

REFINITIV

DELTA REPORT

10-Q

BGFV - BIG 5 SPORTING GOODS CORP

10-Q - MARCH 31, 2024 COMPARED TO 10-Q - OCTOBER 01, 2023

The following comparison report has been automatically generated

TOTAL DELTAS	942
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 CHANGES	317
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 DELETIONS	322
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 ADDITIONS	303
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)
☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 1, March 31, 2023 2024

OR

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

For the transition period from _____ to _____

Commission file number: 000-49850

BIG 5 SPORTING GOODS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

95-4388794

(State or Other Jurisdiction of Incorporation or Organization)

(I.R.S. Employer Identification No.)

2525 East El Segundo Boulevard
El Segundo, California

90245

(Address of Principal Executive Offices)

(Zip Code)

Registrant's telephone number, including area code: (310) 536-0611

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

Title of each class	Trading Symbol(s)	Name of each exchange on which
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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
ASSETS	ASSETS		ASSETS	
Current assets:				
Cash	\$ 17,870	\$ 25,565	\$ 12,621	\$ 9,201
Accounts receivable, net of allowances of \$23 and \$44, respectively	8,363	12,270		
Accounts receivable, net of allowances of \$63 and \$48, respectively			8,778	9,163
Merchandise inventories, net	291,257	303,493	275,839	275,759
Prepaid expenses	14,485	16,632	12,631	16,052
Total current assets	331,975	357,960	309,869	310,175
Operating lease right-of-use assets, net	269,345	276,016	258,014	253,615
Property and equipment, net	55,400	58,311	56,653	58,595
Deferred income taxes	8,978	9,991	16,196	13,427
Other assets, net of accumulated amortization of \$1,710 and \$1,359, respectively	8,394	6,515		
Other assets, net of accumulated amortization of \$2,137 and \$1,954, respectively			8,828	8,871
Total assets	\$ 674,092	\$ 708,793	\$ 649,560	\$ 644,683
LIABILITIES AND STOCKHOLDERS' EQUITY	LIABILITIES AND STOCKHOLDERS' EQUITY		LIABILITIES AND STOCKHOLDERS' EQUITY	
Current liabilities:				
Accounts payable	\$ 62,140	\$ 67,417	\$ 69,818	\$ 55,201
Accrued expenses	61,599	70,261	57,306	61,283
Current portion of operating lease liabilities	69,316	70,584	67,805	70,372
Current portion of finance lease liabilities	2,944	3,217	3,984	3,843

Total current liabilities	195,999	211,479	198,913	190,699
Operating lease liabilities, less current portion	208,115	214,584	197,612	191,178
Finance lease liabilities, less current portion	7,586	7,089	11,293	11,856
Other long-term liabilities	7,016	6,857	6,305	6,536
Total liabilities	418,716	440,009	414,123	400,269
Commitments and contingencies				
Stockholders' equity:				
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 26,751,677 and 26,491,750 shares, respectively; outstanding 22,444,422 and 22,184,495 shares, respectively	267	264		
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 26,932,297 and 26,747,617 shares, respectively; outstanding 22,625,042 and 22,440,362 shares, respectively			269	267
Additional paid-in capital	128,051	126,512	129,150	128,737
Retained earnings	181,315	196,265	160,275	169,667
Less: Treasury stock, at cost; 4,307,255 shares	(54,257)	(54,257)	(54,257)	(54,257)
Total stockholders' equity	255,376	268,784	235,437	244,414
Total liabilities and stockholders' equity	\$ 674,092	\$ 708,793	\$ 649,560	\$ 644,683

See accompanying notes to unaudited condensed consolidated financial statements.

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BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

13 Weeks Ended	39 Weeks Ended	13 Weeks Ended
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	Octob er 1, 2023	Octob er 2, 2022	Octob er 1, 2023	Octob er 2, 2022	March 31, 2024	April 2, 2023
Net sales	239,8 \$ 89	261,4 \$ 45	688,3 \$ 95	757,2 \$ 26	193,427	224,939
Cost of sales	160,3 31	174,8 62	461,7 90	495,8 44	133,029	149,795
Gross profit	79,55 8	86,58 3	226,6 05	261,3 82	60,398	75,144
Selling and administrative expense	76,57 5	78,20 5	224,1 14	230,1 50	71,379	75,173
Operating income	2,983	8,378	2,491	31,23 2		
Interest (income) expense	(95)	69	(265)	389		
Income before income taxes	3,078	8,309	2,756	30,84 3		
Income tax expense	1,220	1,940	987	6,437		
Net income	\$ 1,858	\$ 6,369	\$ 1,769	24,40 \$ 6		
Earnings per share:						
Operating loss					(10,981)	(29)
Interest expense (income)					123	(115)
(Loss) income before income taxes					(11,104)	86
Income tax benefit					(2,818)	(107)
Net (loss) income					\$ (8,286)	\$ 193
(Loss) earnings per share:						
Basic	\$ 0.09	\$ 0.30	\$ 0.08	\$ 1.13	\$ (0.38)	\$ 0.01
Diluted	\$ 0.08	\$ 0.29	\$ 0.08	\$ 1.10	\$ (0.38)	\$ 0.01
Weighted-average shares of common stock outstanding:						
	21,80	21,58	21,73	21,64		
Basic	1	6	1	7	21,832	21,629

	22,04	21,93	22,00	22,12		
Diluted	5	0	3	1	21,832	21,949

See accompanying notes to unaudited condensed consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION

UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	13 Weeks Ended October 1, 2023						13 Weeks Ended March 31, 2024					
	Addition			Treasury								
	Ret						Additional			Treasury		
	Common Stock		Paid-In	ain ed	Sto ck,							
	Am			Ear	At							
	Sha res	oun t	Cap ital	nin gs	Cos t	Tot al						
							Shares	Amount	Capital	Earnings	At Cost	Total
Balance as of July 2, 2023	22,		12	18	(5	25						
	451	2	7,	5,	4,	8,						
	,99	6	35	04	25	41						
	2	\$ 7	\$ 8	\$ 7	\$ 7)	\$ 5						
Net income				1,		1,						
				85		85						
	—	—	—	8	—	8						

Dividends on common stock (\$0.25 per share)	—	—	—	(5,90)	—	(5,90)													
Balance as of December 31, 2023							22,440,362	\$	267	\$	128,737	\$	169,667	\$	(54,257)	\$	244,414		
Net loss							—		—		—		(8,286)		—		(8,286)		
Dividends on common stock (\$0.05 per share)							—		—		—		(1,106)		—		(1,106)		
Issuance of nonvested share awards							276,660		3		(3)		—		—		—		
Exercise of share option awards	5,875	—	16	—	—	16	2,425		—		5		—		—		5		
Share-based compensation	—	—	7	—	—	7	—		—		718		—		—		718		
Forfeiture of nonvested share awards	(13,445)	—	—	—	—	—	(8,400)		—		—		—		—		—		
	22,444,422	2	12,053	18	(5,25)	25													
Balance as of October 1, 2023	2	\$ 7	\$ 1	\$ 5	\$ 7)	\$ 6													
Retirement of common stock for payment of withholding tax							(86,005)		(1)		(307)		—		—		(308)		
Balance as of March 31, 2024							22,625,042	\$	269	\$	129,150	\$	160,275	\$	(54,257)	\$	235,437		
13 Weeks Ended October 2, 2022																			

	<div> <div>Common Stock</div> <div>Additional Paid-In Capital</div> <div>Retained Earnings</div> <div>Treasury Stock, At Cost</div> </div>											
	Shares	Amount	Capital	Earnings	At Cost	Total						
Balance as of January 1, 2023	22,184,495	\$ 264	\$ 126,512	\$ 196,265	\$ (54,257)	\$ 268,784						
Net income	—	—	—	193	—	193						
Dividends on common stock (\$0.75 per share)	—	—	—	—	—	—						
Dividends on common stock (\$0.25 per share)	—	—	—	(5,540)	—	(5,540)						
Issuance of nonvested share awards	273,160	3	(3)	—	—	—						
Exercise of share option awards	18,800	—	57	—	—	57						
Share-based compensation	—	—	679	—	—	679						
Forfeiture of nonvested share awards	(3,080)	—	—	—	—	—						



Retirement of common stock for payment of withholding tax	(80,065)	(626)	—	—	(627)	(79,204)	(1)	(618)	—	—	(619)
	22,444,42	2	12	18	(5)	25					
Balance as of October 1, 2023	2	\$ 7	\$ 1	\$ 5	\$ 7)	\$ 6					
39 Weeks Ended October 2, 2022											
			Add		Tre						
			ition		asu						
			al		ry						
				Ret							
	Common		Paid	ain	Sto						
	Stock		-In	ed	ck,						
	Am			Ear	At						
	Sha	oun	Cap	nin	Cos	Tot					
	res	t	ital	gs	t	al					
	22,097,46	2	12	19	(5)	26					
Balance as of January 2, 2022	7	\$ 0	\$ 9	\$ 1	\$ 1)	\$ 9					
				24		24					
				,4		,4					
Net income	—	—	—	06	—	06					
Dividends on common stock (\$0.75 per share)	—	—	—	(16,58)	—	(16,58)					
Issuance of nonvested share awards	284,630	2	(2)	—	—	—					
Conversion of vested share unit awards	124,012	1	(1)	—	—	—					

Exercise of						
share option	81,		33			33
awards	200	1	3	—	—	4
			1,			1,
Share-based			82			82
compensation	—	—	7	—	—	7
Forfeiture of	(29					
nonvested share	,92					
awards	0)	—	—	—	—	—
Retirement of						
common stock						
for payment	(77		(1,			(1
of withholding	,34		21			,2
tax	0)	—	2)	—	—	12)
	(29				(4	(4
Purchases of	5,7				,1	,1
treasury stock	19)	—	—	—	36)	36)
	22,		12	20	(5	27
	184	2	5,	0,	4,	1,
Balance as of	,33	6	85	07	25	94
October 2, 2022	0	\$ 4	\$ 4	\$ 9	\$ 7)	\$ 0

Balance as of									
April 2, 2023	22,394,171	\$	266	\$	126,627	\$	190,918	\$ (54,257)	\$ 263,554

See accompanying notes to unaudited condensed consolidated financial statements.

