Boot Barn Holdings, Inc.
Form 10-Q
August 08, 2018
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended June 30, 2018

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: 001-36711

BOOT BARN HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	90-0776290
(State or other jurisdiction of incorporation or organization)	(I.R.S. employer identification no.)

15345 Barranca Pkwy	
Irvine, California	92618
(Address of principal executive offices)	(Zip code)

(949) 453-4400

Registrant's telephone number, including area code

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 Emerging growth company

Non-accelerated filer Smaller reporting 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 August 6, 2018, the registrant had 27,995,771 shares of common stock outstanding, $0.0001 par value.

Table of Contents

Boot Barn Holdings, Inc. and Subsidiaries

Form 10-Q

For the Thirteen Weeks Ended June 30, 2018

		Page
PART I.	FINANCIAL INFORMATION	3
Item 1.	Condensed Consolidated Financial Statements (Unaudited)	3
	Condensed Consolidated Balance Sheets as of June 30, 2018 and March 31, 2018	3
	Condensed Consolidated Statements of Operations for the Thirteen Weeks Ended June 30, 2018 and July 1, 2017	4
	Condensed Consolidated Statements of Stockholders' Equity for the Thirteen Weeks Ended June 30, 2018 and July 1, 2017	5
	Condensed Consolidated Statements of Cash Flows for the Thirteen Weeks Ended June 30, 2018 and July 1, 2017	6
	Notes to the Condensed Consolidated Financial Statements	7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	21
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	31
Item 4.	Controls and Procedures	31
PART II.	OTHER INFORMATION	32
Item 1.	Legal Proceedings	32
Item 1A.	Risk Factors	32
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	32
Item 3.	Defaults Upon Senior Securities	32
Item 4.	Mine Safety Disclosures	32
Item 5.	Other Information	32
Item 6.	Exhibits	33
	Signatures	34

2

Table of Contents

Part 1. Financial Information

Item 1.Condensed Consolidated Financial Statements (Unaudited)

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except per share data)

(Unaudited)

	June 30, 2018	March 31, 2018
Assets		
Current assets:		
Cash and cash equivalents	$ 7,374	$ 9,016
Accounts receivable, net	5,440	4,389
Inventories	204,434	211,472
Prepaid expenses and other current assets	17,452	16,250
Total current assets	234,700	241,127
Property and equipment, net	93,180	89,208
Goodwill	195,858	193,095
Intangible assets, net	63,297	63,383
Other assets	1,127	1,128
Total assets	$ 588,162	$ 587,941
Liabilities and stockholders' equity		
Current liabilities:		
Line of credit	$ 30,737	$ 21,006
Accounts payable	77,807	89,958
Accrued expenses and other current liabilities	39,373	40,034
Total current liabilities	147,917	150,998
Deferred taxes	13,424	13,030
Long-term portion of notes payable, net	173,462	183,200
Capital lease obligations	7,165	7,303
Other liabilities	19,483	18,804
Total liabilities	361,451	373,335
Commitments and contingencies (Note 7)		
Stockholders' equity:		
Common stock, $0.0001 par value; June 30, 2018 - 100,000 shares authorized, 28,040 shares issued; March 31, 2018 - 100,000 shares authorized, 27,331 shares issued	3	3

Preferred stock, $0.0001 par value; 10,000 shares authorized, no shares issued or outstanding	—	—
Additional paid-in capital	153,777	148,127
Retained earnings	73,431	66,670
Less: Common stock held in treasury, at cost, 45 and 31 shares at June 30, 2018 and March 31, 2018, respectively	(500)	(194)
Total stockholders’ equity	226,711	214,606
Total liabilities and stockholders’ equity	$ 588,162	$ 587,941

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended	
	June 30, 2018	July 1, 2017
Net sales	$ 161,984	$ 139,379
Cost of goods sold	110,537	97,987
Gross profit	51,447	41,392
Selling, general and administrative expenses	41,618	36,451
Income from operations	9,829	4,941
Interest expense, net	4,100	3,658
Income before income taxes	5,729	1,283
Income tax (benefit)/expense	(1,032)	506
Net income	$ 6,761	$ 777
Earnings per share:		
Basic shares	$ 0.24	$ 0.03
Diluted shares	$ 0.24	$ 0.03
Weighted average shares outstanding:		
Basic shares	27,604	26,559
Diluted shares	28,542	26,969

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands)

