SPORTSMAN'S WAREHOUSE HOLDINGS, INC.
Form 10-Q
May 25, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 May 5, 2018

OR

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

Commission File Number: 001-36401

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

(Exact Name of Registrant as Specified in its Charter)

| | |
|---|---|
| Delaware<br>(State or other jurisdiction<br>of incorporation or organization) | 39-1975614<br>(I.R.S. Employer<br>Identification No.) |
| 7035 South High Tech Drive, Midvale, Utah<br>(Address of principal executive offices) | 84047<br>(Zip code) |

Registrant's telephone number, including area code: (801) 566-6681

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 any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) 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, a smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

| | | |
|---|---|---|
| Large accelerated filer | | Accelerated filer |
| Non-accelerated filer | (do not check if a smaller reporting company) | Smaller reporting company |
| Emerging growth company | | |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act:

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

As of May 25, 2018, the registrant had 42,833,871 shares of common stock, $0.01 par value per share, outstanding.

SPORTSMAN'S WAREHOUSE HOLDINGS, INC.

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We operate on a fiscal calendar that, in a given fiscal year, consists of the 52- or 53-week period ending on the Saturday closest to January 31st. Our fiscal first quarters ended May 5, 2018 and April 29, 2017, both consisted of 13 weeks and are referred to herein as the first quarter of fiscal year 2018 and the first quarter of fiscal year 2017, respectively. Fiscal year 2018 contains 52 weeks of operations and will end on February 2, 2019. Fiscal year 2017 contained 53 weeks of operations ended February 3, 2018.

References throughout this document to "Sportsman's Warehouse," "we," "us," and "our" refer to Sportsman's Warehouse Holdings, Inc. and its subsidiaries, and references to "Holdings" refer to Sportsman's Warehouse Holdings, Inc. excluding its subsidiaries.

STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q (this "10-Q") contains statements that constitute forward-looking statements as that term is defined by the Private Securities Litigation Reform Act of 1995. These statements concern our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this 10-Q are forward-looking statements. These statements may include words such as "aim," "anticipate," "assume," "believe," "can have," "could," "due," "estimate," "expect," "goal," "intend," "li "objective," "plan," "potential," "positioned," "predict," "should," "target," "will," "would" and other words and terms of simi in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our plans and objectives for future operations, growth or initiatives and strategies are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that predicting the impact of known factors is very difficult, and we cannot anticipate all factors that could affect our actual results.

All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. Important factors that could cause actual results to differ materially from our expectations include, but are not limited to:

- our retail-based business model is impacted by general economic conditions and economic and financial uncertainties may cause a decline in consumer spending;
- current and future government regulations, in particular regulations relating to the sale of firearms and ammunition, may impact the supply and demand for our products and our ability to conduct our business
- our concentration of stores in the Western United States makes us susceptible to adverse conditions in this region, which could affect our sales and cause our operating results to suffer;
- we operate in a highly fragmented and competitive industry and may face increased competition;
- we may not be able to anticipate, identify and respond to changes in consumer demands, including regional preferences, in a timely manner; and
- we may not be successful in operating our stores in any existing or new markets into which we expand

The above is not a complete list of factors or events that could cause actual results to differ from our expectations, and we cannot predict all of them. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements disclosed under “Part I. Item 1A. Risk Factors,” appearing in our Annual Report on Form 10-K for the fiscal year ended February 3, 2018 and “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this 10-Q, as such disclosures may be amended, supplemented or superseded from time to time by other reports we file with the Securities and Exchange Commission, including subsequent Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q, and public communications. You should evaluate all forward-looking statements made in this 10-Q and otherwise in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on any forward-looking statements we make. These forward-looking statements speak only as of the date of this 10-Q and are not guarantees of future performance or developments and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly, whether as a result of new information, future developments or otherwise.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPORTSMAN’S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