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BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

39 Weeks Ended

13 Weeks Ended

	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
Cash flows from operating activities:				
Net income	\$ 1,769	\$ 24,406		
Adjustments to reconcile net income to net cash provided by (used in) operating activities:				
Net (loss) income			\$ (8,286)	\$ 193
Adjustments to reconcile net (loss) income to net cash provided by operating activities:				
Depreciation and amortization	13,665	13,424	4,375	4,510
Share-based compensation	2,060	1,827	718	679
Amortization of other assets	351	337	183	115
Loss on disposal of equipment	—	288		
Noncash lease expense	52,474	51,374	17,353	17,451
Proceeds from insurance recovery - lost profit margin and expenses	619	—		
Gain on recovery of insurance proceeds - lost profit margin and expenses	(338)	—		
Gain on recovery of insurance proceeds - property and equipment	(21)	—		
Deferred income taxes	1,013	1,645	(2,769)	(107)
Changes in operating assets and liabilities:				
Accounts receivable, net	3,587	4,578	385	1,036
Merchandise inventories, net	12,236	(36,483)	(80)	(11,922)
Prepaid expenses and other assets	(83)	(1,380)	3,281	771
Accounts payable	(4,791)	(19,692)	14,612	25,364
Operating lease liabilities	(53,540)	(52,984)	(17,885)	(17,970)
Accrued expenses and other long-term liabilities	(7,937)	(17,258)	(3,674)	(7,828)
Net cash provided by (used in) operating activities	21,064	(29,918)		
Net cash provided by operating activities			8,213	12,292
Cash flows from investing activities:				
Purchases of property and equipment	(8,246)	(8,827)	(1,810)	(2,529)
Proceeds from insurance recovery - property and equipment	60	—		

Proceeds from disposal of property and equipment	—	13		
Net cash used in investing activities	(8,186)	(8,814)	(1,810)	(2,529)
Cash flows from financing activities:				
Changes in book overdraft	(297)	388	(86)	(383)
Principal payments under finance lease liabilities	(2,722)	(2,690)	(899)	(818)
Proceeds from exercise of share option awards	109	334	5	57
Cash purchases of treasury stock	—	(4,136)		
Tax withholding payments for share-based compensation	(627)	(1,212)	(308)	(619)
Dividends paid	(17,036)	(16,933)	(1,695)	(6,106)
Net cash used in financing activities	(20,573)	(24,249)	(2,983)	(7,869)
Net decrease in cash and cash equivalents	(7,695)	(62,981)		
Net increase in cash and cash equivalents			3,420	1,894
Cash and cash equivalents at beginning of period	25,565	97,420	9,201	25,565
Cash and cash equivalents at end of period	\$ 17,870	\$ 34,439	\$ 12,621	\$ 27,459
Supplemental disclosures of non-cash investing and financing activities:				
Property and equipment acquired under finance leases	\$ 2,946	\$ 1,611	\$ 477	\$ 30
Property and equipment additions unpaid	\$ 1,154	\$ 3,054	\$ 857	\$ 946
Supplemental disclosures of cash flow information:				
Interest paid	\$ 458	\$ 431	\$ 303	\$ 154
Income taxes paid	\$ 24	\$ 5,367	\$ —	\$ 12

See accompanying notes to unaudited condensed consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(1) Description of Business

Big 5 Sporting Goods Corporation (the “Company”) is a leading sporting goods retailer in the western United States, operating 430 424 stores and an e-commerce platform as of October 1, 2023 March 31, 2024. The Company provides a full-line product offering in a traditional sporting goods store format that averages approximately 12,000 square feet. The Company’s product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, home recreation, tennis, golf, and winter and summer recreation. The Company is a holding company that operates as one reportable segment through Big 5 Corp., its 100%-owned subsidiary, and Big 5 Services Corp., which is a 100%-owned subsidiary of Big 5 Corp. Big 5 Services Corp. provides a centralized operation for the issuance and administration of gift cards and returned merchandise credits (collectively, “stored-value cards”).

The accompanying interim unaudited condensed consolidated financial statements (“Interim Financial Statements”) of the Company and its 100%-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these Interim Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. These Interim Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended January 1, 2023 December 31, 2023 included in the Company’s Annual Report on Form 10-K. In the opinion of management, the Interim Financial Statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the Company’s financial position, the results of operations and cash flows for the periods presented.

The operating results and cash flows of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

(2) Summary of Significant Accounting Policies

Consolidation

The accompanying Interim Financial Statements include the accounts of Big 5 Sporting Goods Corporation, Big 5 Corp. and Big 5 Services Corp. Intercompany balances and transactions have been eliminated in consolidation.

Reporting Period

The Company follows the concept of a 52-53 week fiscal year, which ends on the Sunday nearest December 31. Fiscal year 2023 2024 is comprised of 52 weeks and ends on December 31, 2023 December 29, 2024. Fiscal year 2022 2023

was comprised of 52 weeks and ended on January 1, 2023 December 31, 2023. The interim periods in fiscal 2023 2024 and 2022 2023 are each comprised of 13 weeks.

Recently Issued Accounting Updates

In May October 2023, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2023-06, *Disclosure Improvements—Codification Amendments in Response to the SEC’s Disclosure Update and Simplification Initiative*, which incorporates into the Accounting Standards Codification (“ASC”) certain incremental disclosure requirements introduced by the Securities and Exchange Commission (“SEC”) adopted as part of its disclosure update and simplification initiative. The amendments in this update are intended to clarify or improve presentation and disclosure requirements around a variety of ASC Topics, improve entity comparability for users, and align ASC requirements with SEC regulations. For entities subject to the final rule under SEC Release No. 34-97424, *Share Repurchase Disclosure Modernization*, requiring disclosures related to issuers’ share repurchases that will provide investors with enhanced information to assess SEC’s existing disclosure requirements, the purposes and effects of the repurchases. Disclosure requirements under this rule effective date for each amendment will be effective in the fourth quarter date on which the SEC’s removal of fiscal 2023. We do that related disclosure from Regulation S-X or Regulation S-K becomes effective. However, if by June 30, 2027, the SEC has not removed the related disclosure from its regulations, the amendments will be removed from the ASC and not become effective. Early adoption is prohibited. The Company does not expect the adoption issuance of this final rule ASU to have a material impact on our results of operations, liquidity or capital resources, its consolidated financial statements.

In June 2023, the SEC approved new listing standards that were proposed by the New York Stock Exchange and Nasdaq. The new listing standards require listed companies to adopt and comply with a written policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers where that compensation is based on erroneously reported financial information. The listing standards took effect on October 2, 2023 and registrants will have until December 1, 2023 (60 days after the effective date) to adopt a recovery policy. The recovery policy must, however, apply to erroneously awarded incentive-based compensation received (as defined in the listing standards) after the effective date. We do not expect the adoption of these new listing standards to have a material impact on our results of operations, liquidity or capital resources.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

In July November 2023, the SEC FASB issued ASU No. 2023-07, *Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures*, which aims to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. In addition, the amendments in the ASU enhance interim disclosure requirements, clarify circumstances in which an entity can disclose multiple segment measures of profit or loss, provide new segment disclosure requirements for entities with a single reportable segment, and contain other disclosure requirements. The ASU applies to all public entities that are required to report segment information in accordance with ASC 280, and is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. The Company has not early adopted the final rule under SEC Release Nos. 33-11216, *Cybersecurity Risk Management, Strategy, Governance, and Incident Disclosure*, requiring current disclosure about material cybersecurity incidents; periodic disclosures about a registrant's processes to assess, identify, and manage material cybersecurity risks; a description of management's role in assessing and managing material cybersecurity risks; ASU for interim periods. The Company will adopt this ASU for its annual period ending December 29, 2024, and the board Company is evaluating the future impact of directors' oversight the issuance of cybersecurity risks. While this ASU on its consolidated financial statements.

In December 2023, the incident-reporting requirements under this rule will be effective FASB issued ASU No. 2023-09, *Income Taxes (Topic 740)—Improvements to Income Tax Disclosures*, which include improvements to income tax disclosures by requiring (1) consistent categories and greater disaggregation of information in the second quarter rate reconciliation and (2) income taxes paid disaggregated by jurisdiction. This ASU also includes certain other amendments to better align disclosures with Regulation S-X and to remove disclosures no longer considered cost beneficial or relevant. This ASU is effective for public entities for annual periods beginning after December 15, 2024, with earlier or retrospective application permitted. The amendments in this ASU should be applied prospectively for annual financial statements not yet issued or made available for issuance. The Company is evaluating the future impact of fiscal 2024 due to the Company's status as a smaller-reporting company, the disclosure requirements under this rule will be effective in the fourth quarter of fiscal 2023. We do not expect the adoption issuance of this final rule to have a material impact ASU on our results of operations, liquidity or capital resources. its consolidated financial statements.

Other recently issued accounting updates are not expected to have a material impact on the Company's Interim Financial Statements.

General Concentration of Risk

The Company purchases merchandise from nearly over 700 600 suppliers, and the Company's 20 largest suppliers accounted for 35.9 39.3% of total purchases in fiscal 2022. 2023. No One vendor represented greater than 5% of total purchases in fiscal 2022. 2023, at 5.1%.

A substantial amount of the Company's inventory is manufactured abroad and, from time to time, shipping ports may experience capacity constraints (such as delays associated with the novel coronavirus "COVID-19"), labor strikes, work stoppages or other disruptions that may delay the delivery of imported products. A contract dispute may lead to protracted delays in the movement of the Company's products, which could further delay the delivery of products to the Company's stores and impact net sales and profitability. In addition, other conditions outside of the Company's control, such as adverse

weather conditions or acts of terrorism or war, such as the current conflict in Ukraine and the Middle East, could significantly disrupt operations at shipping ports or otherwise impact transportation of the imported merchandise we sell, either through supply chain disruptions, or rising freight and fuel costs.

Use of Estimates

Management makes a number of estimates and assumptions relating to the reporting of assets, liabilities and stockholders' equity and the disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and reported amounts of revenue and expense during the reporting period to prepare these Interim Financial Statements in conformity with GAAP. Certain items subject to such estimates and assumptions include the carrying amount of merchandise inventories, property and equipment, lease assets and lease liabilities; valuation allowances for receivables, sales returns and deferred income tax assets; estimates related to stored-value cards and the valuation of share-based compensation awards; and obligations related to litigation, self-insurance liabilities and employee benefits. Due to the inherent uncertainty involved in making assumptions and estimates, events and changes in circumstances arising after October 1, 2023 March 31, 2024 may result in actual outcomes that differ from those contemplated by management's assumptions and estimates.

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BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

Revenue Recognition

The Company operates solely as a sporting goods retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the western United States and online. Generally, all revenue is recognized when control of the promised goods is transferred to customers, for an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is probable since the Company only extends immaterial credit purchases to certain municipalities and local school districts.

In accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, the Company disaggregates net sales into the following major merchandise categories to depict the nature and amount of revenue and related cash flows:

	13 Weeks Ended	39 Weeks Ended

redemption revenue for the 13 and 39 weeks ended October 2, 2022 April 2, 2023, respectively. The Company also recognized \$0.1 million and \$0.2 million in stored-value card breakage revenue for each of the 13 13-week periods ended March 31, 2024 and 39 weeks ended October 1, 2023, respectively, compared to \$0.1 million and \$0.2 million in stored-value card breakage revenue for the 13 and 39 weeks ended October 2, 2022, respectively April 2, 2023. The Company had outstanding stored-value card liabilities of \$8.1 8.7 million and \$8.8 9.2 million as of October 1, 2023 March 31, 2024 and January 1, 2023 December 31, 2023, respectively, which are included in accrued expenses in the accompanying interim unaudited condensed consolidated balance sheets. Based upon historical experience, stored-value cards are predominantly redeemed in the first two years following their issuance date.

In the accompanying interim unaudited condensed consolidated balance sheets, the Company recorded, as prepaid expense, estimated right-of-return merchandise cost of \$0.7 0.6 million and \$1.2 0.9 million related to estimated sales returns as of October 1, 2023 March 31, 2024 and January 1, 2023 December 31, 2023, respectively, and recorded, in accrued expenses, an allowance for sales returns reserve of \$1.4 1.2 million and \$2.3 1.7 million as of October 1, 2023 March 31, 2024 and January 1, 2023 December 31, 2023, respectively.

Share-Based Compensation

The Company accounts for its share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. The Company recognizes compensation expense on a straight-line basis over the requisite service period using the fair-value method for share option awards, nonvested share awards and nonvested share unit awards granted with service-only conditions. See Note 10 11 to the Interim Financial Statements for a further discussion on share-based compensation.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly-liquid investments of excess cash into U.S. Treasury bills, which have original maturities of three months or less. See Note 3 4 to the Interim Financial Statements for a further discussion on the fair value of U.S. Treasury bills. Book overdrafts are classified as current liabilities in the Company's interim unaudited condensed consolidated balance sheets.

Valuation of Merchandise Inventories, Net

The Company's merchandise inventories are valued at the lower of cost or net realizable value using the weighted-average cost method that approximates the first-in, first-out ("FIFO") method. Average cost includes the direct purchase price of merchandise inventory, net of vendor allowances and cash discounts, in-bound freight-related expense and allocated overhead expense associated with the Company's distribution center.

Management regularly reviews inventories and records valuation reserves for damaged and defective merchandise, merchandise items with slow-moving or obsolescence exposure and merchandise that has a carrying value that exceeds net realizable value. Because of its merchandise mix, the Company has not historically experienced significant occurrences of obsolescence.

