

HIBBETT SPORTS INC
Form 10-Q
December 04, 2012

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 27, 2012

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: 000-20969

HIBBETT SPORTS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE 20-8159608
(State or other jurisdiction of incorporation or (I.R.S. Employer Identification No.)
organization)

451 Industrial Lane, Birmingham, Alabama 35211
(Address of principal executive offices, including zip code)

205-942-4292
(Registrant's telephone number, including area code)

NONE
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if

Edgar Filing: HIBBETT SPORTS INC - Form 10-Q

any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | |
|-------------------------|-------------------------------------|---------------------------|
| Large accelerated filer | <input checked="" type="checkbox"/> | Accelerated filer |
| Non-accelerated filer | | Smaller reporting company |

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Shares of common stock, par value \$.01 per share, outstanding as of November 30, 2012, were 25,813,341 shares.

HIBBETT SPORTS, INC.

INDEX

Page

PART I. FINANCIAL INFORMATION

| | | |
|---------|---|----|
| Item 1. | <u>Financial Statements.</u> | |
| | <u>Unaudited Condensed Consolidated Balance Sheets</u> at October 27, 2012 and January 28, 2012 | 2 |
| | <u>Unaudited Condensed Consolidated Statements of Operations</u> for the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011 | 3 |
| | <u>Unaudited Condensed Consolidated Statements of Cash Flows</u> for the thirty-nine weeks ended October 27, 2012 and October 29, 2011 | 4 |
| | <u>Notes to Unaudited Condensed Consolidated Financial Statements</u> | 5 |
| Item 2. | <u>Management's Discussion and Analysis of Financial Condition and Results of Operations.</u> | 9 |
| Item 3. | <u>Quantitative and Qualitative Disclosures About Market Risk.</u> | 15 |
| Item 4. | <u>Controls and Procedures.</u> | 15 |

PART II. OTHER INFORMATION

| | | |
|----------|---|----|
| Item 1. | <u>Legal Proceedings.</u> | 15 |
| Item 1A. | <u>Risk Factors.</u> | 16 |
| Item 2. | <u>Unregistered Sales of Equity Securities and Use of Proceeds.</u> | 16 |
| Item 3. | <u>Defaults Upon Senior Securities.</u> | 16 |
| Item 4. | <u>Mine Safety Disclosures.</u> | 16 |
| Item 5. | <u>Other Information.</u> | 16 |
| Item 6. | <u>Exhibits.</u> | 16 |
| | <u>Signature</u> | 16 |
| | <u>Exhibit Index</u> | 17 |

ITEM 1.

PART I. FINANCIAL INFORMATION

Financial Statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Balance Sheets
(in thousands, except share and per share information)

| ASSETS | October 27, 2012 | January 28, 2012 |
|---|---------------------|---------------------|
| Current Assets: | | |
| Cash and cash equivalents | \$ 75,288 | \$ 55,138 |
| Inventories, net | 207,283 | 195,071 |
| Other current assets | 18,160 | 18,564 |
| Total current assets | 300,731 | 268,773 |
| Property and equipment | 164,188 | 151,732 |
| Less accumulated depreciation and amortization | 119,019 | 112,136 |
| Property and equipment, net | 45,169 | 39,596 |
| Other assets, net | 6,418 | 5,327 |
| Total Assets | \$ 352,318 | \$ 313,696 |
| LIABILITIES AND STOCKHOLDERS' INVESTMENT | | |
| Current Liabilities: | | |
| Accounts payable | \$ 88,883 | \$ 73,735 |
| Accrued payroll expenses | 7,367 | 9,875 |
| Deferred rent | 3,375 | 3,620 |
| Short-term capital lease obligations | 212 | 173 |
| Other accrued expenses | 4,511 | 4,255 |
| Total current liabilities | 104,348 | 91,658 |
| Deferred rent | 11,220 | 11,571 |
| Other liabilities, net | 7,457 | 6,717 |
| Total liabilities | 123,025 | 109,946 |
| Stockholders' Investment: | | |
| Preferred stock, \$.01 par value, 1,000,000 shares authorized, no shares issued | - | - |
| Common stock, \$.01 par value, 80,000,000 shares authorized, 37,815,071 and 37,498,128 shares issued at October 27, 2012 and January 28, 2012, respectively | 378 | 375 |
| Paid-in capital | 138,939 | 127,779 |
| Retained earnings | 402,235 | 349,012 |

Edgar Filing: HIBBETT SPORTS INC - Form 10-Q

| | | |
|---|------------|------------|
| Treasury stock, at cost; 11,820,172 and 11,120,040 shares repurchased at October 27, 2012 and January 28, 2012, respectively | (312,259) | (273,416) |
| Total stockholders' investment | 229,293 | 203,750 |
| Total Liabilities and Stockholders' Investment | \$ 352,318 | \$ 313,696 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES
Unaudited Condensed Consolidated Statements of Operations
(in thousands, except per share information)

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|----------------------|---------------------|-------------------------|---------------------|
| | October 27, 2012 | October 29, 2011 | October 27, 2012 | October 29, 2011 |
| Net sales | \$ 202,934 | \$ 185,180 | \$ 601,293 | \$ 541,963 |
| Cost of goods sold, including distribution center and store occupancy costs | 127,494 | 117,361 | 380,900 | 347,714 |
| Gross profit | 75,440 | 67,819 | 220,393 | 194,249 |
| Store operating, selling and administrative expenses | 41,933 | 39,514 | 125,705 | 115,855 |
| Depreciation and amortization | 3,207 | 3,334 | 9,613 | 9,914 |
| Operating income | 30,300 | 24,971 | 85,075 | 68,480 |
| Interest expense, net | 39 | 51 | 127 | 168 |
| Income before provision for income taxes | 30,261 | 24,920 | 84,948 | 68,312 |
| Provision for income taxes | 11,296 | 8,961 | 31,725 | 25,076 |
| Net income | \$ 18,965 | \$ 15,959 | \$ 53,223 | \$ 43,236 |
| Earnings per share: | | | | |
| Basic | \$ 0.73 | \$ 0.60 | \$ 2.03 | \$ 1.59 |
| Diluted | \$ 0.71 | \$ 0.59 | \$ 1.99 | \$ 1.56 |
| Weighted average shares outstanding: | | | | |
| Basic | 26,125 | 26,748 | 26,234 | 27,154 |
| Diluted | 26,613 | 27,266 | 26,738 | 27,681 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES
 Unaudited Condensed Consolidated Statements of Cash Flows
 (in thousands)

