

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): January 13, 2020

Citi Trends, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

000-51315
(Commission File Number)

52-2150697
(IRS Employer Identification No.)

104 Coleman Boulevard, Savannah, Georgia
(Address of principal executive offices)

31408
(Zip Code)

Registrant's telephone number, including area code: (912) 236-1561

Former name or former address, if changed since last report: Not applicable

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (See General Instruction A.2 below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock, \$0.01 par value	CTRN	Nasdaq Stock Market

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02. Results of Operations and Financial Condition.

On January 13, 2020, Citi Trends, Inc. (the “Company”) issued a press release reporting its unaudited sales results for November and December 2019 (the “Press Release”). A copy of the Press Release is attached to this Current Report on Form 8-K (“Current Report”) as Exhibit 99.1, the contents of which are incorporated herein solely for purposes of this Item 2.02 disclosure by this reference.

The information contained in this Item 2.02, including the Press Release attached to this Current Report, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of such section. The information in this Item 2.02, including the Press Release, shall not be incorporated by reference into any filings under the Securities Act of 1933, as amended (the “Securities Act”), or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 5.02. Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

On January 13, 2020, the Company announced that Stuart C. Clifford, Senior Vice President and Chief Financial Officer, will retire effective as of March 29, 2020. The Company has initiated a search for a new Chief Financial Officer and will consider both external and internal candidates.

A copy of the Press Release announcing the retirement of Mr. Clifford is filed as Exhibit 99.1 to this Current Report on Form 8-K, and the portion of the Press Release relating to such retirement is incorporated herein by reference.

Item 7.01. Regulation FD Disclosure.

On January 13, 2020, in advance of a presentation by Company’s management at the ICR conference on January 14, 2020 in Grande Lakes Orlando, Florida, the Company released an updated investor presentation (the “Presentation”). A copy of the Presentation is attached hereto as Exhibit 99.2, the contents of which are incorporated herein solely for purposes of this Item 7.01 disclosure by this reference. The Presentation is also accessible via a link posted in the Investor Relations section of the Company’s website: <https://ir.cititrends.com>.

The information contained in this Item 7.01, including the related information set forth in the Presentation, is being furnished and shall not be deemed “filed” for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities of such section. The information in this Item 7.01, including the Presentation, shall not be incorporated by reference into any filings under the Securities Act or the Exchange Act, except as shall be expressly set forth by specific reference in any such filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

<u>Exhibit No.</u>	<u>Description</u>
99.1	Press Release dated January 13, 2020
99.2	Investor Presentation

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.

CITI TRENDS, INC.

Date: January 13, 2020

By: /s/ Stuart C. Clifford

Name: Stuart C. Clifford

Title: Senior Vice President and Chief Financial Officer

CITI TRENDS ANNOUNCES 2019 HOLIDAY SALES RESULTS AND PLANNED RETIREMENT OF CFO

Comparable store sales increase 3.6% for the first two months of the fourth quarter

Interim CEO, Peter Sachse, to present at the ICR Conference on January 14, 2020

Investor presentation updated to include additional information regarding Citi Trends' long-term goals

SAVANNAH, GA (January 13, 2020) — Citi Trends, Inc. (NASDAQ: CTRN) today reported unaudited sales for the first two months of the fourth quarter of fiscal 2019, in advance of its investor presentation at the ICR Conference in Orlando, Florida on January 14, 2020.

Holiday Sales – November and December 2019

Total sales in the first two months of the fourth quarter of fiscal 2019 increased 5.4% to \$170.5 million compared with \$161.9 million in the same period of 2018. Comparable store sales increased 3.6% during the two-month period.

Peter Sachse, Interim Chief Executive Officer, commented, “We were pleased with a 3.6% increase in comparable store sales during the holiday season, as our continued strategic shift towards non-apparel merchandise proved to be successful. We are achieving this sales growth on much less inventory, resulting in very current merchandise levels. We enter the new year well-positioned to grow Citi Trends’ business and I look forward to discussing our strategic priorities at the ICR Conference on January 14th.”