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BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Inventory shrinkage is accrued as a percentage of merchandise sales based on historical inventory shrinkage trends. The Company performs physical inventories of its stores at least once per year and cycle counts inventories at its distribution center throughout the year. The reserve for inventory shrinkage primarily represents an estimate for inventory shrinkage for each store since the last physical inventory date through the reporting date.

These reserves are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from expectations.

Valuation of Long-Lived Assets

In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows ("asset group"), usually at the store level. The carrying amount of a store asset group includes stores' property and equipment, primarily leasehold improvements, and operating lease right-of-use ("ROU") assets. The carrying amount of a store asset group is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the store asset group. Factors that could trigger an impairment review include a current-period operating or cash flow loss combined with a history of operating and cash flow losses, and a projection that demonstrates continuing losses or insufficient income over the remaining reasonably certain lease term associated with the use of a store asset group. Other factors may include an adverse change in the business climate or an adverse action or assessment by a regulator in the market of a store asset group. When stores are identified as having an indicator of impairment, the Company forecasts undiscounted cash flows over the store asset group's remaining reasonably certain lease term and compares the undiscounted cash flows to the carrying amount of the store asset group. If the store asset group is determined not to be recoverable, then an impairment charge will be recognized in the amount by which the carrying amount of the store asset group exceeds its fair value, determined using discounted cash flow valuation techniques, as contemplated in ASC 820, *Fair Value Measurements*.

The Company determines the cash flows expected to result from the store asset group by projecting future revenue, gross margin and operating expense for each store asset group under evaluation for impairment. The estimates of future cash flows involve management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning, and include assumptions about sales growth rates, gross margins and operating expense in relation to the current economic environment and the Company's future expectations, competitive factors in its various markets, inflation, sales trends and other relevant environmental factors that may impact the store under evaluation. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance and economic conditions. If economic conditions deteriorate in the markets in which the Company conducts business, or if other negative market conditions develop, the Company may experience additional impairment charges in the future for underperforming stores.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

The resulting impairment charge, if any, is allocated to the property and equipment, primarily leasehold improvements, and operating lease ROU assets on a pro-rata basis using the relative carrying amounts of those assets. The allocated impairment charge to a long-lived asset is limited to the extent that the impairment charge does not reduce the carrying amount of the individual long-lived asset below its individual fair value. The estimation of the fair value of an ROU asset involves the evaluation of current market value rental amounts for leases associated with ROU assets. The estimates of current market value rental amounts are primarily based on recent observable market rental data of other comparable retail store locations. The fair value of an ROU asset is measured using a discounted cash flow valuation technique by discounting the estimated current and future market rental values using a property-specific discount rate.

The Company did not recognize any impairment charges in the first nine months quarter of fiscal 2023 2024 or 2022. 2023.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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Leases

In accordance with ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. The Company has operating and finance leases for the Company's retail store facilities, distribution center, corporate offices,

information technology ("IT") systems hardware, and distribution center delivery tractors and equipment. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheets. Finance leases are included in property and equipment and finance lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheets. Lease liabilities are calculated using the effective interest method, regardless of classification, while the amortization of ROU assets varies depending upon classification. Finance lease classification results in a front-loaded expense recognition pattern over the lease term which amortizes the ROU asset by recognizing interest expense and amortization expense as separate components of lease expense and calculates the amortization expense component on a straight-line basis. Conversely, operating lease classification results in a straight-line expense recognition pattern over the lease term and recognizes lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Lease expense for finance and operating leases are included in cost of sales or selling and administrative expense, based on the use of the leased asset, on the interim unaudited condensed consolidated statements of operations. Variable payments such as property taxes, insurance and common area maintenance related to triple net leases, as well as certain equipment sales taxes, licenses, fees and repairs, are expensed as incurred, and leases with an initial term of 12 months or less are excluded from minimum lease payments and are not recorded on the interim unaudited condensed consolidated balance sheets. The Company recognizes variable lease expense for these short-term leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rate, the Company uses a collateralized incremental borrowing rate ("IBR") to determine the present value of lease payments. The collateralized IBR is based on a synthetic credit rating that is externally prepared on an annual basis. This analysis considers qualitative and quantitative factors based on guidance provided by a rating agency for the consumer durables industry. The Company adjusts the selected IBR quarterly with a company-specific unsecured yield curve that approximates the Company's market risk profile. The collateralized IBR is also based upon the estimated impact that the collateral has on the IBR. To account for the collateralized nature of the IBR, the Company utilized a notching method based on notching guidance provided by a rating agency whereby the Company's base credit rating is notched upward as the yield curve on a secured loan is expected to be lower versus an unsecured loan.

The operating lease ROU asset also includes any prepaid lease payments made and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Certain of the leases for the Company's retail store facilities provide for payments based on future sales volumes at the leased location, which are not measurable at the inception of the lease. Under ASC 842, these contingent rents are expensed as they accrue.

See Note 56 to the Interim Financial Statements for a further discussion on leases.

BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

(3) Impairment of Assets

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. No long-lived assets were subject to impairment and no impairment charges were recognized as of March 31, 2024. Assets subject to the Company's evaluation totaled \$253.6 million and \$58.6 million for ROU assets and property and equipment, respectively, as of December 31, 2023. In the fourth quarter of fiscal 2023, the Company recognized non-cash impairment charges of \$0.6 million related to certain underperforming stores. These impairment charges represented property, equipment and leasehold improvements of \$0.5 million and ROU assets of \$0.1 million, and were included in selling and administrative expense in the consolidated statements of operations in fiscal 2023. The lower-than-expected sales performance, coupled with future unfavorable undiscounted cash flow projections, indicated that the carrying value of these stores' assets exceeded their estimated fair values as determined by their future discounted cash flow projections.

(4) Fair Value Measurements

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate the fair values of these instruments due to their short-term nature. Cash equivalents consist of highly-liquid investments of excess cash into U.S. Treasury bills, which have original maturities of three months or less. As of October 1, 2023, March 31, 2024 and January 1, 2023, the Company had no cash equivalents, and as of December 31, 2023, the Company had no cash equivalents. As of October 2, 2022, April 2, 2023, the Company recorded \$10.0 million in cash equivalents and classified these assets as Level 1 inputs, which are quoted prices (unadjusted) in active markets for identical assets that the Company can access at the measurement date. The Company records these cash equivalents monthly, based on the prevailing market interest rate as of the measurement date. Book overdrafts for checks outstanding are classified as current liabilities in the Company's interim unaudited condensed consolidated balance sheets. The carrying amount for borrowings, if any, under the Company's credit facility approximates fair value because of the variable market interest rate charged to the Company for these borrowings. When the Company recognizes impairment on certain of its underperforming stores, the carrying values of these stores are reduced to their estimated fair values.

The Company's only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were assets subject to long-lived asset impairment related to certain underperforming stores. The Company

estimates the fair values of these long-lived assets based on the Company's own judgments about the assumptions that market participants would use in pricing the asset and on observable real estate market data of underperforming stores' specific comparable markets, when available. The Company classifies these fair value measurements as Level 3 inputs, which are unobservable inputs for which market data are not available and that are developed using the best information available about pricing assumptions used by market participants in accordance with ASC 820. As of **October 1, 2023 and January 1, 2023** **March 31, 2024**, there were no long-lived assets subject to impairment and as of **December 31, 2023**, there were \$0.6 million of long-lived assets subject to impairment.

(4) (5) Accrued Expenses

The major components of accrued expenses are as follows:

	October 1, 2023	January 1, 2023	March 31, 2024	December 31, 2023
	(In thousands)		(In thousands)	
Payroll and related expense	\$ 22,415	\$ 26,525	\$ 21,355	\$ 22,331
Occupancy expense	9,962	10,126	8,803	8,655
Sales tax	6,537	9,964	6,234	7,581
Other	22,685	23,646	20,914	22,716
Accrued expenses	<u>\$ 61,599</u>	<u>\$ 70,261</u>	<u>\$ 57,306</u>	<u>\$ 61,283</u>

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(5) (6) Lease Commitments

The Company has operating and finance leases for the Company's retail store facilities, distribution center, corporate offices, IT systems hardware, and distribution center delivery tractors and equipment, and accounts for these leases in accordance with ASC 842.

Certain of the leases for the Company's retail store facilities provide for variable payments for property taxes, insurance, common area maintenance payments related to triple net leases, rental payments based on future sales volumes at the leased location, as well as certain equipment sales taxes, licenses, fees and repairs, which are not measurable at the inception of the lease, or rental payments that are adjusted periodically for inflation. The Company recognizes variable lease

expense for these leases in the period incurred which, for contingent rent, begins in the period in which it becomes probable that the specified target that triggers the variable lease payments will be achieved. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense were as follows:

	13 Weeks Ended	
	March 31,	April 2,
	2024	2023
	(In thousands)	
Lease expense:		
Operating lease expense	\$ 21,039	\$ 21,038
Variable lease expense	4,682	4,813
Operating lease expense	25,721	25,851
Amortization of right-of-use assets	1,142	950
Interest on lease liabilities	228	79
Finance lease expense	1,370	1,029
Total lease expense	\$ 27,091	\$ 26,880

Other information related to leases was as follows:

	13 Weeks Ended	
	March 31,	April 2,
	2024	2023
	(In thousands)	
Operating cash flows from operating leases	\$ 22,213	\$ 22,211
Financing cash flows from finance leases	899	818
Operating cash flows from finance leases	261	85
Cash paid for amounts included in the measurement of lease liabilities	\$ 23,373	\$ 23,114
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 517	\$ 30
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 21,674	\$ 11,183
Weighted-average remaining lease term—finance leases	4.1 years	3.7 years
Weighted-average remaining lease term—operating leases	4.9 years	5.0 years
Weighted-average discount rate—finance leases	6.2 %	3.9 %
Weighted-average discount rate—operating leases	5.5 %	5.1 %

BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(continued)

The components of lease expense were as follows:

	13 Weeks Ended		39 Weeks Ended	
	October 1, 2023	October 2, 2022	October 1, 2023	October 2, 2022
	(In thousands)			
Lease expense:				
Operating lease expense	\$ 21,236	\$ 21,001	\$ 63,350	\$ 62,311
Variable lease expense	4,656	4,834	14,133	14,339
Operating lease expense	25,892	25,835	77,483	76,650
Amortization of right-of-use assets	904	919	2,803	2,707
Interest on lease liabilities	74	67	232	204
Finance lease expense	978	986	3,035	2,911
Total lease expense	\$ 26,870	\$ 26,821	\$ 80,518	\$ 79,561

Other information related to leases was as follows:

	39 Weeks Ended	
	October 1, 2023	October 2, 2022
	(In thousands)	
Operating cash flows from operating leases	\$ 64,904	\$ 64,688
Financing cash flows from finance leases	2,722	2,690
Operating cash flows from finance leases	239	213
Cash paid for amounts included in the measurement of lease liabilities	\$ 67,865	\$ 67,591
Right-of-use assets obtained in exchange for new finance lease liabilities	\$ 2,986	\$ 1,634
Right-of-use assets obtained in exchange for new operating lease liabilities	\$ 45,927	\$ 66,840

Weighted-average remaining lease term—finance leases	3.9 years	3.6 years
Weighted-average remaining lease term—operating leases	4.9 years	5.0 years
Weighted-average discount rate—finance leases	5.3 %	3.2 %
Weighted-average discount rate—operating leases	5.4 %	4.9 %

Maturities of finance and operating lease liabilities as of **October 1, 2023** **March 31, 2024** were as follows:

Fiscal Year Ending:	Finance Leases	Operating Leases	Finance Leases	Operating Leases
	(In thousands)		(In thousands)	
2023 (remaining three months)	\$ 3,016	\$ 18,153		
2024	2,952	85,188		
2024 (remaining nine months)			\$ 3,749	\$ 61,091
2025	2,439	68,706	4,372	72,583
2026	1,962	52,544	4,057	56,475
2027	935	33,923	2,824	39,897
2028			4,620	28,472
Thereafter	429	57,613	594	45,683
		316,12		
Undiscounted cash flows	\$ 11,733	\$ 7	\$ 20,216	\$ 304,201
Reconciliation of lease liabilities:				
Weighted-average remaining lease term	3.9 years	4.9 years	4.1 years	4.9 years
Weighted-average discount rate	5.3 %	5.4 %	6.2 %	5.5 %
		277,43		
Present values	\$ 10,530	\$ 1	\$ 15,277	\$ 265,417
Lease liabilities - current	2,944	69,316	3,984	67,805
		208,11		
Lease liabilities - long-term	7,586	5	11,293	197,612
		277,43		
Lease liabilities - total	\$ 10,530	\$ 1	\$ 15,277	\$ 265,417
Difference between undiscounted and discounted cash flows	\$ 1,203	\$ 38,696	\$ 4,939	\$ 38,784

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BIG 5 SPORTING GOODS CORPORATION

(continued)

(6) (7) Long-Term Debt

The Company, Big 5 Corp. and Big 5 Services Corp. are parties to a Loan, Guaranty and Security Agreement with Bank of America, N.A. ("BoFA"), as agent and lender, which was amended on November 22, 2021, October 19, 2022 and May 16, 2023 (as so amended, the "Loan Agreement"). The Loan Agreement has a maturity date of February 24, 2026 and provides for a revolving credit facility with an aggregate committed availability of up to \$150.0 million. The Company may also request additional increases in aggregate availability, up to a maximum of \$200.0 million, in which case the existing lender under the Loan Agreement will have the option to increase the commitment to accommodate the requested increase. If such existing lender does not exercise that option, the Company may (with the consent of BoFA in its role as the administrative agent, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The credit facility includes a \$50.0 million sublimit for issuances of letters of credit.