(Unaudited)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Total
Balance at March 31, 2018	27,331	$ 3	$ 148,127	$ 66,670	(31)	$ (194)	$ 214,606
Net income	—	—	—	6,761	—	—	6,761
Issuance of common stock related to stock-based compensation	709	—	5,038	—	—	—	5,038
Tax withholding for net share settlement	—	—	—	—	(14)	(306)	(306)
Stock-based compensation expense	—	—	612	—	—	—	612
Balance at June 30, 2018	28,040	$ 3	$ 153,777	$ 73,431	(45)	$ (500)	$ 226,711

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Shares Shares	Treasury Shares Amount	Total
Balance at April 1, 2017	26,575	$ 3	$ 142,184	$ 37,791	(14)	$ (69)	$ 179,909
Net income	—	—	—	777	—	—	777
Issuance of common stock related to stock-based compensation	43	—	—	—	(2)	—	—
Tax withholding for net share settlement	—	—	—	—	(10)	(78)	(78)
Stock-based compensation expense	—	—	575	—	—	—	575
Balance at July 1, 2017	26,618	$ 3	$ 142,759	$ 38,568	(26)	$ (147)	$ 181,183

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Thirteen Weeks Ended	
	June 30, 2018	July 1, 2017
Cash flows from operating activities		
Net income	$ 6,761	$ 777
Adjustments to reconcile net income to net cash provided by/(used in) operating activities:		
Depreciation	4,238	3,751
Stock-based compensation	612	575
Amortization of intangible assets	193	362
Amortization of debt issuance fees and debt discount	305	289
Loss on disposal of property and equipment	—	14
Store impairment charge	213	—
Deferred taxes	394	564
Changes in operating assets and liabilities, net of acquisition:		
Accounts receivable, net	(1,051)	210
Inventories	8,910	(3,247)
Prepaid expenses and other current assets	(1,245)	(1,296)
Other assets	(14)	(16)
Accounts payable	(13,468)	(16,922)
Accrued expenses and other current liabilities	(745)	(113)
Other liabilities	403	737
Net cash provided by/(used in) operating activities	$ 5,506	$ (14,315)
Cash flows from investing activities		
Purchases of property and equipment	$ (7,064)	$ (5,258)
Acquisition of business, net of cash acquired	(4,424)	—
Net cash used in investing activities	$ (11,488)	$ (5,258)
Cash flows from financing activities		
Borrowings on line of credit - net	$ 9,731	$ 29,545
Repayments on debt and capital lease obligations	(10,123)	(10,105)
Debt issuance fees paid	—	(519)
Tax withholding payments for net share settlement	(306)	(78)
Proceeds from the exercise of stock options	5,038	—
Net cash provided by financing activities	$ 4,340	$ 18,843
Net decrease in cash and cash equivalents	(1,642)	(730)
Cash and cash equivalents, beginning of period	9,016	8,035
Cash and cash equivalents, end of period	$ 7,374	$ 7,305

Supplemental disclosures of cash flow information:		
Cash paid for income taxes	$ 240	$ 308
Cash paid for interest	$ 3,769	$ 3,384
Supplemental disclosure of non-cash activities:		
Unpaid purchases of property and equipment	$ 2,559	$ 2,086

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

Table of Contents

BOOT BARN HOLDINGS, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of the Company and Basis of Presentation

Boot Barn Holdings, Inc., formerly known as WW Top Investment Corporation (the “Company”), was formed on November 17, 2011, and is incorporated in the State of Delaware. Boot Barn, Inc. is a direct wholly owned subsidiary of the Company. The equity of the Company consists of 100,000,000 authorized shares and 28,039,922 issued and 27,995,236 outstanding shares of common stock as of June 30, 2018. The shares of common stock have voting rights of one vote per share.

The Company operates specialty retail stores that sell western and work boots and related apparel and accessories. The Company operates retail locations throughout the U.S. and sells its merchandise via the internet. The Company operated a total of 230 stores in 31 states as of June 30, 2018 and 226 stores in 31 states as of March 31, 2018. As of June 30, 2018, all stores operate under the Boot Barn name, with the exception of two stores that operate under the “American Worker” name.