Amounts in Thousands, Except Per Share Data

(unaudited)

| | May 5, 2018 | February 3, 2018 |
|---|---|---|
| Assets | | |
| Current assets: | | |
| Cash | $ 2,379 | 1,769 |
| Accounts receivable, net | 382 | 319 |
| Merchandise inventories | 306,201 | 270,594 |
| Prepaid expenses and other | 9,183 | 8,073 |
| Total current assets | 318,145 | 280,755 |
| Property and equipment, net | 94,809 | 94,035 |
| Deferred income taxes | 3,474 | 4,595 |
| Definite lived intangibles, net | — | 276 |
| Total assets | $ 416,428 | 379,661 |
| | | |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | $ 64,012 | 36,788 |
| Accrued expenses | 58,089 | 50,602 |
| Income taxes payable | 967 | 2,586 |
| Revolving line of credit | 66,866 | 59,992 |
| Current portion of long-term debt, net of discount and debt issuance costs | 968 | 990 |
| Current portion of deferred rent | 4,703 | 4,593 |
| Total current liabilities | 195,605 | 155,551 |
| Long-term liabilities: | | |
| Long-term debt, net of discount, debt issuance costs, and current portion | 132,142 | 132,349 |
| Deferred rent, noncurrent | 41,204 | 41,963 |
| Total long-term liabilities | 173,346 | 174,312 |
| Total liabilities | 368,951 | 329,863 |

| | | |
|---|---|---|
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred stock, $.01 par value; 20,000 shares authorized; 0 shares issued and outstanding | | |
| Common stock, $.01 par value; 100,000 shares authorized; 42,834 and 42,617 shares issued and outstanding, respectively | 428 | 426 |
| Additional paid-in capital | 83,068 | 82,197 |
| Accumulated deficit | (36,019) | (32,825) |
| Total stockholders' equity | 47,477 | 49,798 |
| Total liabilities and stockholders' equity | $ 416,428 | 379,661 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

Amounts in Thousands Except Per Share Data

(unaudited)

| | Thirteen Weeks Ended | |
|---|---|---|
| | May 5 2018 | April 29, 2017 |
| Net sales | $ 180,059 | $ 156,898 |
| Cost of goods sold | 124,493 | 108,283 |
| Gross profit | 55,566 | 48,615 |
| | | |
| Selling, general, and administrative expenses | 59,216 | 52,382 |
| Loss from operations | (3,650) | (3,767) |
| Interest expense | (3,557) | (3,150) |
| Loss before income taxes | (7,207) | (6,917) |
| Income tax benefit | (1,379) | (2,410) |
| Net loss | $ (5,828) | $ (4,507) |
| Loss per share: | | |
| Basic | $ (0.14) | $ (0.11) |
| Diluted | $ (0.14) | $ (0.11) |
| Weighted average shares outstanding: | | |
| Basic | 42,727 | 42,277 |
| Diluted | 42,727 | 42,277 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN'S WAREHOUSE HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Amounts in Thousands

(unaudited)

| | Thirteen Weeks Ended | |
|---|---|---|
| | May 5, 2018 | April 29, 2017 |
| Cash flows from operating activities: | | |
| Net loss | $ (5,828) | $ (4,507) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation of property and equipment | 4,387 | 3,490 |
| Amortization of discount on debt and deferred financing fees | 192 | 173 |
| Amortization of definite lived intangible | 276 | 452 |
| Change in deferred rent | (649) | 624 |
| Deferred income taxes | 237 | 885 |
| Stock-based compensation | 1,572 | 650 |
| Change in operating assets and liabilities: | | |
| Accounts receivable, net | (63) | 29 |
| Merchandise inventories | (35,607) | (42,019) |
| Prepaid expenses and other | (78) | (4,221) |
| Accounts payable | 27,501 | 42,049 |
| Accrued expenses | 630 | (3,115) |
| Income taxes payable | (1,619) | (3,342) |
| Net cash used in operating activities | (9,049) | (8,852) |
| Cash flows from investing activities: | | |
| Purchase of property and equipment | (4,474) | (13,204) |
| Net cash used in investing activities | (4,474) | (13,204) |
| Cash flows from financing activities: | | |
| Net borrowings on line of credit | 6,874 | 17,094 |
| Increase in book overdraft | 8,358 | 6,359 |
| Payment of withholdings on restricted stock units | (699) | (639) |
| Principal payments on long-term debt | (400) | (400) |
| Net cash provided by financing activities | 14,133 | 22,414 |
| Net change in cash | 610 | 358 |
| Cash at beginning of period | 1,769 | 1,911 |
| Cash at end of period | $ 2,379 | $ 2,269 |
| | | |
| Supplemental disclosures of cash flow information: | | |
| Cash paid during the period for: | | |
| Interest, net of amounts capitalized | $ 3,137 | 2,897 |
| Income taxes | — | — |

| | | |
|---|---|---|
| Supplemental schedule of noncash investing activities: | | |
| Purchases of property and equipment included in accounts payable and accrued expenses | $ 1,829 | 8,089 |

The accompanying notes are an integral part of these condensed consolidated financial statements.