| | Thirty-Nine Weeks Ended | |
|---|-------------------------|-----------|
| | October | October |
| | 27, 2012 | 29, 2011 |
| Cash Flows From Operating Activities: | | |
| Net income | \$ 53,223 | \$ 43,236 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 9,613 | 9,914 |
| Stock-based compensation | 4,824 | 4,761 |
| Other non-cash adjustments to net income | (4,617) | (1,082) |
| Increase in inventories, net | (12,212) | (22,325) |
| Increase in accounts payable | 15,148 | 9,067 |
| Changes in operating assets and liabilities | 2,250 | (2,043) |
| Net cash provided by operating activities | 68,229 | 41,528 |
| Cash Flows From Investing Activities: | | |
| Capital expenditures | (15,112) | (9,624) |
| Other, net | (343) | (170) |
| Net cash used in investing activities | (15,455) | (9,794) |
| Cash Flows From Financing Activities: | | |
| Cash used for stock repurchases | (35,190) | (57,378) |
| Payments on capital lease obligations | (123) | (229) |
| Proceeds from options exercised and purchase of shares under the employee stock purchase plan | 2,547 | 3,314 |
| Other, net | 142 | 43 |
| Net cash used in financing activities | (32,624) | (54,250) |

Edgar Filing: HIBBETT SPORTS INC - Form 10-Q

| | | |
|--|-----------|-----------|
| Net increase (decrease) in cash and cash equivalents | 20,150 | (22,516) |
| Cash and cash equivalents, beginning of period | 55,138 | 75,517 |
| Cash and cash equivalents, end of period | \$ 75,288 | \$ 53,001 |

See notes to unaudited condensed consolidated financial statements.

HIBBETT SPORTS, INC. AND SUBSIDIARIES
Notes to Unaudited Condensed Consolidated Financial Statements

1. Basis of Presentation and Accounting Policies

The accompanying unaudited condensed consolidated financial statements of Hibbett Sports, Inc. and its wholly-owned subsidiaries (including the condensed consolidated balance sheet as of January 28, 2012, which has been derived from audited financial statements) have been prepared in accordance with U.S. Generally Accepted Accounting Principles (U.S. GAAP) for interim financial information and are presented in accordance with the requirements of Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. GAAP for complete financial statements. References to “we,” “our,” “us” and the “Company” refer to Hibbett Sports, Inc. and its subsidiaries as well as its predecessors.

These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended January 28, 2012. In our opinion, the unaudited condensed consolidated financial statements included herein contain all adjustments (consisting only of normal recurring adjustments) considered necessary for a fair presentation of our financial position as of October 27, 2012 and the results of our operations and cash flows for the periods presented.

There have been no material changes in our significant accounting policies as compared to the significant accounting policies described in our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 filed on March 26, 2012.

2. Recent Accounting Pronouncements

We continuously monitor and review all current accounting pronouncements and standards from the Financial Accounting Standards Board (FASB) of U.S. GAAP for applicability to our operations. As of October 27, 2012, there were no new pronouncements, interpretations or staff positions that had or were expected to have a significant impact on our operations since our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 filed on March 26, 2012.

3. Fair Value of Financial Instruments

Accounting Standards Codification (ASC) Subtopic 820, Fair Value Measurement, establishes a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are as follows:

- Level I – Quoted prices in active markets for identical assets or liabilities.
- Level II – Observable inputs other than quoted prices included in Level I.
- Level III – Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The table below segregates all financial assets that are measured at fair value on a recurring basis (at least annually) into the most appropriate level within the fair value hierarchy based on the inputs used to determine the fair value as of October 27, 2012 and January 28, 2012 (in thousands):

| | October 27, 2012 | | | January 28, 2012 | | |
|--|------------------|----------|-----------|------------------|----------|-----------|
| | Level I | Level II | Level III | Level I | Level II | Level III |
| | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |

| | | | | | | |
|------------------------|----------|------|------|----------|------|------|
| Short-term investments | | | | | | |
| Long-term investments | 1,831 | - | - | 1,382 | - | - |
| Total investments | \$ 1,831 | \$ - | \$ - | \$ 1,382 | \$ - | \$ - |

Long-term investments are reported in other assets on our unaudited condensed consolidated balance sheets.

4. Debt

At October 27, 2012, we had two unsecured credit facilities; one with Regions Bank renewable in August 2013 and the other with Bank of America renewable in November 2012. The Regions Bank facility allows for borrowings up to \$30.0 million with an interest rate at the higher of prime rate, the federal funds rate plus 0.5% or LIBOR. The Bank of America facility allows for borrowings up to \$50.0 million with an interest rate at prime plus 2%. Under the provisions of both facilities, we do not pay commitment fees and are not subject to covenant requirements. We did not have any borrowings against either of these facilities during the thirteen and thirty-nine weeks ended October 27, 2012, nor was there any debt outstanding under either of these facilities at October 27, 2012. A total of \$80.0 million was available to us at October 27, 2012.

At January 28, 2012, we had the same two unsecured facilities and corresponding terms as listed above. We did not have any borrowings against either of these facilities during Fiscal 2012, nor was there any debt outstanding under either of these facilities at January 28, 2012.

Subsequent to October 27, 2012, we renewed our Bank of America facility of \$50.0 million with an interest rate at prime plus 2%. The renewal was effective November 16, 2012 and will expire on November 18, 2013. The facility is unsecured and does not require a commitment or agency fee nor are there any covenant restrictions.

