

Citi Trends Inc  
Form 10-Q  
August 28, 2017  
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2017

OR

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

Commission File Number 000-51315

CITI TRENDS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

52-2150697

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(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

104 Coleman Boulevard  
Savannah, Georgia 31408  
(Address of principal executive offices) (Zip Code)

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

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 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 File Non-Accelerated Filer (Do not check if a smaller reporting company)

Smaller Reporting Company Emerging Growth Company

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

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

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Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of August 14, 2017
Common Stock, \$.01 par value	13,742,811 shares

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CITI TRENDS, INC.

FORM 10-Q

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

Citi Trends, Inc.

## Condensed Consolidated Balance Sheets

July 29, 2017 and January 28, 2017

(Unaudited)

(in thousands, except share data)

	July 29, 2017	January 28, 2017
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,195	\$ 49,253
Short-term investment securities	32,669	38,026
Inventory	131,989	134,649
Prepaid and other current assets	14,833	13,749
Income tax receivable	1,950	1,635
Total current assets	211,636	237,312
Property and equipment, net of accumulated depreciation of \$221,153 and \$212,742 as of July 29, 2017 and January 28, 2017, respectively	63,795	59,280
Long-term investment securities	26,748	26,691
Deferred tax asset	6,765	8,506
Other assets	720	725
Total assets	\$ 309,664	\$ 332,514
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 67,256	\$ 75,433
Accrued expenses	17,120	15,584
Accrued compensation	9,668	8,921
Layaway deposits	1,803	471
Total current liabilities	95,847	100,409
Other long-term liabilities	8,705	8,514
Total liabilities	104,552	108,923

Stockholders' equity:

Common stock, \$0.01 par value. Authorized 32,000,000 shares; 15,773,322 shares issued as of July 29, 2017 and 15,732,339 shares issued as of January 28, 2017; 13,742,811 shares outstanding as of July 29, 2017 and 14,899,151 shares outstanding as of January 28, 2017	156	155
Paid in capital	89,893	90,036
Retained earnings	155,203	148,585
Treasury stock, at cost; 2,030,511 shares held as of July 29, 2017 and 833,188 shares held as of January 28, 2017	(40,140)	(15,185)
Total stockholders' equity	205,112	223,591
Commitments and contingencies (note 10)		
Total liabilities and stockholders' equity	\$ 309,664	\$ 332,514

See accompanying notes to the condensed consolidated financial statements (unaudited).

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Citi Trends, Inc.

Condensed Consolidated Statements of Operations

Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016

(Unaudited)

(in thousands, except per share data)

	Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016
Net sales	\$ 366,155	\$ 348,948
Cost of sales (exclusive of depreciation shown separately below)	(224,565)	(212,959)
Selling, general and administrative expenses	(120,321)	(114,436)
Depreciation	(8,887)	(8,738)
Asset impairment	(77)	(221)
Income from operations	12,305	12,594
Interest income	401	262
Interest expense	(74)	(81)
Income before income taxes	12,632	12,775
Income tax expense	(3,952)	(4,158)
Net income	\$ 8,680	\$ 8,617
Basic net income per common share	\$ 0.60	\$ 0.59
Diluted net income per common share	\$ 0.59	\$ 0.59
Weighted average number of shares outstanding		
Basic	14,550	14,635
Diluted	14,598	14,640
Cash dividends declared per share	\$ 0.14	\$ 0.12

Citi Trends, Inc.

Condensed Consolidated Statements of Operations

Thirteen Weeks Ended July 29, 2017 and July 30, 2016

(Unaudited)

(in thousands, except per share data)

Thirteen Weeks Ended



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	July 29, 2017	July 30, 2016
Net sales	\$ 166,200	\$ 155,276
Cost of sales (exclusive of depreciation shown separately below)	(102,175)	(95,150)
Selling, general and administrative expenses	(59,834)	(56,105)
Depreciation	(4,589)	(4,294)
Asset impairment	(77)	—
Loss from operations	(475)	(273)
Interest income	215	135
Interest expense	(37)	(41)
Loss before income taxes	(297)	(179)
Income tax benefit	87	59
Net loss	\$ (210)	\$ (120)
Basic net loss per common share	\$ (0.01)	\$ (0.01)
Diluted net loss per common share	\$ (0.01)	\$ (0.01)
Weighted average number of shares outstanding		
Basic	14,382	14,676
Diluted	14,382	14,676
Cash dividends declared per share	\$ 0.08	\$ 0.06

See accompanying notes to the condensed consolidated financial statements (unaudited).