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SPORTSMAN’S WAREHOUSE HOLDINGS, INC.

AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements (Unaudited)

Amounts reported in thousands, except per share data

(1) Description of Business and Basis of Presentation

Description of Business

Sportsman’s Warehouse Holdings, Inc. (“Holdings”) and its subsidiaries (collectively, the “Company”) operate retail sporting goods stores. As of May 5, 2018, the Company operated 89 stores in 22 states. The Company also operates an e-commerce platform at www.sportsmanswarehouse.com. The Company’s stores and website are aggregated into one single operating and reportable segment.

Basis of Presentation

The condensed consolidated financial statements included herein are unaudited and have been prepared by management of the Company pursuant to the rules and regulations of the Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (“GAAP”) have been condensed or omitted pursuant to such rules and regulations. The Company’s condensed consolidated balance sheet as of February 3, 2018 was derived from the Company’s audited consolidated balance sheet as of that date. All other condensed consolidated financial statements contained herein are unaudited and reflect all adjustments that are, in the opinion of management, necessary to summarize fairly our condensed consolidated financial statements for the periods presented. All of these adjustments are of a normal recurring nature. The results of the fiscal quarter ended May 5, 2018 are not necessarily indicative of the results to be obtained for the year ending February 2, 2019. These condensed consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 3, 2018 filed with the SEC on March 29, 2018 (the “Fiscal 2017 Form 10-K”).

(2) Summary of Significant Accounting Policies

The Company’s significant accounting policies are described in Note 1 to the Company’s Annual Report on Form 10-K for the year ended February 3, 2018. Except for the changes below, the Company has consistently applied the accounting policies to all periods presented in these condensed consolidated financial statements.

Adoption of ASC Topic 606, “Revenue from Contracts with Customers”

The Company adopted Accounting Standard Codification (“ASC”) Topic 606 on February 4, 2018, using the modified retrospective approach to all open contracts, with the cumulative effect of adopting the new standard being recognized in retained earnings at February 4, 2018. Therefore, the prior period comparative information has not been adjusted and continues to be reported under Topic 605. The adoption of Topic 606 resulted in an increase in prepaids and other assets of $1,054 for the recognition of the right of return assets; an increase in accrued expenses relating to the sales return liability of $1,054 for the recognition of the sales return liability on a gross basis; a decrease in accrued expenses of $3,521 relating to the breakage of loyalty rewards and gift cards in order to adjust the breakage pattern of the loyalty program and gift cards to match the usage; a decrease of $884 in deferred tax assets relating to the tax impact of the entries recorded for the gift card and loyalty program liabilities; and a decrease in accumulated deficit of $2,637 as a cumulative effect of the adoption. The largest driver of changes for the adoption of Topic 606 was the change in the method of estimating breakage for the Company’s outstanding gift cards and loyalty reward liabilities. Under Topic 605, this breakage was historically recorded when it was determined that the gift cards or loyalty reward points were not going to be redeemed, which was after two years for gift cards and 18 months for loyalty reward points. Under Topic 606, the breakage recognized for the loyalty reward program and gift cards is now estimated based off of historical breakage percentages, and is recognized in-line with the expected usage of the loyalty points and gift cards.

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The accounts that changed under the adoption of Topic 606 for the condensed consolidated balance sheet as of and for the 13 weeks ended May 5, 2018 have been outlined as follows:

| Condensed Consolidated Balance Sheet Changes | As Reported | Adjustments | Balances without adoption of Topic 606 |
|---|---|---|---|
| Prepaids expenses and other | $ 9,183 | $ (1,054) | $ 8,129 |
| Accrued expenses | 58,089 | 2,467 | 60,556 |
| Deferred income taxes | 3,474 | 884 | 4,358 |
| Accumulated deficit | (36,019) | (2,637) | (38,656) |

For the 13 weeks ended May 5, 2018 and April 29, 2017, the Company recognized approximately $319 and $444 in gift card breakage, respectively. For the 13 weeks ended May 5, 2018 and April 29, 2017, the Company recognized approximately $265 and $180 in loyalty reward breakage, respectively. Gift card and loyalty reward breakage revenue for the 13 weeks ended May 5, 2018 reported under ASC 606 were not materially different from the amounts that would have been reported under the previous guidance of ASC 605. The Company will continue to monitor future quarters for materiality. The impact of these adjustments on the statement of cash flow for the period ended May 5, 2018 were recorded in cash used in operating activities.