5. Stock-Based Compensation

The compensation costs that have been charged against income for the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011 were as follows (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|----------------------|---------------------|-------------------------|---------------------|
| | October 27, 2012 | October 29, 2011 | October 27, 2012 | October 29, 2011 |
| Stock-based compensation expense by type: | | | | |
| Stock options | \$ 32 | \$ 19 | \$ 774 | \$ 442 |
| Restricted stock unit awards, including performance-based | 1,024 | 1,594 | 3,978 | 4,214 |
| Employee stock purchase | 16 | 19 | 51 | 60 |
| Director deferred compensation | 15 | 15 | 21 | 45 |
| Total stock-based compensation expense | 1,087 | 1,647 | 4,824 | 4,761 |
| Income tax benefit recognized | 403 | 604 | 1,797 | 1,747 |
| Stock-based compensation expense, net of income tax | \$ 684 | \$ 1,043 | \$ 3,027 | \$ 3,014 |

In the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011, we granted the following equity awards:

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|---------------------|-------------------------|---------------------|
| | October 27, 2012 | October 29, 2011 | October 27, 2012 | October 29, 2011 |
| Stock options | 1,530 | 1,341 | 39,772 | 34,551 |
| Restricted stock unit awards | 2,801 | 1,000 | 66,317 | 103,143 |
| Performance-based restricted stock unit awards | - | - | 38,100 | 53,000 |
| Deferred stock units | 252 | 442 | 361 | 1,229 |

In addition, under our employee stock purchase plan, our employees purchased 1,769 and 6,183 shares of our common stock during the thirteen and thirty-nine weeks ended October 27, 2012, respectively and 2,472 and 7,550 shares of our common stock during the thirteen and thirty-nine weeks ended October 29, 2011, respectively.

The weighted-average grant date fair value of stock options granted during the thirteen and thirty-nine weeks ended October 27, 2012 was \$20.72 and \$19.45 per share, respectively. The weighted-average grant date fair value of shares of stock purchased through our employee stock purchase plan was \$9.25 and \$8.20, respectively, and the weighted-average price paid by our employees for shares of our common stock was \$49.05 and \$43.15, respectively, during the thirteen and thirty-nine weeks ended October 27, 2012.

The weighted-average grant date fair value of stock options granted during the thirteen and thirty-nine weeks ended October 29, 2011 was \$13.86 and \$12.81 per share, respectively. The weighted-average grant date fair value of shares of stock purchased through our employee stock purchase plan was \$8.95 and \$8.23, respectively, and the weighted-average price paid by our employees for shares of our common stock was \$28.81 and \$29.97, respectively, during the thirteen and thirty-nine weeks ended October 29, 2011.

At October 27, 2012, the total compensation costs, related to nonvested restricted stock unit awards not yet recognized was \$9.7 million and the weighted-average period over which such awards are expected to be recognized was 2.50 years. There are no future compensation costs related to nonvested stock options to be recognized at October 27, 2012.

6. Earnings Per Share

The computation of basic earnings per share (EPS) is based on the number of weighted average common shares outstanding during the period. The computation of diluted EPS is based on the weighted average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options and issuance of restricted stock. The number of incremental shares is calculated by applying the treasury stock method. The following table sets forth the weighted average common shares outstanding (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|--|----------------------|---------------------|-------------------------|---------------------|
| | October 27, 2012 | October 29, 2011 | October 27, 2012 | October 29, 2011 |
| Weighted-average shares used in basic computations | 26,125 | 26,748 | 26,234 | 27,154 |
| Dilutive equity awards | 488 | 518 | 504 | 527 |
| Weighted-average shares used in diluted computations | 26,613 | 27,266 | 26,738 | 27,681 |

For the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011, no options were excluded from the computation of diluted weighted-average common shares and common share equivalents outstanding because of an anti-dilutive effect. We excluded 101,350 nonvested stock awards granted to certain employees from the computation of diluted weighted-average common shares and common share equivalents outstanding because they are subject to certain performance-based annual vesting conditions which had not been achieved by October 27, 2012. Assuming the performance-criteria had been achieved as of October 27, 2012, the incremental dilutive impact would have been 48,313 shares.

7. Stock Repurchase Program

In November 2009, the Board of Directors (Board) authorized a Stock Repurchase Program (Program) of \$250.0 million to repurchase our common stock through February 2, 2013. The Program replaced our existing plan that was adopted in August 2004. Stock repurchases may be made in the open market or in negotiated transactions, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management.

We repurchased 206,729 shares at a cost of \$11.8 million and 698,880 shares of our common stock at a cost of \$25.4 million during the thirteen weeks ended October 27, 2012 and October 29, 2011, respectively. We repurchased 700,132 shares of our common stock during the thirty-nine weeks ended October 27, 2012 at a cost of \$38.8 million, including 68,386 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$3.7 million. For the thirty-nine weeks ended October 29, 2011, we repurchased 1,671,832 shares of our common stock at a cost of \$58.5 million, including 36,352 shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements of \$1.1 million. Shares acquired from holders of restricted stock unit awards to satisfy tax withholding requirements do not reduce the Program amount remaining for future stock repurchases. As of October 27, 2012, we had approximately \$109.6 million remaining available under the Program for stock repurchases.

Subsequent to October 27, 2012, our Board authorized a stock repurchase program of \$250.0 million through January 29, 2016 effective November 15, 2012. The new program replaces the authorization that was in place at October 27, 2012. Stock repurchases may be made in the open market or in negotiated transactions with the amount and timing of repurchases dependent on market conditions and at the discretion of our management and Board.

8. Commitments and Contingencies

Lease Commitments.

We have entered into capital leases for certain property. At October 27, 2012, the total capital lease obligation was \$2.4 million, of which \$0.2 million was classified as a short-term liability and included in short-term capital lease obligations and \$2.2 million was classified as a long-term liability and included in other liabilities, net, on our unaudited condensed consolidated balance sheet. At January 28, 2012, the total capital lease obligation was \$2.2 million, of which \$0.2 million was classified as short-term and included in short-term capital lease obligations and \$2.0 million was classified as long-term and included in other liabilities, net, on our unaudited condensed consolidated balance sheet.

During the thirteen weeks ended October 27, 2012, we opened 13 stores and closed 2 stores increasing our lease commitments by a net of 11 retail stores. The 13 stores we opened have initial lease termination dates between September 2017 and February 2023. At October 27, 2012, the future minimum lease payments, excluding maintenance, insurance and real estate taxes, for our current capital and operating leases, were as follows (in thousands):

| | Capital | Operating | Total |
|---|----------|------------|------------|
| Remaining Fiscal 2013 | \$ 93 | \$ 11,608 | \$ 11,701 |
| Fiscal 2014 | 372 | 44,955 | 45,327 |
| Fiscal 2015 | 372 | 35,290 | 35,662 |
| Fiscal 2016 | 375 | 25,173 | 25,548 |
| Fiscal 2017 | 385 | 18,043 | 18,428 |
| Fiscal 2018 | 385 | 11,678 | 12,063 |
| Thereafter | 1,206 | 19,354 | 20,560 |
| Total minimum lease payments | 3,188 | 166,101 | 169,289 |
| Less amount representing interest | 788 | - | 788 |
| Present value of total minimum lease payments | \$ 2,400 | \$ 166,101 | \$ 168,501 |

Included in the above table are future minimum lease payments on our distribution center which aggregate approximately \$1.9 million. The related operating lease expires in December 2014.