The Company may borrow under the Loan Agreement from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate committed availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the "Line Cap"). As defined in the Loan Agreement, the "Borrowing Base" generally is comprised of the sum, at the time of calculation, of (a) 90.00% of eligible credit card receivables; plus (b) the cost of eligible inventory (other than eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the cost of eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), minus (d) certain agreed-upon reserves as well as other reserves established by BoFA in its role as the administrative agent in its reasonable discretion.

Generally, the Company may designate specific borrowings under the Loan Agreement as either base rate loans or Term SOFR rate loans. The applicable interest rate on the Company's borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Line Cap over amounts borrowed (such amount being referred to as the "Average Daily Availability"). Those loans designated as Term SOFR rate loans bear interest at a rate equal to the then applicable secured overnight financing rate as administered by the Federal Reserve Bank of New York ("SOFR") rate plus a 0.10% "SOFR adjustment" spread, plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the one-month SOFR rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within BoFA as its "prime rate." The applicable margin for all loans is a function of Average Daily Availability for the preceding fiscal quarter as set forth below in the following table.

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BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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Level	Average Daily Availability	SOFR Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to \$70,000,000	1.375%	0.375%
II	Less than \$70,000,000	1.500%	0.500%

The commitment fee assessed on the unused portion of the credit facility is 0.20% per annum.

Obligations under the Loan Agreement are secured by a general lien on and security interest in substantially all of the Company's assets. The Loan Agreement contains covenants that require the Company to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limits the ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. The Company may generally declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied, although the Company is permitted to make up to \$5.0 million of dividend payments or stock repurchases per year without satisfaction of the availability or fixed charge coverage ratio requirements, but dividends or stock repurchases made without satisfying the availability and/or fixed charge coverage ratio requirements will require the establishment of an additional reserve that will reduce borrowing availability under the Loan Agreement for 75 days. The Loan Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the credit facility, failure to pay any interest or other amounts under the credit facility, failure to comply with certain agreements or covenants contained in the Loan Agreement, failure to satisfy certain judgments against the Company, failure to pay when due (or any other default which permits the acceleration of) certain other material indebtedness in principal amount in excess of \$5.0 million, and certain insolvency and bankruptcy events.

As of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**, the Company had no long-term revolving credit borrowings outstanding. As of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**, the Company had outstanding letter of credit commitments of **\$1.4** **2.0** million. Total remaining borrowing availability, after subtracting letters of credit, was **\$148.6** **148.0** million as of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**.

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BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
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(7) (8) Income Taxes

Under the asset and liability method prescribed under ASC 740, *Income Taxes*, the Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The realizability of deferred tax assets is assessed throughout the year and a valuation allowance is recorded, if necessary, to reduce net deferred tax assets to the amount more likely than not to be realized. As of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**, the Company had a there was no valuation allowance for deferred income tax assets of \$0.2 million related to unused California Enterprise Zone Tax Credits, which the Company will no longer be able to carry forward beyond 2024 as a result of California's termination of this program. assets.

The Company files a consolidated federal income tax return and files tax returns in various state and local jurisdictions. The statutes of limitations for consolidated federal income tax returns are open for fiscal years **2019** **2020** and after, and state and local income tax returns are open for fiscal years **2018** **2019** and after.

As of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**, the Company had no unrecognized tax benefits including those that, if recognized, would affect the Company's effective income tax rate over the next 12 months. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. As of **October 1, 2023** **March 31, 2024** and **January 1, 2023** **December 31, 2023**, the Company had no accrued interest or penalties.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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(8) (9) Earnings Per Share

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average shares of common stock outstanding, reduced by shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards. During periods of net loss, diluted loss per share is equal to basic loss per share because the antidilutive effect of potential common shares is disregarded.

The following table sets forth the computation of basic and diluted earnings per common share:

	13 Weeks Ended		39 Weeks Ended		13 Weeks Ended	
	Octob er 1, 2023	Octob er 2, 2022	Octob er 1, 2023	Octob er 2, 2022	March 31, 2024	April 2, 2023
	(In thousands, except per share data)				(In thousands, except per share data)	
	\$1,85	\$6,36	\$1,76	\$24,4		
Net income	8	9	9	06		
Net (loss) income					\$ (8,286)	\$ 193
Weighted-average shares of common stock outstanding:						
Basic	21,80	21,58	21,73	21,64		
	1	6	1	7	21,832	21,629
Dilutive effect of common stock equivalents arising from share option and nonvested share awards	244	344	272	474	—	320
	22,04	21,93	22,00	22,12		
Diluted	5	0	3	1	21,832	21,949
Basic earnings per share	\$0.09	\$0.30	\$0.08	\$1.13		
Diluted earnings per share	\$0.08	\$0.29	\$0.08	\$1.10		
Basic (loss) earnings per share					\$ (0.38)	\$ 0.01
Diluted (loss) earnings per share					\$ (0.38)	\$ 0.01
Antidilutive share option awards excluded from diluted calculation	20	20	20	15	227	20
Antidilutive nonvested share awards excluded from diluted calculation	276	389	310	172	573	371

The computation of diluted earnings per share for the first quarter of fiscal 2024 excludes all periods presented excludes certain potential share option awards that were outstanding since the Company reported a net loss, and the effect of their inclusion would have been antidilutive (i.e., including such share option awards would result in higher earnings per share). The computation of diluted earnings per share for the first quarter of fiscal 2023 excludes certain share option awards since the exercise prices of these share option awards exceeded the average market price of the Company's common shares.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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shares, and the effect of their inclusion would have been antidilutive.

The computation of diluted earnings per share for the first quarter of fiscal 2024 excludes all periods presented potential nonvested share awards since the Company reported a net loss, and the effect of their inclusion would have been antidilutive. The computation of diluted earnings per share for the first quarter of fiscal 2023 excludes certain nonvested share awards that were outstanding and antidilutive since the grant date fair values of these nonvested share awards exceeded the average market price of the Company's common shares.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(9) (10) Commitments and Contingencies

Recovery of Insurance Proceeds

In the fourth quarter of fiscal 2022, one of the Company's stores qualified for loss recovery claims due to property damage sustained as a result of a roof collapse, and the Company disposed of assets of approximately \$0.4 million related to lost inventory and property and equipment. In the third quarter of fiscal 2023, the Company reached an agreement with its insurance carrier and, after application of a deductible of \$0.5 million, the Company received, as part of the insurance recovery, a cash insurance recovery advance of \$0.7 million in total, of which \$0.6 million related to the reimbursement of lost inventory and profit margin and \$0.1 million related to the reimbursement of property and equipment. Accordingly, the Company recognized a gain of \$0.3 million related to the recovery of lost inventory and profit margin and a gain of \$21,000 25,000 related to the recovery of property and equipment. The gain related to the recovery of lost inventory and profit margin is was included in the accompanying interim unaudited condensed consolidated statement of operations as a reduction to cost of goods sold and the gain related to the recovery of lost property and equipment is was included in the accompanying

interim unaudited condensed consolidated statement of operations as a reduction to selling and administrative expense for fiscal 2023. While further recovery is expected in fiscal 2024, no recoveries were received in the first quarter of fiscal 2024.

Legal Proceedings

On March 13, 2023, a complaint was filed in the Superior Court of the State of California, County of Santa Clara, entitled Zareyah Thompson v. Big 5 Corp., et. al., Case No. 23CV412334 ("Thompson Complaint"). The Thompson Complaint was brought as a purported California Private Attorneys General Act ("PAGA") action on behalf of "current and former employees who worked for the Company or its operating subsidiary in California as a non-exempt, hourly paid employee and received at least one wage statement." The Thompson Complaint alleges, among other things, that Big 5 failed to (i) provide minimum wages, (ii) provide compliant meal or rest periods, (iii) maintain and provide accurate itemized wage statements, (iv) properly compensate for all time worked, including overtime, premium, vacation and final wages, (v) properly maintain payroll records, and (vi) provide suitable seating. On March 21, 2023, a second complaint was filed in the Superior Court of the State of California, County of Santa Clara, entitled Christopher Puga v. Big 5 Corp., et. al., Case No. 23CV412953 ("Puga Complaint"). The Puga Complaint was brought as a purported PAGA action on behalf of "all current and former non-exempt employees that worked either directly or via a staffing agency for the Company or its operating subsidiary at any location in California" ("Putative Covered Employees"). The Puga Complaint alleges, among other things, that Big 5 (i) unlawfully required Putative Covered Employees to agree to unlawful criminal background checks, (ii) conducted unlawful financial and criminal background checks, and did not (iii) provide minimum wages, (iv) provide accurate itemized wage statements, (v) maintain accurate records pertaining to the Putative Covered Employees' employment, (vi) produce or make available Putative Covered Employees' personnel records and/or payroll records, (vii) provide compliant meal or rest periods, (viii) properly compensate for all time worked, including overtime, premium, vacation, and final wages, (ix) reimburse necessary business expenses; (x) provide suitable seating; (xi) provide sick leave pay to Putative Covered Employees, (xii) accurately calculate sick leave accrual and rate of pay, (xiii) put the Putative Covered Employees on notice of their paid sick leave rights, and (xiv) provide supplemental paid sick leave. The Thompson and Puga complaints have many overlapping causes of action. Accordingly, on or about April 12, 2023, a notice of related cases was filed with the Court regarding the Thompson Complaint and Puga Complaint. The Court subsequently conducted a case management conference on June 29, 2023 for both complaints, and jointly coordinated the complaints. The Company's counsel held a mediation with opposing counsel on September 27, 2023. The Company has reached a tentative settlement in both cases and established a cumulative indemnity reserve of \$1.5 million. Any settlement finalized will be subject to Court approval.

The Company is involved in various other claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material effect on the Company's results of operations, financial condition or cash flows.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

(10) (11) Share-based Compensation

In June 2022, the Company amended and restated its 2019 Equity Incentive Plan (the “2019 Plan”), primarily authorizing an additional 3,300,000 shares available for future grant. As of **October 1, 2023** **March 31, 2024**, **3,549,208** **2,613,650** shares remained registered and available for future grant under the 2019 Plan.

