

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): March 14, 2022

**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 1.01. Entry into a Material Definitive Agreement.**

On March 14, 2022, Citi Trends, Inc. (the “Company”) entered into an Agreement for Purchase and Sale of Real Property (the “Purchase Agreement”) with an affiliate of Oak Street Real Estate Capital, LLC (“Oak Street”), pursuant to which the parties agreed to consummate a sale and leaseback transaction (the “Sale and Leaseback Transaction”). Under the terms of the Purchase Agreement, the Company agreed to sell its distribution center located in Darlington, South Carolina (the “Darlington Property”) for a purchase price of \$37,136,400, and at the Company’s discretion, its distribution center located in Roland, Oklahoma (the “Roland Property”) for a purchase price of \$34,829,182, both of which are subject to upward adjustment by up to \$9,205,771 for the Darlington Property and up to \$1,400,500 for the Roland Property for the Company’s planned capital expenditures at each of the properties. The Company has 60 days following the execution of the Purchase Agreement to make the election to sell the Roland Property. Oak Street’s obligation to consummate the Sale and Leaseback Transaction is subject to due diligence and other customary closing conditions.

Upon the closing of the Sale and Leaseback Transaction, the Company will enter into long-term net leases with Oak Street (the “Leases”), pursuant to which the Company will lease the distribution centers from Oak Street. Pursuant to the Leases, the Company will lease back from Oak Street the Darlington Property at an initial annual base rent of approximately \$3.2 million for the first year (including capital expenditures), and if elected by the Company, the Roland Property at an initial annual base rent of approximately \$2.5 million for the first year (including capital expenditures). The rent is payable monthly in advance, with annual 2.00% increases. Each Lease will be for a twenty-year term and include six subsequent five-year renewal options.

The closing of the sale of the Darlington Property is expected to provide the Company with net proceeds (after tax and transaction-related costs) of approximately \$37 million, and the sale of the Roland Property, if elected by the Company, is expected to provide the Company with net proceeds (after tax and transaction-related costs) of approximately \$32 million. The Company intends to use the net proceeds from the Sale and Leaseback Transaction to provide additional liquidity and for other corporate purposes, including share repurchases as determined by the Company’s board of directors. The closing of the sale of the Darlington Property is expected to occur in the Company’s first quarter fiscal 2022, and if elected by the Company, the closing of the sale of the Roland Property is expected to occur in the Company’s second quarter fiscal 2022.

The foregoing description of the material terms of the Purchase Agreement is qualified in its entirety by reference to the full text of the Purchase Agreement, a copy of which will be filed as an exhibit to the Company’s Quarterly Report on Form 10-Q for the Company’s first quarter fiscal 2022.

The Press Release (defined below), as it relates to the Sale and Leaseback Transaction, is incorporated herein by reference.

**Item 2.01. Completion of Acquisition or Disposition of Assets.**

The information set forth in Item 1.01 is incorporated herein by reference.

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**Item 2.02. Results of Operations and Financial Condition.**

On March 15, 2022, the Company issued a press release reporting its financial results for the fourth quarter and fiscal year ended January 29, 2022 (the "Press Release"). A copy of the Press Release is attached to this Current Report on Form 8-K (the "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 8.01. Other Events.**

The Company announced on March 15, 2022 that the Company's board of directors approved another share repurchase program authorizing the Company to repurchase up to \$30 million of its shares of common stock (the "Share Repurchase Program"). Repurchases under the Share Repurchase Program may be made at management's discretion from time to time on the open market, in privately negotiated transactions or otherwise, in each case subject to compliance with all Securities and Exchange Commission rules and other legal requirements, and may be made in part under one or more Rule 10b5-1 plans, which permit stock repurchases at times when the Company might otherwise be precluded from doing so. The Press Release, as it relates to the Share Repurchase Program, is incorporated herein by reference.

**Item 9.01. Financial Statements and Exhibits.**

(d) Exhibits.

<b>Exhibit No.</b>	<b>Description</b>
<a href="#">99.1</a>	<a href="#">Press Release dated March 15, 2022.</a>
104	Cover Page Interactive Data File (embedded within the Inline XBRL document).

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**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: March 15, 2022

By: /s/ Pamela J. Edwards

Name: Pamela J. Edwards

Title: Executive Vice President, Chief Financial Officer

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## CITI TRENDS ANNOUNCES FOURTH QUARTER AND FISCAL 2021 RESULTS

*Q4 2021 total sales of \$241 million, an increase of 14.2% vs. Q4 2019*

*Q4 2021 gross margin of 40.4%, an increase of 70 bps vs. Q4 2019*

*Q4 2021 earnings per diluted share of \$1.16 compared to \$0.84 in Q4 2019*

*Fiscal 2021 total sales of \$991.6 million, an increase of 26.8% vs. Fiscal 2019*

*Fiscal 2021 earnings per diluted share of \$6.91 compared to \$1.41 in Fiscal 2019*

*Company enters into definitive agreement for a sale-leaseback transaction*

SAVANNAH, GA (March 15, 2022) — Citi Trends, Inc. (NASDAQ: CTRN), a growing specialty value retailer of apparel, accessories and home trends for way less spend primarily for African American and Latinx families in the United States, today reported results for the fourth quarter and full year ended January 29, 2022.

