

FIVE BELOW, INC. NDQ-FIVE

RECENT PRICE **131.84** P/E RATIO **42.3** (Trailing: 47.1 Median: NMF) RELATIVE P/E RATIO **2.50** DIV'D YLD **Nil** VALUE LINE

TIMELINESS 3 Lowered 8/23/19	High: 40.0	55.3	47.9	43.8	52.7	69.0	136.1	148.2		Target Price Range	2022	2023	2024
SAFETY 3 New 5/31/13	Low: 25.0	30.8	33.9	27.0	31.5	37.1	60.0	99.3					
TECHNICAL 3 Lowered 9/13/19	LEGENDS 21.0 x "Cash Flow" p sh Relative Price Strength Options: Yes Shaded area indicates recession												
BETA 1.05 (1.00 = Market)	320 200 160 120 100 80 60 40 18												
18-Month Target Price Range	Low-High Midpoint (% to Mid) \$96-\$222 \$159 (20%)												
2022-24 PROJECTIONS	Ann'l Total Return High Price 190 Gain (+45%) 10% Low Price 130 (Nil) Nil												
Institutional Decisions	4Q2018 1Q2019 2Q2019 to Buy 210 226 200 to Sell 211 198 239 Hld's(000) 52938 53172 54846 Percent shares traded 60 40 20												

Five Below, Inc. completed its initial public offering on July 19, 2012. At that time, 11.06 million shares were sold to the public at an average price of \$17.00 per share. The underwriting syndicate included Goldman Sachs, Barclays, and Credit Suisse. A secondary offering occurred on January 29, 2013, where 13.01 million shares were sold at an average price of \$35.65 per share.	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	© VALUE LINE PUB. LLC	22-24
	--	--	--	7.76	9.88	12.50	15.24	18.22	23.06	27.97	33.50	40.20	Sales per sh ^A	61.40
	--	--	--	.57	.93	1.20	1.46	1.79	2.45	3.43	4.05	4.80	"Cash Flow" per sh	6.95
	--	--	--	.59	.68	.88	1.05	1.30	1.84	2.66	3.15	3.75	Earnings per sh ^{AB}	5.50
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	Div'ds Decl'd per sh	Nil
	--	--	--	1.31	2.16	3.20	4.48	6.04	8.27	11.03	13.55	17.40	Book Value per sh	32.45
	--	--	--	53.98	54.19	54.42	54.59	54.91	55.44	55.76	56.00	56.00	Common Shs Outst'g ^C	57.00
	--	--	--	NMF	NMF	43.8	32.7	31.8	28.3	36.5	Bold figures are Value Line estimates		Avg Ann'l P/E Ratio	29.0
	--	--	--	NMF	NMF	2.31	1.65	1.67	1.42	1.97			Relative P/E Ratio	1.60
	--	--	--	--	--	--	--	--	--	--			Avg Ann'l Div'd Yield	Nil

CAPITAL STRUCTURE as of 8/3/19	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020		
Total Debt None	--	--	297.1	418.8	535.4	680.2	832.0	1000.4	1278.2	1559.6	1875	2250	Sales (\$mill)	3500
LT Debt None	--	--	37.7%	38.1%	37.6%	37.5%	37.8%	38.4%	38.9%	39.0%	39.5%	39.5%	Gross Margin	39.5%
	--	--	11.2%	11.3%	13.9%	13.9%	13.8%	14.1%	14.9%	14.7%	14.5%	14.5%	Operating Margin	15.0%
	--	--	192	244	304	366	437	522	625	750	900	1050	Number of Stores	1500
Leases, Uncapitalized Annual rentals \$147.4 mill.	--	--	16.1	21.1	36.9	48.0	57.7	71.8	102.5	149.6	178	213	Net Profit (\$mill)	317
	--	--	38.7%	41.0%	37.5%	37.4%	37.8%	37.1%	35.5%	22.0%	22.5%	23.0%	Income Tax Rate	23.0%
No Defined Benefit Pension Plan	--	--	5.4%	5.0%	6.9%	7.1%	6.9%	7.2%	8.0%	9.6%	9.5%	9.5%	Net Profit Margin	9.1%
Pfd Stock None	--	--	42.4	60.9	81.2	128.2	162.6	223.2	314.9	389.2	320	400	Working Cap'l (\$mill)	850
	--	--	.3	19.5	--	--	--	--	--	--	Nil	Nil	Long-Term Debt (\$mill)	Nil
Common Stock 55,667,271 shares as of 8/28/19	--	--	62.1	70.7	116.9	174.3	244.5	331.4	458.6	615.1	760	975	Shr. Equity (\$mill)	1850
	--	--	25.8%	24.7%	32.2%	27.6%	23.6%	21.7%	22.3%	24.3%	23.5%	22.0%	Return on Total Cap'l	17.0%
	--	--	25.9%	29.8%	31.6%	27.5%	23.6%	21.7%	22.3%	24.3%	23.5%	22.0%	Return on Shr. Equity	17.0%
MARKET CAP: \$7.3 billion (Large Cap)	--	--	--	29.8%	31.6%	27.5%	23.6%	21.7%	22.3%	24.3%	23.5%	22.0%	Retained to Com Eq	17.0%
	--	--	--	--	--	--	--	--	--	--	Nil	Nil	All Div'ds to Net Prof	Nil