At its discretion, the Company grants share option awards, nonvested share awards and nonvested share unit awards to certain employees, as defined by ASC 718, *Compensation—Stock Compensation*, under the Company’s 2019 Plan, and accounts for its share-based compensation in accordance with ASC 718. The Company recognized \$0.7 million **and \$2.1 million** in share-based compensation expense for **each of the 13** **13-week periods ended March 31, 2024** and **39 weeks ended October 1, 2023**, respectively, compared to \$ **April 2, 2023**.

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BIG 5 SPORTING GOODS CORPORATION
NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**0.6**
(continued)

million and \$1.8 million in share-based compensation expense for the 13 and 39 weeks ended October 2, 2022, respectively.

Share Option Awards

Share option awards granted by the Company generally vest and become exercisable in four equal annual installments of 25% per year with a maximum life of ten years. The exercise price of share option awards is equal to the quoted market price of the Company’s common stock on the date of grant. **The Company granted 272,000 share option awards in the first quarter of fiscal 2024 with a weighted-average grant-date fair value of \$2.52 per share option award.** No share option awards were granted in the first **nine months** **quarter** of fiscal 2023. **The Company granted 10,000 share option awards in the first nine months of fiscal 2022 with a weighted-average grant-date fair value of \$5.46 per share option award.**

A summary of the status of the Company’s share option awards is presented below:

		Weighted- Average Exercise Price	Weighted- Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
	Shares			
Outstanding at January 1, 2023	300,035	\$ 4.24		
Exercised	(36,550)	2.99		
Forfeited	(1,500)	2.23		

Outstanding at October 1, 2023	261,985	\$ 4.43	5.91	\$ 916,807
Exercisable at October 1, 2023	189,045	\$ 3.94	5.57	\$ 640,229
Vested and Expected to Vest at October 1, 2023	261,844	\$ 4.43	5.91	\$ 916,563

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding at December 31, 2023	253,385	\$ 4.47		
Granted	272,000	4.80		
Exercised	(2,425)	2.23		
Outstanding at March 31, 2024	522,960	\$ 4.65	7.75	\$ 177,731
Exercisable at March 31, 2024	238,460	\$ 3.79	5.28	\$ 177,731
Vested and Expected to Vest at March 31, 2024	517,569	\$ 4.65	7.73	\$ 177,731

The aggregate intrinsic value represents the total pretax intrinsic value, based upon the Company's most recent closing stock price of \$7.013.52 as of October 1, 2023 March 31, 2024, which would have been received by the share option award holders had all share option award holders exercised their share option awards as of that date.

The total intrinsic value of share option awards exercised, the total cash received from employees as a result of employee share option award exercises and the actual tax benefit realized for the tax deduction from share option award exercises in the first quarter of fiscal 2024 were not material.

The fair value of each share option award on the date of grant was estimated using the Black-Scholes method based on the following weighted-average assumptions:

	13 Weeks Ended	
	March 31, 2024	April 2, 2023
Risk-free interest rate	4.2 %	—
Expected term	7.5 years	—
Expected volatility	77.6 %	—
Expected dividend yield	4.1 %	—

The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for periods corresponding with the expected term of the share option award; the expected term represents the weighted-average period

of time that share option awards granted are expected to be outstanding giving consideration to vesting schedules and historical participant exercise behavior; the expected volatility is based upon historical volatility of the Company's common stock; and the expected dividend yield is based upon the Company's dividend rate at the time fair value is measured and future expectations.

As of October 1, 2023 March 31, 2024, there was \$0.10.7 million of total unrecognized compensation expense related to share option awards granted. That expense is expected to be recognized over a weighted-average period of 0.83.9 years.

Nonvested Share Awards and Nonvested Share Unit Awards

Nonvested share awards granted by the Company vest for employees from the date of grant in four equal annual installments of 25% per year. Nonvested share awards and nonvested share unit awards granted by the Company to non-employee directors for their service as directors, as defined by ASC 718, generally vest 100% on the earlier of (a) the date of the Company's next annual stockholders meeting following the grant date, or (b) the first anniversary of the grant date.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

Nonvested share awards become outstanding when granted and are delivered to the recipient upon their vesting. Vested share unit awards, including any dividend reinvestments, are delivered to the recipient on the tenth business day of January following the year in which the recipient's service to the Company is terminated, at which time the units convert to shares and become outstanding. The total fair value of nonvested share awards which vested during the first nine months quarter of fiscal 20232024 and 20222023 was \$2.00.8 million and \$3.31.6 million, respectively. No nonvested share unit awards vested during the first nine months quarter of fiscal 20232024 and 2022.

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BIG 5 SPORTING GOODS CORPORATION

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(continued)

2023.

The Company granted 327,112276,660 and 284,630273,160 nonvested share awards in the first nine months quarter of fiscal 20232024 and 2022, 2023, respectively. The weighted-average grant-date fair value per share of the

Company's nonvested share awards granted in the first nine months quarter of fiscal 2023 2024 and 2022 2023 was \$7.91 3.58 and \$15.03 7.82, respectively. No nonvested share unit awards were granted during the periods presented.

A summary of the status of the Company's nonvested share awards is presented below:

	Weighted-Average Grant-Date Fair Value		Weighted-Average Grant-Date Fair Value	
	Shares	Value	Shares	Value
Balance at January 1, 2023	587,675	\$ 11.64		
Balance at December 31, 2023			634,227	\$ 10.56
Granted	327,112	7.91	276,660	3.58
Vested	(250,055)	9.65	(218,410)	9.97
Forfeited	(23,670)	10.72	(8,400)	11.01
Balance at October 1, 2023	641,062	\$ 10.55		
Balance at March 31, 2024			684,077	\$ 7.92

To satisfy employee minimum statutory tax withholding requirements for nonvested share awards that vest, the Company withholds and retires a portion of the vesting common shares, unless an employee elects to pay cash. In the first nine months quarter of fiscal 2023 2024, the Company withheld 80,065 86,005 common shares with a total value of \$0.6 0.3 million. This amount is presented as a cash outflow from financing activities in the accompanying interim unaudited condensed consolidated statement of cash flows.

As of October 1, 2023 March 31, 2024, there was \$5.3 4.8 million of total unrecognized compensation expense related to nonvested share awards, which is expected to be recognized over a weighted-average period of 2.4 2.8 years. As of October 1, 2023 March 31, 2024, there was no remaining unrecognized compensation expense related to nonvested share unit awards.

(11) (12) Subsequent Events

On October 26, 2023 April 25, 2024, the Company's Board of Directors declared a quarterly cash dividend of \$0.125 0.05 per share of outstanding common stock, which will be paid on December 15, 2023 June 14, 2024 to stockholders of record as of December 1, 2023 May 31, 2024.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Big 5 Sporting Goods Corporation
El Segundo, California

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Big 5 Sporting Goods Corporation and subsidiaries (the "Company") as of **October 1, 2023** **March 31, 2024**, the related condensed consolidated statements of operations, and stockholders' equity, for the fiscal 13-week and 39-week periods ended **October 1, 2023** and **October 2, 2022**, and of cash flows for the fiscal 39-week 13-week periods ended **October 1, 2023** **March 31, 2024** and **October 2, 2022** **April 2, 2023**, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of **January 1, 2023** **December 31, 2023**, and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal year then ended (not presented herein); and in our report dated **March 1, 2023** **February 28, 2024**, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of **January 1, 2023** **December 31, 2023**, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP

Los Angeles, California

November **May 1, 2023** **2024**

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

The following discussion and analysis of the Big 5 Sporting Goods Corporation ("we," "our," "us") financial condition and results of operations includes information with respect to our plans and strategies for our business and should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes ("Interim Financial Statements") included herein, the *Risk Factors* included herein and in our other filings with the Securities and Exchange Commission ("SEC"), and our consolidated financial statements, related notes, *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023 December 31, 2023.

Our fiscal year ends on the Sunday nearest December 31. Fiscal 2023 2024 is comprised of 52 weeks and ends on December 31, 2023 December 29, 2024. Fiscal 2022 2023 was comprised of 52 weeks and ended on January 1, 2023 December 31, 2023. The interim periods in fiscal 2023 2024 and 2022 2023 are each comprised of 13 weeks.

Overview

We are a leading sporting goods retailer in the western United States, with 430 424 stores and an e-commerce platform under the name "Big 5 Sporting Goods" as of October 1, 2023 March 31, 2024. We provide a full-line product offering in a traditional sporting goods store format that averages approximately 12,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, home recreation, tennis, golf, and winter and summer recreation.

In the first nine months quarter of fiscal 2024 we closed six stores and in the first quarter of fiscal 2023 we opened closed two new stores and closed four stores, one of which was a relocation, and in the first nine months of fiscal 2022 we opened one new store which was a relocation stores. For fiscal 2023, 2024, we anticipate opening approximately two five new stores and closing approximately six ten stores.

Executive Summary

Our net income loss in the third first quarter of fiscal 2023 decreased 2024 compared with net income in the third first quarter of fiscal 2022 2023 primarily resulting from reflected the impact of reduced net sales, which were was partially offset by the favorable impact effect of higher merchandise margins and lower selling and administrative expense year over year. Reduced The decrease in net sales in the third first quarter of fiscal 2023 continued to reflect challenging macro-economic conditions including 2024 in part reflected significant and persistent inflationary pressures that dampened which continued to

dampen consumer sentiment and weakened reduce demand for discretionary spending, which negatively impacted demand across each of our major merchandise categories of hardgoods, footwear and apparel products.

- Net sales for the third first quarter of fiscal 2023 2024 decreased 8.2% 14.0% to \$239.9 million \$193.4 million compared to \$261.4 million \$224.9 million for the third first quarter of fiscal 2022, 2023. The decrease in net sales reflects a decline 8.2% 13.5% in same store sales when compared with the third first quarter of fiscal 2022, 2023. Our lower same store sales in the third first quarter of fiscal 2023 continued to reflect 2024 in part reflected significant and persistent inflation pressures that continued to negatively impacted impact consumer demand, which contributed to reduced net sales. Low year-over-year net sales also reflected the unfavorable impact from a calendar shift related to the Easter holiday.
- Gross profit for the third first quarter of fiscal 2023 2024 represented 33.2% 31.2% of net sales, compared to 33.1% 33.4% in the third first quarter of the prior year. The slight increase in gross profit margin primarily reflects a favorable impact of higher merchandise margins, largely offset by higher Higher store occupancy expense and distribution expense, including costs capitalized into inventory, and store occupancy expense as a percentage of net sales. Our sales were partially offset by the favorable impact of higher merchandise margins remained healthy and continued to compare favorably to pre-pandemic levels. margins.
- Selling and administrative expense for the third first quarter of fiscal 2023 2024 decreased to \$76.6 million \$71.4 million, 31.9% 36.9% of net sales, compared to \$78.2 million \$75.2 million, or 29.9% 33.4% of net sales, for the third first quarter fiscal 2022, 2023. The reduction in selling and administrative expense primarily reflects decreases in employee labor expense, credit card fees and benefit-related expense, partially offset by an increase in legal expense, compensation performance-based incentive accruals.
- Net income loss for the third first quarter of fiscal 2023 2024 was \$1.9 million \$8.3 million, or \$0.08 \$0.38 per diluted share, compared to net income of \$6.4 million \$0.2 million, or \$0.29 \$0.01 per diluted share, for the third first quarter fiscal 2022, 2023, primarily reflecting the impact of reduced net sales, which were partially offset by the favorable impact effect of higher merchandise margins and lower selling and administrative expense year over year.
- Operating cash flow for the first nine months quarter of fiscal 2023 2024 was a positive \$21.1 million \$8.2 million compared to operating cash flow in the first nine months quarter of fiscal 2022 2023 of a negative \$29.9 million positive \$12.3 million. The increased decreased operating cash flow was due primarily to decreased funding of merchandise inventory and low net income, partially offset by a smaller decrease in accrued expenses primarily mainly related to reduced compensation performance-based incentive accruals, partially offset by lower net income. awards.
- Capital expenditures for the first nine months quarter of fiscal 2023 2024 decreased to \$8.2 million \$1.8 million from \$11.0 million \$2.5 million for the first nine months quarter of fiscal 2022, 2023. We expect to open approximately two five new stores in fiscal 2023, 2024, after opening three two new stores in the prior year.