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Citi Trends, Inc.

## Condensed Consolidated Statements of Cash Flows

Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016

(Unaudited)

(in thousands)

	Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016
Operating activities:		
Net income	\$ 8,680	\$ 8,617
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	8,887	8,738
Asset impairment	77	221
Loss on disposal of property and equipment	—	104
Deferred income taxes	1,741	909
Insurance proceeds related to operating activities	1,187	—
Noncash stock-based compensation expense	752	1,687
Excess tax benefits from stock-based payment arrangements	—	(182)
Changes in assets and liabilities:		
Inventory	1,764	4,927
Prepaid and other current assets	(1,375)	(2,742)
Other assets	5	(26)
Accounts payable	(8,255)	(5,437)
Accrued expenses and other long-term liabilities	783	(561)
Accrued compensation	747	(4,893)
Income tax receivable/payable	(315)	(624)
Layaway deposits	1,332	1,245
Net cash provided by operating activities	16,010	11,983
Investing activities:		
Sales/redemptions of investment securities	25,611	18,392
Purchases of investment securities	(20,311)	(16,792)
Purchases of property and equipment	(12,900)	(9,989)
Insurance proceeds related to investing activities	443	—
Net cash used in investing activities	(7,157)	(8,389)
Financing activities:		
Excess tax benefits from stock-based payment arrangements	—	182
Cash used to settle withholding taxes on the vesting of nonvested restricted stock	(894)	(1,535)
Dividends paid to stockholders	(2,062)	(1,751)
Repurchase of common stock	(24,955)	—
Net cash used in financing activities	(27,911)	(3,104)
Net (decrease) increase in cash and cash equivalents	(19,058)	490

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Cash and cash equivalents:		
Beginning of period	49,253	39,116
End of period	\$ 30,195	\$ 39,606
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 63	\$ 63
Cash payments of income taxes	\$ 2,526	\$ 3,873
Supplemental disclosures of noncash investing activities:		
Accrual for purchases of property and equipment	\$ 1,022	\$ 1,377

See accompanying notes to the condensed consolidated financial statements (unaudited).

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Citi Trends, Inc.

Notes to the Condensed Consolidated Financial Statements (unaudited)

July 29, 2017

1. Basis of Presentation

Citi Trends, Inc. and its subsidiary (the “Company”) operate as a value-priced retailer of urban fashion apparel and accessories for the entire family. As of July 29, 2017, the Company operated 545 stores in 31 states.

The condensed consolidated balance sheet as of July 29, 2017, the condensed consolidated statements of operations for the twenty-six and thirteen week periods ended July 29, 2017 and July 30, 2016, and the condensed consolidated statements of cash flows for the twenty-six week periods ended July 29, 2017 and July 30, 2016 have been prepared by the Company without audit. The condensed consolidated balance sheet as of January 28, 2017 has been derived from the audited financial statements as of that date, but does not include all required year-end disclosures. In the opinion of management, such statements include all adjustments considered necessary to present fairly the Company’s financial position as of July 29, 2017 and January 28, 2017, and its results of operations and cash flows for all periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s latest Annual Report on Form 10-K for the year ended January 28, 2017 and July 30, 2016, respectively.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. Operating results for the twenty-six weeks ended July 29, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending February 3, 2018.

The following contains references to fiscal years 2017 and 2016, which represent fiscal years ending or ended on February 3, 2018 and January 28, 2017, respectively. Fiscal 2017 has a 53-week accounting period and fiscal 2016 had a 52-week accounting period.

2. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and use 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 revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates made by management include those used in the valuation of inventory, property and equipment, self-insurance liabilities, leases and income taxes. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based on such periodic evaluations.