Basis of Presentation

The Company’s condensed consolidated financial statements as of and for the thirteen weeks ended June 30, 2018 and July 1, 2017 are prepared in accordance with accounting principles generally accepted in the United States (“GAAP”), and include the accounts of the Company and each of its subsidiaries, including Boot Barn, Inc., RCC Western Stores, Inc., Baskins Acquisition Holdings, LLC, Sheplers Inc. and Sheplers Holding Corporation (collectively with Sheplers, Inc., “Sheplers”) and Boot Barn International (Hong Kong) Limited. All intercompany accounts and transactions among the Company and its subsidiaries have been eliminated in consolidation. Certain information and footnote disclosures normally included in the Company’s annual consolidated financial statements have been condensed or omitted.

In the opinion of management, the interim condensed consolidated financial statements reflect all adjustments that are of a normal and recurring nature necessary to fairly present the Company’s financial position and results of operations and cash flows in all material respects as of the dates and for the periods presented. The results of operations presented in the interim condensed consolidated financial statements are not necessarily indicative of the results that may be expected for the fiscal year ending March 30, 2019.

Fiscal Periods

The Company reports its results of operations and cash flows on a 52- or 53-week basis ending on the last Saturday of March unless April 1st is a Saturday, in which case the fiscal year ends on April 1st. In a 52-week year, each quarter includes thirteen weeks of operations; in a 53-week fiscal year, the first, second and third quarters each include thirteen weeks of operations and the fourth quarter includes fourteen weeks of operations. Both the fiscal year ending on March 30, 2019 ("fiscal 2019") and the fiscal year ended on March 31, 2018 ("fiscal 2018") consist of 52 weeks.

2. Summary of Significant Accounting Policies

Information regarding the Company's significant accounting policies is contained in Note 2, "Summary of Significant Accounting Policies", to the consolidated financial statements included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission (the "SEC") on May 16, 2018. Presented below in the following notes is supplemental information that should be read in conjunction with those consolidated financial statements.

Table of Contents

Comprehensive Income

The Company does not have any components of other comprehensive income recorded within its consolidated financial statements and, therefore, does not separately present a statement of comprehensive income in its consolidated financial statements.

Segment Reporting

GAAP has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic areas and major customers. The Company operates in a single operating segment, which includes net sales generated from its retail stores and e-commerce websites. The vast majority of the Company's identifiable assets are in the U.S.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Among the significant estimates affecting the Company's consolidated financial statements are those relating to revenue recognition, inventories, goodwill, intangible and long-lived assets, stock-based compensation and income taxes. Management regularly evaluates its estimates and assumptions based upon historical experience and various other factors that management believes to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. To the extent actual results differ from those estimates, the Company's future results of operations may be affected.

Inventories

Inventory consists primarily of purchased merchandise and is valued at the lower of cost or net realizable value. Cost is determined on a first-in, first-out basis and includes the cost of merchandise and import related costs, including freight, duty and agent commissions. The Company assesses the recoverability of inventory through a periodic review of historical usage and present demand. When the inventory on hand exceeds the foreseeable demand, the value of inventory that, at the time of the review, is not expected to be sold is written down to its estimated net realizable value.

Fair Value of Certain Financial Assets and Liabilities

The Company follows Financial Accounting Standards Board ("FASB") Accounting Standards Codification ("ASC") Topic 820, Fair Value Measurements and Disclosures ("ASC 820"), which requires disclosure of the estimated fair value of certain assets and liabilities defined by the guidance as financial instruments. The Company's financial instruments consist principally of cash and cash equivalents, accounts receivable, accounts payable and debt. ASC 820 defines the fair value of financial instruments as the price that would be received from the sale of an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. ASC 820 establishes a three-level hierarchy for disclosure that is based on the extent and level of judgment used to estimate the fair value of assets and liabilities.

- Level 1 uses unadjusted quoted prices that are available in active markets for identical assets or liabilities.

- Level 2 uses inputs other than quoted prices included in Level 1 that are either directly or indirectly observable through correlation with market data. These include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and inputs to valuation models or other pricing methodologies that do not require significant judgment because the inputs used in the model, such as interest rates and volatility, can be corroborated by readily observable market data.

- Level 3 uses one or more significant inputs that are unobservable and supported by little or no market activity, and reflect the use of significant management judgment. Level 3 assets and liabilities include those whose fair

Table of Contents

value measurements are determined using pricing models, discounted cash flow methodologies or similar valuation techniques and significant management judgment or estimation. The Company's Level 3 assets include certain acquired businesses.