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- We had cash and cash equivalents of \$17.9 million \$12.6 million and \$34.4 million \$27.5 million as of October 2023 March 31, 2024 and October 2, 2022 April 2, 2023, respectively. The balance as of October 2, 2022 April 2, 2023 included cash equivalents of \$10.0 million \$15.0 million related to investments in highly-liquid U.S. Treasury bills. We have

had no borrowings under our credit facility since the full pay-down of outstanding balances under the credit facility in the third quarter of fiscal 2020.

- We paid cash dividends in the first nine months quarter of fiscal 2023 2024 of \$17.0 million \$1.7 million, or \$0.75 \$0.05 per share, compared with \$16.9 million \$6.1 million, or 0.75 0.25 per share, in the first nine months quarter of fiscal 2022.
- We did not repurchase any shares of common stock in the first nine months of fiscal 2023, and we repurchased 295,700 shares of common stock for \$4.1 million in the first nine months of fiscal 2022. 2023.

Results of Operations

The results of the interim periods are not necessarily indicative of results for the entire fiscal year.

13 Weeks Ended October 1, 2023 March 31, 2024 Compared to 13 Weeks Ended October 2, 2022 April 2, 2023

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	13 Weeks Ended			
	October 1, 2023		October 2, 2022	
	(Dollars in thousands)			
Net sales	\$ 239,889	100.0 %	\$ 261,445	100.0 %
Cost of sales ⁽¹⁾	160,331	66.8	174,862	66.9
Gross profit	79,558	33.2	86,583	33.1
Selling and administrative expense ⁽²⁾	76,575	31.9	78,205	29.9
Operating income	2,983	1.3	8,378	3.2
Interest (income) expense	(95)	0.0	69	0.0
Income before income taxes	3,078	1.3	8,309	3.2
Income tax expense	1,220	0.5	1,940	0.7
Net income	\$ 1,858	0.8 %	\$ 6,369	2.5 %

	13 Weeks Ended			
	March 31, 2024		April 2, 2023	
	(Dollars in thousands)			
Net sales	\$ 193,427	100.0 %	\$ 224,939	100.0 %
Cost of sales ⁽¹⁾	133,029	68.8	149,795	66.6
Gross profit	60,398	31.2	75,144	33.4
Selling and administrative expense ⁽²⁾	71,379	36.9	75,173	33.4
Operating loss	(10,981)	(5.7)	(29)	0.0

Interest expense (income)	123	0.1	(115)	(0.1)
(Loss) income before income taxes	(11,104)	(5.8)	86	0.1
Income tax benefit	(2,818)	(1.5)	(107)	0.0
Net (loss) income	\$ (8,286)	(4.3)%	\$ 193	0.1 %

(1) Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

(2) Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

Net Sales. Net sales decreased by \$21.5 million \$31.5 million, or 8.2% 14.0%, to \$239.9 million \$193.4 million in the third first quarter of fiscal 2023 2024 from \$261.4 million \$224.9 million in the third first quarter last year. The change in net sales reflected the following:

- Same store sales decreased by \$21.2 million \$29.9 million, or 8.2% 13.5%, for the 13 weeks ended October 2023 March 31, 2024, versus the comparable 13-week period in the prior year. The decline in same store sales was attributed to the following:
 - o The decrease in same store sales in the third first quarter of fiscal 2023 2024 continued to in part reflect significant and persistent inflationary pressures that dampened consumer sentiment and weakened discretionary spending which contributed to reduced net sales.
 - o Our lower same store sales reflected decreases in our major merchandise categories of hardgoods, footwear and apparel.
 - o Same store sales comparisons are made on a comparable-day basis. Same store sales for a period normally consist of sales for stores that operated throughout the period and the full corresponding prior-year period, along with sales from e-commerce. Same store sales comparisons exclude sales from stores permanently closed, stores in the process of closing, during the comparable periods. Sales from e-commerce in the third first quarter fiscal 2023 2024 and 2022 2023 were not material.
- We experienced decreased customer transactions of 9.0% 13.8% and a higher average sale per transaction of 0.8% 0.3% in the third first quarter of fiscal 2023 2024 compared to the prior year.
- The decrease in net sales also reflected the unfavorable impact from a calendar shift related to the Easter holiday, during which our stores are closed, from the second quarter in fiscal 2023 to the first quarter in fiscal 2024.

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Gross Profit. Gross profit decreased by ~~\$7.0 million~~ \$14.7 million to ~~\$79.6 million~~ \$60.4 million, or ~~33.2%~~ 31.2% of net sales, in the 13 weeks ended ~~October 1, 2023~~ March 31, 2024, compared with ~~\$86.6 million~~ \$75.1 million, or ~~33.1%~~ 33.4% of net sales, in the 13 weeks ended ~~October 2, 2022~~ April 2, 2023. The change in gross profit was primarily attributable to the following:

- Net sales decreased by ~~\$21.5 million~~ \$31.5 million, or ~~8.2%~~ 14.0%, compared with the ~~third~~ first quarter of last year.
- ~~Distribution~~ Store occupancy expense including costs capitalized into inventory, increased by ~~\$0.1 million~~ \$0.2 million, an unfavorable ~~59~~ 194 basis points as a percentage of net sales, ~~in compared with the~~ third first quarter of fiscal 2023 compared to the prior last year. The increase primarily reflected decreased costs capitalized into inventory, which was partially offset by lower freight, fuel and employee labor expense.
- Merchandise margins, which exclude buying, occupancy and distribution expense, increased by a favorable ~~52~~ 48 basis points compared with the ~~third~~ first quarter of last year, primarily reflecting ~~lower freight costs and~~ shifts in sales mix. Our merchandise margins remained healthy and continued to compare favorably to pre-pandemic levels.
- Store occupancy ~~Distribution~~ expense, including costs capitalized into inventory, decreased by a favorable ~~\$0.1 million~~ \$0.6 million, but increased by an unfavorable ~~38~~ 59 basis points as a percentage of net sales, compared with ~~in the~~ third first quarter of last year, which resulted from a \$1.6 million extinguishment of certain real estate-related liabilities, fiscal 2024 compared to the prior year. The decrease primarily reflected increased costs capitalized in inventory.

Selling and Administrative Expense. Selling and administrative expense decreased by ~~\$1.6 million~~ \$3.8 million to ~~\$76.6 million~~ \$71.4 million, or ~~31.9%~~ 36.9% of net sales, in the 13 weeks ended ~~October 1, 2023~~ March 31, 2024, compared to ~~\$78.2 million~~ \$75.2 million, or ~~29.9%~~ 33.4% of net sales, in the ~~third~~ first quarter of last year. The change in selling and administrative expense was primarily attributable to the following:

- Store-related expense, excluding occupancy, decreased by ~~\$2.4 million~~ \$3.0 million due largely to decreases in employee labor, and benefit-related expense, as well as credit card fees. While employee labor expense decreased by ~~\$2.7 million~~ \$2.7 million mainly as a result of managing employee labor hours in light of reduced operating hours, the reductions were sales, this reduction was partially offset by continuing wage rate pressures. Wages continue to reflect pressures that included the incremental impact of legislated minimum wage rate increases primarily in California where over half of our stores are located. In California, state-wide minimum wage rates have risen from \$10.00 per hour in 2017 to \$15.50 per hour beginning on January 1, 2023. Additionally, certain other jurisdictions within California including Los Angeles and San Francisco, located, as well as various other states in which we do business, are and have been implementing their own scheduled increases that exceed the state-wide minimum wage rates, which may also include interim impacts effective at various points throughout the year. Labor expense for the third quarter of fiscal 2023 also reflected higher demand for labor in many of our certain markets resulting in higher wage rates. We estimate that the lower year-over-year store-related expense also reflected reduced stores in operation, which declined to 424 stores at the combined impact end of these wage rate pressures caused our labor expense to increase by approximately \$0.8 million for the ~~third~~ first quarter of fiscal 2023 compared with 2024 from 430 stores at the ~~third~~ end of the first quarter of fiscal 2022, 2023.
- Administrative expense decreased by \$0.6 million, primarily attributable to decreases in company performance-based incentive accruals, legal expense and temporary staffing costs in the current year.

- Our advertising expense decreased by \$0.2 million in the **third first** quarter of fiscal **2023 2024** and remains less than that of our pre-pandemic expense level. We expect our expense to continue to benefit from reduced advertising activity in the foreseeable future as we continue to evaluate the impact on our sales.
- Administrative expense increased by \$1.0 million, primarily attributable to an increase in legal expense resulting from tentative legal settlement, partially offset by decreases in company performance-based incentive accruals in the current year. future.

Interest Expense (Income) Expense. Interest expense decreased increased by \$0.2 million in the **third first** quarter of fiscal **2023 2024** compared to the **third first** quarter of fiscal **2022 2023** as a result of generating interest income for in the current prior fiscal year reflecting that reflected higher interest earned on cash equivalents. investments.

Income Tax Expense Benefit. The provision for income taxes was \$1.2 million a benefit of \$2.8 million and a benefit of \$0.1 million for the third quarter of fiscal 2023 compared to \$1.9 million for the third quarter of fiscal 2022, primarily reflecting lower pre-tax income compared to the third quarter of fiscal 2022.

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39 Weeks Ended October 1, 2023 Compared to 39 Weeks Ended October 2, 2022

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	39 Weeks Ended					
	October 1,		October 2,			
	2023		2022			
	(Dollars in thousands)					
Net sales	\$	688,395	100.0 %	\$	757,226	100.0 %
Cost of sales ⁽¹⁾		461,790	67.1		495,844	65.5
Gross profit		226,605	32.9		261,382	34.5
Selling and administrative expense ⁽²⁾		224,114	32.6		230,150	30.4
Operating income		2,491	0.3		31,232	4.1
Interest (income) expense		(265)	0.0		389	0.1
Income before income taxes		2,756	0.3		30,843	4.0
Income tax expense		987	0.1		6,437	0.9
Net income	\$	1,769	0.2 %	\$	24,406	3.1 %

⁽¹⁾ Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

⁽²⁾ Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

Net Sales. Net sales decreased by \$68.8 million, or 9.1%, to \$688.4 million in the first nine months of fiscal 2023 from \$757.2 million in the first nine months of last year. The change in net sales reflected the following:

- Same store sales decreased by \$68.1 million, or 9.1%, for the 39 weeks ended October 1, 2023, versus the comparable 39-week period in the prior year. The decline in same store sales was attributed to the following:
 - o The decrease in same store sales in the first nine months of fiscal 2023 reflected a continuation of significant and persistent inflationary pressures and heightened recessionary concerns that dampened consumer sentiment and weakened discretionary spending, which negatively affected sales. While we experienced strong winter-related product sales as a result of favorable winter-weather conditions during the first quarter of fiscal 2024 and 2023, cooler-than-normal weather patterns negatively impacted sales for the spring and summer product categories through the second quarter of fiscal 2023.
 - o Our lower same store sales reflected decreases in our major merchandise categories of hardgoods, footwear and apparel.
 - o Same store sales comparisons are made on a comparable-day basis, primarily reflecting a comparable-day basis. Same store sales for a period normally consist of sales for stores that operated throughout the period and the corresponding prior-year period, along with sales from e-commerce. Same store sales comparisons exclude sales from stores permanently closed, or stores in the process of closing, during the comparable periods. Sales from e-commerce in the first nine months of fiscal 2023 and 2022 were not material.
- We experienced decreased customer transactions of 8.1% and a lower average sale per transaction of 1.0% in the first nine months of fiscal 2023 compared to the prior year.