Annual Bonuses and Equity Incentive Awards.

Specified officers and corporate employees of our Company are eligible to receive annual bonuses, based on measures of Company operating performance. At October 27, 2012 and January 28, 2012, there was \$3.4 million and \$4.2 million, respectively, of annual bonus related expenses included in accrued payroll expenses on our unaudited condensed consolidated balance sheets.

In addition, the Compensation Committee of the Board has placed performance criteria on awards of restricted stock units (PSUs) to our Named Executive Officers. The performance criteria are tied to performance targets with respect to future return on invested capital and earnings before interest and taxes over a specified period of time. These PSUs are expensed under the provisions of ASC Topic 718, Compensation – Stock Compensation, and are evaluated each quarter to determine the probability that the performance conditions set within will be met.

Legal Proceedings and Other Contingencies.

We are a party to various legal proceedings incidental to our business. We do not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on our business or financial condition. We cannot give assurance that one or more of these legal proceedings will not have a material adverse effect on our results of operations for the period in which they are resolved. It is reasonably possible that losses in addition to the amount accrued could be incurred. However, we cannot predict the outcome of these matters or make an estimate of the possible loss or range of loss based on the information currently available to the Company. At October 27, 2012 and January 28, 2012, we estimated that the liabilities related to these matters were approximately \$0.2 million and \$0.3 million, respectively, and accordingly, accrued \$0.2 million and \$0.3 million, respectively, as current liabilities on our unaudited condensed consolidated balance sheets.

The estimates of our liability for pending and unasserted potential claims do not include litigation costs. It is our policy to accrue legal fees when incurred.

From time to time, we enter into certain types of agreements that require us to indemnify parties against third party claims under certain circumstances. Generally, these agreements relate to: (a) agreements with vendors and suppliers under which we may provide customary indemnification to our vendors and suppliers in respect to actions they take at our request or otherwise on our behalf; (b) agreements to indemnify vendors against trademark and copyright infringement claims concerning merchandise manufactured specifically for or on behalf of the Company; (c) real estate leases, under which we may agree to indemnify the lessors from claims arising from our use of the property; and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. We have director and officer liability insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

If we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, Contingencies. If circumstances change with respect to any matter, we could change our assessment as to whether a loss is probable or estimable, or its estimate of loss, at any time.

9. Income Taxes

Our effective tax rate is based on expected annual income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. For interim financial reporting, we estimate the annual effective tax rate based on expected taxable income for the full year and record a quarterly income tax provision in accordance with the anticipated annual effective rate. We update the estimates of the taxable income throughout the year as new information becomes available, including year-to-date financial results. This process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual effective tax rate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

At October 27, 2012, we do not anticipate any tax position generating a significant increase or decrease in our liability for unrecognized tax benefits within 12 months of this reporting date. We file income tax returns in the U.S. federal and various state jurisdictions. Generally, we are not subject to changes in income taxes by the U.S. federal taxing jurisdiction for years prior to Fiscal 2010 or by most state taxing jurisdictions for years prior to Fiscal 2009.

ITEM 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Important Notice Regarding Forward-Looking Statements

This document contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as “believe,” “anticipate,” “expect,” “intend,” “plan” or “estimate.” For example, our forward-looking statements include statements regarding:

- our expectations concerning store locations, types and size;
- store traffic and transaction size;
- the costs and possible outcomes of pending legal actions and other contingencies;
- our cash needs and capital expenditures, including our intentions and ability to fund our new stores and other future capital expenditures and working capital requirements;
 - our plans to build a new wholesaling and logistics facility and to remodel our new corporate headquarters;
 - our ability and plans to renew or increase our revolving credit facilities;
- our estimates and assumptions as they relate to the preparation of our unaudited condensed consolidated financial statements including our estimates of economic and useful lives of depreciable assets and leases and our anticipated annual effective tax rate based on expected taxable income; and
 - seasonality and the effect of inflation.

You should assume that the information appearing in this report is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date. For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully consider the risk factors described from time to time in our other documents and reports, including the factors described under “Risk Factors,” “Business” and “Properties” in our Form 10-K for the fiscal year ended January 28, 2012 filed with the Securities and Exchange Commission on March 26, 2012. You should also read such information in conjunction with our unaudited condensed financial statements and related notes and “Management Discussion and Analysis of Financial Condition and Results of Operations” in this report.

Our forward-looking statements could be wrong in light of these risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no

obligation to publicly update or revise our forward-looking statements after the date of this Quarterly Report and you should not expect us to do so. Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, we do not, by policy, selectively disclose to them any material non-public information with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Investor Access to Company Filings

We make available free of charge on our website, www.hibbett.com under the heading “Investor Relations,” copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (“Securities Exchange Act”) as well as all Forms 4 and 5 filed by our executive officers and directors, as soon as the filings are made publicly available by the Securities and Exchange Commission on its EDGAR database at www.sec.gov. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K for the fiscal year ended January 28, 2012, at no charge, by writing to: Investor Relations, Hibbett Sports, Inc., 451 Industrial Lane, Birmingham, Alabama 35211.

General Overview

Hibbett Sports, Inc. operates sporting goods stores in small and mid-sized markets, predominantly in the South, Southwest, Mid-Atlantic and Midwest. We offer convenient locations and a broad assortment of quality branded athletic footwear, apparel and equipment with a high level of customer service. As of October 27, 2012, we operated a total of 848 retail stores composed of 828 Hibbett Sports stores, 19 Sports Additions athletic shoe stores and 1 Sports & Co. superstore in 26 states.

The Hibbett Sports store is our primary retail format and growth vehicle and is an approximately 5,000 square foot store located primarily in strip centers which are usually accompanied by a Wal-Mart store. Approximately 78% of our Hibbett Sports store base is located in strip centers, which include free-standing stores, while approximately 22% of our Hibbett Sports store base is located in enclosed malls. We expect to continue our store base growth in strip centers versus enclosed malls.

The lease for our corporate headquarters and distribution center expires in December 2014. In July 2012, we purchased land in Alabaster, Alabama on which we plan to build and own a wholesaling and logistics facility to replace our current distribution facility. We have also purchased our new corporate headquarters. We anticipate the total cost of both projects will be approximately \$45.0 million to \$50.0 million over the next two years, which includes \$6.6 million already spent to purchase the new corporate headquarters and land for the new wholesaling and logistics facility.

