



## Poll Question

▶ **Five Below**

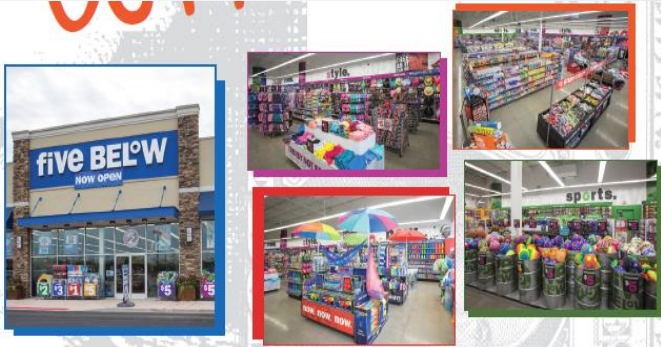
- Five Below is new to me
- Heard of Five Below, have not studied it
- Completed SSG study of Five Below



2 Small Talk



**five BELOW**  
MEANS YOU NEVER PAY  
MORE THAN **\$5** FOR THE  
**TRENDIEST** **COOLEST**  
**HIGHEST QUALITY**  
STUFF YOU JUST  
**GOTTA HAVE!**




five BELOW  
NOW OPEN

1818 market street, suite 2000 philadelphia, pa 19103 | 215-546-7909 | fivebelow.com


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five BELOW

- ▶ Stores target teens & pre-teens
- ▶ Half of shoppers are 18 or older
- ▶ Stores attract a broad spectrum of income levels



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- ▶ **50% of Sales: Leisure** (sporting goods, games, toys, technology items, books, electronic accessories, arts and crafts)
- ▶ **30% of Sales: Fashion & Home Merchandise** (personal accessories, attitude t-shirts, beauty merchandise, home goods & storage products)
- ▶ **20% of Sales: Party & Snack Goods** (party and seasonal items, greeting cards, candy, snacks, and beverages)



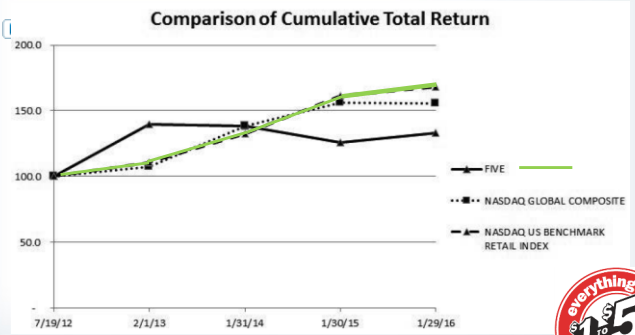
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Comparison of Cumulative Total Return




Source: 2015 Five Below Annual Report



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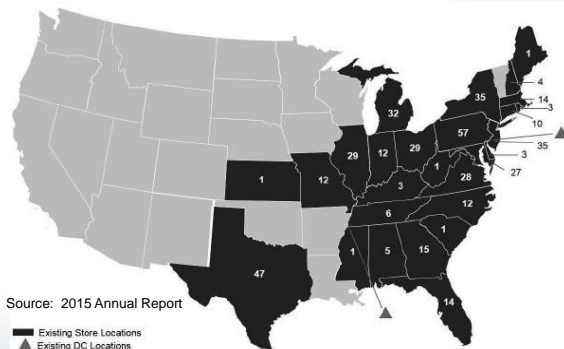


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Source: 2015 Annual Report

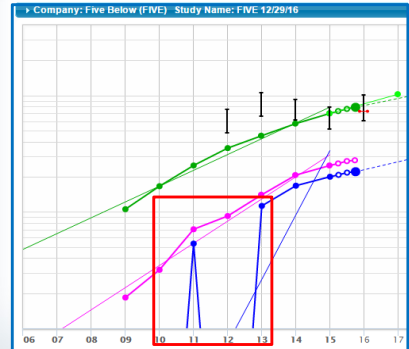
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Company: Five Below (FIVE) Study Name: FIVE 12/29/16




Recent Quarterly Figures  
FY2016 Quarter Ending (10/16)

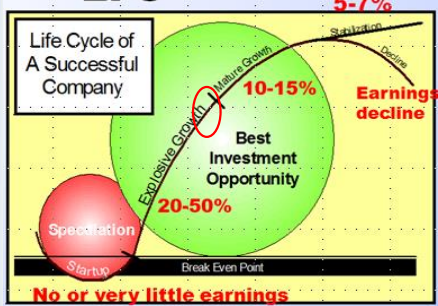
	Sales	EPS
Latest Quarter	199	0.10
Year Ago Quarter	170	0.08
Percentage Change	17.6%	25.0%

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Where is Five Below in it's Life Cycle?



