

**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 14, 2019**

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))

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 14, 2019, Citi Trends, Inc. (the “Company”) issued a press release reporting its unaudited sales results for November and December 2018 and certain earnings guidance for the fourth quarter of fiscal 2018 (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 7.01. Regulation FD Disclosure.

On January 14, 2019, in advance of a presentation by Company’s management at the ICR conference on January 15, 2019 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 registration statement or other document pursuant to the Securities Act of 1933, as amended, or 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 14, 2019
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 14, 2019

By: /s/ Stuart C. Clifford
Name: Stuart C. Clifford
Title: Senior Vice President and Chief Financial Officer

CITI TRENDS ANNOUNCES 2018 HOLIDAY SALES RESULTS

SAVANNAH, GA (January 14, 2019) — Citi Trends, Inc. (NASDAQ: CTRN) today reported unaudited sales for the first two months of the fourth quarter of fiscal 2018, in advance of its investor presentation at the ICR Conference on January 15, 2019.

Holiday Sales — November and December 2018

Total sales in the first two months of the fourth quarter of 2018 decreased 1.9% to \$161.9 million compared with \$165.1 million in the same period of 2017. Comparing the nine weeks ended January 5, 2019 with the nine weeks ended January 6, 2018, comparable store sales decreased 0.7% during the two-month period, following a 4.8% increase in last year's fiscal November/December timeframe.

Total sales in the first 11 months of 2018 increased 3.1% to \$730.2 million compared with \$708.2 million in the same period of 2017. Comparable store sales increased 1.4% in the first 11 months of 2018, comparing the 48 weeks ended January 5, 2019 with the 48 weeks ended January 6, 2018.

Bruce Smith, President and Chief Executive Officer, commented, "Comparable store sales are up 1.4% for the 11 months year-to-date; however, similar in many respects to what we saw in the third quarter, fashion misses in November and December caused comparable store sales to decrease 0.7%. Importantly, we are on track to enter the spring season in a clean inventory position."

Based on the November/December sales results and expectations for the remainder of the fourth quarter of fiscal 2018, the Company has revised its diluted earnings per share guidance downward and now expects it to be in a range of \$0.54 to \$0.58 which, at its midpoint, would reflect a 47% increase from the \$0.38 earned in the fourth quarter of 2017. Full year fiscal 2018 guidance is in a range of \$1.60 to \$1.64 which, at its midpoint, represents a 57% increase from the \$1.03 earned in the full year fiscal 2017.

Capital Return Program

As announced on November 30, 2018, 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 \$12 million, and since the beginning of 2018, the Company has returned approximately \$41 million to its shareholders in the form of share repurchases and dividends.

Long-Term Strategic Planning

In connection with the Board of Directors' ongoing review and update of the Company's long-term strategic plan, the Company has updated its investor presentation to include

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additional information regarding growth opportunities, merchandising and operational initiatives and long-term goals. Such information includes, among other things:

- An update of the Company's long-term goals - annual store square footage growth of 4% to 5%, including a test of the opportunity in Hispanic-dominated markets, and \$4 of earnings per share within the next five years
- Systems initiatives, including store level merchandise planning and markdown optimization
- Projects to improve logistics and freight efficiencies
- 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 used by management at the ICR Conference.

About Citi Trends

Citi Trends, Inc. is a value-priced retailer of urban fashion apparel and accessories for the entire family. The Company operates 558 stores located in 32 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 our future financial results and position, business policy and plans, objectives of management for future operations, management's expectations and beliefs, and our intentions and ability to pay dividends and complete any share repurchase authorizations, are forward-looking statements within the meaning of the federal securities laws, including the Private Securities Litigation Reform Act of 1995, that are subject to material risks and uncertainties. The words "believe," "may," "could," "plans," "estimate," "continue," "anticipate," "intend," "expect" and similar expressions, as they relate to Citi Trends, are intended to identify forward-looking statements, although not all forward-looking statements contain such language. Statements with respect to earnings or sales guidance or long-term goals are forward-looking statements. Investors are cautioned not to place undue reliance on any forward-looking statements and 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 Citi Trends, Inc. filings with the Securities and Exchange Commission. 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 earnings or sales guidance, future performance or management's expectations, 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, Citi Trends 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: Bruce Smith
President and Chief Executive Officer
(912) 443-2075



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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, 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.

