shopped online and consumers who did not previously do so, or did not do so as frequently, we may continue to face challenges related to customers shopping in brick **-** and **-** mortar stores. In addition, the increased proliferation of mobile devices ~~,~~ **and** enhanced and robust connections to mobile networks, competition from other retailers in the online **and omnichannel** retail marketplace is expected to continue to increase and may negatively impact our results of operations. Certain of our competitors and a number of ~~pure~~ **traditional** online retailers have established robust online **and omnichannel** operations. Increased competition from online **or omnichannel** retailers and our lack of an online **or omnichannel** retail presence may reduce our customers' desire to purchase ~~goods~~ **merchandise** from us and could have a material adverse effect on our business, financial condition, and results of operations. If consumers determine to shop more online due to cultural or health concerns, ~~they~~ **those consumers** may be less likely to return to brick **-** and **-** mortar retailers in the future. IndexLabor shortages and increased turnover or increases in employee and employee- related costs could have adverse effects on our profitability. We have ~~recently~~ experienced **in the past** , and expect to continue to experience, increased labor shortages at some of our ~~locations~~ **stores and distribution centers** . While we have historically experienced some level of ordinary course turnover of employees, the COVID- 19 pandemic and resulting actions and impacts have exacerbated labor shortages and increased turnover. A number of factors have had and may continue to have adverse effects on the labor force available to us, including reduced employment pools, federal unemployment subsidies **,** and other government regulations, which include laws and regulations related to workers' health and safety, wage and hour practices, and immigration. Labor shortages and increased turnover rates ~~within~~ **involving** our team members have led to **,** and could in the future lead to **,** increased costs, such as increased overtime to meet demand and increased wage rates to attract and retain employees and could negatively affect our ability to efficiently operate our ~~production~~ facilities or otherwise operate at full capacity. An overall or prolonged labor shortage, lack of skilled labor, increased turnover **,** or labor inflation could have a material adverse ~~impact~~ **effect** on our **business, financial condition, and results of** operations ~~, results of operations, liquidity, or cash flows~~ . We face intense competition, which could limit our growth opportunities and adversely impact our financial performance. We compete with a highly fragmented group of competitors, including discount, closeout, mass merchant, department, grocery, drug, convenience, hardware, variety, online, and other specialty stores. We compete with these retailers with respect to product **cost and** price, store location, supply and quality of merchandise, assortment and presentation, and customer service **among other items** . This competitive environment subjects us to the risk of an adverse impact to our financial performance because of the lower prices, and thus the lower margins, that are required to maintain our competitive position. A number of different competitive factors outside of our control could impact our ability to compete effectively, including **without limitation** : • entry of new competitors in our markets **; • vertical integration of competitors** ; • increased operational efficiencies of competitors; • online **and omnichannel** retail capabilities of our competitors; • competitive pricing strategies, including deep discount pricing by a broad range of retailers during periods of poor customer confidence, low discretionary income, or economic uncertainty; • continued and prolonged promotional activity by our competitors; • liquidation sales by our competitors that have filed or may file in the future for bankruptcy; • geographic expansion by competitors into markets in which we ~~currently~~ operate; and • adoption by existing competitors of innovative store formats or retail sales methods, including online **and omnichannel** . A number of our competitors also have greater financial ~~and~~ **,** operational **, and other** resources, greater brand recognition, longer operating histories, and a broader geographic presence than us. We ~~remain~~ **may be** vulnerable to the marketing power and high level of customer recognition of these larger competitors and to the risk that these or other competitors could attract our customer base, including ~~, but not limited to, the~~ members of Ollie' s Army. In addition, if any of our competitors were to consolidate their operations, such consolidation may result in competitors with greatly improved financial resources, improved access to merchandise, greater market penetration **,** and other improvements in their competitive positions, as well as result in the provision of a wider variety of **merchandise** ~~products and services~~ at competitive prices by these consolidated companies, which could **have a material** ~~adversely~~ -- **adverse** ~~affect~~ **effect** our **business,** financial ~~performance~~ **condition, and results of operations** . We cannot guarantee that we will continue to be able to successfully compete against either existing or future competitors. Our inability to respond effectively to competitive pressures, improved performance by our competitors **,** and changes in the retail markets could result in lost market share and **could** have a material adverse effect on our business, financial condition, and results of operations. IndexIf we fail to open new profitable stores on a timely basis, successfully enter new markets **,** or implement other elements of our long- term growth strategy, our financial performance could be materially adversely affected. Our primary growth strategy is to open new profitable stores and expand our operations into new geographic regions. We **have** opened **131** ~~40 and 46~~ new stores **over the past three years** ~~in 2022 and 2021, respectively~~ , as we continue to backfill in existing markets and expand into ~~contiguous~~ **additional** geographies. Our ability to timely open new stores depends in part on several factors **, many of which are beyond our control** , including the availability of attractive rents and store locations; the absence of occupancy delays; the ability to negotiate and enter into leases with acceptable terms; our ability to obtain and retain permits and licenses; our ability to hire ~~and~~ **,** train **, and retain** new personnel, especially store managers, in a cost effective manner; our ability to adapt and grow our distribution and other operational and management systems to ~~a changing~~ **an increasing and ever evolving** network of stores; the availability of capital funding for expansion; our ability to respond to **the** demographic shifts ~~in areas where our stores are located~~ and general economic conditions **in the many different geographic markets where our stores and distribution centers are located** . We may not anticipate all of the challenges imposed by the expansion of our **business** operations into new geographic markets. Some new stores may be located in areas with different competitive and market conditions, customer tastes **,** and discretionary spending patterns than our existing markets. We may face a higher cost of entry, difficulties attracting labor, alternative customer demands, reduced brand recognition **,** and minimal operating experience in these ~~areas~~ **geographic markets** . Although we are extremely sensitive to cannibalizing existing stores, opening new stores in our established markets may also result in inadvertent oversaturation, sales volume transfer from existing stores to new stores **,** and reduced comparable store sales, thus adversely affecting our overall **results of operations and** financial performance. We may not manage our expansion effectively, and our failure to achieve or properly execute our expansion plans could limit our growth or have a material adverse effect on our business, financial condition, and results of operations. We may not be able to retain the loyalty of our customers, particularly **our** Ollie' s Army members, which could have a material adverse effect on our business, financial condition, and results of operations. We depend on our loyal customer base, particularly **our** members of Ollie' s Army, for our