Fundamental Co


	2013	2014	2015	growth(%)
Historical Sales	535	680	832	36.7%
Historical Earnings	0.59	0.88	1.05	25.7%

Recent Quarterly Figures  
FY2016 Quarter Ending (10/16)

	Sales	EPS
Latest Quarter	199	0.10
Year Ago Quarter	170	0.08
Percentage Change	17.6%	25.0%

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**five BELOW**

▶ **SmallCap Informer – Estimates Next Five Years**

▪ Revenue growth 15%

▪ Net store growth 13% and same-store sales growth 2% annually

▪ Company’s plan for online presence not factored in

everything 1 to 5

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▶ **SmallCap Informer – Estimates Next Five Years**

▪ Achieve margin expansion via economics of scale as company is still relatively small

▪ Expect modest growth in common shares outstanding

▪ EPS growth, 17%

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Company: Five Below (FIVE) Study Name: FIVE-1/1/17 SCI

Quick Navigation

Projection Starting Point

Annual Quarter Trend

Recent Quarterly Figures

FY2016 Quarter Ending (10/16)

Sales

EPs

Latest Quarter

100

0.10

Year Ago Quarter

170

0.08

Percentage Change

17.6%

25.0%

Analyst Consensus Estimates

Sales 2 Year Estimate:

20.9%

EPs Long Term Estimate:

None

Legend

Sales

Pre-Tax Profit

Price/Share

EPS

Stock Value

Free Cash Flow/Share

Dividend

Long-Term Debt

Net Income

Share Outstanding

Reset Chart

Compare Peers

Fundamental Company Data

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	Growth(%)	Forecast (%)	5 yr Est.
Historical Sales	---	---	---	125	197	297	419	535	680	832	36.7%	15	1,888
Historical Earnings	---	---	---	---	-0.08	0.28	-1.28	0.59	0.88	1.05	257.6%	17	2.54

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Rocky Mountain Small Talk, January 17, 2017

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Quality Analysis

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▶ Pre-tax profit on sales has grown steady over past five years

▪ 2015 finished at 11.1%

▪ Five year average 9.8%

everything 15

Evaluate Management

	2011	2012	2013	2014	2015	5 Yr Avg	Trend
% Pre-Tax Profit on Sales	8.8%	8.1%	9.7%	11.3%	11.1%	9.8%	
% Earned on Equity	---	-139.8%	35.9%	34.5%	28.7%	-10.2%	
% Debt To Capital	-0.2%	32.8%	14.3%	0.0%	0.0%	9.4%	

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Valuation Analysis

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▶ 3. PRICE EARNINGS HISTORY as an indicator of the future

CLOSING PRICE (12/14/2016): 40.64

HIGH THIS YEAR: 52.70

LOW THIS YEAR: 31.46

Year	A Price		C Earnings		D Price Earnings Ratio		F Dividend		G % Payout		H % High Yield	
	High	Low	Per Share	Per Share	High A / C	Low B / C	Per Share	F / C * 100	F / C * 100	F / B * 100	F / B * 100	F / B * 100
2011	---	---	0.28	0.0	0.0	0.0	0.00	0.0%	0.0%	0.0%	---	
2012	39.5	25.0	-1.28	NMFI	NMFI	NMFI	0.00	0.0%	0.0%	0.0%	0.0%	
2013	55.3	34.5	0.50	93.7	58.7	58.7	0.00	0.0%	0.0%	0.0%	0.0%	
2014	47.6	32.0	0.88	54.4	35.4	35.4	0.00	0.0%	0.0%	0.0%	0.0%	
2015	41.5	25.0	1.05	39.5	25.7	25.7	0.00	0.0%	0.0%	0.0%	0.0%	
AVERAGE	---	---	---	---	---	---	---	---	---	---	---	
CURRENT(TTM)	---	---	1.16	---	---	---	---	---	0.0%	---	---	

AVERAGE PRICE EARNINGS RATIO: 51.4

CURRENT PRICE EARNINGS RATIO: 35.0

SmallCap Informer – Capping High P/E at 30 for next five years

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# five BELOW®

**Potential Gain vs Loss**

**UPSIDE DOWNSIDE RATIO (POTENTIAL GAIN VS. RISK OR LOSS)**

Forecasted High Price - Closing Price	Closing Price - Forecasted Low Price	Ratio
76.3 - 40.64	40.64 - 29.0	38.66 / 11.64 = 3.1 To 1

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### Additional Research

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### Research Other Sources

- ▶ Annual Report – 10K
- ▶ Quarterly Report – 8K
- ▶ Other analysts
- ▶ Competitors
- ▶ Recent News

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### Competitive Strength

- ▶ Unique Focus on the Teen and Pre-Teen Customer
- ▶ Exceptional Value Proposition for Customers
- ▶ Differentiated Shopping Experience
- ▶ Powerful and Consistent Store Economics
- ▶ Highly Experienced and Passionate Senior Management Team with Proven Track Record

▶ – source: Annual Report

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### Store Openings

- ▶ 2014 – 62 stores
- ▶ 2015 – 71 stores
- ▶ 2016 – 85 stores
- ▶ 2017 – moving into Southern California
- ▶ Funding of store openings
  - Cash on hand
  - Net cash from Operating Activities
  - Borrowings from Revolving Credit facility
  - Pay down borrowing at end of year with earning during peak season