The Citi Trends Investment Opportunity



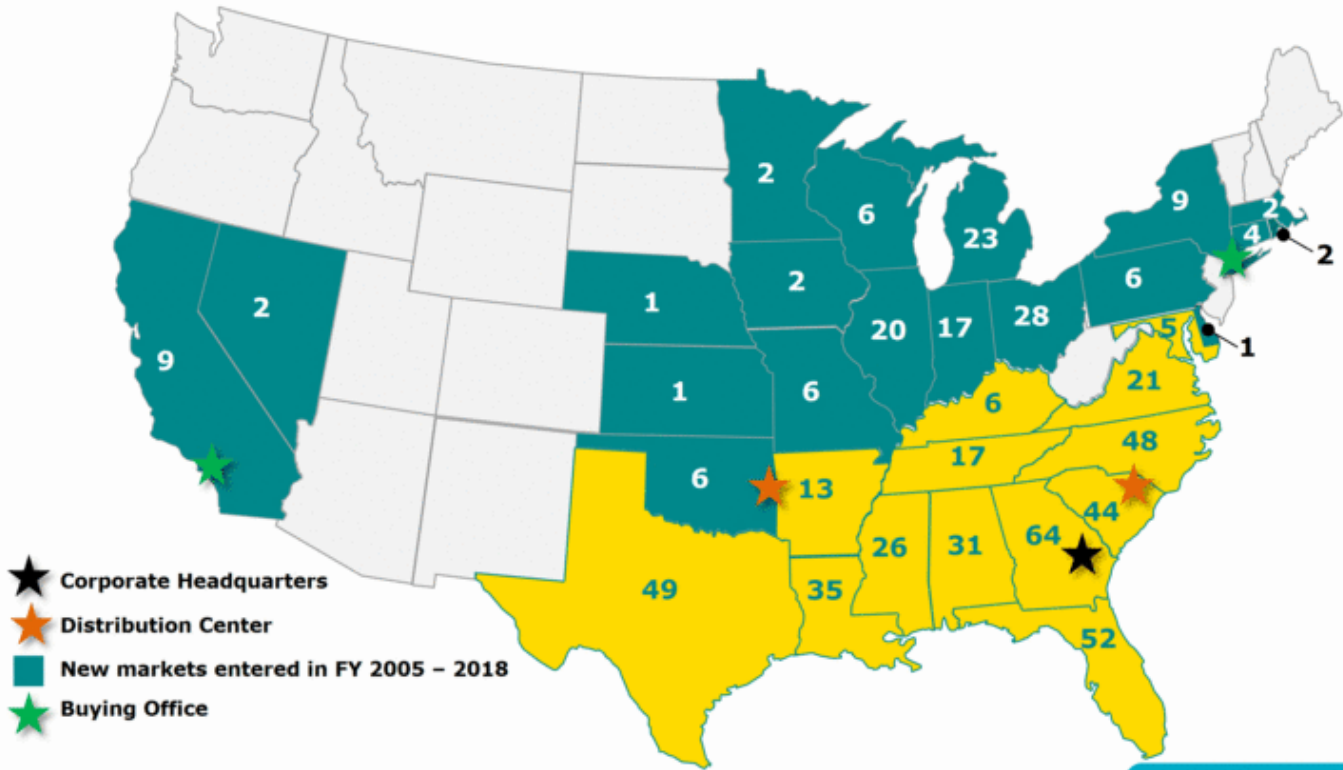
1. GROWTH
2. Merchandising Initiatives
3. Operational Initiatives
4. Commitment to Return Excess Capital to Shareholders

Company Overview

- Retailer of value-priced, urban fashion apparel and accessories
- Large customer base focused on trend-setting fashions at a value; 70% African American
- Differentiated apparel & non-apparel for the entire family
- Current fashions and brands that are 20% to 70% below mall and specialty store prices
- Specialty store feel, but with value pricing
- A degree of insulation against e-commerce
 - Low price points
 - Convenient locations
 - Buy-now; wear-now customer

Store Locations

Existing store base of 558 locations



The Citi Trends Customer

- Serving the under-served low-to-moderate income consumer
- Serving the entire family with apparel, footwear, accessories and home
- High focus on current fashions, but has to be at a value
- Spends a higher proportion of income on apparel than other consumers