Chief Financial Officer Retirement

The Company also announced that Stuart C. Clifford, Senior Vice President and Chief Financial Officer, plans to retire effective March 29, 2020. As part of the succession planning for Mr. Clifford’s retirement, Jason B. Moschner has been promoted to Vice President, Finance. Mr. Moschner joined Citi Trends in June 2017 and has served in several roles in the Company’s finance organization, most recently as Director of Finance. The Company has initiated a search for a new Chief Financial Officer and will consider both external and internal candidates.

Long-Term Strategic Planning

Citi Trends continues to execute on its strategic initiatives that were first outlined publicly in the second quarter of 2019. The Company has revised its investor presentation to include updates on the execution of these initiatives as well as provide other updates based on the Company’s ongoing review of its three-year strategic plan. Such presentation includes the following information, among other things:

citetrends.com 104 Coleman Blvd. Savannah, GA 31408 P: 912.236.1561



January 13, 2020

- Merchandising, marketing, planning and allocation initiatives to drive sales, gross margin and inventory turnover
- New store growth plans – ~ 30 per year (~ 5% unit growth per year)
- Investments in major remodels for existing stores – ~ 50 per year
- Systems initiatives, particularly in support of merchandising, planning and allocation
- Projects to improve supply chain performance
- Improve inventory turnover 8% to 10% each year
- Increase earnings per share at a compounded annual growth rate of 20% to 25%
- Generate annual free cash flow* of \$20 million to \$25 million
- Return of excess capital to shareholders

The presentation is being filed with the SEC on Form 8-K today and will also be available in the Investor Relations section of the Company's website. This presentation will be referenced by management at the ICR Conference.

*Forward-looking non-GAAP financial measure. See investor presentation for additional information regarding this measure.

Capital Return Program

As announced on November 26, 2019, the Company's Board of Directors authorized another \$25 million share repurchase program. Since that announcement, the Company has repurchased shares at a total cost of approximately \$13 million, and since the beginning of 2019, the Company has returned approximately \$26 million to its shareholders in the form of share repurchases and dividends. Since Citi Trends initiated its capital return program in 2015, the Company has returned approximately \$120 million to its shareholders in the form of share repurchases and dividends.

About Citi Trends

Citi Trends, Inc. is a value-priced retailer of urban fashion apparel and accessories for the entire family. The Company operates 566 stores located in 33 states. Citi Trends' website address is www.cititrends.com. CTRN-G

Forward-Looking Statements

All statements other than historical facts contained in this news release, including statements regarding the Company's future financial results and position, business policy and plans, objectives of management for future operations and our intentions and ability to pay dividends and complete any share repurchase authorizations, are forward-looking statements that are subject to material risks and uncertainties. The words "believe," "may," "could," "plans," "estimate," "continue," "anticipate," "intend," "expect," "upcoming," "trend" and similar expressions, as they relate to the Company, are intended to identify forward-looking statements, although not all forward-looking statements contain such language. Statements with respect to earnings, sales or new store guidance are forward-looking statements. Investors are cautioned that any such forward-looking statements are subject to the finalization of the Company's quarter-end financial and accounting procedures, are not guarantees of future performance or results and are inherently subject to risks and uncertainties, some of which cannot be predicted or quantified. Actual results or developments may differ materially from those included in the forward-looking statements as a result of various factors which are discussed in the Company's filings with the Securities and Exchange Commission, including those set forth under the heading "Item 1A. Risk Factors" in the Company's Form 10-K for the fiscal year ended February 2, 2019. These risks and uncertainties include, but are not limited to, uncertainties relating to economic conditions, growth risks, consumer spending patterns, competition within the industry, competition in our markets and the ability to anticipate and respond to fashion trends. Any forward-looking statements by the Company, with respect to guidance, the Company's intention to declare and pay dividends, the repurchase of shares pursuant to a share repurchase program, or otherwise, are intended to speak only as of the date such statements are made. Except as required by applicable law, including the securities laws of the United States and the rules and regulations of the Securities and Exchange Commission, the Company does not undertake to publicly update any forward-looking statements in this news release or with respect to matters described herein, whether as a result of any new information, future events or otherwise.