### 3. Cash and Cash Equivalents/Concentration of Credit Risk

For purposes of the condensed consolidated balance sheets and condensed consolidated statements of cash flows, the Company considers all highly liquid investments with maturities at date of purchase of three months or less to be cash equivalents. Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company places its cash and cash equivalents in what it believes to be high credit quality banks and institutional money market funds. The Company maintains cash accounts that exceed federally insured limits.

### 4. Earnings per Share

Basic earnings per common share amounts are calculated using the weighted average number of common shares outstanding for the period. Diluted earnings per common share amounts are calculated using the weighted average number of common shares outstanding plus the additional dilution for all potentially dilutive securities, such as nonvested restricted stock and stock options. During loss

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periods, diluted loss per share amounts are based on the weighted average number of common shares outstanding, because the inclusion of common stock equivalents would be antidilutive.

The dilutive effect of stock-based compensation arrangements is accounted for using the treasury stock method. This method assumes that the proceeds the Company receives from the exercise of stock options are used to repurchase common shares in the market. The Company includes as assumed proceeds the amount of compensation cost attributed to future services and not yet recognized, and the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of outstanding options and vesting of nonvested restricted stock. For the twenty-six weeks ended July 29, 2017 and July 30, 2016, there were 0 and 7,000 stock options, respectively, and 144,000 and 259,000 shares of nonvested restricted stock, respectively, excluded from the calculation of diluted earnings per share because of antidilution. For the thirteen weeks ended July 29, 2017 and July 30, 2016, there were 0 and 3,000 stock options, respectively, and 178,000 and 227,000 shares of nonvested restricted stock, respectively, excluded from the calculation of diluted earnings per share because of antidilution.

The following table provides a reconciliation of the average number of common shares outstanding used to calculate basic earnings per share to the number of common shares and common stock equivalents outstanding used in calculating diluted earnings per share for the twenty-six and thirteen week periods ended July 29, 2017 and July 30, 2016:

	Twenty-Six Weeks Ended	
	July 29, 2017	July 30, 2016
Average number of common shares outstanding	14,550,435	14,634,946
Incremental shares from assumed exercises of stock options	—	—
Incremental shares from assumed vesting of nonvested restricted stock	47,990	4,599
Average number of common shares and common stock equivalents outstanding	14,598,425	14,639,545
	Thirteen Weeks Ended	
	July 29, 2017	July 30, 2016
Average number of common shares outstanding	14,381,738	14,675,712
Incremental shares from assumed exercises of stock options	—	—
Incremental shares from assumed vesting of nonvested restricted stock	—	—
Average number of common shares and common stock equivalents outstanding	14,381,738	14,675,712

## 5. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date. Fair value is established according to a hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. Level 3 inputs are given the lowest priority in the fair value hierarchy.

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As of July 29, 2017, the Company's investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Obligations of the U.S. Treasury and U.S. government agencies (Level 1)	\$ 10,398	\$ —	\$ (12)	\$ 10,386
Obligations of states and municipalities (Level 2)	6,676	1	—	6,677
Bank certificates of deposit (Level 2)	15,595	—	—	15,595
	\$ 32,669	\$ 1	\$ (12)	\$ 32,658
Long-term:				
Obligations of the U. S. Treasury (Level 1)	\$ 14,971	\$ —	\$ (55)	\$ 14,916
Obligations of states and municipalities (Level 2)	60	—	—	60
Bank certificates of deposit (Level 2)	11,717	—	—	11,717
	\$ 26,748	\$ —	\$ (55)	\$ 26,693

The amortized cost and fair market value of investment securities as of July 29, 2017 by contractual maturity are as follows (in thousands):

	Amortized Cost	Fair Market Value
Mature in one year or less	\$ 32,669	\$ 32,658
Mature after one year through five years	26,748	26,693
	\$ 59,417	\$ 59,351

As of January 28, 2017, the Company's investment securities were classified as held-to-maturity and consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Obligations of the U. S. Treasury (Level 1)	\$ 9,995	\$ 1	\$ —	\$ 9,996
Obligations of states and municipalities (Level 2)	14,816	2	(1)	14,817
Bank certificates of deposit (Level 2)	13,215	—	—	13,215
	\$ 38,026	\$ 3	\$ (1)	\$ 38,028



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Long-term:

Obligations of the U. S. Treasury (Level 1)	\$ 15,011	\$ —	\$ (51)	\$ 14,960
Bank certificates of deposit (Level 2)	11,680	—	—	11,680
	\$ 26,691	\$ —	\$ (51)	\$ 26,640

The amortized cost and fair market value of investment securities as of January 28, 2017 by contractual maturity were as follows (in thousands):

	Amortized Cost	Fair Market Value
Mature in one year or less	\$ 38,026	\$ 38,028
Mature after one year through five years	26,691	26,640
	\$ 64,717	\$ 64,668

There were no changes among the levels in the twenty-six weeks ended July 29, 2017.