Brands At Off-Price Values

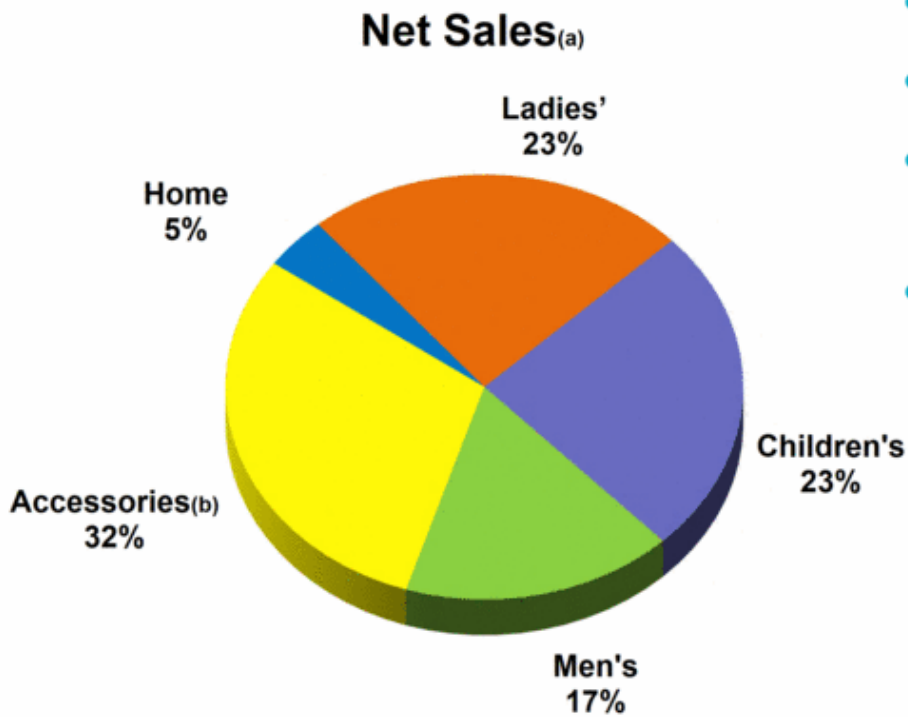


U.S. POLO ASSN.
SINCE 1890



Family-Focused Merchandise Offering

- Value-priced apparel
- Growth in non-apparel
- Destination focus for the entire family
- Differentiated from competitors



a) Fiscal 2017

b) Includes footwear, handbags, jewelry and other categories

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The Citi Trends Investment Opportunity



1. GROWTH
2. Merchandising Initiatives
3. Operational Initiatives
4. Commitment to Return Excess Capital to Shareholders

1. GROWTH



- Store base potential up to 800
 - Concept travels well – top 20 profitable stores are represented by 18 different cities
 - African American-dominant locations
 - Only 6 existing stores are 4-wall negative
 - 48% cash-on-cash ROI in year 1 for stores opened in the last four years
- 2019 test in Hispanic-dominant markets with appropriate mix
- 2019 test of expanded home category
- Relocations and expansions will continue opportunistically
 - 100 in last 10 years

Opportunity in Hispanic-Dominant Markets

- Already have Hispanic penetration in existing stores:
 - 36 existing stores with at least 40% Hispanic population within 3 miles
 - Sales in such stores are 10% higher than the Company average
 - 4-wall profit is virtually identical to the Company average
 - 200 existing stores have bilingual signage
- Opportunity is significant

2. Merchandising Initiatives

- Store-level planning by merchandise category
 - New ranking system allows for improved allocation at each level of the merchandise hierarchy
 - Management resources dedicated to store planning
 - First division on the system experienced 4% comparable store sales increase on 2% less inventory, with a 22 basis points improvement in gross margin
- Markdown optimization program – late 2019
- Apparel – fashion at a value
- Push limits of non-apparel categories:
 - Accessories comp store sales on track to increase for 10th consecutive year
 - Home – double digit comp store sales increases for 21 consecutive quarters