Contact: Peter R. Sachse
Interim Chief Executive Officer
(912) 443-3110



CITI TRENDS

ICR CONFERENCE
January 2020





Cautionary Note about Forward-Looking Statements

This presentation contains “forward-looking statements” within the meaning of the federal securities laws and is intended to qualify for the Safe Harbor from liability established by the Private Securities Litigation Reform Act of 1995, including statements regarding expected sales and future financial results and position, the outlook for Citi Trends’ markets and the demand for its products. These projections and statements are based on management’s estimates and assumptions with respect to future events and financial performance and are believed to be reasonable, though are inherently uncertain and difficult to predict. Actual results could differ materially from those projected as a result of certain factors. A discussion of factors that could cause results to vary is included in the section entitled “Risk Factors” in the Company’s most recent Annual Report on Form 10-K filed with the Securities and Exchange Commission. Except as required by applicable law, the Company does not undertake to publicly update any forward-looking statements in this presentation.

PRESENTERS

Peter Sachse, *Interim CEO*

- 39 years in retail
- 34 years with Macy's
- CGO, CMO, CSO, CEO – Macys.com, Chief of Business Development
- Launched Backstage, Macy's off price concept

Lisa Powell, *Chief Merchandising Officer*

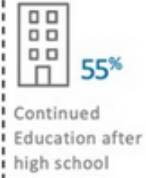
- 30 years in retail
- 20 years at TJX (positions in Merchandising and Planning)
- 2 years at Saks Off Fifth (Men's, Ladies and Kids)
- Prior 5 years – VP/GMM Century 21

Jason Moschner, *VP, Finance*

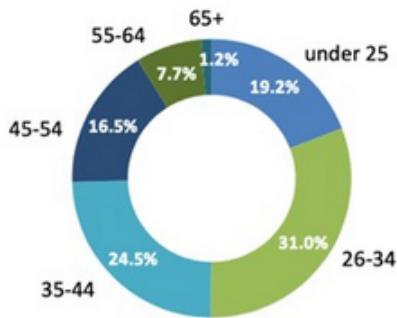
- 10 years in retail
- 3 years at Citi Trends; 7 years at a multi-unit consumer finance company
- Responsibilities have included accounting, finance, internal audit, LP, investor relations, taxes
- Certified public accountant

COMPANY OVERVIEW

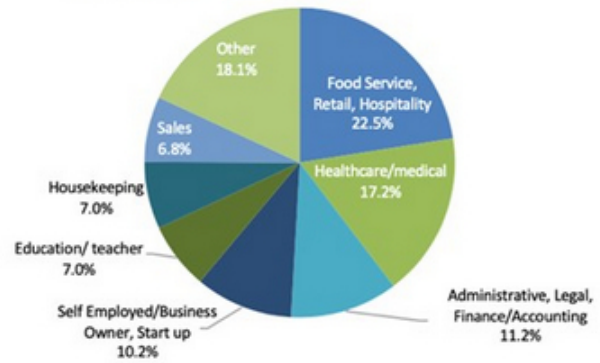
WHO IS OUR CUSTOMER



Age



Occupation





COMPANY OVERVIEW

JAQUELINE

Passion, Purchase, Repeat

Jaqueline **“loves me some Citi Trends”** and has for almost 10 years. It’s her favorite store and her second home. She knows everyone there and they know her. She will definitely spend more at CT this year **“especially if they keep the freshness coming.”** This is more than a store for her, it’s part of her community and she appreciates CT’s African American representation. She considers herself blessed to be making more money and able to spend more on her kids

Net Promoter Score



Age

34

Relationship Status

In a Relationship

Shopping Frequency

Weekly

At least once a week

of People in her Household

3

\$30,000

Average annual household income

\$60

Average Spend

1 hr

Average Time Spent/Visit



Administrator in Human Resources at a Florida Hospital

“If my Citi Trends store closes, I’ll find another one.. Every state I travel to... I find a Citi Trends! LOL”

Source: The Grayson Company Web Survey (July 2019)

*Based on 176 respondents

COMPANY OVERVIEW

OUR UNIQUE POSITION

- Stores positioned well within the community...73% of customers within 15 minute drive
- Have a dominant position with the African American customers that we serve
- High frequency of visits
- Young demographic
- More than a store, a place where everyone is welcome
- We commit to and invest in our communities, we hire our customers