Cash and cash equivalents, accounts receivable and accounts payable are classified according to the lowest level input that is significant to the fair value measurement. As a result, the asset or liability could be classified as Level 2 or Level 3 even though there may be certain significant inputs that are readily observable. The Company believes that the recorded value of its financial instruments approximates their current fair values because of their nature and respective relatively short maturity dates or duration.

Although market quotes for the fair value of the outstanding debt arrangements discussed in Note 5, "Revolving Credit Facilities and Long-Term Debt" are not readily available, the Company believes its carrying value approximates fair value due to the variable interest rates, which are Level 2 inputs. There were no financial assets or liabilities requiring fair value measurements on a recurring basis as of June 30, 2018.

Recently Adopted Accounting Pronouncements

In May 2014, the FASB and the International Accounting Standards Board ("IASB") jointly issued a new revenue recognition standard, ASU No. 2014 09, Revenue From Contracts with Customers, that supersedes nearly all existing revenue recognition guidance under GAAP. The revenue recognition standard allows for the recognition of revenue when a company transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. The standard permits the use of either a full retrospective or retrospective with cumulative effect transition method. On August 8, 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of ASU No. 2014-09 by one year, and permitted early adoption as long as the adoption date was not before the original public entity effective date. The standard was effective for public entities for annual periods, and interim periods within that year, beginning after December 15, 2017. The Company adopted this standard effective April 1, 2018 on a modified retrospective basis. The Company's revenues are generated from the sale of finished products to customers. Those sales contain a single delivery element and revenue for such sales is recognized when the customer obtains control. Adoption of the standard did not result in any change in the timing or amount of revenue recognized by the Company in the thirteen weeks ended June 30, 2018.

Revenue Recognition

Revenue is recorded for store sales upon the purchase of merchandise by customers. Transfer of control takes place at the point at which the customer receives and pays for the merchandise at the register. E commerce sales are recorded when control transfers to the customer, which generally occurs upon delivery of the product. Shipping and handling revenues are included in total net sales. Shipping costs incurred by the Company are included as cost of goods sold.

The Company maintains a customer loyalty program. Under the program, customers accumulate points based on purchase activity. For customers to maintain their active point balance, they must make a qualifying purchase of merchandise at least once in a 365-day period. Once a loyalty program member achieves a certain point level, the member earns awards that may be redeemed for credits on merchandise purchases. To redeem awards, the member must make a qualifying purchase of merchandise within 60 days of the date the award was granted. Unredeemed awards and accumulated partial points are accrued as unearned revenue and as an adjustment to net sales using the relative standalone selling price method. The unearned revenue for this program is recorded in accrued expenses and other current liabilities on the consolidated balance sheets and was $1.7 million as of June 30, 2018 and $2.1 million as of July 1, 2017. The following table provides a reconciliation of the activity related to the Company's customer loyalty program:

Customer Loyalty Program (in thousands)	June 30, 2018	July 1, 2017
Beginning balance as of March 31, 2018 and April 1, 2017, respectively	$ 1,705	$ 2,060
Current quarter provisions	1,029	1,412
Current quarter award redemptions	(1,060)	(1,407)
Ending balance	$ 1,674	$ 2,065

9

Table of Contents

Revenue is recorded net of estimated and actual sales returns and deductions for coupon redemptions, estimated future award redemption and other promotions. The sales return reserve reflects an estimate of sales returns based on projected merchandise returns determined through the use of historical average return percentages. The total reserve for returns is recorded in accrued expenses and other current liabilities in the consolidated balance sheets. The Company accounts for the asset and liability separately on a gross basis.

Proceeds from the sale of gift cards are deferred until the customers use the cards to acquire merchandise. Gift cards, gift certificates and store credits do not have expiration dates, and unredeemed gift cards, gift certificates and store credits are subject to state escheatment laws. Amounts remaining after escheatment are recognized in net sales in the period escheatment occurs and the liability is considered to be extinguished. The Company defers recognition of a layaway sale and its related profit to the accounting period when the customer receives the layaway merchandise. Income from the redemption of gift cards, gift card breakage, and the sale of layaway merchandise is included in net sales. The following table provides a reconciliation of the activity related to the Company's gift card program:

Gift Card Program (in thousands)	June 30, 2018	July 1, 2017
Beginning balance as of March 31, 2018 and April 1, 2017, respectively	$ 8,836	$ 7,649
Current quarter issued	1,888	1,471
Current quarter redemptions	(2,018)	(1,628)
Ending balance	$ 8,706	$ 7,492

As a result of the adoption of ASU No. 2014-09, the Company has provided incremental disaggregated revenue disclosures.