consistent sales and sales growth. Competition for customers has intensified as competitors have moved into, or increased their presence in, our geographic markets and from the use of mobile and web- based technology that facilitates online **and omnichannel** shopping and real- time product and price comparisons. We expect this competition to continue to increase. Our competitors may be able to offer consumers promotions or loyalty program incentives that could attract our ~~customer~~ **customers** ~~base~~ , including members of Ollie' s Army, or divide their loyalty among several retailers. If we are unable to retain the loyalty of our customers, our net sales could decrease **,** and we may not be able to grow our store base as planned, which could have a material adverse effect on our business, financial condition, and results of operations. The failure to timely acquire, develop, open **,** and operate, or the loss of, disruption, or interruption in the operations of, our centralized distribution centers could materially adversely affect our business and operations. With ~~few~~ **limited** exceptions, inventory is shipped directly from suppliers to our distribution centers in York, PA, Commerce, GA, and Lancaster, TX, where the inventory is ~~then~~ processed, sorted **,** and shipped to our stores. We depend in large part on the orderly operation of this receiving and distribution process, which depends, in turn, on adherence to shipping schedules and effective management of our distribution centers. Increases in transportation costs (including increases in fuel **and other variable** costs), supplier- side delays, reductions in the capacity of carriers, changes in shipping companies, the impact of COVID- 19 **or another pandemic** on our workforce, labor strikes, or shortages in the transportation industry **,** and unexpected delivery interruptions also have the potential to derail our orderly distribution process. We also may not anticipate changing demands on our distribution system or timely develop and open any necessary additional facilities. In addition, events beyond our control, such as disruptions in operations due to fire or other catastrophic events or labor disagreements, may result in delays in the delivery of merchandise to our stores. While we maintain business interruption insurance, in the event **one or more** our distribution centers are **disrupted or** shut down for any reason, such insurance may not be sufficient, and any related insurance proceeds may not be timely paid to us. In addition, our new ~~store~~ **stores** ~~locations~~ receiving shipments may be further away from our distribution centers, which may increase transportation costs and may create transportation scheduling strains. Any repeated, intermittent, or long- term disruption in the operations of our distribution centers would hinder our ability to provide merchandise to our stores and could have a material adverse effect on our business, financial condition, and results of operations. IndexOur new store growth is dependent on our ability to successfully expand our distribution network capacity, and failure to achieve or sustain these plans could adversely affect our performance. We maintain distribution centers in York, PA, Commerce, GA, and Lancaster, TX **,** and are ~~building a~~ **completing the construction of our** fourth **distribution center** in Princeton, IL **,** to support our existing **and new** stores ~~and~~ **as well as** our **store** growth objectives **. We anticipate the fourth distribution center to be operational in the second half of fiscal 2024** . We continuously assess ways to maximize the productivity and efficiency of our existing distribution ~~facilities~~ **centers** and evaluate opportunities for additional distribution centers. Processing delays or difficulties in operations at our existing distribution centers or delays in opening, processing delays **,** or difficulties in operations at our new distribution centers, including our Princeton, IL distribution center, could adversely affect our current operations by causing existing stores to have insufficient inventory, and **could adversely** affect future operations by slowing store growth, which could, in turn, reduce sales growth. In addition, any distribution- related construction or expansion projects entail risks which could cause delays and cost overruns, such as shortages of materials, shortages of skilled labor ~~or~~ **,** work stoppages, unforeseen construction **issues** , scheduling, engineering, environmental or geological problems, ~~COVID- 19~~ or other ~~strains~~ **pandemics** or types of contagion, weather interference, fires or other casualty losses **,** and unanticipated cost increases. The completion date and ultimate cost of future projects, including our Princeton, IL distribution center, could differ significantly from initial expectations due to construction- related or other reasons. We cannot guarantee that any project will be completed on time or within established budgets. If we are not successful in managing our inventory balances, it could have a material adverse effect on our business, financial condition, and results of operations. Efficient inventory management is a key component of our profitability and ability to generate revenue. To be successful, we must maintain sufficient inventory levels and an appropriate product mix to meet our customers' demands without allowing those levels to increase to such an extent that the costs to store and hold **merchandise** ~~the goods~~ adversely impact our results of operations. If our buying decisions do not accurately correspond to customer preferences, if we inappropriately price ~~products~~ **merchandise,** or if our expectations about customer **confidence or** spending levels are inaccurate, we may have to take unanticipated markdowns to dispose of any excess inventory, which could have a material adverse effect on our business, financial condition, and results of operations. We continue to focus on ways to reduce these risks, but we cannot ensure that we will be successful in our inventory management. Inventory shrinkage could have a material adverse effect on our business, financial condition and results of operations. We are subject to the risk of inventory loss and theft. We cannot ensure that actual rates of inventory loss and theft in the future will be within our estimates or that the measures we are taking will effectively reduce the problem of inventory shrinkage. Although some level of inventory shrinkage is an unavoidable cost of doing business, if we were to experience higher rates of inventory shrinkage or incur increased security costs and other costs to combat inventory theft, it could have a material adverse effect on our business, financial condition, and results of operations. Our success depends on our executive officers, our merchant team **,** and other key personnel. If we lose key personnel or are unable to hire additional qualified personnel, it could have a material adverse effect on our business, financial condition and results of operations. Our ~~future~~ success depends to a significant degree on the skills, experience and efforts of our executive officers, our merchant team **, support center and field management,** and other key personnel. The unexpected loss of services of any of our executive officers ~~or~~ **,** senior members of our merchant team **, or senior management** could materially adversely affect our business and operations. Competition for skilled and experienced management in the retail industry is intense, and our future success will ~~also~~ depend on our ability to attract and retain qualified personnel, including our merchant team, which is responsible for purchasing **,** and negotiating the terms of **,** our merchandise. Failure to attract **new** and retain ~~new~~ **existing** qualified personnel could have a material adverse effect on our business, financial condition, and results of operations. IndexIf we are unable to attract, train, and retain highly qualified managerial personnel and sales associates in our stores and our distribution centers, our sales, financial performance, and business operations may be materially adversely affected. We focus on providing our customers with a memorable and engaging shopping experience. To grow our operations and meet the needs and expectations of our customers, we must attract, train, and retain a large number of highly qualified store management personnel and sales associates, while controlling labor costs. Our ability to control labor costs is subject to numerous external factors and compliance with **laws and** regulatory structures, including competition for **,** and availability of **,** qualified personnel in a given market, unemployment levels within those markets, governmental regulatory bodies such as the Equal Employment Opportunity Commission (" EEOC ") and the National Labor Relations Board (" NLRB "), prevailing wage rates and wage and hour laws, minimum wage laws, the impact of legislation governing labor and employee relations or benefits, such as the Affordable Care Act (" ACA "), health insurance costs, healthcare costs ~~,~~ **(** including those related to ~~COVID- 19 or other~~ potential pandemics or disease outbreaks and related testing and vaccination costs **)** , and our ability to maintain good relations with our associates. We compete with **many** other retail businesses for many of our store management personnel **,** and sales associates in hourly and part- time positions. These positions have had historically high turnover rates, which ~~can~~ lead to increased training and retention costs. We also rely on associates in our distribution centers to ensure the efficient processing and delivery of ~~products~~ **merchandise** from our suppliers to our stores. If we are unable to attract and retain quality associates ~~,~~ and ~~other~~ management personnel, fail to comply with the regulations and laws impacting personnel, or have difficulty accurately predicting employee- related costs ~~,~~ **(** including healthcare costs **)** , and establishing accurate budgetary reserves for such costs, it could have a material adverse effect on our business, financial condition, and results of operations. Our success depends on our marketing, advertising, and promotional efforts. If we are unable to implement ~~them~~ **those efforts** successfully, or if our competitors ~~are~~ **engage in** more effective **marketing, advertising, and promotional efforts** than we are, it could have a material adverse effect on our business, financial condition, and results of operations. We use marketing and promotional programs to attract customers to our stores and to encourage purchases by our customers. Although we use various media for our promotional efforts, including regular and Ollie' s Army mailers, email campaigns, radio and television advertisements **,** and sports marketing, we primarily advertise our in- store offerings through printed flyers. In ~~2022~~ **2023** , over ~~60~~ **50** % of our advertising spend was for the printing and distribution of flyers. If the efficacy of printed flyers as an advertising medium declines, or if we fail to successfully develop and implement new marketing, advertising and promotional strategies, such as an effective social media strategy, our competitors may be able to attract the interest of our customers, which could reduce customer traffic in our stores. Changes in the amount and degree of promotional intensity or merchandising strategy by our competitors could cause us to have difficulties in retaining existing customers and attracting new customers. If the efficacy of our marketing or promotional activities declines ~~or~~ **,** if such activities of our competitors are more effective than ours, or if for any other reason we lose the loyalty of our customers, including our Ollie' s Army members, it could have a material adverse effect on our business, financial condition, and results of operations. Because our business is seasonal, with the highest volume of net sales during the holiday season, adverse events during our fourth fiscal quarter could materially adversely affect our business, operations, cash flows, and financial condition. We generally recognize our highest volume of net sales in connection with the holiday sales season, which occurs in the fourth quarter of our fiscal year. In anticipation of the holiday sales season, we purchase substantial amounts of seasonal inventory and hire many part- time associates. Because a significant percentage of our net sales and operating income are generated in our fourth fiscal quarter, we have limited ability to compensate for shortfalls in our fourth fiscal quarter sales or earnings by changing our operations or strategies in other fiscal quarters. Adverse events, such as deteriorating economic conditions, higher unemployment, higher gas prices, public transportation disruptions, errors in anticipating consumer demand for our ~~products~~ **merchandise** , or unanticipated adverse or unseasonable weather conditions could result in lower than planned sales during the holiday sales season. If our fourth fiscal quarter sales results were substantially below expectations, we would realize less cash flows from operations, and may be forced to mark down our merchandise, especially our seasonal merchandise, which could have a material adverse effect on our business, financial condition, and results of operations. IndexOur business requires that we lease substantial amounts of space and there can be no assurance that we will be able to continue to lease space on terms as favorable as the leases negotiated in the past. We lease the majority of our ~~store~~ **stores** ~~locations~~ , our corporate headquarters **,** and our distribution ~~facilities~~ **centers** in York, PA and Commerce, GA. Our stores are leased from third parties, with typical initial lease terms of approximately seven years with options to renew for successive five- year periods. **Historically,** ~~We believe that~~ we have been able to negotiate favorable rental rates ~~over the last few years~~ due in large part to the general state of the economy, the increased availability of vacant big box retail sites, and our careful identification of favorable lease opportunities. While we **continually** ~~will continue to~~ seek ~~out~~ **to identify the most** advantageous lease opportunities, there is no guarantee that we will continue to be able to find low- cost second generation sites or obtain favorable lease terms. Many of our lease agreements have defined escalating rent provisions over the initial term and any extensions. Increases in our occupancy costs and difficulty in identifying economically suitable new store locations could have significant negative consequences **to our business** , ~~which include~~ **including without limitation** : • requiring that a greater portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes and reducing profitability; • increasing our vulnerability to general adverse economic and industry conditions; and • limiting our flexibility in planning for, or reacting to changes in, our business, or in the industry in which we compete. We depend on cash flows from operations to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flows from operating activities to fund these expenses and needs and sufficient funds are not otherwise available to us, we may not be able to service our lease expenses, grow our business, respond to competitive challenges, or fund our other liquidity and capital needs, which could harm our business. Additional sites that we lease may be subject to long- term non- cancelable leases if we are unable to negotiate our current standard lease terms. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease including, among other things, paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under that lease. In addition, if we are not able to enter into new leases or renew existing leases on terms acceptable to us, this could have a material adverse effect on our business, financial condition, and results of operations. Risks associated with the current geopolitical climate could adversely affect our business, financial condition, and results of operations. Our business, financial condition **,** and results of operations may differ materially as we cannot predict the impact of the current geopolitical climate. Risks associated with heightened geopolitical instability include, among others, reductions in consumer confidence, heightened inflation, production disruptions, cyber disruptions or attacks, higher natural gas costs, higher manufacturing costs, and higher supply chain costs. Climate change may have a long- term impact on our business. There are inherent climate- related risks wherever our business is conducted. Changes in market dynamics, shareholder expectations, local, national and international climate change policies, and the frequency and intensity of extreme weather events on critical infrastructure in the United States and abroad, all have the potential to disrupt our business and operations. Global climate change is resulting, and may continue to result, in certain natural disasters and adverse weather, such as drought, wildfires, storms, sea- level