Gross Profit. Gross profit decreased by \$34.8 million to \$226.6 million, or 32.9% of net sales, in the 39 weeks ended October 1, 2023, compared with \$261.4 million, or 34.5% of net sales, in the 39 weeks ended October 2, 2022. The change in gross profit was primarily attributable to the following:

- Net sales decreased by \$68.8 million, or 9.1%, compared with the first nine months last year.
- Distribution expense, including costs capitalized into inventory, increased by an unfavorable \$1.9 million, or 80 basis points as a percentage of net sales, in the first nine months of fiscal 2023 compared to the prior year. The increase was primarily reflected in decreased costs capitalized into inventory, which were partially offset by the favorable impact of lower freight, fuel and employee labor and benefit-related expense.
- Merchandise margins, which exclude buying, occupancy and distribution expense, increased by a favorable 12 basis points compared with the first nine months of last year. Our merchandise margins remained healthy and continued to compare favorably to pre-pandemic levels.

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- Store occupancy expense decreased by a favorable \$0.1 million, but increased by an unfavorable 98 basis points as a percentage of net sales, compared with the first nine months of last year.

Selling and Administrative Expense. Selling and administrative expense decreased by \$6.1 million to \$224.1 million, or 32.6% of net sales, in the 39 weeks ended October 1, 2023, compared to \$230.2 million, or 30.4% of net sales, in the first nine months of last year. The change in selling and administrative expense was primarily attributable to the following:

- Store-related expense, excluding occupancy, decreased by \$2.7 million due largely to reductions in employee benefit-related expense, primarily health and welfare expense as compared to the prior year which experienced a surge related to post-COVID-19 medical treatment. These reductions were partially offset by increases in employee labor expense.

store security and systems improvements and the impact of broad-based inflation. Wages continue to reflect the incremental impact of legislated minimum wage rate increases primarily in California, where over half of our stores are located. In California, state-wide minimum wage rates have risen from \$10.00 per hour in 2017 to \$15.50 per hour beginning on January 1, 2023. Additionally, certain other jurisdictions within California, including Los Angeles and San Francisco, as well as various other states in which we do business, are and have been implementing their own scheduled increases that exceed the state-wide minimum wage rates, which may also include interim impacts effective at various points throughout the year. Labor expense for the first nine months of fiscal 2023 also reflected higher demand for labor in many of our markets resulting in higher wage rates. We estimate that the combined impact of these wage rate pressures caused our labor expense to increase by approximately \$3.6 million for the first nine months of fiscal 2023 compared with the first nine months of fiscal 2022.

- Administrative expense decreased by \$1.9 million, primarily attributable to decreases in company performance-based incentive accruals and employee benefit-related expense **pre-tax loss** in the current year partially offset by an increase in legal expense primarily resulting from a tentative legal settlement, and an increase in employee labor expense.
- Our advertising expense decreased by \$1.4 million **increased tax benefit related to stock compensation** in the first nine months of fiscal 2023 and remains less than half of our pre-pandemic expense level. We expect our expense to continue to benefit from reduced advertising activity in the foreseeable future as we continue to evaluate the impact on our sales.

Interest (Income) Expense. Interest expense decreased by \$0.7 million in the first nine months of fiscal 2023 compared to the first nine months of fiscal 2022 as a result of generating interest income for the current fiscal year reflecting higher interest earned on cash equivalents.

Income Tax Expense. The provision for income taxes was \$1.0 million for the first nine months of fiscal 2023 compared to \$6.4 million for the first nine months of fiscal 2022, primarily reflecting lower pre-tax income and a tax deduction related to share-based compensation compared to the first nine months of fiscal 2022. **prior year.**

Liquidity and Capital Resources

Our principal liquidity requirements are for working capital, capital expenditures and cash dividends. We fund our liquidity requirements primarily through cash and cash equivalents, **on hand**, cash flows from operations and borrowings from **the our** revolving credit **facility, when necessary. facility.**

As of **October 1, 2023** **March 31, 2024**, we had **\$17.9 million** **\$12.6 million** of cash compared to **\$34.4 million** **\$27.5 million** of cash and cash equivalents as of **October 2, 2022** **April 2, 2023**. Our cash flows from operating, investing and financing activities are summarized as follows:

	39 Weeks Ended		13 Weeks Ended	
	October 1, 2023	October 2, 2022	March 31, 2024	April 2, 2023
	(In thousands)		(In thousands)	
Total cash provided by (used in):				
Operating activities	\$ 21,064	\$ (29,918)	\$ 8,213	\$ 12,292
Investing activities	(8,186)	(8,814)	(1,810)	(2,529)

Financing activities	(20,573)	(24,249)	(2,983)	(7,869)
Net decrease in cash and cash equivalents	\$ (7,695)	\$ (62,981)		
Net increase in cash and cash equivalents			\$ 3,420	\$ 1,894
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Operating Activities. Operating cash flows for the first nine months quarter of fiscal 2023 2024 and 2022 2023 were a positive \$21.1 million \$8.2 million and a negative \$29.9 million positive \$12.3 million, respectively. The increased decreased cash flow provided by operating activities for the first nine months quarter of fiscal 2023 2024 compared to the prior year primarily reflects decreased funding of merchandise inventory and reflected lower net income, partially offset by a smaller decrease in accrued expenses primarily mainly related to company performance-based incentive accruals, partially offset by lower net income.

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awards.

Investing Activities. Net cash used in investing activities for the first nine months quarter of fiscal 2024 and 2023 was \$1.8 million and 2022 was \$8.2 million and \$8.8 million \$2.5 million, respectively. Capital expenditures, excluding non-cash acquisitions, represented substantially all of the cash used in investing activities for each period. Capital expenditures for both periods primarily reflect store-related remodeling, distribution center investments and computer hardware and software purchases.

Financing Activities. Financing cash flows for the first nine months quarter of fiscal 2023 2024 and 2022 2023 were a negative \$20.6 million \$3.0 million and a negative \$24.2 million \$7.9 million, respectively. For the first nine months quarter of both periods, cash was used primarily to fund dividend payments and make principal payments on finance lease liabilities. For Dividend payments in the current year were lower than the prior year, which reflected a reduction of dividends declared from \$0.25 per share of outstanding common stock in the first nine months quarter of fiscal 2022, cash was also used 2023 to purchase treasury stock. \$0.05 per share of outstanding common stock in the first quarter of fiscal 2024, respectively.

As of October 1, 2023 March 31, 2024 and October 2, 2022 April 2, 2023, we had no revolving credit borrowings, and \$1.4 million \$2.0 million and \$1.1 million \$1.4 million, respectively, of letter of credit commitments outstanding.

In fiscal 2022 we paid four quarterly cash dividends of \$0.25 per share of outstanding common stock. In the first nine months of fiscal 2023, we paid three quarterly cash dividends of \$0.25 per share of outstanding common stock, and in the fourth quarter of fiscal 2023, our Board of Directors declared we paid a quarterly cash dividend of \$0.125 per share of outstanding common stock. In the first quarter of fiscal 2024, we paid a quarterly cash dividend of \$0.05 per share of

outstanding common stock, and in the second quarter of fiscal 2024, our Board of Directors declared a quarterly cash dividend of \$0.05 per share of outstanding common stock, which will be paid on December 15, 2023 June 14, 2024 to stockholders of record as of December 1, 2023 May 31, 2024.

Periodically, we repurchase our common stock in the open market pursuant to programs approved by our Board of Directors. We may repurchase our common stock for a variety of reasons, including, among other things, our alternative cash requirements, existing business conditions and the current market price of our stock. In the first quarter of fiscal 2022, our Board of Directors authorized a new Our current share repurchase program authorizes the purchase of up to \$25.0 million of our common stock, which replaced the previous share repurchase program. stock. Under this program, we may purchase shares from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. However, the timing and amount of such purchases, if any, would be at the discretion of our management and Board of Directors, and would depend on market conditions and other considerations. We repurchased 295,719 shares of our common stock for \$4.1 million in the full year of fiscal 2022. We did not repurchase any shares of our common stock in fiscal 2023 or the first nine months quarter of fiscal 2023, 2024. Since the inception of our initial share repurchase program in May 2006 through October 1, 2023 March 31, 2024, we have repurchased a total of 4,186,014 shares for \$53.6 million.

Loan Agreement. We are party to a Loan, Guaranty and Security agreement with Bank of America, N.A. ("BofA"), as agent and lender, which was amended on November 22, 2021, October 19, 2022 and May 16, 2023 (as so amended, the "Loan Agreement"). The Loan Agreement has a maturity date of February 24, 2026 and provides for a revolving credit facility with an aggregate committed availability of up to \$150.0 million. We may also request additional increases in aggregate availability, up to a maximum of \$200.0 million, in which case the existing lender under the Loan Agreement will have the option to increase their commitment to accommodate the requested increase. If the lender does not exercise that option, we may (with the consent of BofA in its role as the administrative agent, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The credit facility includes a \$50.0 million sublimit for issuances of letters of credit.

We may borrow under the Loan Agreement from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate committed availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the "Line Cap"). As defined in the Loan Agreement, the "Borrowing Base" generally is comprised of the sum, at the time of calculation, of (a) 90.00% of eligible credit card receivables; plus (b) the cost of eligible inventory (other than eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the cost of eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), minus (d) certain agreed-upon reserves as well as other reserves established by BofA in its role as the administrative agent in its reasonable discretion.

Generally, we may designate specific borrowings under the Loan Agreement as either base rate loans or Term SOFR rate loans. The applicable interest rate on our borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Line Cap over amounts borrowed (such amount being referred to as the “Average Daily Availability”). Those loans designated as Term SOFR rate loans bear interest at a rate equal to the then applicable secured overnight financing rate as administered by the Federal Reserve Bank of New York (“SOFR”) rate plus a 0.10% “SOFR adjustment” spread, plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the one-month SOFR rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within BofA as its “prime rate.” The applicable margin for all loans will be a function of Average Daily Availability for the preceding fiscal quarter as set forth below in the following table.

Level	Average Daily Availability	SOFR Rate	Base Rate
		Applicable Margin	Applicable Margin
I	Greater than or equal to \$70,000,000	1.375%	0.375%
II	Less than \$70,000,000	1.500%	0.500%

The commitment fee assessed on the unused portion of the credit facility is 0.20% per annum.

Obligations under the Loan Agreement are secured by a general lien on and security interest in substantially all of our assets. The Loan Agreement contains covenants that require us to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limits the ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. We may generally declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied, although we are permitted to make up to \$5.0 million of dividend payments or stock repurchases per year without satisfaction of the availability or fixed charge coverage ratio requirements, but dividends or stock repurchases made without satisfying the availability and/or fixed charge coverage ratio requirements will require the establishment of an additional reserve that will reduce borrowing availability under the Loan Agreement for 75 days. The Loan Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the credit facility, failure to pay any interest or other amounts under the credit facility, failure to comply with certain agreements or covenants contained in the Loan Agreement, failure to satisfy certain judgments against us, failure to pay when due (or any other default which permits the acceleration of) certain other material indebtedness in principal amount in excess of \$5.0 million, and certain insolvency and bankruptcy events.

Future Capital Requirements. We had cash of \$17.9 million \$12.6 million as of October 1, 2023 March 31, 2024. We expect capital expenditures for fiscal 2023, 2024, excluding non-cash acquisitions, to range from approximately \$8.0 million \$13.0 million to \$12.0 million \$18.0 million primarily to fund store-related remodeling, the opening of new stores, distribution center investments and computer hardware and software purchases. For fiscal 2023, 2024, we anticipate opening approximately two five new stores and closing approximately six ten stores.

Dividends are paid at the discretion of our Board of Directors. In the first quarter of fiscal 2022 2024, we paid four a quarterly cash dividends dividend of \$0.25 per share of outstanding common stock. In the first nine months of fiscal 2023, we paid three quarterly cash dividends of \$0.25 \$0.05 per share of outstanding common stock, and in the fourth second quarter of fiscal 2023, 2024, our Board of Directors declared a quarterly cash dividend of \$0.125 \$0.05 per share of outstanding common stock, which will be paid on December 15, 2023 June 14, 2024 to stockholders of record as of December 1, 2023 May 31, 2024.