We operate on a 52- or 53-week fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statements of operations for fiscal year ended February 2, 2013 will include 53 weeks of operations while the consolidated statements of operations for fiscal year ended January 28, 2012 included 52 weeks of operations. We have operated as a public company and have been incorporated under the laws of the State of Delaware since October 6, 1996.

We utilize a merchandise management system that allows us to identify and monitor trends. However, this system does not produce U.S. GAAP financial information by product category. Therefore, it is impracticable to provide U.S. GAAP net sales by product category.

Comparable store net sales data for the periods presented reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel, relocation or expansion results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months. Our Sports & Co. store is not and has never been included in the comparable store net sales comparison because we have not opened a superstore since September 1996 and we do not have plans to open additional superstores in the future.

Executive Summary

The strong sales trend has continued as we have achieved our 12th consecutive quarter of comparable store sales increases. The increase in comparable store sales was driven by strong performances in women's and youth activewear, accessories and footwear. Net sales for the thirteen weeks ended October 27, 2012, increased 9.6% to \$202.9 million compared with \$185.2 million for the thirteen weeks ended October 29, 2011. Comparable store sales increased 6.4% versus an increase of 7.0% in the third quarter of last year. Net income for the third quarter of Fiscal 2013 increased 18.8% to \$19.0 million compared with \$16.0 million for the third quarter of Fiscal 2012. Earnings per diluted share increased 20.3% to \$0.71 compared with \$0.59 for the third quarter of Fiscal 2012.

Net sales for the thirty-nine weeks ended October 27, 2012, increased 10.9% to \$601.3 million compared with \$542.0 million for the thirty-nine weeks ended October 29, 2011. Comparable store sales increased 7.7% versus an increase of 6.6% in the thirty-nine weeks ended October 29, 2011. Net income for the thirty-nine weeks of Fiscal 2013 increased 23.1% to \$53.2 million compared with \$43.2 million for the thirty-nine weeks of Fiscal 2012. Earnings per diluted share increased 27.6% to \$1.99 compared with \$1.56 for the thirty-nine weeks of Fiscal 2012.

During the third quarter of Fiscal 2013, we opened 13 new stores, expanded 4 high performing stores and closed 2 underperforming stores, bringing the store base to 848 in 26 states as of October 27, 2012. During the thirty-nine weeks of Fiscal 2013, we opened 27 new stores, expanded 10 high performing stores and closed 11 underperforming stores. We ended the third quarter of Fiscal 2013 with \$75.3 million of available cash and cash equivalents on the unaudited condensed consolidated balance sheet and full availability under our credit facilities. We also acquired 206,729 and 700,132 shares of our common stock, respectively, for a total expenditure of \$11.8 million and \$38.8 million, respectively, under our stock repurchase authorization during the thirteen and thirty-nine weeks ended October 27, 2012.

Significant Accounting Estimates

The unaudited condensed consolidated financial statements are prepared in conformity with U.S. GAAP. The preparation of these unaudited condensed consolidated financial statements requires the use of estimates, judgments and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the periods presented. Actual results could differ from those estimates and assumptions. Our significant accounting policies and estimates are described more fully in the Annual Report on Form 10-K for the fiscal year ended January 28, 2012, and filed on March 26, 2012. There have been no changes in our accounting policies in the current period that had a material impact on our unaudited condensed consolidated financial statements.

Recent Accounting Pronouncements

See Note 2 of this Form 10-Q for the period ended October 27, 2012, for information regarding recent accounting pronouncements.

Results of Operations

Summarized Unaudited Information

| | Thirteen Weeks Ended October 27, 2012 | | October 29, 2011 | | Thirty-Nine Weeks Ended October 27, 2012 | | October 29, 2011 | |
|--|---|---|---------------------|---|--|---|---------------------|---|
| Statement of Operations | | | | | | | | |
| Net sales increase | 9.6 | % | 10.6 | % | 10.9 | % | 10.2 | % |
| Comparable store sales increase | 6.4 | % | 7.0 | % | 7.7 | % | 6.6 | % |
| Gross profit (as a % to net sales) | 37.2 | % | 36.6 | % | 36.7 | % | 35.8 | % |
| Store operating, selling and administrative expenses (as a % to net sales) | 20.7 | % | 21.3 | % | 20.9 | % | 21.4 | % |
| Depreciation and amortization (as a % to net sales) | 1.6 | % | 1.8 | % | 1.6 | % | 1.8 | % |
| Provision for income taxes (as a % to net sales) | 5.6 | % | 4.8 | % | 5.3 | % | 4.6 | % |
| Net income (as a % to net sales) | 9.4 | % | 8.6 | % | 8.9 | % | 8.0 | % |
| Earnings per diluted share | \$ 0.71 | | \$ 0.59 | | \$ 1.99 | | \$ 1.56 | |
| Weighted-average dilutive shares (in thousands) | 26,613 | | 27,266 | | 26,738 | | 27,681 | |
| Balance Sheet | | | | | | | | |
| Ending cash and cash equivalents (in thousands) | \$ 75,288 | | \$ 53,001 | | | | | |
| Average inventory per store | \$ 244,437 | | \$ 241,967 | | | | | |
| Store Information | | | | | | | | |
| Beginning of period | 837 | | 802 | | 832 | | 798 | |
| New stores opened | 13 | | 16 | | 27 | | 32 | |

Edgar Filing: HIBBETT SPORTS INC - Form 10-Q

| | | | | |
|--|-----------|-----------|-----------|-----------|
| Stores closed | (2) | (3) | (11) | (15) |
| End of period | 848 | 815 | 848 | 815 |
| Stores expanded | 4 | 4 | 9 | 13 |
| Estimated square footage at end of period (in thousands) | 4,860 | 4,669 | | |
| Share Repurchase Program | | | | |
| Shares purchased | 206,729 | 698,880 | 700,132 | 1,671,832 |
| Cost (in thousands) | \$ 11,822 | \$ 25,427 | \$ 38,843 | \$ 58,506 |

Thirteen Weeks Ended October 27, 2012 Compared to Thirteen Weeks Ended October 29, 2011

Net sales. Net sales increased \$17.8 million, or 9.6%, to \$202.9 million for the thirteen weeks ended October 27, 2012 from \$185.2 million for the comparable period in the prior year. Furthermore:

- We opened 13 Hibbett Sports stores, expanded 4 high performing stores and closed 2 underperforming stores in the thirteen weeks ended October 27, 2012. New stores and stores not in the comparable store net sales calculation increased net sales by \$6.4 million, or 3.2% of net sales, during the thirteen weeks.