rise, and flooding, occurring more frequently or with greater intensity. These events and their impacts could otherwise disrupt and adversely affect our business and could materially affect our financial condition and results of operations. IndexNatural disasters, whether or not caused by climate change, epidemic or pandemic outbreaks, ~~such as COVID- 19,~~ unusual weather conditions, terrorist acts **,** and political events could disrupt our business and result in lower sales and otherwise adversely affect our financial performance. The occurrence of one or more natural disasters, such as tornadoes, hurricanes, fires, floods **,** and earthquakes, epidemic outbreaks, unusual weather conditions, terrorist attacks or disruptive political events in ~~certain~~ regions where our stores are located could adversely affect our business and result in lower sales. Epidemic or pandemic outbreaks, ~~such as COVID- 19,~~ could impact our management and sales associates, our inventory supply, delivery schedules, our ability to keep our stores open due to mandatory governmental restrictions **,** or may cause our customers to avoid shopping at brick **-** and **-** mortar retailers or reduce the number of trips they will make to our stores. ~~To~~ **Also, to** the extent these events ~~also~~ impact one or more of our key suppliers or result in the closure of one or more of our ~~centralized~~ distribution centers or our corporate headquarters, we may be unable to maintain delivery schedules or provide other support functions to our stores. In addition, severe weather, such as heavy snowfall or extreme temperatures, may discourage or restrict customers in a particular region from traveling to our stores, thereby reducing our sales and profitability. If severe weather conditions occur during the second or fourth quarter of our fiscal year, the adverse impact to our sales and profitability could be even greater than at other times during the year because we generate a larger portion of our sales and profits during these periods. Natural disasters, which may include tornadoes, hurricanes, floods, and earthquakes, may impact our ~~store~~ **stores** ~~locations~~ or other operations. In addition, climate change may have an impact on the frequency and / or severity of such natural disasters. We have a growing number of ~~store~~ **stores** ~~locations~~ in areas that may be impacted by weather events and natural disasters such as the types listed above. To the extent that such weather events or natural disasters may damage our stores or other operations, we may be unable to operate stores or other facilitates and our consolidated financial results may be materially adversely affected. This could have a sustained material adverse effect on our business, financial condition **,** and results of operations. LEGAL AND REGULATORY We are subject to governmental regulations, **requirements, and** procedures ~~, and requirements~~ . A significant change in, or noncompliance with, these regulations **, requirements, and procedures** could have a material adverse effect on our business, financial condition, and results of operations. We routinely incur significant costs in complying with federal, state **,** and local laws ~~,~~ and regulations. The complexity of the regulatory environment in which we operate, and the related ~~cost~~ **costs** of compliance, are increasing due to expanding and additional legal and regulatory requirements and increased enforcement efforts. New laws or regulations, including **, but not limited to** those dealing with healthcare **and healthcare** reform, product **compliance and** safety, consumer credit, privacy and information security, the environment **,** and labor and employment, among others, or changes in existing federal, state **,** and local laws and regulations, particularly those governing the sale of ~~products~~ **merchandise** and food safety and quality (including changes in labeling or disclosure requirements), federal or state wage requirements, employee rights, health care, social welfare or entitlement programs such as health insurance, paid leave programs, other changes in workplace regulation, and compliance with laws regarding public access to our stores, may result in significant added expenses or may require extensive system and operating changes that may be difficult to implement and / or could materially increase our cost of doing business. Untimely compliance or noncompliance with applicable laws or regulations or untimely or incomplete execution of a ~~required~~ **mandated governmental action, such as a** product recall **,** can result in the imposition of penalties, including loss of licenses or significant fines or monetary penalties, **or** class action litigation or other litigation, in addition to reputational damage. Additionally, changes in tax laws, the interpretation of existing laws, or our failure to sustain our reporting positions on examination could materially adversely affect our effective tax rate and could have a material adverse effect on our business, financial condition, and results of operations. ~~If~~ **IndexIf** we fail to protect our **intellectual property portfolio, including without limitation** brand names **and other trademarks** , ~~competitors may adopt trade names that dilute~~ the value of these assets **may be diluted** . We may be unable or unwilling to strictly enforce our ~~trademarks~~ **intellectual property** in each jurisdiction in which we do business. ~~Also~~ **For example** , we may not always be able to successfully enforce our trademarks against competitors or against challenges by others ~~. Our~~ **, and our** failure to successfully protect our trademarks could diminish the value and efficacy of our brand recognition and ~~could~~ **may** cause customer confusion ~~, which~~ **. Any failure to adequately protect or manage our intellectual property portfolio** could have a material adverse effect on our business, financial condition, and results of operations. ~~IndexWe~~ **We** rely on manufacturers **located** in foreign countries for merchandise and a significant amount of our domestically- purchased merchandise is manufactured abroad. Our business may be materially adversely affected by **legal and regulatory** risks associated with international trade. We purchase merchandise directly from suppliers **located** outside of the United States. In ~~2022~~ **2023** , substantially all of our private label inventory purchases were direct imports. Additionally, a significant amount of our domestically ~~-~~purchased merchandise is manufactured ~~abroad~~ **in foreign countries** . Our ability to identify qualified suppliers and to access ~~products~~ **merchandise** in a timely and efficient manner is a significant challenge, especially with respect to ~~goods~~ **merchandise** sourced outside of North America. Global sourcing and foreign trade involve numerous factors and uncertainties beyond our control, including possible changes to U. S. trade policy, increased shipping costs, the timing of shipments, increased import duties, more restrictive quotas, loss of most favored nation trading status, currency **exchange rates** , work stoppages, transportation delays, port of entry issues, economic uncertainties such as inflation, foreign government regulations, political unrest, natural disasters, war, terrorism, trade restrictions, political instability, the financial stability of vendors, merchandise quality issues, unexpected contagion, existing viruses or illnesses, and tariffs. Moreover, negative press or reports about internationally manufactured ~~products~~ **merchandise** may sway public opinion, and thus customer confidence, away from ~~the products~~ **affected merchandise** sold in our stores **. Although we have implemented and maintain policies and procedures to promote our suppliers' compliance with laws and regulations relating to foreign markets and imports, and to monitor the compliance of our suppliers, this does not guarantee that suppliers and other third parties with whom we do business will not actually or allegedly violate such laws or regulations, or our policies** . These and other issues affecting our international vendors could have a material adverse effect on our business, financial condition, and results of operations. The cost of compliance with product safety regulations and risks related to product liability claims **, lawsuits,** and product recalls could damage our reputation, increase our cost of doing business **,** and ~~could~~ have a material adverse effect on our business, financial condition, and results of operations. ~~New