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Fair market values of Level 2 investments are determined by management with the assistance of a third party pricing service. Because quoted prices in active markets for identical assets are not available, these prices are determined by the third party pricing service using observable market information such as quotes from less active markets and quoted prices of similar securities.

### 6. Impairment of Long-Lived Assets

If facts and circumstances indicate that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. Non-cash impairment expense related to leasehold improvements and fixtures and equipment at underperforming stores totaled \$0.1 million and \$0.2 million in the twenty-six week periods ended July 29, 2017 and July 30, 2016, respectively.

### 7. Revolving Line of Credit

On October 27, 2011, the Company entered into a five-year, \$50 million credit facility with Bank of America. The facility was amended on August 18, 2015, extending the maturity date to August 18, 2020. The amended facility provides a \$50 million credit commitment and a \$25 million uncommitted “accordion” feature that under certain circumstances could allow the Company to increase the size of the facility to \$75 million. Borrowings, if any, under the facility bear interest (a) for LIBOR Rate Loans, at LIBOR plus either 1.25% or 1.5%, or (b) for Base Rate Loans, at a rate equal to the highest of (i) the prime rate plus either 0.25% or 0.50%, (ii) the Federal Funds Rate plus either 0.75% or 1.0%, or (iii) LIBOR plus either 1.25% or 1.5%, based in any such case on the average daily availability for borrowings under the facility. The facility is secured by the Company’s inventory, accounts receivable and related assets, but not its real estate, fixtures and equipment, and it contains one financial covenant, a fixed charge coverage ratio, which is applicable and tested only in certain circumstances. The facility has an unused commitment fee of 0.25% and permits the payment of cash dividends subject to certain limitations, including a requirement that there were no borrowings outstanding in the 30 days prior to the dividend payment and no borrowings are expected in the 30 days subsequent to the payment. The Company has had no borrowings under the credit facility.

### 8. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or

all of the deferred tax assets will not be realized.

ASC 740-270, Income Taxes – Interim Reporting, requires companies to calculate income taxes by applying their estimated full-year tax rate in each interim period unless the estimated full-year tax rate is not reliably predictable. For the twenty-six weeks ended July 29, 2017 and July 30, 2016, the Company utilized this annual effective tax rate method to calculate income taxes.

#### 9. Other Long-Term Liabilities

The components of other long-term liabilities as of July 29, 2017 and January 28, 2017 are as follows (in thousands):

	July 29, 2017	January 28, 2017
Deferred rent	\$ 2,090	\$ 1,810
Tenant improvement allowances	4,513	4,554
Other	2,102	2,150
	\$ 8,705	\$ 8,514

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### 10. Commitments and Contingencies

The Company from time to time is involved in various legal proceedings incidental to the conduct of its business, including claims by customers, employees or former employees. Once it becomes probable that the Company will incur costs in connection with a legal proceeding and such costs can be reasonably estimated, it establishes appropriate reserves. While legal proceedings are subject to uncertainties and the outcome of any such matter is not predictable, the Company is not aware of any legal proceedings pending or threatened against it that it expects to have a material adverse effect on its financial condition, results of operations or liquidity.

### 11. Stock Repurchase Program and Cash Dividends

#### Repurchases of Common Stock

On April 10, 2017, the Company's Board of Directors approved a program that authorized the purchase of up to \$25.0 million in shares of the Company's common stock. During the thirteen weeks ended July 29, 2017, the Company repurchased 1,197,000 shares of its common stock at an aggregate cost of \$24.9 million. At July 29, 2017, \$0.1 remained available for purchase under this program.