- We experienced a 6.4% increase in comparable store net sales, which amounted to \$11.4 million, or 5.6% of net sales, for the thirteen weeks ended October 27, 2012.

During the thirteen weeks ended October 27, 2012, 781 stores were included in comparable store net sales. In the period, we experienced an increase in dollars per transaction, resulting from higher prices per item and increased items sold per transaction. We have improved our in-stock position and product assortments specific to each store's demographic and geographic needs, which have led to higher sales and an improved customer experience. The increase in comparable store sales was driven by strong performances in women's and youth activewear, accessories and footwear.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was \$75.4 million, or 37.2% of net sales, in the thirteen weeks ended October 27, 2012, compared with \$67.8 million, or 36.6% of net sales, in the same period of the prior fiscal year.

- Product margin increased as a percentage of net sales due to product mix, continued improvement in assortments by market and tight controls over markdowns and promotions.
- Distribution expense increased 10 basis points as a percentage of net sales resulting primarily from an increase in information technology costs.
- Store occupancy expense decreased 44 basis points as a percentage of net sales due to strong sales and strong management of these costs. The largest decrease as a percent to net sales was utility expense followed by rent expense.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$41.9 million, or 20.7% of net sales, for the thirteen weeks ended October 27, 2012, compared to \$39.5 million, or 21.3% of net sales, for the comparable period a year ago. We closely monitor and carefully manage these costs. For the third quarter:

- Total salary expense decreased 10 basis points as a percentage of net sales due to strong sales results.
- Stock-based compensation expense decreased 35 basis points as a percentage of net sales due to last year's increase in the accrual of estimated achievement of performance-based awards in the third quarter.
- Net advertising expenses increased 16 basis points as a percentage of net sales due to planned expenses associated with our new mobile and social marketing programs. Credit card fees decreased 12 basis points as a percentage of net sales resulting from lower debit card transaction fees.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 1.6% in the thirteen weeks ended October 27, 2012, compared to 1.8% for the comparable period a year ago. The decrease in depreciation expense as a percentage of net sales was due to a decrease in the overall investment in leasehold improvements in recent years as more of the build-out work is being done by landlords, offset somewhat by changes in estimates of useful lives of leasehold improvements in some underperforming stores.

Provision for income taxes. The combined federal, state and local effective income tax rates as percentages of pre-tax income were 37.3% and 36.0% for the thirteen weeks ended October 27, 2012 and October 29, 2011, respectively. The increase in rate resulted primarily from lower federal income tax credits as a result of the expiration of the Work Opportunity Tax Credit program and the resolution of an income tax matter with a state taxing authority in the thirteen weeks ended October 29, 2011.

Thirty-Nine Weeks Ended October 27, 2012 Compared to Thirty-Nine Weeks Ended October 29, 2011

Net sales. Net sales increased \$59.3 million, or 10.9%, to \$601.3 million for the thirty-nine weeks ended October 27, 2012 from \$542.0 million for the comparable period in the prior year. Furthermore:

- We opened 27 Hibbett Sports stores, expanded 10 high performing stores and closed 11 underperforming stores in the thirty-nine weeks ended October 27, 2012. New stores and stores not in the comparable store net sales calculation increased net sales by \$19.5 million, or 3.3% of net sales, during the thirty-nine weeks.
- We experienced a 7.7% increase in comparable store net sales, which amounted to \$39.8 million, or 6.6% of net sales, for the thirty-nine weeks ended October 27, 2012.

During the thirty-nine weeks ended October 27, 2012, 765 stores were included in comparable store net sales. We are experiencing higher traffic per store and increases in dollars per transaction. We believe we are improving the customer service experience by satisfying more customers with our in-stock position and product assortments specific to each store. The increase in comparable store sales was driven by strong performances in youth activewear, kid's footwear and branded and footwear accessories.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was \$220.4 million, or 36.7% of net sales, in the thirty-nine weeks ended October 27, 2012, compared with \$194.2 million, or 35.8% of net sales, in the same period of the prior fiscal year.

- Product margin increased as a percentage of net sales due to continued improvements in assortments by market, tight controls over markdowns and promotions and improved shrinkage.

- Distribution expense as a percentage of net sales increased slightly by 7 basis points resulting primarily from an increase in salary and benefit costs and information technology expenses.
- Store occupancy expense as a percentage of net sales decreased 50 basis points due to strong sales and careful management of occupancy costs. The largest decrease as a percent to net sales was rent expense followed by utility expense.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$125.7 million, or 20.9% of net sales, for the thirty-nine weeks ended October 27, 2012, compared to \$115.9 million, or 21.4% of net sales, for the comparable period a year ago. We closely monitor and manage these costs. For the thirty-nine week period:

- Total salary expense increased in dollars due to Company growth but decreased 29 basis points as a percentage of net sales due to strong sales results. Benefit costs increased as we experienced an increase in health insurance costs resulting from higher claims volume compared to last year.
- Stock-based compensation expense decreased 7 basis points primarily due to an increase in the accrual of estimated achievement of performance-based awards last fiscal year in the third quarter offset somewhat by the higher than average forfeiture of restricted stock unit awards in the second quarter.
- Credit card fees decreased 15 basis points as a percentage of net sales resulting from lower debit card transaction fees.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 1.6% in the thirty-nine weeks ended October 27, 2012, compared to 1.8% for the comparable period a year ago. The decrease was due to a reduction in the overall investment in leasehold improvements in recent years as more of the build-out work is being done by landlords, offset somewhat by changes in estimates of useful lives of leasehold improvements in some underperforming stores.

Provision for income taxes. The combined federal, state and local effective income tax rates as percentages of pre-tax income were 37.4% and 36.7% for the thirty-nine weeks ended October 27, 2012 and October 29, 2011, respectively. The increase in rate resulted primarily from lower federal income tax credits as a result of the expiration of the Work Opportunity Tax Credit program.