COMPANY OVERVIEW



2018

- \$770M revenue
- \$25M EBIT
- \$1.64 EPS



STORES

- 566 stores
- In 33 states
- Regional strength in the Southeast



PRIMARY CUSTOMER

- African American
- \$50k or less annual household income
- 55% between ages of 26-44



SHOPPING

- **Fashionable** product
- **Fresh** receipts
- **Friendly** associates
- **Fun** to shop
- **Fair** in everything we do

COMPANY OVERVIEW

4 Year Sales and Store Count

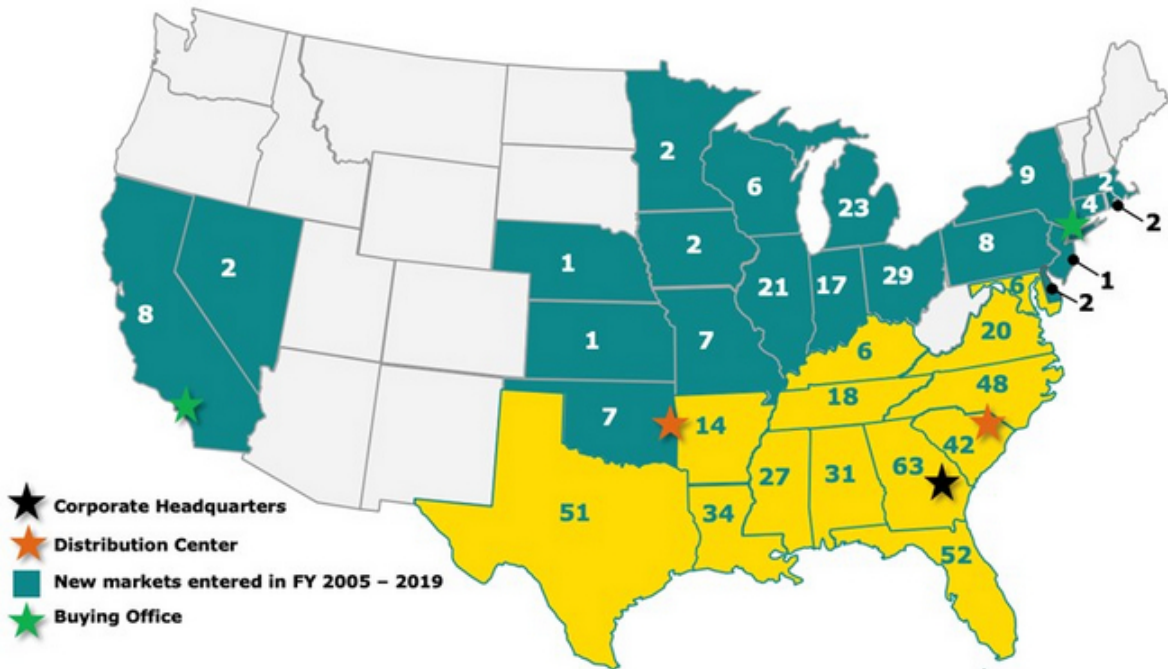


(1) Fiscal 2017 was a 53-week year
 (2) Compares 53 weeks ended 2/3/18 to 53 weeks ended 2/4/17
 (3) Compares 52 weeks ended 2/2/19 to 52 weeks ended 2/3/18

COMPANY OVERVIEW

STORE LOCATIONS

Existing store base of 566 locations



COMPANY OVERVIEW

FINANCIAL STRENGTH

- **Zero debt on the balance sheet**
- \$72 million of cash and investments as of Q3 2019; ~\$6.20 per share
- Since 2015, returned \$120 million to shareholders through repurchases and dividends
- \$0.32 annual dividend for a yield ~ 1.45%
- Expected annual free cash flow of \$20-25 million*



*Free cash flow is defined as net cash flow from operating activities less capital expenditures. This is a forward-looking non-U.S. GAAP financial measure. The Company has not provided a U.S. GAAP reconciliation of this measure because the items impacting this measure cannot be reasonably predicted or determined. As a result, such reconciliation is not available without unreasonable efforts and the Company is unable to determine the probable significance of the unavailable information.