Disaggregated Revenue

The Company disaggregates net sales into the following major merchandise categories:

% of Net Sales	Thirteen Weeks Ended June 30, 2018	Thirteen Weeks Ended July 1, 2017
Footwear	53%	53%
Apparel	32%	31%
Hats, accessories and other	15%	16%
Total	100%	100%

The Company further disaggregates net sales between stores and e-commerce:

% of Net Sales	Thirteen Weeks Ended June 30, 2018	Thirteen Weeks Ended July 1, 2017
Stores	84%	85%
E-commerce	16%	15%
Total	100%	100%

Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). The FASB issued this ASU to increase transparency and comparability among organizations by requiring lessees to recognize lease assets and lease liabilities on the balance sheet for those leases classified as operating leases under current U.S. GAAP and disclosing key information about leasing arrangements. The amendments in this ASU are effective for annual periods, and interim periods within that year, beginning after December 15, 2018. Early adoption is permitted. The Company is currently evaluating the impact the guidance will have on its consolidated financial statements. The Company currently expects that most of its operating lease commitments will be subject to the new standard and recognized as operating lease liabilities and right-

Table of Contents

of-use assets upon adoption. Therefore, the Company expects this adoption will result in a material increase in the long-term assets and long-term liabilities on its consolidated balance sheets. Enhanced disclosures will also be required to give financial statement users the ability to assess the amount, timing and uncertainty of cash flows arising from leases. The Company plans to adopt the standard in the first quarter of fiscal 2020 and is currently continuing its assessment, which may identify other impacts the revised standard will have on the consolidated financial statements.

In January 2017, the FASB issued ASU No. 2017-04, Intangibles — Goodwill and Other: Simplifying the Test for Goodwill Impairment, which simplifies the accounting for goodwill impairment by eliminating step two from the goodwill impairment test. Under this new guidance, if the carrying amount of a reporting unit exceeds its estimated fair value, an impairment charge shall be recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to that reporting unit. The amendments in this ASU are effective prospectively for fiscal years and interim periods within those years beginning after December 15, 2019. Early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. The Company plans to adopt the standard in the first quarter of fiscal 2021 and does not expect the revised standard to have a material impact on the consolidated financial statements.

3. Business Combination

Lone Star Western & Casual LLC

On April 24, 2018, Boot Barn, Inc., a wholly owned subsidiary of the Company, completed the acquisition of Lone Star Western & Casual LLC ("Lone Star"), an individually owned retail company with three stores in Waxahachie, Corsicana and Athens, Texas. As part of the transaction, Boot Barn, Inc. purchased the inventory, entered into new leases with the stores' landlord and offered employment to the Lone Star team at all three store locations. The primary reason for the acquisition of Lone Star was to further expand the Company's retail operations in Texas. The cash consideration paid for the acquisition was $4.4 million.

In allocating the purchase price, the Company recorded all assets acquired and liabilities assumed at fair value. The total fair value of consideration transferred for the acquisition was allocated to the net tangible and intangible assets based upon their estimated fair values as of the date of the acquisition of Lone Star. The excess of the purchase price over the net tangible and intangible assets was recorded as goodwill.

The Company determined the estimated fair values using Level 3 inputs after review and consideration of relevant information, including quoted market prices and estimates made by management. The inventory was valued using the comparative sales method. Property and equipment, net, below and above-market leases and customer credits were valued under either the cost or income approach. The following table summarizes the estimated fair values of the assets acquired and liabilities assumed as of the acquisition date based on the purchase price allocation:

	At June 30, 2018 (in thousands)
Assets acquired:	
Inventory	$ 1,872
Property & equipment, net	42
Below-market lease	92
Goodwill	2,763
Total assets acquired	$ 4,769

Liabilities assumed:		
Other liability - merchandise credits	$	69
Above-market lease		276
Total liabilities assumed		345
Net Assets acquired	$	4,424

Table of Contents

4. Intangible Assets, Net and Goodwill

Net intangible assets as of June 30, 2018 and March 31, 2018 consisted of the following:

	June 30, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life
	(in thousands, except for weighted average useful life)			
Customer lists	$ 1,594	$ (1,361)	$ 233	3.8
Below-market leases	5,011	(2,638)	2,373	11.5
Trademarks—definite lived	15	(1)	14	3.0
Total definite lived	6,620	(4,000)	2,620	
Trademarks—indefinite lived	60,677	—	60,677	
Total intangible assets	$ 67,297	$ (4,000)	$ 63,297	

	March 31, 2018			
	Gross Carrying Amount	Accumulated Amortization	Net	Weighted Average Useful Life
	(in thousands, except for weighted average useful life)			
Customer lists	$ 1,594	$ (1,287)	$ 307	3.8
Below-market leases	4,918	(2,519)	2,399	11.6
Total definite lived	6,512	(3,806)	2,706	
Trademarks—indefinite lived	60,677	—	60,677	
Total intangible assets	$ 67,189	$ (3,806)	$ 63,383	

Amortization expense for intangible assets totaled $0.2 million for the thirteen weeks ended June 30, 2018 and $0.4 million for the thirteen weeks ended July 1, 2017, and is included in selling, general and administrative expenses.

As of June 30, 2018, estimated future amortization of intangible assets was as follows:

Fiscal Year	(in thousands)
2019	$ 454
2020	500
2021	332
2022	234
2023	202
Thereafter	898
Total	$ 2,620

The Company performs its annual goodwill impairment assessment on the first day of the fourth fiscal quarter, or more frequently if it believes that indicators of impairment exist. The Company's Goodwill balance was $195.9 million and $193.1 million as of June 30, 2018 and March 31, 2018, respectively. As of June 30, 2018, the Company had identified no indicators of impairment with respect to its goodwill, intangible and long-lived asset balances.

The change in the carrying amount of goodwill is as follows (in thousands):

Balance as of March 31, 2018	$ 193,095
Goodwill as a result of the Lone Star Acquisition	2,763
Balance as of June 30, 2018	$ 195,858

Table of Contents

5. Revolving Credit Facilities and Long-Term Debt

On June 29, 2015, the Company, as guarantor, and its wholly-owned primary operating subsidiary, Boot Barn, Inc., refinanced a previous Wells Fargo credit facility with the $125.0 million syndicated senior secured asset-based revolving credit facility for which Wells Fargo Bank, National Association ("June 2015 Wells Fargo Revolver"), is agent, and the $200.0 million syndicated senior secured term loan for which GCI Capital Markets LLC ("2015 Golub Term Loan") is agent. The borrowing base of the June 2015 Wells Fargo Revolver is calculated on a monthly basis and is based on the amount of eligible credit card receivables, commercial accounts, inventory, and available reserves. Borrowings under the two credit agreements were initially used to refinance and replace existing credit facilities, pay costs and expenses related to our June 2015 acquisition of Sheplers (the "Sheplers Acquisition") and the closing of such credit agreements, and may be used for working capital and other general corporate purposes.

Borrowings under the June 2015 Wells Fargo Revolver bear interest at per annum rates equal to, at the Company's option, either (i) London Interbank Offered Rate ("LIBOR") plus an applicable margin for LIBOR loans, or (ii) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the highest of (a) the federal funds rate plus 0.5%, (b) the Wells Fargo prime rate and (c) one-month LIBOR plus 1.0%. The applicable margin is calculated based on a pricing grid that in each case is linked to quarterly average excess availability. For LIBOR Loans, the applicable margin ranges from 1.00% to 1.25%, and for base rate loans it ranges from 0.00% to 0.25%. The Company also pays a commitment fee of 0.25% per annum of the actual daily amount of the unutilized revolving loans. The interest on the June 2015 Wells Fargo Revolver is payable in quarterly installments ending on the maturity date. On May 26, 2017, the Company entered into an amendment to the June 2015 Wells Fargo Revolver (the "2017 Wells Amendment"), increasing the aggregate revolving credit facility to $135.0 million and extending the maturity date to the earlier of May 26, 2022 or 90 days prior to the maturity of the 2015 Golub Term Loan, which is currently scheduled to mature on June 29, 2021. The amount outstanding under the June 2015 Wells Fargo Revolver as of June 30, 2018 and March 31, 2018 was $30.7 million and $21.0 million, respectively. Total interest expense incurred in the thirteen weeks ended June 30, 2018 on the June 2015 Wells Fargo Revolver was $0.5 million and the weighted average interest rate for the thirteen weeks ended June 30, 2018 was 3.1%. Total interest expense incurred in the thirteen weeks ended July 1, 2017 on the June 2015 Wells Fargo Revolver was $0.4 million and the weighted average interest rate for the thirteen weeks ended July 1, 2017 was 2.2%.