As of October 1, 2023 March 31, 2024, a total of \$20.9 million remained available for share repurchases under our new share repurchase program. We did not repurchase any shares of our common stock in the first nine months quarter of fiscal 2023, 2024. We consider several factors in determining when and if we make share repurchases including, among other things, our alternative cash requirements, existing business conditions and the market price of our stock.

We believe we will be able to fund our cash requirements from cash and cash equivalents, operating cash flows and borrowings from our credit facility, for at least the next 12 months.

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Contractual Obligations. Our material contractual obligations include operating lease commitments associated with our leased properties and other occupancy expense, finance lease obligations, borrowings under the credit facility, if any, and other liabilities. Operating lease commitments consist principally of leases for our retail store facilities, distribution center and corporate offices. These leases frequently include options which permit us to extend the terms beyond the initial fixed lease term, and we intend to renegotiate most of these leases as they expire. Operating lease commitments also consist of information technology ("IT") systems hardware, distribution center delivery tractors and equipment. Additional information regarding our operating and finance leases is available in Notes 2 and 5 6 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

In the first nine months quarter of fiscal 2023 2024 and 2022, 2023, we had zero borrowings under our revolving credit facility.

In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. Because most of these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included as outstanding contractual obligations.

Critical Accounting Estimates

As discussed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for the fiscal year ended January 1, 2023 December 31, 2023, we consider our estimates on valuation of merchandise inventory and valuation of long-lived assets to be among the most critical in understanding the judgments that are involved in preparing our consolidated financial statements. There have been no significant changes to these estimates in the 39 13 weeks ended October 1, 2023 March 31, 2024.

Seasonality and Impact of Inflation

We experience seasonal fluctuations in our net sales and operating results, which can suffer when weather does not conform to seasonal norms. Seasonality in our net sales influences our buying patterns which directly impacts our merchandise and accounts payable levels and cash flows. We purchase merchandise for seasonal activities in advance of a season and supplement our merchandise assortment as necessary and when possible during the season. Our efforts to replenish products during a season are not always successful. In the fourth fiscal quarter, which includes the holiday selling season and the start of the winter selling season, we normally experience higher inventory purchase volumes and increased expense for staffing and advertising. If we miscalculate the consumer demand for our products generally or for our product mix in advance of a season, particularly the fourth quarter, our net sales can decline, which can harm our financial performance. A significant shortfall from expected net sales, particularly during the fourth quarter, can negatively impact our annual operating results.

In fiscal 2022 and the first nine months Throughout most of fiscal 2023, we experienced greater inflation in the cost of products that we purchase for resale than in previous years. years, although product cost inflation moderated later in the year and into fiscal 2024. While our merchandise inventory costs have been impacted by inflationary pressures, we have generally been able to adjust our selling prices in response to these higher product purchase costs. However, if we are unable to adjust our selling prices for product purchase cost increases that might occur in the future, then our merchandise margins could decline, which would adversely impact our operating results. In fiscal 2022 2023 and the first nine months quarter of fiscal 2023, 2024, we also experienced increased wage rate pressure as a result of higher demand and competition for labor in many of our certain markets and we expect these dynamics to continue in throughout fiscal 2023, 2024. Broad-based inflationary pressures adversely impacted many categories of costs and expenses during fiscal 2022 2023 and the first nine months quarter of fiscal 2023, 2024. This impact is expected to continue during the remainder of fiscal 2023, 2024.

Recently Issued Accounting Updates

See Note 2 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

This document includes certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, our financial condition, our results of operations, our growth strategy and the business of our company generally. In some cases, you can identify such statements by terminology such as “may,” “could,” “project,” “estimate,” “potential,” “continue,” “should,” “expects,” “plans,” “anticipates,” “believes,” “intends” or other such terminology. These forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause our actual results in current or future periods to change significantly and differ materially from forecasted results. These forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause our actual results in current or future periods to change significantly and differ materially from forecasted results. These risks and uncertainties include, among other things, the economic impacts of COVID-19 including any potential variants, on our business operations, including as a result of regulations that may be issued in response to COVID-19, global supply chain disruptions resulting from the ongoing conflict/conflicts in Ukraine and the Middle East, changes in the consumer spending environment, fluctuations in consumer holiday spending patterns, increased competition from e-commerce retailers, breach of data security or other unauthorized disclosure of sensitive personal or confidential information, the competitive environment in the sporting goods industry in general and in our specific market areas, inflation, product availability and growth opportunities, changes in the current market for (or regulation of) firearm-related products, a reduction or loss of product from a key supplier, disruption in product flow, seasonal fluctuations, weather conditions, changes in cost of goods, operating expense fluctuations, increases in labor and benefit-related expense, changes in laws or regulations, including those related to tariffs and duties as well as environmental, social and governance issues, public health issues (including those caused by COVID-19 or any potential variants), impacts from civil unrest or widespread vandalism, lower than expected profitability of our e-commerce platform or cannibalization of sales from our existing store base which could occur as a result of operating the e-commerce platform, litigation risks, stockholder campaigns and proxy contests, risks related to our historically leveraged financial condition, changes in interest rates, credit availability, higher expense associated with sources of credit resulting from uncertainty in financial markets and economic conditions in general. Those and other risks and uncertainties are more fully described in Part II, Item 1A, *Risk Factors*, in this report and in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K and other filings with the SEC. We caution that the risk factors set forth in this report and the other reports that we file with the SEC are not exclusive. In addition, we conduct our business in a highly competitive and rapidly changing environment. Accordingly, new risk factors may arise. It is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-

looking statement. We undertake no obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Because we are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective, at a reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended **October 1, 2023** **March 31, 2024**, no changes occurred with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

On March 13, 2023, a complaint was filed in the Superior Court of the State of California, County of Santa Clara, entitled Zareyah Thompson v. Big 5 Corp., et. al., Case No. 23CV412334 (“Thompson Complaint”). The Thompson Complaint was brought as a purported California Private Attorneys General Act (“PAGA”) action on behalf of “current and former employees who worked for the Company or its operating subsidiary in California as a non-exempt, hourly paid employee and

received at least one wage statement.” The Thompson Complaint alleges, among other things, that Big 5 failed to (i) provide minimum wages, (ii) provide compliant meal or rest periods, (iii) maintain and provide accurate itemized wage statements, (iv) properly compensate for all time worked, including overtime, premium, vacation and final wages, (v) properly maintain payroll records, and (vi) provide suitable seating. On March 21, 2023, a second complaint was filed in the Superior Court of the State of California, County of Santa Clara, entitled Christopher Puga v. Big 5 Corp., et. al., Case No. 23CV412953 (“Puga Complaint”). The Puga Complaint was brought as a purported PAGA action on behalf of “all current and former non-exempt employees that worked either directly or via a staffing agency for the Company or its operating subsidiary at any location in California” (“Putative Covered Employees”). The Puga Complaint alleges, among other things, that Big 5 (i) unlawfully required Putative Covered Employees to agree to unlawful criminal background checks, (ii) conducted unlawful financial and criminal background checks, and did not (iii) provide minimum wages, (iv) provide accurate itemized wage statements, (v) maintain accurate records pertaining to the Putative Covered Employees’ employment, (vi) produce or make available Putative Covered Employees’ personnel records and/or payroll records, (vii) provide compliant meal or rest periods, (viii) properly compensate for all time worked, including overtime, premium, vacation, and final wages, (ix) reimburse necessary business expenses; (x) provide suitable seating; (xi) provide sick leave pay to Putative Covered Employees, (xii) accurately calculate sick leave accrual and rate of pay, (xiii) put the Putative Covered Employees on notice of their paid sick leave rights, and (xiv) provide supplemental paid sick leave. The Thompson and Puga complaints have many overlapping causes of action. Accordingly, on or about April 12, 2023, a notice of related cases was filed with the Court regarding the Thompson Complaint and Puga Complaint. The Court subsequently conducted a case management conference on June 29, 2023 for both complaints, and jointly coordinated the complaints. The Company’s counsel held a mediation with opposing counsel on September 27, 2023. The Company has reached a tentative settlement in both cases and established a cumulative indemnity reserve of \$1.5 million. Any settlement finalized will be subject to Court approval.

The Company is involved in various **other** claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company’s results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors identified in Part I, Item 1A, *Risk Factors*, of the Company’s Annual Report on Form 10-K for the fiscal year ended **January 1, 2023** **December 31, 2023**.

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

Not applicable. The following tabular summary reflects the Company’s share repurchase activity during the quarter ended **March 31, 2024**:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total Number of Shares Purchased ⁽¹⁾	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs ⁽²⁾
January 1 – January 28	—	\$ —	—	\$ 20,864,000
January 29 – February 25	—	\$ —	—	\$ 20,864,000
February 26 – March 31	86,005	\$ —	—	\$ 20,864,000
Total	86,005		—	\$ 20,864,000

⁽¹⁾ The Company withheld 86,005 shares of Company common stock at an average price of \$3.58 per share to satisfy minimum statutory tax withholding obligations in connection with the vesting of certain nonvested share awards issued to employees, in accordance with the Company's 2019 Equity Incentive Plan.

⁽²⁾ This amount reflects the dollar value of shares remaining available to repurchase under the Company's current share repurchase program.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

During the fiscal quarter ended **October 1, 2023** **March 31, 2024**, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

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Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Document
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15.1	Independent Auditors' Awareness Letter Regarding Interim Financial Statements. ⁽¹⁾
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31.1	Rule 13a-14(a) Certification of Chief Executive Officer. (1)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer. (1)
32.1	Section 1350 Certification of Chief Executive Officer. (1)
32.2	Section 1350 Certification of Chief Financial Officer. (1)
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. (1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document. (1)
101.CAL	Inline XBRL Taxonomy Calculation With Embedded Linkbase Document. (1)
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document. (1)
101.LAB	Inline XBRL Taxonomy Label Linkbase Document. (1)
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document. Documents. (1)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document). (1)

(1) Filed herewith.

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SIGNATURES

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

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

Date: November 1, 2023 May 1, 2024

By: /s/ Steven G. Miller

Steven G. Miller
Chairman of the Board of Directors,
President and Chief Executive Officer

Date: November 1, 2023 May 1, 2024

By: /s/ Barry D. Emerson

Barry D. Emerson
Executive Vice President,
Chief Financial Officer and Treasurer
(Principal Financial and
Accounting Officer)

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Exhibit 15.1

November May 1, 2023 2024

The Board of Directors and Stockholders of
Big 5 Sporting Goods Corporation
2525 East El Segundo Boulevard
El Segundo, CA 90245

We are aware that our report dated November 1, 2023 May 1, 2024, on our review of the interim financial information of Big 5 Sporting Goods Corporation and subsidiaries appearing in this Quarterly Report on Form 10-Q for the fiscal quarter ended October 1, 2023 March 31, 2024, is incorporated by reference in Registration Statement Nos. 333-149730, Nos. 333-149730, 333-179602, 333-215545, 333-234317, and 333-268129 each on Form S-8.

/s/ Deloitte & Touche LLP

Los Angeles, California

Exhibit 31.1

CERTIFICATIONS

I, Steven G. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant for, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

- d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 1, 2024

/s/ Steven G. Miller

Steven G. Miller

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Barry D. Emerson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant for the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures.

and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

- a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
- a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: November 1, 2023 May 1, 2024

/s/ Barry D. Emerson

Barry D. Emerson

Executive Vice President, Chief Financial Officer and
Treasurer

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

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the “Company”) for the period ending **October 1, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven G. Miller, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven G. Miller

Steven G. Miller

President and Chief Executive Officer

November **May 1, 2023** **2024**

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the “Company”) for the period ending **October 1, 2023** **March 31, 2024** as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Barry D. Emerson, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barry D. Emerson

Barry D. Emerson
Executive Vice President, Chief Financial Officer and
Treasurer

November **May 1,** **2023** **2024**

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

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