◦ – source: Annual Report

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Store Layout & Design

- ▶ **Unique and engaging** in-store atmosphere
- ▶ **Easy-to-navigate** race track flow and sight lines across the store
- ▶ **Easy to identify** category worlds
- ▶ Sound system playing **popular music**
- ▶ Employ novel and **dynamic techniques to display** products
- ▶ Encourage **hands-on interaction with products**
- ▶ Create **upbeat and vibrant shopping** experience
  - – source: Annual Report

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Sourcing

- ▶ 800 vendors
- ▶ No vendor represented more than 7% in 2015
- ▶ 67% is domestically sourced vendors in 2015
- ▶ No long term or exclusive agreements
- ▶ 4000 products in each store
  - – source: Annual Report

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Distribution

- ▶ Two distribution centers
  - New Jersey
  - Mississippi
  - From time to time will use third party warehousing
- ▶ Works with vendors to reduce packaging
- ▶ Use contract carriers to ship product 2 to 4 times per week to stores
  - – source: Annual Report

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Marketing

- ▶ Use newspaper, television, digital, mobile/social and digital circulars during peak selling seasons
- ▶ Strong visibility and the presence of our store locations, email messaging and community fundraising
- ▶ New store openings - create an engaging grand opening event that includes contests, giveaways and signature “Five Cent” hot dogs
- ▶ Aim to execute multiple store openings in a given new market on the same day to leverage marketing efforts
- ▶ Use website and social networking sites to highlight featured products, value proposition, store locations, employment opportunities, and grand openings

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Competition

- ▶ “Retailers including discount, mass merchandise, grocery, drug, convenience, variety and other specialty stores with both physical locations and online stores” – quote from annual report
- ▶ FIVE doesn’t name any specific retail company
- ▶ FIVE advantage - \$5 pricing or below, select brands, licensed merchandise
  - targeted teen and pre-teen customer
  - unique merchandising strategy and high-energy concept
  - ability to respond quickly to trends and changing customer demands
    - – source: Annual Report

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Risks

- ▶ Growth dependent on ability to open new profitable stores
- ▶ Unavailability of attractive new store locations
- ▶ Disruption in ability to select, obtain, distribute and market merchandise at attractive prices
- ▶ Retail landscape is changing
- ▶ Disruption to distribution network
- ▶ Profitability is vulnerable to inflation
- ▶ Dependent of success of shopping centers
- ▶ Extreme weather conditions
  - – source: Annual Report

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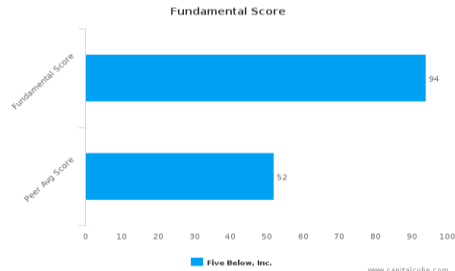
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Recent News \_ Capitalcube

Investment Outlook

Five Below, Inc. has a fundamental score of 94 and has a relative valuation of OVERVALUED.



Peers:  
Fred's,  
Class A,  
Big Lots,  
Dollar Tree,  
Dollar General  
and Gordmans  
Stores

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CapitalCube – Company Overview of Five Below

- ▶ Trades at a **higher Price/Book** ratio (7.99) than its peer median (3.72)
- ▶ Outperforms its peers with a relatively **faster revenue and earning growth** rate to peers
  - suggest superior growth expectations
  - suggest that its high operating returns are sustainable
- ▶ **FIVE-US** has relatively **high profit margins** vs peers
- ▶ Higher pre-tax margin suggests **tight control on operating costs** vs. peers
- ▶ **Level of capital investment seems appropriate** to support the company's growth

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Morningstar

Key Stats	FIVE	More...	
	Stock	Ind Avg	Relative to Industry
Price/Earnings TTM	35.6	48.7	<div></div>
Price/Book	8.1	8.2	<div></div>
Price/Sales TTM	2.4	2.0	<div></div>
Rev Growth (3 Yr Avg)	25.7	12.3	<div></div>
Net Income Growth (3 Yr Avg)	42.3	17.3	<div></div>
Operating Margin % TTM	10.9	7.2	<div></div>
Net Margin % TTM	6.8	4.2	<div></div>
ROA TTM	14.7	5.8	<div></div>
ROE TTM	26.8	17.1	<div></div>
Debt/Equity	—	0.7	<div></div>
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Recent News – The Street

- ▶ Jim Cramer's 'Off the Charts': 4 Teen Apparel Retailers Whose Stocks Look Promising
- ▶ Cramer says the only teen-oriented retailer he's been interested in is **Five Below(FIVE)** , whose wares sell for \$5 or less.



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Recent News – Motley Fool

- ▶ **Why Five Below Inc Stock Jumped 24% in 2016**
- ▶ The discount retailer surged on strong earnings growth to recover losses from 2015.



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### Online SSG Tool

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### Poll Question

 **Five Below**

- Have no interest in this company
- No interest in retail stocks
- Has interesting prospects
- Will research further for consideration

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### Thank you



For allowing us to share  
this stock study

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