Liquidity and Capital Resources

Typically, our capital outlays relate primarily to new store openings, stock repurchases and working capital. In the next two years, our capital outlays will include the building of our new wholesaling and logistics facility which is expected to be in operation by the middle of Fiscal 2015. Historically, we have funded our cash outlays through our cash flow from operations and occasionally from borrowings under our revolving credit facilities. Due to the low interest rates currently available, we are using excess cash on deposit to offset bank fees versus investing such funds in interest-bearing deposits.

Our unaudited condensed consolidated statements of cash flows are summarized as follows (in thousands):

| | Thirty-Nine Weeks Ended | |
|--|-------------------------|---------------------|
| | October 27, 2012 | October 29, 2011 |
| Net cash provided by operating activities: | \$ 68,229 | \$ 41,528 |

| | | |
|--|-----------|-------------|
| Net cash used in investing activities: | (15,455) | (9,794) |
| Net cash used in financing activities: | (32,624) | (54,250) |
| Net increase (decrease) in cash and cash equivalents | \$ 20,150 | \$ (22,516) |

Operating Activities.

We use cash flow from operations to increase inventory in advance of peak selling seasons, such as winter holidays, spring sports and back-to-school. Inventory levels are reduced in connection with higher sales during the peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was \$68.2 million for the thirty-nine weeks ended October 27, 2012 compared with net cash provided by operating activities of \$41.5 million for the thirty-nine weeks ended October 29, 2011. Net income provided \$53.2 million in cash and accounts payable provided \$15.1 million. The largest use of cash during the period was an increase in inventories of \$12.2 million. At October 27, 2012, the inventory level on a per store basis increased 1.0% while total inventory increased 5.1% compared to October 29, 2011 due to planned stock levels in preparation for holiday sales. Non-cash charges included depreciation and amortization expense and stock-based compensation expense.

Investing Activities.

Net cash used in investing activities in the thirty-nine weeks ended October 27, 2012 totaled \$15.5 million compared with net cash used in investing activities of \$9.8 million in the thirty-nine weeks ended October 29, 2011. Capital expenditures used \$15.1 million and \$9.6 million of cash in the thirty-nine weeks ended October 27, 2012 and October 29, 2011, respectively. Included in capital expenditures for the thirty-nine weeks ended October 27, 2012 are the purchases of our new corporate headquarters building and the land for our new wholesaling and logistics facility. We use cash to open new stores and remodel, expand or relocate existing stores. We opened 27 new stores and relocated, expanded or remodeled 14 existing stores during the thirty-nine weeks ended October 27, 2012 as compared to opening 32 new stores and relocating or expanding 15 existing stores during the thirty-nine weeks ended October 29, 2011.

For the fiscal year ending February 2, 2013, we estimate the cash outlay for capital expenditures will be approximately \$23.5 million. This estimated outlay relates to the opening of approximately 60 new stores, remodeling, expansion or relocation of selected existing stores, information system upgrades and expenditures relating to our new corporate headquarters and wholesaling and logistics facility. Of the total budgeted dollars for capital expenditures for Fiscal 2013, we anticipate that approximately 37% will be related to the opening of new stores and remodeling and/or relocating existing stores; approximately 33% will be related to expenditures on our new corporate headquarters and new wholesaling and logistics facility; and approximately 23% will be related to information systems. The remaining 7% is related primarily to transportation equipment, automobiles and security equipment for our stores.

Financing Activities.

Net cash used in financing activities was \$32.6 million in the thirty-nine weeks ended October 27, 2012 compared to net cash used in financing activities of \$54.3 million in the prior year period. The decrease was primarily due to fewer share repurchases when compared to the same period last year.

At October 27, 2012, we had two unsecured revolving credit facilities; one with Regions Bank renewable in August 2013 and the other with Bank of America renewable in November 2012. The Regions Bank facility allows for borrowings up to \$30.0 million and the Bank of America facility allows for borrowings up to \$50.0 million. Neither facility requires a commitment or agency fee nor are there any covenant restrictions. Subsequent to October 27, 2012, we renewed our Bank of America facility of \$50.0 million with an interest rate at prime plus 2%. The renewal was effective November 16, 2012 and will expire on November 18, 2013. The facility is unsecured and does not require a commitment or agency fee nor are there any covenant restrictions. We had no debt outstanding under either of these facilities as of October 27, 2012.

Based on our current operating plans, store plans, plans for the repurchase of our common stock and plans to remodel our new corporate headquarters and build our new wholesaling and logistics facility, we believe that we can fund our cash needs for the foreseeable future through cash generated from operations and, if necessary, through periodic future borrowings against our credit facilities.

Off-Balance Sheet Arrangements.

We have not provided any financial guarantees as of October 27, 2012. All merchandise purchase obligations are cancelable. We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements.

Quarterly and Seasonal Fluctuations

We experience seasonal fluctuations in our net sales, results of operations and working capital. Customer buying patterns around the spring sports, back to school and the holiday season historically result in higher first and fourth quarter net sales. In addition, our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the amount and timing of net sales contributed by new stores, merchandise mix and demand for apparel and accessories driven by local interest in sporting events.

We believe that product inflation has had a beneficial impact on our financial position and results of operations presented in these interim financial statements. However, an increase in overall inflation rates may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of net sales if the selling prices of our merchandise do not increase with increased costs. Based on current economic conditions, we expect that any increase in merchandise costs per unit will be offset by increased retail prices in Fiscal 2013.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Investment and Credit Availability Risk

We manage cash and cash equivalents in various institutions at levels beyond federally insured limits per institution, and we purchase investments not guaranteed by the FDIC. Accordingly, there is a risk that we will not recover the full principal of our investments or that their liquidity may be diminished. In an attempt to mitigate this risk, our investment policy emphasizes preservation of principal and liquidity.

We also have financial institutions that are committed to provide loans under our revolving credit facilities. There is a risk that these institutions cannot deliver against these obligations. For a further discussion of this risk and risks related to our deposits, see "Risk Factors" in our Form 10-K for the fiscal year ended January 28, 2012.

Interest Rate Risk

Our exposure to market risks results primarily from fluctuations in interest rates. There have been no material changes to our exposure to market risks from those disclosed in our Annual Report on Form 10-K for the fiscal year ended January 28, 2012 filed with the Securities and Exchange Commission on March 26, 2012.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

Our management, under the supervision and with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of October 27, 2012. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were designed and functioning effectively to provide reasonable assurance that the information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting.