CURRENT POSITION (\$MILL.)	2017	2018	8/3/19
Cash Assets	244.7	337.2	269.1
Receivables	--	--	--
Inventory (LIFO)	187.0	243.6	272.7
Other	47.7	61.5	63.3
Current Assets	479.4	642.3	605.1
Accts Payable	73.0	103.7	108.7
Debt Due	--	--	--
Other	91.5	149.4	197.2
Current Liab.	164.5	253.1	305.9

ANNUAL RATES of change (per sh)	Past 10 Yrs.	Past 5 Yrs.	Est'd '16-'18 to '22-'24
Sales	--	21.0%	17.5%
"Cash Flow"	--	28.0%	18.0%
Earnings	--	25.0%	19.0%
Dividends	--	--	Nil
Book Value	--	37.5%	25.0%

Fiscal Year Begins	QUARTERLY SALES (\$ mill.) ^A				Full Fiscal Year
	Apr.	Jul.	Oct.	Jan.	
2016	192.7	220.1	199.5	388.1	1000.4
2017	232.9	283.3	257.2	504.8	1278.2
2018	296.3	347.8	312.8	602.7	1559.6
2019	364.8	417.4	373	719.8	1875
2020	450	510	480	810	2250

Fiscal Year Begins	EARNINGS PER SHARE ^{AB}				Full Fiscal Year
	Apr.	Jul.	Oct.	Jan.	
2016	.12	.18	.10	.90	1.30
2017	.15	.30	.18	1.21	1.84
2018	.39	.45	.24	1.59	2.66
2019	.46	.51	.17	2.01	3.15
2020	.43	.60	.32	2.40	3.75

Cal-endar	QUARTERLY DIVIDENDS PAID				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2015					
2016					
2017					
2018					
2019					

BUSINESS: Five Below, Inc. is a retailer that offers a broad range of merchandise targeted at the teen and pre-teen customer. All products are priced at \$5 or below. Its products are in the following category worlds: *Style, Room, Sports, Media, Crafts, Party, Candy, and Now*. As of 2/2/19, the company operated 750 locations in 33 states. The stores average 8,500 square feet and are typically located in shopping centers. Has about 3,500 full-time and 10,400 part-time employees. Chairman: Thomas G. Vellios. President & CEO: Joel D. Anderson. Officers & directors own 2.5% of common stock; BlackRock, 12.0%; Vanguard, 9.3% (5/19 proxy). Inc.: PA. Address: 701 Market Street Suite 300 Philadelphia, PA 19106. Tel: (215) 546-7909. Internet: www.fivebelow.com.

Five Below hit a soft patch recently. To wit, the retailer of novelties and merchandise for kids/teens priced \$5 or less had a slow start to summer. Although sales advanced 20%, year over year, in the fiscal second quarter (ended August 3rd), driven by new store openings, the figure missed our call and the consensus view. And though gains were broad-based across product categories, same-store sales (a key metric) rose a modest 1.4%. But that didn't stop EPS from climbing 13%, in line with our and consensus expectations, thanks to solid margins. October-period results will likely be weak, however, due to new and pending U.S. tariff policies.

Solid top- and bottom-line gains still look to be on tap this year, despite tariff headwinds. Higher tariffs were recently implemented on a number of imported goods, especially from China. The U.S.-China trade dispute remains unsettled, however. While the latest tariffs will add near-term pressure here, Five Below is taking steps to mitigate the impact. Indeed, in addition to offering a compelling assortment with more "WOW" products, enhancing the customer experience, re-

freshing the store format, and bolstering brand awareness via social media and T.V. ads, the retailer is counting on supply-chain/sourcing initiatives and testing new price points (e.g. \$5.55 prices and Ten Below concept) as a way to offset the tariff drag. That said, our fiscal 2019 sales and EPS targets remain unchanged, in line with management's guidance, which reflects 150 new store openings and includes a \$0.12 share-based accounting benefit.

Expansion remains a key theme here. A major component of the retailer's growth strategy involves aggressively widening the chain's footprint in important markets. With the recent closure of Toys "R" Us, the toy category could be another growth avenue. Five Below's goal is to ultimately grow the store base to 2,500 units. This should drive top- and bottom-line advances of 20% through 2020.

The stock isn't cheap, however. And, though the issue is a good 18-month choice, it is currently trading inside our 2022-2024 Target Price Range, thereby limiting FIVE's long-term appeal. We'd wait for a pullback before jumping in.

J. Susan Ferrara
October 25, 2019

(A) Fiscal years end on the Saturday closest to Jan. 31st of following calendar year.
 (B) Fully diluted earnings. Quarterly earnings may not sum to total due to rounding or changes to shares outstanding. Excludes non-recurring gain/(loss): '13, (\$0.09). Next earnings report due late November.
 (C) In millions.

Company's Financial Strength	A+
Stock's Price Stability	30
Price Growth Persistence	55
Earnings Predictability	90

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