The Company is reporting the following operating results for the fourth quarter and full year 2021 relative to the same periods of 2019 due to the uniquely challenging operating environment in 2020 resulting from the COVID-19 pandemic.

**Financial Highlights – Fourth Quarter 2021**

- Total sales increased 14.2% vs. Q4 2019
- Comparable store sales increased 9.2% vs. Q4 2019
- Gross margin increased 70 bps to 40.4% compared to 39.7% in Q4 2019
- Operating margin was 5.2% compared to 1.4% in Q4 2019
- Earnings per diluted share was \$1.16 compared \$0.84 in Q4 2019
- Quarter-end total inventory decreased 10.4% vs. Q4 2019

CITI TRENDS (CTRN) <i>(in thousands, except per share data)</i>	Fourth Quarter			Fourth Quarter
	2021	2020	2019	2021 vs 2019
Net sales	\$ 240,974	\$ 251,919	\$ 211,013	+14.2%
Comparable store sales	-6.2%	+16.7%	+3.1%	+9.2%
Gross margin	40.4%	42.7%	39.7%	+70 bps
Operating income	\$ 12,577	\$ 23,699	\$ 11,254	+\$1,323
Operating margin	5.2%	9.4%	1.4%	+380 bps
Net income	\$ 9,839	\$ 18,038	\$ 9,422	+\$417
Diluted earnings per share	\$ 1.16	\$ 1.81	\$ 0.84	+\$0.32
Open stores - end of period	609	585	571	+6.7%

## **Financial Highlights – Full Year 2021**

- Total sales increased 26.8% vs. 2019
- Comparable store sales increased 22.2% vs. 2019
- Gross margin increased 310 bps to 41.1% compared to 38.0% in 2019
- Operating margin was 8.0% compared to 2.4% in 2019
- Earnings per diluted share was \$6.91 compared to \$1.41 in 2019
- Opened 27 new stores and remodeled 25 stores during the year

<b>CITI TRENDS (CTRN)</b> <i>(in thousands, except per share data)</i>	<b>Fiscal Year</b>			<b>Fiscal Year</b>
	<b>2021</b>	<b>2020<sup>1</sup></b>	<b>2019</b>	<b>2021 vs 2019</b>
Net sales	\$ 991,595	\$ 783,294	\$ 781,925	+26.8%
Comparable store sales	+25.1%	-2.1%	-0.1%	+22.2%
Gross margin	41.1%	39.8%	38.0%	+310 bps
Operating income	\$ 79,517	\$ 31,933	\$ 18,549	+\$60,968
Operating margin	8.0%	4.1%	2.4%	+560 bps
Net income	\$ 62,240	\$ 23,978	\$ 16,503	+\$45,737
Diluted earnings per share	\$ 6.91	\$ 2.32	\$ 1.41	+\$5.50
Open stores - end of period	609	585	571	+6.7%

<sup>1</sup> In Fiscal 2020, the Company's stores were closed for approximately 16% of the total available store days.

### **Chief Executive Officer Comments**

David Makuen, Chief Executive Officer, commented, "We closed out a strong year for Citi Trends with meaningful progress on our transformation strategies. We grew our top line, expanded gross margin, leveraged expenses, opened 27 new stores and remodeled 25 stores during the year. These results, coupled with our share repurchase program, increased our earnings per share for fiscal 2021 by nearly 400% compared to fiscal 2019. I am proud of our Buy, Move, Sell and Support teams that executed at a very high level in 2021 during an uncertain and dynamic operating environment."

Makuen continued, "In 2022, we are excited to continue executing our strategic growth priorities that began in 2019 with an extreme focus on optimizing our product mix, upgrading our in-store experience and investing in growth via new stores and infrastructure improvements. With tremendous newness in our 609 stores, our first fiscal quarter to date sales trend is improving as compared to January when our sales were negatively impacted by the sharp spike in COVID-19 cases from the Omicron variant. As we lap an extraordinary first quarter of fiscal 2021 when the March government stimulus contributed to a total sales increase of 39% vs. Q1 2019, we are planning first quarter 2022 total sales to be down 25-30% vs. the same period last year. Once we exit the first quarter, we expect our sales to accelerate as the year progresses. Our three-year strategic growth plan remains intact fueled by this year's CTx remodel program, the expected addition of approximately 35 new stores and the launch of expanded and new product assortments, all of which will continue into 2023 and 2024."