Revenue recognition accounting policy

The Company operates solely as an outdoor retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the United States and online. Generally, all revenues are recognized when control of the promised goods is transferred to customers, in 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 reasonably assured since the Company only extends immaterial credit purchases to certain municipalities.

Substantially all of the Company’s revenue is for single performance obligations for the following distinct items:

" Retail store sales

" E-commerce sales

" Gift cards and loyalty reward program

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the products are tendered for delivery to the common carrier.

The transaction price for each contract is the stated price on the product, reduced by any stated discounts at that point in time. The Company does not engage in sales of products that attach a future material right which could result in a separate performance obligation for the purchase of goods in the future at a material discount. The implicit point-of-sale contract with the customer, as reflected in the transaction receipt, states the final terms of the sale, including the description, quantity, and price of each product purchased. Payment for the Company's contracts is due in full upon delivery. The customer agrees to a stated price implicit in the contract that does not vary over the contract.

The transaction price relative to sales subject to a right of return reflects the amount of estimated consideration to which the Company expects to be entitled. This amount of variable consideration included in the transaction price, and measurement of net sales, is included in net sales only to the extent that it is probable that there will be no significant reversal in a future period. Actual amounts of consideration ultimately received may differ from the Company's estimates. The allowance for sales returns is estimated based upon historical experience and a provision for estimated returns is recorded as a reduction in sales in the relevant period. The estimated merchandise inventory cost related to the sales returns is recorded in prepaid expenses and other. The estimated refund liabilities are recorded in accrued expenses. If actual results in the future vary from the Company's estimates, the Company adjusts these estimates, which would affect net sales and earnings in the period such variances become known.

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Contract liabilities are recognized primarily for gift card sales and our loyalty reward program. Cash received from the sale of gift cards is recorded as a contract liability in accrued expenses, and the Company recognizes revenue upon the customer's redemption of the gift card. Gift card breakage is recognized as revenue in proportion to the pattern of customer redemptions by applying a historical breakage rate of 2.5% when no escheat liability to relevant jurisdictions exists. Based upon historical experience, gift cards are predominantly redeemed in the first two years following their issuance date. The Company does not sell or provide gift cards that carry expiration dates. The new standard requires the Company to allocate the transaction price between the goods and the loyalty reward points based on the relative stand alone selling price. The Company recognized revenue for the breakage of loyalty reward points as revenue in proportion to the pattern of customer redemption of the points by applying a historical breakage rate of 25% when no escheat liability to relevant jurisdictions exists.

Taxes assessed by a governmental authority that are both imposed on and concurrent with a specific revenue-producing transaction, that are collected by the Company from a customer, are excluded from revenue.

Sales returns

We estimate a reserve for sales returns and record the respective reserve amounts, including a right to return asset when a product is expected to be returned and resold. Historical experience of actual returns, and customer return rights are the key factors used in determining the estimated sales returns.

Contract Balances

The following tables provides information about right of return assets, contract liabilities, and sales return liabilities with customers as of May 5, 2018:

| | May 5, 2018 |
|---|---|
| Right of return assets, which are included in prepaid expenses and other | $ 1,054 |
| Contract liabilities, which are included in accrued expenses | 27,466 |
| Sales return liabilities, which are included in accrued expenses | 1,573 |

The current balance of the right of return assets is the expected amount of inventory to be returned that is expected to be resold. The current balance of the contract liabilities primarily relates to the gift card and loyalty reward program liabilities. The Company expects the revenue associated with these liabilities to be recognized in proportion to the pattern of customer redemptions over the next two years. The current balance of sales return liabilities is the expected amount of sales returns from sales that have occurred.

Practical expedients and policy elections

The Company applies the following practical expedients in its application for Topic 606:

" The Company has elected to apply the practical expedient, relative to e-commerce sales, which allows an entity to account for shipping and handling as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at shipping point (when the customer gains control). Revenue associated with shipping and handling is not material.

" The Company has elected to apply the practical expedient, relative to sales tax collected, which allows an entity to exclude from its transaction price any amounts collected from customers for all sales (and other similar) taxes.