Store Level Ranking System Results – First Division

First Division on the System
Results – 1st 9 Months of 2018

	Number of Stores in Group	Comp Inventory Change	Comp Sales Change
Increased by 2 ranking levels	5	14%	8%
Increased by 1 ranking level	133	6%	5%
Maintained rank level	266	-1%	4%
Decreased by 1 ranking level	104	-9%	4%
Decreased by 2 ranking levels	19	-15%	0%
Total	527	-2%	4%

Division's gross margin improvement = 22 basis points

Inventory Turn Improvement

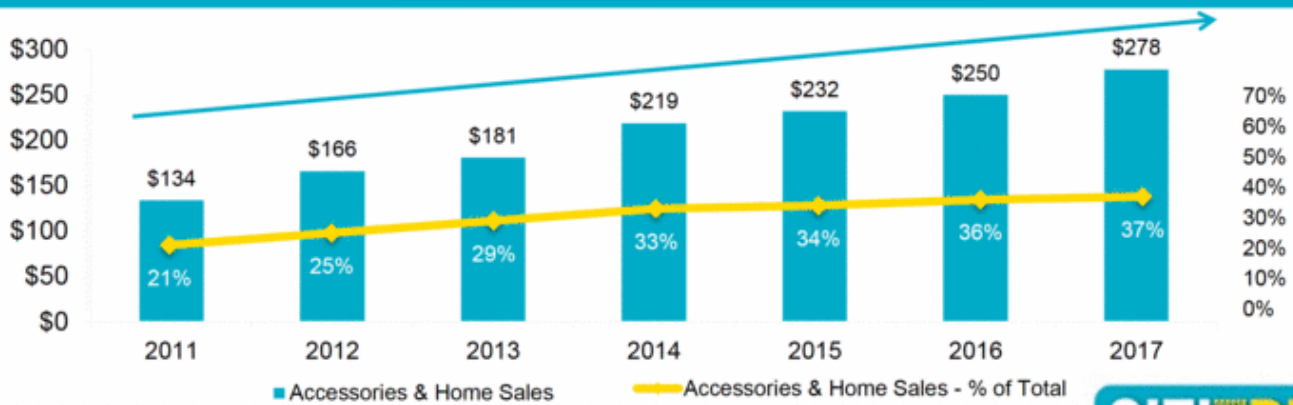
- Merchandising system initiatives provide opportunity to improve inventory turnover
- Goal – 6% improvement in turn annually each of next three years
- Turn improvement should lead to:
 - More timely response to fashion changes
 - Fewer markdowns
 - Higher free cash flow

Strategy to Diversify into Complementary Product Lines

Our strategy to grow sales of the non-apparel categories of accessories (including footwear) and home products has contributed positively to revenue growth and diversification



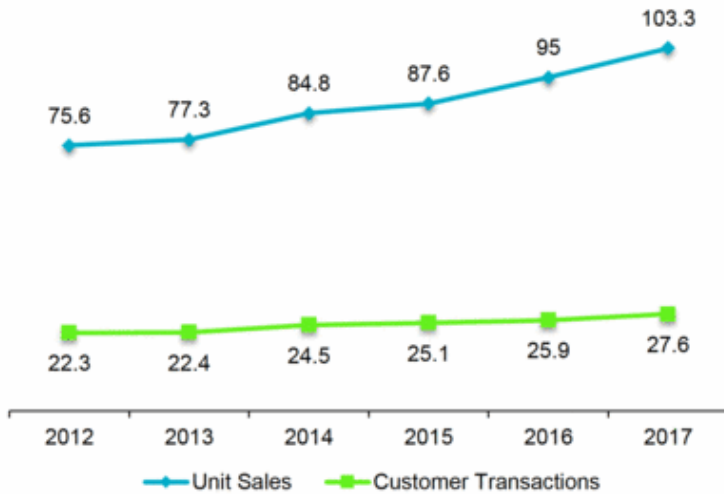
Accessories & Home (\$ in millions)