federal~~ **Federal** ~~or~~ **and** state legislation, including new product safety laws and regulations, may negatively impact our operations. Future changes in product safety ~~legislation~~ **laws** or regulations may lead to product recalls and the disposal or write- off of merchandise. While we work to comply in all material respects with applicable ~~legislation~~ **laws** and regulations, and to execute product recalls in a timely manner, if our merchandise ~~, including food and consumable products and flooring,~~ does not meet applicable governmental safety standards or our customers' expectations regarding quality or safety, we could experience lost sales and increased costs, be exposed to legal and reputational risk **,** and face fines or penalties which could materially adversely affect our financial results. We also purchase a material portion of our ~~products~~ **merchandise** on a closeout basis. Some of ~~these products are~~ **this merchandise is** obtained through brokers or intermediaries rather than ~~through~~ **directly from** manufacturers. The closeout nature of a portion of our ~~products~~ **business** sometimes makes it more difficult for us to investigate all aspects of ~~these products~~ **this merchandise** . Furthermore, customers have asserted claims, and may in the future assert claims, that they have sustained injuries from merchandise ~~offered by~~ **purchased from** us, and we may be subject to lawsuits relating to these claims. There is a risk that these claims may exceed, or fall outside the scope of, our insurance coverage. Even with adequate insurance and indemnification from third- party suppliers, such claims, even if unsuccessful or not fully pursued, could significantly damage our reputation and customer confidence in our ~~products~~ **merchandise** . If this occurs, it may be difficult for us to regain lost sales, which could have a material adverse effect on our business, financial condition, and results of operations. ~~Our~~ **IndexOur** current insurance program may expose us to unexpected costs and negatively affect our financial performance. Our insurance coverage reflects deductibles, self- insured retentions, limits of liability **,** and similar provisions that we believe are prudent based on the nature of our operations. However, there are types of losses we may incur but against which we cannot be insured or which we believe are not economically reasonable to insure, such as losses due to acts of war, employee and certain other ~~crime~~ **crimes** , wage and hour **claims** , and certain other employment- related claims, public accommodation claims, class actions, **shareholder claims,** and some natural disasters. If we incur these losses and they are material, our business could suffer. Certain material events may result in sizable losses for the insurance industry and adversely impact the availability of adequate insurance coverage or result in excessive premium increases. To offset negative insurance market trends, we may elect to self- insure, accept higher deductibles **,** or reduce the amount of coverage in response to these market changes. In addition, we self- insure a significant portion of expected losses under our workers' compensation, general liability **,** and group health insurance programs. Unanticipated changes in any applicable actuarial assumptions and management estimates underlying our recorded liabilities for these losses, including expected increases in medical and indemnity costs, could result in materially different expenses than expected under these programs, which could have a material adverse effect on our results of operations and financial condition. We ~~continue to~~ maintain ~~property~~ insurance for catastrophic events at our store support center, distribution centers, and stores. In addition, because of ongoing changes in healthcare law, among other ~~things~~ **items** , we may experience an increase in participation in our group health insurance programs, which may lead to a greater number of medical and related claims. While we have coverage for some cyber- related incidents, the nature and scope of any potential attack or breach may result in substantial costs that ~~would~~ **could** exceed the scope of coverage or limits of coverage. If we experience a greater number of these losses than we anticipate, it could have a material adverse effect on our business, financial condition, and results of operations. ~~IndexWe~~ **We** face litigation risks from customers, associates, suppliers, stockholders **,** and other third parties in the ordinary course of business. Our business is subject to the risk of litigation by customers, current and former associates, suppliers, stockholders, intellectual property rights holders, government agencies, and others **,** through private actions, class actions, collective actions, administrative proceedings, regulatory actions, or other litigation. From time to time, such lawsuits are filed against us and the outcome of any litigation, particularly class or collective action lawsuits and regulatory actions, is difficult to assess or quantify. Plaintiffs in these types of lawsuits may seek recovery of very large or indeterminate amounts, and the magnitude of the potential ~~loss~~ **losses** relating to such lawsuits may remain unknown for substantial periods of time. The cost to defend any such lawsuits may be significant and may negatively affect our operating results if changes to our business operations are required. There may also be negative publicity associated with litigation that could decrease customer acceptance of merchandise offerings, regardless of whether the allegations are valid or whether we are ultimately found liable. As a result, litigation ~~may~~ **could have a material** ~~adversely~~ -- **adverse** ~~affect~~ **effect on** our business, financial condition, **liquidity, and** results of operations ~~, or liquidity~~ . TECHNOLOGY AND CYBERSECURITY Any disruptions to our information technology systems or breaches of our network security could disrupt or interrupt our operations, compromise our reputation, expose us to litigation, government enforcement actions **,** and costly response measures and could have a material adverse effect on our business, financial condition, and results of operations. We rely on the integrity, security **,** and successful functioning of our information technology systems and network infrastructure across our operations, including point- of- sale processing at our stores. In connection with sales, we transmit encrypted confidential credit and debit card information. ~~We~~ **IndexWe** are compliant with the Payment Card Industry Data Security Standard (" PCI ") issued by the Payment Card Industry Security Standards Council. However, there can be no assurance that in the future we will be able to operate our facilities and our customer service and sales operations in accordance with PCI or other industry recommended or contractually required practices. We expect to incur additional expenses, and the time and effort of our information technology staff, to maintain PCI compliance. Even though we are compliant with such standards, we still may not be able to prevent or timely detect security breaches. An increasingly significant portion of our sales depends on the continuing operation of our information technology and communications systems, including, but not limited to, our point- of- sale system and our credit card processing systems. Our information technology, communications systems, and electronic data may be vulnerable to damage or interruption from computer viruses, ransomware attacks, loss of data, unauthorized data breaches, usage errors by our associates or our contractors or other attempts to harm our systems, including cyber- security attacks or other breaches of cardholder data, earthquakes, acts of war or terrorist attacks, floods, fires, tornadoes, hurricanes, power loss and outages, computer, and telecommunications failures. Some of our systems are not fully redundant, and our disaster recovery planning cannot account for all eventualities. The occurrence of intentional sabotage, unauthorized access, natural disaster, or other unanticipated problems could result in lengthy interruptions in our service. Any errors or vulnerabilities in our systems, or damage to or failure of our systems, could result in interruptions in our services, non- compliance with certain regulations, substantial remediation costs, and liability for lost or stolen information, any of which could have a material adverse effect on our business, financial condition, and results of operations. ~~IndexData~~ **Data** protection requirements increase our operating costs **,** and a breach in information privacy or other related risks could negatively impact our operations. We have access to, collect **,** or maintain private or confidential information regarding our customers, associates **,** and suppliers, as well as our business. The protection of our customer, associate, supplier, and company data is critical to us. In recent years, there has been increasing regulation, enforcement **,** and litigation activity in the area of privacy, data protection **,** and information security in the United States and in various other countries, with the frequent imposition of new and changing requirements across the many states in which we conduct our business. **State privacy laws and regulations, such as The Connecticut Data Privacy Act, the New York Privacy Act, and** The California Consumer Privacy Act of 2018 **,** ~~(" CCPA ")~~ and ~~other~~ **others ,** ~~state privacy acts~~ have imposed and likely will impose additional data protection obligations on companies considered to be doing business in ~~California~~ **such applicable states** and provides for substantial fines for non- compliance and, in some cases, a private right of action to consumers who are victims of data breaches. Complying with ~~the CCPA~~ **existing laws** and similar emerging and changing privacy, data protection **,** and information security requirements may cause us to incur substantial costs or compliance risks due to, among other things, system changes and the development of new processes and business initiatives. Our failure to comply with privacy, data protection **,** and information security laws could result in potentially significant regulatory and / or governmental investigations and / or actions, litigation, fines, sanctions, ongoing regulatory monitoring, and customer attrition. In addition, our customers have a high expectation that we will adequately protect their personal information from cyber- attack or other security breaches. We have procedures in place to evaluate the integrity of our systems, and to safeguard such data and information. However, the landscape is evolving at a rapid pace, and we may be unable to effectively anticipate or respond to attacks to or breaches of our security systems or implement adequate preventative measures. A breach of customer, employee, supplier, or company data could attract a substantial amount of negative media attention, damage our customer and supplier relationships and our reputation, and result in lost sales, costly fines, other expenses **,** and / or lawsuits, any of which could have a material adverse effect on our business, financial condition **,** and results of operations. ~~If~~ **IndexIf** we are unable to maintain or upgrade our information technology systems or if we are unable to convert to alternate systems in an efficient and timely manner, our operations may be disrupted or become less efficient. We depend on a variety of information technology systems for the efficient functioning of our business. We rely on certain hardware, telecommunications **,** and software vendors to maintain and periodically upgrade many of these systems so that we can continue to support our business. Various components of our information technology systems, including hardware, networks **,** and software, are licensed to us by third party vendors. We rely extensively on our information technology systems to process transactions, summarize results, and manage our business. We are in compliance with PCI, and compliance with PCI and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology such as those necessary to achieve compliance with PCI or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment- related systems could have a material adverse effect on our business, financial condition, and results of operations. If our information technology systems are damaged or cease to function properly, we may have to make a significant investment to fix or replace them. If there are amendments to PCI, the cost of re- compliance could also be substantial **,** and we may suffer loss of critical data and interruptions or delays in our operations as a result. In addition, we may have to upgrade our existing information technology systems from time to time in order for such systems to withstand the increasing needs of our expanding business. ~~Any material interruption experienced by our information technology systems could have a material adverse effect on our business, financial condition, and results of operations.~~ Costs and potential interruptions associated with the implementation of new or upgraded systems and technology or with maintenance or adequate support of our existing systems could disrupt or reduce the efficiency of our business. ~~IndexACCOUNTING~~ ----- **ACCOUNTING** AND FINANCIAL If our estimates or judgments relating to our significant accounting policies prove to be incorrect, our operating results could be adversely affected. The preparation of financial statements in conformity with U. S. Generally Accepted Accounting Principles (" GAAP ") requires management to make estimates and assumptions that affect the amounts reported in the accompanying consolidated financial statements and notes. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. The results of these estimates form the basis for making judgments about the carrying values of assets, liabilities **,** and equity, and the amount of revenue and expenses that are not readily apparent from other sources. Our operating results may be adversely affected if our assumptions change or if actual circumstances differ from those in our assumptions, which could cause our operating results to fall below the expectations of securities analysts and investors, resulting in a decline in our stock price. Changes to accounting rules or regulations could have a material adverse effect on our business, financial condition, and results of operations. Changes to existing accounting rules or regulations may impact our future results of operations or cause the perception that we are more highly leveraged. Other new accounting rules or regulations and varying interpretations of existing accounting rules or regulations have occurred and may occur in the future. Future changes to accounting rules or regulations could have a material adverse effect on our business, financial condition, and results of operations. ~~RISKS~~ **IndexRISKS** RELATED TO COMMON STOCK AND CORPORATE GOVERNANCE ~~As~~ **Because we are** a public company, our management is required to devote substantial time to compliance **and governance** initiatives **and issues** . The Sarbanes- Oxley Act and rules implemented by the SEC and the NASDAQ Stock Market LLC (" NASDAQ ") have imposed various requirements on public companies, including establishment and maintenance of effective disclosure and financial controls and corporate governance practices. Implementing and maintaining internal controls is **both** time consuming and costly. If we fail to maintain an effective internal control environment or to comply with the numerous legal and regulatory requirements imposed on public companies, we could make material errors in, and be required to restate, our financial statements. Any such restatement could result in a loss of public confidence in the reliability of our financial statements and sanctions imposed on us by the SEC. If we are unable to satisfy our obligations as a public company, we could be subject to **, among other items, the** delisting of our common stock, fines, sanctions **,** and other regulatory ~~action~~ **actions** ~~and~~ **, as well as** ~~potentially~~ -- **potential** civil litigation. Anti- takeover provisions in our third amended and restated certificate of incorporation and fourth amended and restated bylaws and under Delaware law could make an acquisition of us more difficult, limit attempts by our stockholders to replace or remove our current management and limit the market price of our common stock. Provisions in our third amended and restated certificate of incorporation and fourth amended and restated bylaws may have the effect of delaying or preventing a change of control or changes in our management. Our third amended and restated certificate of incorporation and fourth amended and restated bylaws include provisions that: • authorize ~~our~~ **the Company' s** Board **of Directors (the " Board ")** to issue, without further action by the stockholders, up to 50, 000, 000 shares of undesignated preferred stock; • subject to certain exceptions, require that any action to be taken by our stockholders be ~~effected~~ **affected** at a duly called annual or special meeting **of stockholders,** and not by written consent; • specify that special meetings of our stockholders can be called only by a majority of our Board **,** or upon the request of the Chairperson of the Board or the Chief