Disaggregation of revenue from contracts with customers

In the following table, revenue from contracts with customers is disaggregated by department. The percentage of net sales related to our departments for the three months ended May 5, 2018 and April 29, 2017, was approximately:

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| | | Thirteen Weeks Ended | |
|---|---|---|---|
| | | May 5, | April 29, |
| Department | Product Offerings | 2018 | 2017 |
| Camping | Backpacks, camp essentials, canoes and kayaks, coolers, outdoor cooking equipment, sleeping bags, tents and tools | 11.5% | 12.4% |
| Clothing | Camouflage, jackets, hats, outerwear, sportswear, technical gear and work wear | 7.3% | 7.3% |
| Fishing | Bait, electronics, fishing rods, flotation items, fly fishing, lines, lures, reels, tackle and small boats | 11.6% | 11.2% |
| Footwear | Hiking boots, socks, sport sandals, technical footwear, trail shoes, casual shoes, waders and work boots | 6.4% | 7.1% |
| Hunting and Shooting | Ammunition, archery items, ATV accessories, blinds and tree stands, decoys, firearms, reloading equipment and shooting gear | 56.2% | 53.8% |
| Optics, Electronics, Accessories, and Other | Gift items, GPS devices, knives, lighting, optics (e.g. binoculars), two-way radios, and License and BCI revenue, net of revenue discounts | 7.0% | 8.2% |
| Total | | 100.0% | 100.0% |

Recent Accounting Pronouncements

Lease Accounting

In February 2016, the FASB issued ASU 2016-02, “Leases” (“ASU 2016-02”). The standard amends the existing accounting standards for lease accounting, including requiring lessees to recognize most leases on their balance sheets and making targeted changes to lessor accounting. ASU 2016-02 will be effective beginning in the first quarter of 2019. Early adoption of ASU 2016-02 is permitted. The Company plans to adopt the standard during the first quarter of 2019. The new leases standard requires a modified retrospective transition approach for all leases existing at, or entered into after, the date of initial application, with an option to use certain transition relief. Management is currently evaluating the impact of adopting ASU 2016-02 on the Company’s consolidated financial statements, including whether to elect the practical expedients outlined in the new standard. Currently all of the Company’s store and corporate locations are accounted for as operating leases, and therefore are not recorded on our balance sheet. The Company expect this adoption will result in a material increase in the assets and liabilities on the Company’s consolidated balance sheets. Once the Company adopts this new standard, it expects that, for the majority of its leases, the leases would include the amortization of the right-of-use asset and the recognition of interest expense based on the lessee’s incremental borrowing rate (or the rate implicit in the lease, if known) on the repayment of the lease obligation. In preparation for the adoption of the guidance, the Company is in the process of implementing controls and system changes to enable the preparation of financial information.

Intangible – Goodwill and Other

In January 2017, the FASB issued ASU 2017-04, “Intangibles – Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment,” which requires an entity to no longer perform a hypothetical purchase price allocation to measure goodwill impairment. Instead, impairment will be measured using the difference between the carrying amount and the fair value of the reporting unit. The ASU is effective for annual and interim periods in fiscal years beginning after December 15, 2019. All entities may early adopt the standard for goodwill impairment tests with measurement dates after January 1, 2017. Management believes ASU 2017-04 will have no impact on the Company’s consolidated financial statements.

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(3) Property and Equipment

Property and equipment as of May 5, 2018 and February 3, 2018 were as follows:

| | May 5, 2018 | February 3, 2018 |
|---|---|---|
| Furniture, fixtures, and equipment | $ 66,819 | $ 65,437 |
| Leasehold improvements | 84,761 | 84,345 |
| Construction in progress | 5,797 | 2,434 |
| Total property and equipment, gross | 157,377 | 152,216 |
| Less accumulated depreciation and amortization | (62,568) | (58,181) |
| Total property and equipment, net | $ 94,809 | $ 94,035 |

(4) Accrued Expenses

Accrued expenses consisted of the following as of May 5, 2018 and February 3, 2018:

| | May 5, 2018 | February 3, 2018 |
|---|---|---|
| Book overdraft | $ 18,336 | $ 9,944 |
| Unearned revenue | 18,226 | 22,874 |
| Accrued payroll and related expenses | 8,576 | 8,004 |
| Sales and use tax payable | 4,072 | 3,277 |