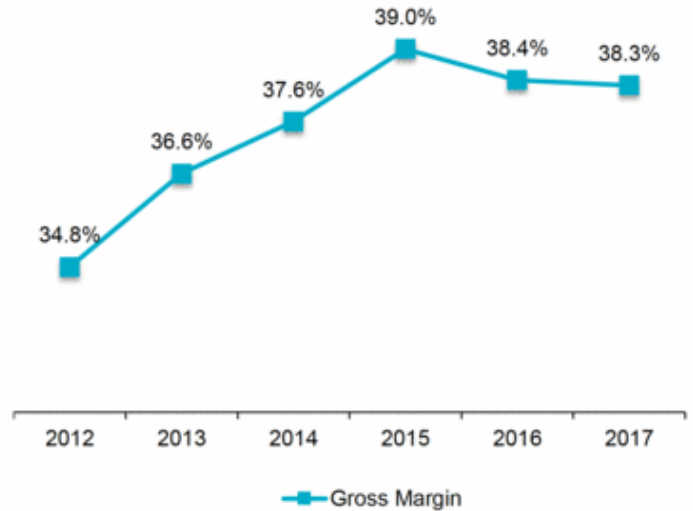
Strategy Has Driven Substantially Improved Performance

Our merchandising strategies have been a vital factor in driving significant increases in total customer transactions and units sold, as well as improving gross margins significantly due to reduced markdowns

Customer Transactions & Total Units Sold (mm)



Gross Margin Trend



3. Operational Initiatives



- Packing system upgrade at distribution center
 - Expected payroll reduction - \$500k annually starting Q2 2019
- Freight consultant engaged
 - Implement a Transportation Management System
 - Leverage consultant's relationship with shippers
 - Expand the number of in-bound trucking options
 - Reconsider the current out-bound-to-store model
- Expense consultant engaged
 - Address categories with greatest opportunity (waste management, supplies, signage, packaging, etc.)
 - Leverage consultant's relationships with suppliers

4. Return of Excess Capital

- Began returning excess cash to stockholders in 2015 - by
 - Initiating a regular dividend
 - Completing a \$15 million share buyback
- Enhanced our capital return program in 2017 – while ensuring adequate reserves to fund growth initiatives and meet other contingencies – by
 - Increasing the regular dividend 33% to \$0.32 annually
 - Initiating (and subsequently completing) an additional \$25 million share buyback
- Continued capital return program in 2018 – authorized (and subsequently completed) another \$25 million share buyback, and authorized an additional \$25 million buyback in November 2018
- 22% decline in outstanding shares from 15.6 million in 2015 to 12.2 million; \$90 million returned to shareholders in the form of dividends and share buybacks
- \$81.6 million of cash and investment securities as of Q3 2018
- Expected annual free cash flow of \$20 million to \$25 million should allow continued capital returns

Long-Term Goals

- Expectations of:
 - Consistent comparable store sales growth in a range around 3%
 - o System initiatives
 - o Expand growth categories
 - Store square footage growth of 4% to 5%
 - o Opportunity in Hispanic-dominated markets
 - 12% to 15% annual earnings growth
 - Return excess capital to shareholders
 - o \$90 million returned since the beginning of 2015
 - o 22% decline in outstanding shares during that timeframe
 - \$4 Earnings per share goal within 5 years

Results of Operations – Fiscal Year

- 2017 comp store sales increase = 4.5%; comp decreases in 2015 & 2016 less than 1%; comp increase in 2014 of 7.5%
- Gross margin improvement versus 2013 due to stronger inventory management
- Expense leverage due to comparable store sales increases and strong expense controls
- Significant improvement in earnings since 2013

(\$ in millions, except per share data)	2013	2014	2015	2016	2017
Sales	\$622.2	\$670.8	\$683.8	\$695.2	\$755.2
Gross Profit	\$227.8	\$252.4	\$267.0	\$267.0	\$289.2
Gross Margin	36.6%	37.6%	39.0%	38.4%	38.3%
SG&A – adjusted for proxy costs	\$206.1	\$221.0	\$224.2	\$230.7	\$244.5
SG&A (adjusted) as % of Sales	33.1%	32.9%	32.8%	33.2%	32.4%
Adjusted EBITDA	\$21.6	\$ 31.4	\$ 42.8	\$ 36.3	\$ 44.7
Income Per Share (adjusted)	\$0.03	\$ 0.60	\$ 1.03	\$ 0.91	\$ 1.26

Results of Operations – Year-to-Date Q3 2018

- 2.0% comparable store sales increase – first three quarters of 2018
- 38% increase in adjusted EPS