We have not identified any changes in our internal control over financial reporting that occurred during the period ended October 27, 2012, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

We are a party to various legal proceedings incidental to our business. We do not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on our business or financial condition. We cannot give assurance that one or more of these legal proceedings will not have a material adverse effect on our results of operations for the period in which they are resolved. It is reasonably possible that losses in addition to the amount accrued could be incurred. However, we cannot predict the outcome of these matters or make an estimate of the

possible loss or range of loss based on the information currently available to the Company. At October 27, 2012 and January 28, 2012, we estimated that the liabilities related to these matters were approximately \$0.2 million and \$0.3 million, respectively, and accordingly, accrued \$0.2 million and \$0.3 million, respectively, as current liabilities on our unaudited condensed consolidated balance sheets.

The estimates of our liability for pending and unasserted potential claims do not include litigation costs. It is our policy to accrue legal fees when incurred.

From time to time, we enter into certain types of agreements that require us to indemnify parties against third party claims under certain circumstances. Generally, these agreements relate to: (a) agreements with vendors and suppliers under which we may provide customary indemnification to our vendors and suppliers in respect to actions they take at our request or otherwise on our behalf; (b) agreements to indemnify vendors against trademark and copyright infringement claims concerning merchandise manufactured specifically for or on behalf of the Company; (c) real estate leases, under which we may agree to indemnify the lessors from claims arising from our use of the property; and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. We have director and officer liability insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

If we believe that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of ASC Topic 450, Contingencies. If circumstances change with respect to any matter, we could change our assessment as to whether a loss is probable or estimable, or its estimate of loss, at any time.

ITEM 1A. Risk Factors.

We operate in an environment that involves a number of risks and uncertainties which are described in our Form 10-K for the year ended January 28, 2012. If any of the risks described in our Fiscal 2012 Form 10-K were to actually occur, our business, operating results and financial results could be adversely affected. There were no material changes to the risk factors disclosed in our Form 10-K for the fiscal year ended January 28, 2012.

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

The following table presents our stock repurchase activity for the thirteen weeks ended October 27, 2012 (1):

| Period | Total Number of Shares Purchased | Average Price per Share | Total Number of Shares Purchased as Part of Publicly Announced Programs | Approximate Dollar Value of Shares that may yet be Purchased Under the Programs (in thousands) (2) |
|--|---|-------------------------------|--|--|
| July 29, 2012 to August 25, 2012 | 25,500 | \$ 56.30 | 25,500 | \$ 120,016 |
| August 26, 2012 to September 29, 2012 | 82,079 | \$ 58.15 | 82,079 | \$ 115,243 |
| September 30, 2012 to October 27, 2012 | 99,150 | \$ 56.62 | 99,150 | \$ 109,629 |
| Total | 206,729 | \$ 57.19 | 206,729 | \$ 109,629 |

(1) In November 2009, the Board authorized a Stock Repurchase Program (Program) of \$250.0 million to repurchase our common stock through February 2, 2013. As of October 27, 2012, we had approximately \$109.6 million remaining available under the Program for stock repurchases. See Note 7, "Stock Repurchase Program".

(2) In November 2012, subsequent to quarter-end, the Board authorized a new Stock Repurchase Program (New Program) of \$250.0 million that replaced the November 2009 authorization. See Note 7, "Stock Repurchase Program".

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Mine Safety Disclosures.

Not applicable.

ITEM 5. Other Information.

None.

ITEM 6.

Exhibits.

The exhibits listed on the Exhibit Index immediately preceding such exhibits, which is incorporated herein by reference, are filed or furnished as part of this Quarterly Report on Form 10-Q.

SIGNATURE

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.

HIBBETT SPORTS, INC.

Date: December 4, 2012

By:

/s/ Scott J. Bowman
Scott J. Bowman
Senior Vice President & Chief Financial
Officer
(Principal Financial Officer)

Exhibit Index

| Exhibit No. | Description |
|-------------|---|
| | Certificate of Incorporation and By-Laws |
| 3.1 | Certificate of Incorporation of the Registrant; incorporated herein by reference to Exhibit 3.1 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012. |
| 3.2 | Bylaws of the Registrant, as amended; incorporated herein by reference to Exhibit 3.2 of the Registrant's Form 8-K filed with the Securities and Exchange Commission on May 31, 2012. |
| | Form of Stock Certificate |
| 4.1 | Form of Common Stock Certificate; attached as Exhibit 99.1 to the Registrant's Current Report on Form 8-K filed on September 26, 2007. |
| | Material Contracts |
| 10.1 | Amendment No. 5 to Loan Documents; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on November 16, 2012. |
| 10.2 | Master Note – Regions Bank Line of Credit; incorporated by reference as Exhibit 10.1 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012. |
| 10.3 | Hibbett Sports, Inc. Non-Employee Director Non-Qualified Option Agreement (Initial Grant, Service Requirement); incorporated by reference as Exhibit 10.2 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012. |
| 10.4 | Hibbett Sports, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Initial Grant, Service Requirement); incorporated by reference as Exhibit 10.3 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012. |
| 10.5 | Hibbett Sports, Inc. Non-Employee Director Non-Qualified Option Agreement (Annual Grant, Fully Vested); incorporated by reference as Exhibit 10.4 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012. |
| 10.6 | Hibbett Sports, Inc. Non-Employee Director Restricted Stock Unit Award Agreement (Annual Grant, Fully Vested); incorporated by reference as Exhibit 10.5 to the Registrant's Current Report on Form 8-K filed with the Securities and Exchange Commission on August 17, 2012. |
| | Certifications |
| 31.1 | * Rule 13a-14(a)/15d-14(a) Certification of Principal Executive Officer |
| 31.2 | * Rule 13a-14(a)/15d-14(a) Certification of Principal Financial Officer |
| 32.1 | * Certification of Chief Executive Officer and Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 |
| | Interactive Data Files |

101 ** The following financial information from the Quarterly Report on Form 10-Q for the fiscal quarter ended October 27, 2012, formatted in XBRL (eXtensible Business Reporting Language) and furnished electronically herewith: (i) the Unaudited Condensed Consolidated Balance Sheets at October 27, 2012 and January 28, 2012; (ii) the Unaudited Condensed Consolidated Statements of Operations for the thirteen and thirty-nine weeks ended October 27, 2012 and October 29, 2011; (iii) the Unaudited Condensed Consolidated Statements of Cash Flows for the thirty-nine weeks ended October 27, 2012 and October 29, 2011; and (iv) the Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed Within

** Pursuant to Rule 406T of Regulation S-T, these interactive data files are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.