3 YEAR GROWTH STRATEGY

What Success Looks Like

1

Drive top line to \$1.0B
by 2022 ~ 8.5% CAGR

2

Open ~ 30 new
stores/year....remodel
~ 50 stores/year

3

Drive comp store sales at
~ 3% CAGR

4

Expand
merchandise
margins by
70-80 BPS

5

Increase
inventory
turn by
8-10%/year

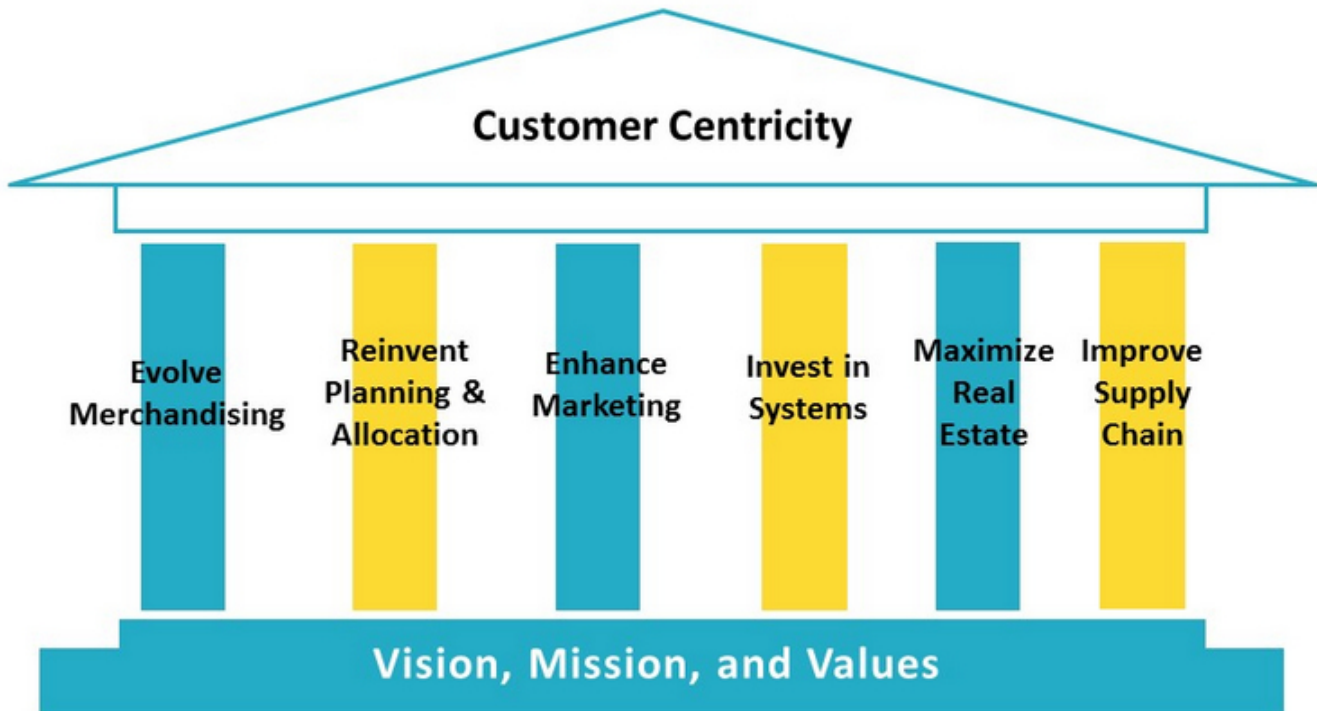
6

Drive EBIT
growth of
15-20%
CAGR

7

Drive EPS
growth of
20-25%
CAGR

3 YEAR GROWTH STRATEGY



3 YEAR GROWTH STRATEGY

Our Values

- Customer Obsessed
- Integrity Always
- Respect Everyone
- Results Matter
- Expect Excellence
- Give Back