(\$ in millions, except per share data)	YTD Q3 2017	YTD Q3 2018
Sales	\$543.1	\$568.4
Gross Profit	\$208.4	\$218.2
Gross Margin	38.4%	38.4%
SG&A-adjusted for proxy costs	\$178.9	\$186.5
SG&A (adj.) as % of Sales	32.9%	32.8%
Adjusted EBITDA	\$29.5	\$31.7
Income Per Share (adjusted)	\$ 0.77	\$ 1.06

Reconciliations of Non-GAAP Financial Measures

APPENDIX

Reconciliation of Non-GAAP Financial Measure

EBITDA⁽¹⁾ & Adjusted EBITDA reconciled to Net Income (Loss) (\$ in thousands)

	2013	2014	2015	2016	2017	First 3Q 2017	First 3Q 2018
Net income (loss)	\$464	\$8,966	\$15,527	\$13,331	\$14,574	\$9,327	\$14,027
Plus:							
Interest expense	194	200	242	159	150	112	114
Income tax expense	-	2,144	8,787	6,020	8,926	4,238	3,152
Depreciation and amortization	21,974	20,177	18,577	17,090	18,883	13,863	14,250
Less:							
Interest Income	(281)	(187)	(339)	(571)	(883)	(617)	(979)
Income tax benefit	(754)	-	-	-	-	-	-
EBITDA	21,597	31,300	42,794	36,029	41,650	26,923	30,564
Asset impairment	1,542	83	-	313	507	77	1,122
Proxy Contest Expenses	-	-	-	-	2,516	2,516	-
Gain on sale of former distribution center	(1,526)	-	-	-	-	-	-
Adjusted EBITDA	\$21,613	\$31,383	\$42,794	\$36,342	\$44,673	\$29,516	\$31,686

⁽¹⁾ Earnings before interest, taxes, depreciation & amortization.

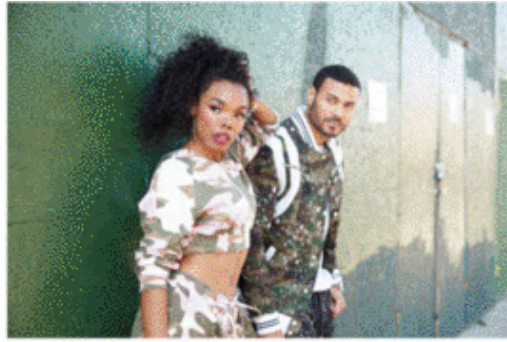
Reconciliation of Non-GAAP Financial Measure

The Company makes reference in these slides to expenses and income per diluted share adjusted for proxy contest expenses and the effect of the Tax Cuts and Jobs Act. The Company believes that excluding proxy contest expenses and their related tax effects and the effect of the Tax Cuts and Jobs Act from its financial results reflects operating results that are more indicative of the Company's ongoing operating performance while improving comparability to prior periods, and as such, may provide investors with an enhanced understanding of the Company's past financial performance and prospects for the future. This information is not intended to be considered in isolation or as a substitute for expenses or income per diluted share prepared in accordance with generally accepted accounting principles (GAAP).

	Fifty-Three Weeks Ended February 3, 2018			
	As Reported (unaudited)	Adjustment (1) (unaudited)	Adjustment (2) (unaudited)	As Adjusted (unaudited)
Net sales	\$ 755,241	\$ -	\$ -	\$ 755,241
Cost of sales (exclusive of depreciation shown separately below)	(466,022)	-	-	(466,022)
Selling, general and administrative expenses	(247,062)	2,516	-	(244,546)
Depreciation and impairment	(19,390)	-	-	(19,390)
Income from operations	22,767	2,516	-	25,283
Interest income	883	-	-	883
Interest expense	(150)	-	-	(150)
Income before income taxes	23,500	2,516	-	26,016
Income tax expense	(8,926)	(956)	1,609	(8,273)
Net income	\$ 14,574	\$ 1,560	\$ 1,609	\$ 17,743
Basic net income per common share	\$ 1.04			\$ 1.26
Diluted net income per common share	\$ 1.03			\$ 1.26
Weighted average number of shares outstanding				
Basic	14,058			14,058
Diluted	14,116			14,116

(1) Proxy contest expenses and related tax effects

(2) Tax Cuts and Jobs Act effect



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