#### Dividends

On February 7, 2017, the Company's Board of Directors declared a dividend of \$0.06 per common share, which was paid on March 14, 2017 to stockholders of record as of February 28, 2017. On May 16, 2017, the Company's Board of Directors declared a dividend of \$0.08 per common share, which was paid on June 13, 2017 to stockholders of record as of May 30, 2016. On August 15, 2017, the Company's Board of Directors declared a dividend of \$0.08 per common share, payable September 12, 2017 to stockholders of record as of August 29, 2017. Any determination to declare and pay cash dividends for future quarters will be made by the Board of Directors.

### 12. Recent Accounting Pronouncements

#### Recently Adopted

In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"). ASU 2015-11 requires entities to measure inventory at the lower of cost or net realizable value, simplifying the current requirement that inventories be measured at the lower of cost or market. The ASU will not apply to inventories that are measured using the last-in, first-out method or retail inventory method. The guidance is effective prospectively for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. The Company adopted ASU 2015-11

in the first quarter of fiscal 2017. As the majority of the Company's inventory is accounted for under the retail inventory method, the adoption of this guidance did not have a material impact on the Company's consolidated balance sheet, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting (“ASU 2016-09”). The new guidance changes how companies account for certain aspects of share-based payments to employees. Under previous accounting guidance, tax benefits and certain tax deficiencies arising from the vesting of share-based payments were recorded in additional paid-in-capital. The new guidance requires such benefits or deficiencies to be recognized as components of income tax expense in the statement of operations with the impact of such tax benefits or deficiencies to be combined with the “Deferred taxes” line in operating activities in the statement of cash flows. The ASU also allows election of an accounting policy whereby forfeitures of share-based payment awards are recognized as they occur, or alternatively, are accounted for on a prospective basis utilizing an estimate of expected forfeitures. Entities are required to apply the new guidance prospectively. The new standard is effective for fiscal years beginning after December 15, 2016. The Company adopted ASU 2016-09 in the first quarter of fiscal 2017, and, as a result, combined the impact of excess tax benefits from share-based payments with deferred taxes in the Consolidated Statement of Cash Flows and elected to recognize the impact of forfeitures as they occur. These impacts on the Company’s consolidated balance sheet, results of operations and cash flows were immaterial.

#### Not Yet Adopted

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) (“ASU 2014-09”). The guidance requires an entity to recognize revenue on contracts with customers relating to the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity is required to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize

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revenue when (or as) the entity satisfies each performance obligation. In August of 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017 and interim periods in the year of adoption. The Company may use either a full retrospective or modified retrospective approach to adopt these ASUs. The Company is planning to adopt ASU 2014-09 in fiscal 2018 beginning February 4, 2018. The Company is currently evaluating these ASUs including which transition approach to use, however, the Company does not expect adoption to have a material impact on its consolidated balance sheet, results of operations or cash flows. Additionally, the Company does not anticipate any significant changes to business processes, controls or systems as a result of adopting the new standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases (“ASU 2016-02”) which replaces the existing guidance in ASC 840, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires retrospective application. The Company will adopt ASU 2016-02 in fiscal 2019. The Company is currently in the process of evaluating the new lease guidance to determine the ultimate impact, however, the Company is party to 545 leases for individual retail locations with an average remaining contractual rent period of 3.1 years, and therefore has determined that the adoption of the new lease standard will have a significant impact on the Company’s consolidated financial statements.

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Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations.

Forward-Looking Statements

Except for specific historical information, many of the matters discussed in this Form 10-Q may express or imply projections of revenues or expenditures, statements of plans and objectives for future operations, growth or initiatives, statements of future economic performance, or statements regarding the outcome or impact of pending or threatened litigation. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors that may cause the actual performance of the Company to differ materially from those expressed or implied by these statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate,” “objective,” “goal,” “intend,” “could,” “will likely result,” or “will continue” and similar words and expressions generally identify forward-looking statements, although not all forward-looking statements contain such language. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements.