### **Capital Return Program Update**

In the fourth quarter of 2021, the Company repurchased approximately 95,000 shares of its common stock at an aggregate cost of \$8.1 million. For fiscal 2021, the Company repurchased approximately 1,370,000 shares of its common stock at an aggregate cost of \$115.3 million. At the end of fiscal 2021, \$30.0 million remained available under the Company's existing share repurchase authorization.

The Company underwent a comprehensive evaluation of its owned real estate. As a result, the Company has entered into an agreement to execute a sale-leaseback of its distribution center located in Darlington, SC for a purchase price of approximately \$45 million, subject to due diligence and other customary closing conditions. In addition, the Company retained an option to enter into a similar sale-leaseback for its distribution center located in Roland, OK for a purchase price of approximately \$35 million pending the result by the Company of a network optimization study. The Company intends to use the net proceeds from these transactions to provide additional liquidity and for other corporate purposes, including share repurchases as determined by the Company's board of directors. In connection with these sale-leaseback transactions, the Company's board of directors today announced the authorization of an additional \$30.0 million for share repurchases.

## **Guidance**

Fiscal 2022 is difficult to predict as the Company is up against last year's largest government stimulus and the lifting of COVID-19 restrictions that led to a surge in consumer demand, particularly in the first quarter of fiscal 2021. In addition, the country is currently experiencing unprecedented inflationary pressures which are especially impactful to the Company's core customers. Furthermore, rising wage rates and increases in supply chain expenses continue from last year. As a result of these macro factors, the Company is updating its guidance. This guidance excludes any impact from the Company's sale-leaseback transactions or any potential share repurchases.

- First quarter fiscal 2022 total sales decrease of 25-30% as compared to an increase of 39% in the first quarter of fiscal 2021 vs. first quarter of fiscal 2019
- First quarter fiscal 2022 diluted earnings per share of \$0.15 to \$0.40
- Combined second through fourth quarter fiscal 2022 total sales to increase low-to-mid single digits as compared to an increase of 22% for the same period in 2021 vs. 2019; at the midpoint of guidance, this represents an increase in total sales of 25% to 2019
- Combined second through fourth quarter fiscal 2022 diluted earnings per share of \$3.90 to \$4.20; at the midpoint of guidance, this represents an increase of 14% vs. the same period in 2021
- Fiscal 2022 diluted earnings per share of \$4.05 to \$4.60, compared to \$6.91 in fiscal 2021 and \$1.41 in fiscal 2019
- Expects to open approximately 35 new stores and remodel approximately 50 stores during fiscal 2022
- As of fiscal 2023 and beyond, the Company expects to generate at least 20% year on year earnings per share and operating income growth

## **Investor Conference Call and Webcast**

Citi Trends will host a conference call today at 9:00 a.m. ET. The number to call for the live interactive teleconference is (212) 231- 2906. A replay of the conference call will be available until March 22, 2022, by dialing (402) 977-9140 and entering the passcode, 22015507.

The live broadcast of Citi Trends' conference call will be available online at the Company's website, [cititrends.com](https://www.cititrends.com), under the Investor Relations section, beginning today at 9:00 a.m. ET. The online replay will follow shortly after the call and will be available for replay for one year.

During the conference call, the Company may discuss and answer questions concerning business and financial developments and trends that have occurred after quarter-end. The Company's responses to questions, as well as other matters discussed during the call, may contain or constitute information that has not been disclosed previously.

## **About Citi Trends**

Citi Trends, Inc. is a growing specialty value retailer of apparel, accessories and home trends for way less spend primarily for African American and Latinx families in the United States. The Company operates 609 stores located in 33 states. For more information, visit [cititrends.com](https://www.cititrends.com) or your local store.

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## **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 and expectations of management for future operations and capital allocation expectations, are forward-looking statements that are subject to material risks and uncertainties. The words "believe," "may," "could," "plans," "estimate," "expects," "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 our Annual Reports and Quarterly Reports on Forms 10-K and 10-Q, respectively, and any amendments thereto, filed with the Securities and Exchange Commission. These risks and uncertainties include, but are not limited to, uncertainties relating to general economic conditions, including inflation, energy and fuel costs, unemployment levels, and any deterioration whether caused by acts of war, terrorism, political or social unrest (including any resulting store closures, damage or loss of inventory); changes in market interest rates and market levels of wages; natural disasters such as hurricanes; public health emergencies such as the ongoing COVID-19 pandemic and associated containment and remediation efforts, the potential negative impacts of COVID-19 on the global economy and foreign sourcing; the impacts of COVID-19 on the Company's financial condition, business operations and liquidity, including the re-closure of any or all of the Company's retail stores and distribution centers; transportation and distribution delays or interruptions; changes in freight rates; the Company's ability to attract and retain workers; the Company's ability to negotiate effectively the cost and purchase of merchandise inventory risks due to shifts in market demand; the Company's ability to gauge fashion trends and changing consumer preferences; consumer confidence and changes in consumer spending patterns; competition within the industry; competition in our markets; the duration and extent of any economic stimulus programs; changes in product mix; interruptions in suppliers' businesses; temporary changes in demand due to weather patterns; seasonality of the Company's business; delays associated with building, opening and operating new stores; and delays associated with building, and opening or expanding new or existing distribution centers. Any forward-looking statements by the Company, with respect to guidance, 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:  
Tom Filandro/Rachel Schacter  
ICR, Inc.  
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**CITI TRENDS, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (unaudited)**  
(in thousands, except per share data)