Our Attributes

- Fashionable
- Fresh
- Friendly
- Fair
- Fun



STRATEGIC PILLARS FOR GROWTH

EVOLVE MERCHANDISING

- **Improve merchandise margins by 70-80 BPS**
- Keep assortments fresh with timely and impactful markdowns
- Test and react to new product trends
- Improve speed to market
- Deliver more brands, more value



STRATEGIC PILLARS FOR GROWTH

REINVENT PLANNING AND ALLOCATION

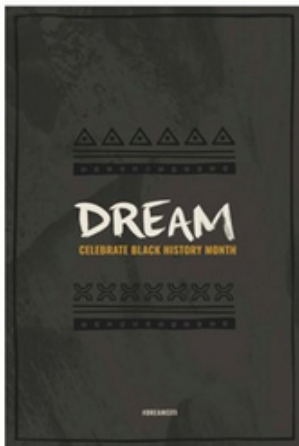
- **Achieve a 8-10%/year improvement in inventory turn**
- Develop and invest in merchandising, planning and allocation systems
- Become more data driven
- Right product, right store, right quantity, right time
- Implement a markdown optimization system



STRATEGIC PILLARS FOR GROWTH

ENHANCE MARKETING

- Use Marketing as a strategic tool
- Increase our social media and digital presence
- Increase investment
- Investigate a loyalty program
- Maximize Black History Month that will evolve throughout the years



STRATEGIC PILLARS FOR GROWTH

INVEST IN SYSTEMS

- **Significant technology opportunity**
- Enable better visibility, flexibility and usability
- Identify quick hits/short term fixes
- Ensure scalability
- Leverage existing retail solutions



STRATEGIC PILLARS FOR GROWTH

MAXIMIZE REAL ESTATE

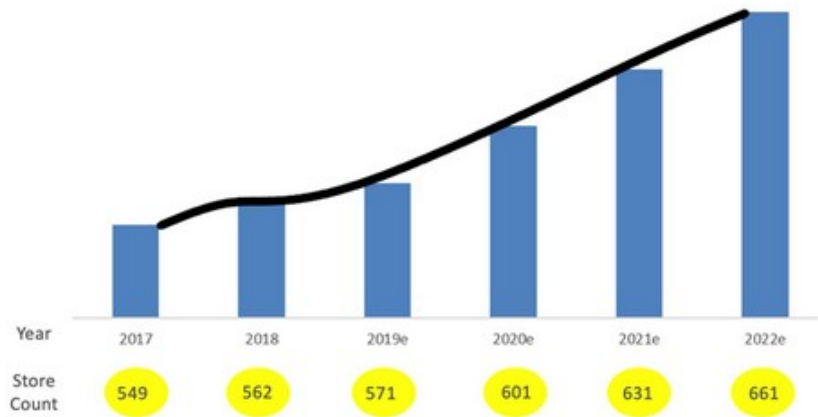
- **Open ~ 30 new stores per year**

- Avg. first year sales ~ \$1.35M
- Avg. cash flow ~ \$180K
- Avg. investment ~ \$377K
- First year ROI ~ 48%

- **Remodel ~ 50 stores per year**

- Accelerate non-apparel penetrations
- Upgrade fitting rooms
- Upgrade exterior signage
- Upgrade wall units, lighting and fixturing

Total Stores







PICK UP YOUR
LAYAWAY
BY
DEC
18

TOYS
\$5.99 -
\$12.99

FASHIONABLE FRIENDLY FRESH





STRATEGIC PILLARS FOR GROWTH

IMPROVE SUPPLY CHAIN

- **Improve distribution center productivity**
- Improve speed of inbound and outbound shipments
- Reduce transportation costs
- Long-term roadmap...capacity, geography, quantity





SUMMARY OF GROWTH STRATEGY

- 1 Drive top line to \$1.0B by 2022
~ 8.5% CAGR
- 2 Open ~ 30 New Stores/year
remodel ~ 50 stores/year
- 3 Drive comp store sales at ~ 3%
CAGR
- 4 Expand merchandise margins by
70-80 BPS
- 5 Increase annual turn by
8-10%/year
- 6 Drive EBIT growth of 15-20% CAGR
- 7 Drive EPS growth of 20-25% CAGR





CITI TRENDS