The factors that may result in actual results differing from such forward-looking information include, but are not limited to: transportation and distribution delays or interruptions; changes in freight rates; 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; changes in consumer spending on apparel; changes in product mix; interruptions in suppliers’ businesses; a deterioration in general economic conditions caused by acts of war or terrorism or other factors; temporary changes in demand due to weather patterns; seasonality of the Company’s business; delays associated with building, opening and operating new stores; delays associated with building, opening or expanding new or existing distribution centers; and other factors described in the section titled “Item 1A. Risk Factors” and elsewhere in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 and in Part II, “Item 1A. Risk Factors” and elsewhere in the Company’s Quarterly Reports on Form 10-Q and any amendments thereto and in the other documents the Company files with the SEC, including reports on Form 8-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-Q. Except as may be required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this Form 10-Q or to reflect the occurrence of unanticipated events. Readers are advised, however, to read any further disclosures the Company may make on related subjects in its public disclosures or documents filed with the SEC, including reports on Form 8-K.

Overview

We are a value-priced retailer of urban fashion apparel and accessories for the entire family. Our merchandise offerings are designed to appeal to the fashion preferences of value-conscious consumers, particularly African-Americans. We operated 545 stores in both urban and rural markets in 31 states as of July 29, 2017.

#### Accounting Periods

The following discussion contains references to fiscal years 2017 and 2016, which represent fiscal years ending or ended on February 3, 2018 and January 28, 2017, respectively. Fiscal 2017 has a 53-week accounting period and fiscal 2016 had a 52-week accounting period. This discussion and analysis should be read with the unaudited condensed consolidated financial statements and the notes thereto.

#### Results of Operations

The following discussion of the Company's financial performance is based on the unaudited condensed consolidated financial statements set forth herein. The nature of the Company's business is seasonal. Historically, sales in the first and fourth quarters have been higher than sales achieved in the second and third quarters of the fiscal year. Expenses and, to a greater extent, operating income, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of the Company's business may affect comparisons between periods.



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## Key Operating Statistics

We measure performance using key operating statistics. One of the main performance measures we use is comparable store sales growth. We define a comparable store as a store that has been opened for an entire fiscal year. Therefore, a store will not be considered a comparable store until its 13th month of operation at the earliest or until its 24th month at the latest. As an example, stores opened in fiscal 2016 and fiscal 2017 are not considered comparable stores in fiscal 2017. Relocated and expanded stores are included in the comparable store sales results. We also use other operating statistics, most notably average sales per store, to measure our performance. As we typically occupy existing space in established shopping centers rather than sites built specifically for our stores, store square footage (and therefore sales per square foot) varies by store. We focus on overall store sales volume as the critical driver of profitability.

In addition to sales, we measure cost of sales as a percentage of sales and store operating expenses, with a particular focus on labor, as a percentage of sales. These results translate into store level contribution, which we use to evaluate overall performance of each individual store. Finally, we monitor corporate expenses against budgeted amounts. All of the statistics discussed above are critical components of earnings before interest, taxes, depreciation and amortization (“EBITDA”) and Adjusted EBITDA (comprised of EBITDA, as adjusted for non-cash asset impairment expense and expenses related to our proxy contest), which are considered our most important operating statistics. We believe that excluding proxy contest expenses from our financial results reflects operating results that are more indicative of our ongoing operating performance while improving comparability to prior periods, and as such, provides an enhanced understanding of our past financial performance and prospects for the future.

Although non-GAAP measures such as EBITDA and Adjusted EBITDA provide useful information on an operating cash flow basis, they are limited measures in that they exclude the impact of cash requirements for capital expenditures, income taxes and interest expense. Therefore, EBITDA and Adjusted EBITDA should be used as supplements to results of operations and cash flows as reported under U.S. GAAP and should not be used as a singular measure of operating performance or as a substitute for U.S. GAAP results. Furthermore, such non-GAAP measures may not be comparable to similarly titled measures of other companies.