Executive Officer; • establish an advance notice procedure for stockholder proposals to be brought before an annual meeting, including proposed nominations of persons for election to our Board; • prohibit cumulative voting in the election of directors; and • provide that vacancies on our Board may be filled only by a majority of directors then in office, even though less than a quorum. These provisions may frustrate or prevent any attempts by our stockholders to replace or remove our current management by making it more difficult for stockholders to replace members of our Board, which is responsible for appointing the members of our management. ~~IndexOur~~ **Our** third amended and restated certificate of incorporation designates the Court of Chancery of the State of Delaware as the exclusive forum for certain litigation that may be initiated by our stockholders, which could increase costs of bringing a claim, discourage claims, or limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers, or employees. ~~Specifically, the~~ **The Company' s** certificate of incorporation provides that, unless we consent in writing in advance to the selection of an alternative forum, the Court of Chancery of the State of Delaware is the sole and exclusive forum, to the fullest extent provided by law, for the following types of actions or proceedings: • any derivative action or proceeding brought on behalf of the Company; • any action asserting a claim of breach of a fiduciary duty owed by, or any wrongdoing by, any director, officer, or employee of the Company to the Company, or the Company' s stockholders; • any action asserting a claim arising pursuant to any provision of the Delaware General Corporate Law, the certification of incorporation (~~including~~ as it may be amended from time to time), or the fourth amended and restated bylaws; • any action to interpret, apply, enforce **,** or determine the validity of our certificate of incorporation or the fourth amended and restated bylaws; or • any action asserting a claim governed by the internal affairs doctrine. ~~Application~~ **IndexApplication** of the choice of forum provision may be limited in some instances by law. Section 27 of the Securities Exchange Act of 1934 (" Exchange Act ") provides for exclusive federal court jurisdiction over Exchange Act claims. Accordingly, to the extent the exclusive forum provision is held to cover a shareholder derivative action asserting claims under the Exchange Act, such claims could not be brought in the Delaware Court of Chancery and would instead be within the jurisdiction of the federal district court for the District of Delaware. Section 22 of the Securities Act of 1933 (" Securities Act ") creates concurrent jurisdiction for federal and state courts over all suits brought to enforce any duty or liability created by the Securities Act or the rules and regulations thereunder. Moreover, our stockholders will not be deemed by operation of our choice of forum provision to have waived our compliance with the federal securities laws and the regulations promulgated thereunder. It is also possible that, notwithstanding the forum selection clause, a court could rule that such a provision is inapplicable or unenforceable, which could **have a material adverse effect on our business, financial condition, and** adversely impact our results of operations, financial position, and cash flows. If securities analysts or industry analysts downgrade our shares, publish negative research or reports, or do not publish reports about our business, our share price and trading volume could decline. The trading market for our common stock is to some extent influenced by the research and reports that industry or securities analysts publish about us, our business, and our industry. If no or few analysts commence coverage of us, the trading price of our stock could decrease. Even if we do obtain analyst coverage, if one or more analysts adversely change their recommendation regarding our shares or our competitors' stock, our share price might decline. If one or more analysts cease coverage of us or fail to regularly publish reports on us, we might lose visibility in the financial markets, which, in turn, could cause our share price or trading volume to decline. Future sales of our common stock in the public market could cause the market price of our common stock to decrease significantly. Sales of substantial amounts of our common stock in the public market by our existing stockholders or upon the exercise of outstanding stock options or grant of stock options or restricted stock units in the future may cause the market price of our common stock to decrease significantly. As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we have an aggregate of 1, ~~485~~ **470** , ~~529~~ **288** shares of common stock issuable upon exercise of outstanding options and the vesting of restricted stock units under the 2015 Equity Incentive Plan (the " 2015 Plan " and together with the 2012 Equity Incentive Plan, the " Equity Plans ") (~~509~~ **582** , ~~073~~ **221** of which are fully vested). The perception that such sales could occur could also depress the market price of our common stock. Any such sales could also create public perception of difficulties or problems with our business and might also make it more difficult for us to raise capital through the sale of equity securities in the future at a time and price that we deem appropriate. ~~IndexOur~~ **Our** stock price has been and may continue to be volatile. The market price of our common stock has fluctuated substantially in the past and may continue to fluctuate significantly. For example, during the fiscal year ended ~~January 28~~ **February 3** , ~~2023~~ **2024** , our stock price fluctuated from a high of $ ~~72~~ **83** . ~~27~~ **19** to a low of $ ~~37~~ **50** . ~~67~~ **95** . Future announcements or disclosures concerning us or any of our competitors, our strategic initiatives, our sales and profitability, our financial condition, any quarterly variations in actual or anticipated operating results or comparable sales, any failure to meet analysts' expectations and sales of large blocks of our common stock, among other factors, could cause the market price of our common stock to fluctuate substantially. In addition, the stock market has experienced price and volume fluctuations that have affected the market price of many retail and other stocks that have often been unrelated or disproportionate to the operating performance of these companies. ~~We~~ **IndexWe** are a holding company and rely on dividends and other payments, advances, and transfers of funds from our subsidiaries to meet our obligations and pay any dividends. We have no direct operations and no significant assets other than ownership of 100 % of the capital stock of our subsidiaries. Because we conduct operations through our subsidiaries, we depend on those entities for dividends and other payments to generate the funds necessary to meet **our** financial obligations and to pay any dividends with respect to our common stock. Legal and contractual restrictions in the Credit Facility (defined below) and other agreements which may govern future indebtedness of our subsidiaries, as well as the financial condition and operating requirements of our subsidiaries, may limit our ability to obtain cash from our subsidiaries. The earnings from, or other available assets of, our subsidiaries might not be sufficient to pay dividends or make distributions or loans to enable us to pay any dividends on our common stock or other obligations. Any of the foregoing could materially and adversely affect our business, financial condition, results of operations, and cash flows. We do not expect to pay any cash dividends for the foreseeable future. The continued operation and expansion of our business will require substantial funding. We do not anticipate that we will pay any dividends to holders of our common stock for the foreseeable future. Any payment of cash dividends will be at the discretion of our Board and will depend on our financial condition, capital requirements, legal requirements, earnings **,** and other factors. Our ability to pay dividends is restricted by the terms of our Credit Facility and might be restricted by the terms of any indebtedness that we incur in the future. Accordingly, realization of any