	<b>Fourth Quarter 2021</b>	<b>Fourth Quarter 2020</b>	<b>Fourth Quarter 2019</b>
	(unaudited)	(unaudited)	(unaudited)
Net sales	\$ 240,974	\$ 251,919	\$ 211,013
Cost of sales (exclusive of depreciation shown separately below)	(143,659)	(144,274)	(127,311)
Selling, general and administrative expenses	(79,563)	(79,269)	(67,654)
Depreciation	(5,175)	(4,677)	(4,794)
Income from operations	12,577	23,699	11,254
Interest income	7	3	363
Interest expense	(106)	(43)	(41)
Income before income taxes	12,478	23,659	11,576
Income tax expense	(2,639)	(5,621)	(2,154)
Net income	<u>\$ 9,839</u>	<u>\$ 18,038</u>	<u>\$ 9,422</u>
Basic net income per common share	<u>\$ 1.17</u>	<u>\$ 1.83</u>	<u>\$ 0.84</u>
Diluted net income per common share	<u>\$ 1.16</u>	<u>\$ 1.81</u>	<u>\$ 0.84</u>
Weighted average number of shares outstanding			
Basic	<u>8,404</u>	<u>9,872</u>	<u>11,202</u>
Diluted	<u>8,516</u>	<u>9,969</u>	<u>11,271</u>
	<b>Fiscal 2021</b>	<b>Fiscal 2020<sup>1</sup></b>	<b>Fiscal 2019</b>
	(unaudited)	(unaudited)	(unaudited)
Net sales	\$ 991,595	\$ 783,294	\$ 781,925
Cost of sales (exclusive of depreciation shown separately below)	(584,063)	(471,618)	(484,740)
Selling, general and administrative expenses	(307,622)	(260,198)	(259,629)
Depreciation	(20,393)	(19,259)	(18,535)
Asset impairment	-	(286)	(472)
Income from operations	79,517	31,933	18,549
Interest income	31	238	1,577
Interest expense	(306)	(776)	(158)
Income before income taxes	79,242	31,395	19,968
Income tax expense	(17,002)	(7,417)	(3,465)
Net income	<u>\$ 62,240</u>	<u>\$ 23,978</u>	<u>\$ 16,503</u>
Basic net income per common share	<u>\$ 6.98</u>	<u>\$ 2.33</u>	<u>\$ 1.41</u>
Diluted net income per common share	<u>\$ 6.91</u>	<u>\$ 2.32</u>	<u>\$ 1.41</u>
Weighted average number of shares outstanding			
Basic	<u>8,912</u>	<u>10,283</u>	<u>11,674</u>
Diluted	<u>9,013</u>	<u>10,325</u>	<u>11,699</u>

<sup>1</sup> In Fiscal 2020, the Company's stores were closed for approximately 16% of the total available store days during the year due to the impact of COVID-19

**CITI TRENDS, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS (unaudited)**  
**(in thousands)**

	<u>2021</u>	<u>2020</u>
	(unaudited)	(unaudited)
<b>Assets:</b>		
Cash and cash equivalents	\$ 49,788	\$ 123,177
Inventory	123,835	103,845
Prepaid and other current assets	18,984	17,420
Property and equipment, net	75,282	63,514
Operating lease right of use assets	201,827	179,673
Other noncurrent assets	4,309	6,964
<b>Total assets</b>	<u>\$ 474,025</u>	<u>\$ 494,593</u>
<b>Liabilities and Stockholders' Equity:</b>		
Accounts payable	\$ 98,879	\$ 84,832
Accrued liabilities	40,428	45,907
Current operating lease liabilities	47,803	46,983
Other current liabilities	364	5,123
Noncurrent operating lease liabilities	168,304	145,828
Other noncurrent liabilities	2,104	2,286
<b>Total liabilities</b>	<u>357,882</u>	<u>330,959</u>
<b>Total stockholders' equity</b>	<u>116,143</u>	<u>163,634</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 474,025</u>	<u>\$ 494,593</u>