Provided below is a reconciliation of net income (loss) to EBITDA and to Adjusted EBITDA for the twenty-six and thirteen week periods ended July 29, 2017 and July 30, 2016 (in thousands):

	Twenty-Six Weeks Ended		Thirteen Weeks Ended	
	July 29, 2017	July 30, 2016	July 29, 2017	July 30, 2016
Net income (loss)	\$ 8,680	\$ 8,617	\$ (210)	\$ (120)
Plus:				

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Interest expense	74	81	37	41
Income tax expense	3,952	4,158	—	—
Depreciation	8,887	8,738	4,589	4,294
Less:				
Interest income	(401)	(262)	(215)	(135)
Income tax benefit	—	—	(87)	(59)
EBITDA	21,192	21,332	4,114	4,021
Asset impairment	77	221	77	—
Proxy contest expenses	2,516	—	926	—
Adjusted EBITDA	\$ 23,785	\$ 21,553	\$ 5,117	\$ 4,021

Twenty-Six Weeks Ended July 29, 2017 and July 30, 2016

Net Sales. Net sales increased \$17.3 million, or 4.9%, to \$366.2 million in the twenty-six weeks ended July 29, 2017 from \$348.9 million in the twenty-six weeks ended July 30, 2016. The increase in sales was due to the opening of 22 new stores since last year's

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second quarter and a 2.6% increase in comparable store sales, partially offset by the impact of closing seven stores since last year's second quarter. The increase in comparable store sales was reflected in a 3% increase in the number of customer transactions, together with a 1.5% increase in the average number of items per transaction, partially offset by an average unit sale that declined by almost 2%. Comparable store sales changes by major merchandise class were as follows in the first twenty-six weeks of fiscal 2017: Home +25%; Accessories +4%; Men's +3%; Ladies' +2%; and Children's -3%.

The 2.6% comparable store sales increase in the 514 comparable stores resulted in an increase of \$8.8 million in sales, while store opening and closing activity resulted in a net increase of \$8.5 million.

Cost of Sales (exclusive of depreciation). Cost of sales (exclusive of depreciation) increased \$11.6 million, or 5.4%, to \$224.6 million in the twenty-six weeks ended July 29, 2017 from \$213.0 million in the twenty-six weeks ended July 30, 2016. Cost of sales as a percentage of sales increased to 61.3% in the twenty-six weeks ended July 29, 2017 from 61.0% in the twenty-six weeks ended July 30, 2016, due primarily to an increase in freight costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased \$5.9 million, or 5.1%, to \$120.3 million in the twenty-six weeks ended July 29, 2017 from \$114.4 million in the twenty-six weeks ended July 30, 2016 due primarily to \$2.5 million in expenses incurred in connection with a proxy contest, together with the impact on expenses of opening 22 new stores since last year's second quarter, normal inflationary pressure on expenses such as rent and payroll, and a \$1.5 million increase in incentive compensation expense resulting from an improvement in Adjusted EBITDA in fiscal 2017. These factors that caused the increase in selling, general and administrative expenses were partially offset by a \$0.9 million gain on insurance claims received in fiscal 2017. As a percentage of sales, selling, general and administrative expenses increased to 32.9% in the first twenty-six weeks of fiscal 2017 from 32.8% in the first twenty-six weeks of fiscal 2016.

Depreciation. Depreciation expense increased \$0.2 million, or 1.7%, to \$8.9 million in the first twenty-six weeks of fiscal 2017 from \$8.7 million in the first twenty-six weeks of fiscal 2016 due to the completion of the expansion of our distribution center in Roland, Oklahoma.

Asset Impairment. Impairment charges related to property and equipment at underperforming stores totaled \$0.1 million and \$0.2 million in the first twenty-six weeks of fiscal 2017 and fiscal 2016, respectively.

Income Tax Expense. Income tax expense decreased \$0.2 million, or 5.0%, to \$4.0 million in the first twenty-six weeks of fiscal 2017 from \$4.2 million in the first twenty-six weeks of fiscal 2016 due primarily to a decrease in the effective income tax rate to 31.3% from 32.5%.

Net Income. Net income increased \$0.1 million, or 0.7%, to \$8.7 million in the first twenty-six weeks of fiscal 2017 from \$8.6 million in the first twenty-six weeks of fiscal 2016 due to the factors discussed above.