Borrowings under the 2015 Golub Term Loan bear interest at per annum rates equal to, at the Company's option, either (a) LIBOR plus an applicable margin for LIBOR loans with a LIBOR floor of 1.0%, or (b) the base rate plus an applicable margin for base rate loans. The base rate is calculated as the greater of (i) the higher of (x) the prime rate and (y) the federal funds rate plus 0.5% and (ii) the sum of one-month LIBOR plus 1.0%. The applicable margin is 4.5% for LIBOR Loans and 3.5% for base rate loans. The principal and interest on the 2015 Golub Term Loan is payable in quarterly installments ending on June 29, 2021, the maturity date. Quarterly principal payments of $500,000 are due for each quarter; however, on June 2, 2017, the Company prepaid $10.0 million on the 2015 Golub Term Loan, which included all of the required quarterly principal payments until the maturity date of the loan. On May 15, 2018, the Company made an additional $10.0 million prepayment on the 2015 Golub Term Loan. Total interest expense incurred in the thirteen weeks ended June 30, 2018 on the 2015 Golub Term Loan was $3.1 million and the weighted average interest rate for the thirteen weeks ended June 30, 2018 was 6.8%. Total interest expense incurred in the thirteen weeks ended July 1, 2017 on the 2015 Golub Term Loan was $2.8 million and the weighted average interest rate for the thirteen weeks ended July 1, 2017 was 5.6%.

All obligations under each of the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver are unconditionally guaranteed by the Company and each of its direct and indirect domestic subsidiaries (other than certain immaterial subsidiaries) which are not named as borrowers under the 2015 Golub Term Loan or the June 2015 Wells Fargo Revolver, as applicable.

The priority with respect to collateral under each of the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver is subject to the terms of an intercreditor agreement among the lenders under the 2015 Golub Term Loan and the June 2015 Wells Fargo Revolver.

Table of Contents

Each of the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan contains customary provisions relating to mandatory prepayments, restricted payments, voluntary payments, affirmative and negative covenants, and events of default. In addition, the terms of the June 2015 Wells Fargo Revolver require the Company to maintain, on a consolidated basis, a Consolidated Fixed Charge Coverage Ratio of at least 1.00:1.00 during such times as a covenant trigger event shall exist. On May 26, 2017, the Company entered into an amendment to the 2015 Golub Term Loan (the “2017 Golub Amendment”). The 2017 Golub Amendment changed the maximum Consolidated Total Net Leverage Ratio requirements to 4.50:1.00 as of June 30, 2018, stepping down to 4.00:1.00 as of December 29, 2018 and for all subsequent periods. The June 2015 Wells Fargo Revolver and 2015 Golub Term Loan also require the Company to pay additional interest of 2.0% per annum upon triggering certain specified events of default set forth therein. For financial accounting purposes, the requirement for the Company to pay a higher interest rate upon an event of default is an embedded derivative. As of June 30, 2018, the fair value of these embedded derivatives was not significant. As of June 30, 2018, we were in compliance with the June 2015 Wells Fargo Revolver and the 2015 Golub Term Loan debt covenants.

Debt Issuance Costs and Debt Discount

Debt issuance costs totaling $1.0 million were incurred under the June 2015 Wells Fargo Revolver and 2017 Wells Amendment and are included as assets on the condensed consolidated balance sheets in prepaid expenses and other current assets. Total unamortized debt issuance costs were $0.5 million as of both June 30, 2018 and March 31, 2018. These amounts are being amortized to interest expense over the term of the June 2015 Wells Fargo Revolver.

Debt issuance costs and debt discount totaling $6.0 million were incurred under the 2015 Golub Term Loan and 2017 Golub Amendment and are included as a reduction of the current and non-current note payable on the condensed consolidated balance sheets. Total unamortized debt issuance costs and debt discount were $3.0 million and $3.3 million as of June 30, 2018 and March 31, 2018, respectively. These amounts are being amortized to interest expense over the term of the 2015 Golub Term Loan.