gain on our common stock will depend on the appreciation of the price of the shares of our common stock, which may never occur. Our business and reputation may be adversely affected by environmental, social and governance matters. Investor and regulatory focus ~~is~~ **has** ~~intensifying~~ **intensified** with respect to certain environmental, social **,** and governance (" ESG ") matters. These matters include, among others, efforts and mitigation of the impact of climate change, human rights matters, ethics and compliance with law, diversity, equity and inclusion, and the role of the Board in supervising various **ESG and** sustainability issues. Additionally, in the retail industry, the materials used in the ~~products~~ **merchandise** we sell as well as where we source our ~~products~~ **merchandise** is of particular importance. **Further** ~~In addition~~, investment in funds that specialize in companies that perform well in ESG assessments ~~are increasingly~~ **have gained** ~~popular~~ **popularity** , and **several** major institutional investors and advisors have publicly emphasized the importance of ESG measures to their investment decisions and recommendations. Investors who are focused on ESG matters may seek enhanced disclosures or require implementation of policies **and procedures** that may be adverse to our business, and there can be no assurances that shareholders will not advocate, via proxy contests, media campaigns **,** or **by** other public or private means, for us to take **more** ESG focused actions on an accelerated timeline. ~~Additionally, there~~ **There** can be no certainty that we will successfully navigate or manage **all of the** ESG issues **,** or that we will successfully meet **the expectations of** investors or others ~~expectations~~. Any failure or perceived failure by us in this regard could have a material adverse effect on our reputation with governments, customers, employees, other third parties and the communities and industries in which we operate, as well as ~~,~~ on our business, share price, financial condition, access to capital, or results of operations. IndexINDEBTEDNESS AND CAPITALIZATION Indebtedness may limit our ability to invest in the ongoing needs of our business **,** and if we are unable to comply with our financial covenants, it could have a material adverse effect on our liquidity and our business, financial condition, and results of operations. The Company' s credit facility (the " Credit Facility ") provides for a five- year $ 100. 0 million revolving credit facility, which includes a $ 45. 0 million sub- facility for letters of credit and a $ 25. 0 million sub- facility for swingline loans (the " Revolving Credit Facility "). As of ~~January 28~~ **February 3** , ~~2023~~ **2024** , we had no outstanding borrowings on the Revolving Credit Facility, with $ ~~87~~ **90** . 0 million of borrowing availability. We may, from time to time, incur additional indebtedness. The agreements governing our Credit Facility place certain conditions on us, including **restrictions** that ~~they~~ **may, among other items** : • increase our vulnerability to adverse general economic or industry conditions; • limit our flexibility in planning for, or reacting to, changes in our business or the industries in which we operate; • make us more vulnerable to increases in interest rates, as borrowings under our Credit Facility are at variable rates; • limit our ability to obtain additional financing in the future for working capital or other purposes; • require us to utilize our cash flows from operations to make payments on indebtedness, reducing the availability of our cash flows to fund working capital, capital expenditures, development activity, and other general corporate purposes; and • place us at a competitive disadvantage compared to our competitors that have less indebtedness. Our Credit Facility places certain limitations on our ability to incur additional indebtedness. However, subject to the qualifications and exceptions in our Credit Facility, we may be permitted to incur substantial additional indebtedness and may incur obligations that do not constitute indebtedness under the terms of the Credit Facility. Our Credit Facility also places certain limitations on, among other ~~things~~ **items** , our ability to enter into certain types of transactions, financing arrangements and investments, to make certain changes to our capital structure **,** and to guarantee certain indebtedness. Our Credit Facility also places certain restrictions on the payment of dividends and distributions ~~and~~ **, as well as** certain management fees. These restrictions limit or prohibit, among other things, our ability to: • pay dividends on, redeem **,** or repurchase our stock **,** or make other distributions; • incur or guarantee additional indebtedness; • sell stock in our subsidiaries; • create or incur liens; • make acquisitions or investments; • transfer or sell certain assets or merge or consolidate with or into other companies; • make certain payments or prepayments of indebtedness subordinated to our obligations under our Credit Facility; and • enter into certain transactions with our affiliates. Failure to comply with certain covenants or the occurrence of a change of control under our Credit Facility could result in the acceleration of our obligations under the Credit Facility, which ~~would~~ **could** materially adversely affect our liquidity, capital resources **,** and results of operations. Under certain circumstances, our Credit Facility requires us to comply with certain financial covenants regarding our fixed charge coverage ratio. Failure to comply could result in a default and an acceleration of our obligations under the Credit Facility, which could have a material adverse effect on our liquidity and our business, financial condition **,** and results of operations. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations- Liquidity and Capital Resources- Credit Facilities. " IndexWe may be unable to generate sufficient cash flows to satisfy debt service obligations, which could have a material adverse effect on our business, financial condition **,** and results of operations. Our ability to make principal and interest payments on and to refinance indebtedness will depend on our ability to generate cash in the future and is subject to general economic, financial, competitive, legislative, regulatory, and other factors that are beyond our control. If our business does not generate sufficient cash flows from operations, in the amounts projected or at all, or if future borrowings are not available to us in amounts sufficient to fund our other liquidity needs, our business, financial condition **,** and results of operations could be materially adversely affected. If we cannot generate sufficient cash flows from operations to make scheduled principal and interest payments in the future, we may need to refinance all or a portion of indebtedness on or before maturity, sell assets, delay capital expenditures, or seek additional equity. The terms of future debt agreements, including our Credit Facility, may also restrict us from affecting any of these alternatives. Further, changes in the credit and capital markets, including market disruptions and interest rate fluctuations, may increase the cost of financing, make it more difficult to obtain favorable terms, or restrict our access to these sources of future liquidity. If we are unable to refinance indebtedness on commercially reasonable terms or at all or to ~~effect~~ **affect** any other action relating to indebtedness on satisfactory terms or at all, it could have a material adverse effect on our business, financial condition, and results of operations. We have adopted a share repurchase program ~~under~~ **pursuant to** which we are currently authorized to repurchase up to $ 200. 0 million of shares of our common stock through ~~December~~ **March 31,** ~~2023~~ **2026** . While the authorization of the repurchase program has an expiration date, the authorizations are subject to extension or earlier termination by the Board of Directors at any time and we are not obligated to repurchase a specified number or dollar value of shares under our share repurchase program. Even if our share repurchase program is fully ~~implemented~~ **executed** , it may not enhance long- term stockholder value. Also, the amount, timing, and execution of our share repurchase program may fluctuate based on our priorities for the use of cash for other purposes and because of changes in cash flows, tax laws, and the market price of our common stock. Item 1B. Unresolved Staff Comments