

five BELOW Five Below (FIVE) 1Q17 Results: Strong Sales and EPS Performance

Figure 1. Five Below 1Q17 Key Metrics

	1Q17	1Q16	YoY Change
Revenues (USD Mil.)	\$232.9	\$192.7	20.8%
Gross Margin	31.7%	31.3%	40 bps
SG&A/Sales	26.2%	25.7%	50 bps
Operating Margin	5.5%	5.6%	(10) bps
EPS	\$0.15	\$0.12	25.0%

Source: Company reports/Fung Global Retail & Technology

- **Five Below reported 1Q17 EPS of \$0.15, up 25% from the year-ago quarter and slightly above the \$0.14 consensus estimate. Total revenues were \$232.9 million versus expectations of \$230.6 million, and were up 20.8% year over year.**
- **Total comps increased by 2.6% for the quarter, beating the 1.4% consensus estimate and the company's guidance of 2.0%; the spinner trend drove the comp outperformance.**
- **The company raised its full-year EPS guidance from \$1.55–\$1.61 to \$1.59–\$1.64, versus consensus of \$1.60. Five Below raised its FY17 revenue guidance from \$1.21–\$1.23 billion to \$1.23–\$1.24 billion, including the additional 53rd week, which is expected to contribute approximately \$15 million to sales and \$0.02 to EPS. The consensus estimate calls for full-year revenue of \$1.22 billion.**

1Q17 Results

Five Below reported 1Q17 EPS of \$0.15, up 25% from the year-ago quarter and slightly above the \$0.14 consensus estimate. The company reported revenues of \$232.9 million, up 20.8% from \$192.7 million in the year-ago quarter and slightly above the consensus estimate of \$230.6 million.

Comparable sales increased by 2.6%, beating the consensus estimate of 1.4%. The company attributed its comp performance to newness, better assortment and its ability to capitalize on emerging trends such as the spinner trend, which drove the comp outperformance versus the company's guidance of 2%. In merchandising, the tech, room and candy categories were strong performers in the first quarter. Bluetooth, sequence pillows, mermaid blankets and emoji-related items were highlighted as being particularly popular with customers.

The company opened 31 new stores during the quarter and entered the new market of California with nine stores in the Los Angeles area. Five Below ended the first quarter with 553 stores in 32 states, representing a 20.7% increase year over year.

Outlook

For 2Q17, Five Below expects net sales of \$273–\$280 million, based on the assumption that the company will open approximately 27 new stores and see a 5%–8% increase in comparable sales.



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For FY17, the company expects sales of \$1.23–\$1.24 billion, based on opening 100 new stores and assuming a low-single-digit increase in comparable sales. The company expects full-year EPS to increase by 24%, to \$1.55–\$1.61.



FLASH REPORT

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