The following sets forth the balance sheet information related to the term loan:

(in thousands)	June 30, 2018	March 31, 2018
Term Loan	$ 176,500	$ 186,500
Unamortized value of the debt issuance costs and debt discount	(3,038)	(3,300)
Net carrying value	$ 173,462	$ 183,200

Total amortization expense of $0.3 million related to the June 2015 Wells Fargo Revolver and 2015 Golub Term Loan is included as a component of interest expense in both the thirteen weeks ended June 30, 2018 and July 1, 2017.

Aggregate Contractual Maturities

Aggregate contractual maturities for the Company’s long-term debt as of June 30, 2018 are as follows:

Fiscal Year		(in thousands)
2019	$	—
2020		—
2021		—
2022		176,500
2023		—
Total	$	176,500

Table of Contents

6. Stock-Based Compensation

Equity Incentive Plans

On January 27, 2012, the Company approved the 2011 Equity Incentive Plan (the “2011 Plan”). The 2011 Plan authorized the Company to issue options to employees, consultants and directors exercisable for up to a total of 3,750,000 shares of common stock. As of June 30, 2018, all awards granted by the Company under the 2011 Plan have been nonqualified stock options. Options granted under the 2011 Plan have a life of 10 years and vest over service periods of five years or in connection with certain events as defined by the 2011 Plan.

On October 19, 2014, the Company approved the 2014 Equity Incentive Plan, which was amended as of August 24, 2016 (as amended, the “2014 Plan”). Following the approval of the 2014 Plan, no further grants have been made under the 2011 Plan. The 2014 Plan authorizes the Company to issue awards to employees, consultants and directors for up to a total of 3,600,000 shares of common stock. As of June 30, 2018, all awards granted by the Company under the 2014 Plan to date have been nonqualified stock options, restricted stock awards or restricted stock units. Options granted under the 2014 Plan have a life of eight years and vest over service periods of four or five years or in connection with certain events as defined by the 2014 Plan. Restricted stock awards granted vest over one or four years, as determined by the Compensation Committee of our board of directors. Restricted stock units vest over service periods of one, four or five years, as determined by the Compensation Committee of our board of directors.

Non-Qualified Stock Options

During the thirteen weeks ended June 30, 2018, the Company granted certain members of management options to purchase a total of 254,392 shares under the 2014 Plan. The total grant date fair value of stock options granted during the thirteen weeks ended June 30, 2018 was $2.3 million, with a grant date fair value of $8.90 per share. The Company is recognizing the expense relating to these stock options on a straight-line basis over the four-year service period of the awards. The exercise price of these awards is $23.92 per share.

During the thirteen weeks ended July 1, 2017, the Company granted certain members of management options to purchase a total of 387,615 shares under the 2014 Plan. The total grant date fair value of stock options granted during the thirteen weeks ended July 1, 2017 was $0.8 million, with a grant date fair value of $2.11 per share. The Company is recognizing the expense relating to these stock options on a straight-line basis over the five-year service period of the awards. The exercise price of these awards is $6.15 per share.

The stock option awards discussed above were measured at fair value on the grant date using the Black-Scholes option valuation model. Key input assumptions used to estimate the fair value of stock options include the exercise price of the award, the expected option term, expected volatility of the Company's stock price over the option's expected term, the risk-free interest rate over the option's expected term and the Company's expected annual dividend yield, if any. The Company will issue shares of common stock when the options are exercised.

The fair values of stock options granted during the thirteen weeks ended June 30, 2018 and July 1, 2017 were estimated on the grant dates using the following assumptions:

	Thirteen Weeks Ended	
	June 30, 2018	July 1, 2017
Expected option term(1)	5.3 years	5.5 years
Expected volatility factor(2)	36.1 %	34.0 %
Risk-free interest rate(3)	2.8 %	1.8 %
Expected annual dividend yield	0.0 %	0.0 %

(1) The Company has limited historical information regarding expected option term. Accordingly, the Company determined the expected life of the options using the simplified method.

Table of Contents

(2) Stock volatility for each grant is measured using the weighted average of historical daily price changes of the Company's competitors' common stock over the most recent period equal to the expected option term of the Company's awards.
(3) The risk-free interest rate is determined using the rate on treasury securities with the same term.

Intrinsic value for stock options is defined as the difference between the market price of the Company's common stock on the last business day of the fiscal quarter and the weighted average exercise price of in-the-money stock options outstanding at the end of each fiscal period.

The following table summarizes the stock award activity for the thirteen weeks ended June 30, 2018:

	Stock Options	Grant Date Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value