Thirteen Weeks Ended July 29, 2017 and July 30, 2016

Net Sales. Net sales increased \$10.9 million, or 7.0%, to \$166.2 million in the thirteen weeks ended July 29, 2017 from \$155.3 million in the thirteen weeks ended July 30, 2016. The increase in sales was due to a 4.6% increase in comparable store sales and the opening of 22 new stores since last year's second quarter, partially offset by the impact of closing seven stores since the second quarter of 2016. The increase in comparable store sales was reflected in a 3% increase in customer transactions and a 2.5% increase in the average number of items per transaction, partially offset by an average unit sale that declined by approximately 1%. Comparable store sales changes by major merchandise class were as follows in the second quarter of 2017: Home +25%; Accessories +7%; Ladies' +4%; Men's +2%; and Children's +1%.

The 4.6% comparable store sales increase resulted in an increase of \$6.9 million in sales, while store opening and closing activity resulted in a net increase of \$4.0 million.

Cost of sales (exclusive of depreciation). Cost of sales (exclusive of depreciation) increased \$7.0 million, or 7.4%, to \$102.2 million in the second quarter of 2017 from \$95.2 million in last year's second quarter. Cost of sales as a percentage of sales increased to 61.5% in the second quarter of 2017 from 61.3% in last year's second quarter, due primarily to an increase in freight costs.

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**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased \$3.7 million, or 6.6%, to \$59.8 million in the second quarter of 2017 from \$56.1 million in last year's second quarter due primarily to a \$1.4 million increase in incentive compensation expense resulting from an improvement in Adjusted EBITDA in the second quarter of 2017, together with the impact on expenses of opening 22 new stores since last year's second quarter, normal inflationary pressure on expenses such as rent and payroll and \$0.9 million of expenses incurred in connection with a proxy contest. These factors that caused the increase in selling, general and administrative expenses were partially offset by a \$0.6 million gain on insurance claims received in the second quarter of 2017. As a percentage of sales, selling, general and administrative expenses decreased to 36.0% in the second quarter of 2017 from 36.1% in the second quarter of 2016.

**Depreciation.** Depreciation expense increased \$0.3 million, or 6.9%, to \$4.6 million in the second quarter of 2017 from \$4.3 million in the second quarter of 2016, due to the completion of the expansion of our distribution center in Roland, Oklahoma.

**Asset Impairment.** Impairment charges related to property and equipment at underperforming stores totaled \$0.1 million and \$0.0 million in the second quarter of 2017 and 2016, respectively.

**Income Tax Benefit (Expense).** Income tax benefit was \$0.1 million in the second quarter of both 2017 and 2016.

**Net Loss.** Net loss increased to \$0.2 million in the second quarter of 2017 from \$0.1 million in the second quarter of 2016 due to the factors discussed above.

## Liquidity and Capital Resources

Our cash requirements are primarily for working capital, opening of new stores, remodeling of our existing stores and the improvement of our distribution infrastructure and information systems. In addition, in the second quarter of 2017, we initiated a share repurchase program of up to \$25.0 million and repurchased shares of our common stock at an aggregate cost of \$24.9 million. Also, we increased our quarterly cash dividend rate by 33.3% to \$0.08 per share from \$0.06 per share last year, resulting in second quarter dividends of \$1.2 million. In recent years, we have met these cash requirements using cash flow from operations and short-term trade credit. We expect to be able to meet future cash requirements with cash flow from operations, short-term trade credit, existing balances of cash and investment securities and, if necessary, borrowings under our revolving credit facility.

**Current Financial Condition.** As of July 29, 2017, we had total cash and cash equivalents of \$30.2 million compared to \$49.3 million as of January 28, 2017. Additionally, we had \$32.7 million and \$26.7 million of short-term and

long-term investment securities, respectively, as of July 29, 2017, compared with \$38.0 million and \$26.7 million, respectively, as of January 28, 2017. These securities are comprised of bank certificates of deposit and obligations of the U.S. Treasury, U.S. government agencies, states and municipalities. Inventory represented 42.6% of our total assets as of July 29, 2017, compared to 40.5% as of January 28, 2017. Management's ability to manage our inventory can have a significant impact on our cash flows from operations during a given interim period or fiscal year. In addition, inventory purchases can be seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise.

**Cash Flows From Operating Activities.** Net cash provided by operating activities was \$16.0 million in the twenty-six weeks ended July 29, 2017 compared to \$12.0 million in the same period of 2016. Sources of cash provided during the first half of 2017 included net income adjusted for noncash expenses such as depreciation, asset impairment, loss on disposal of property and equipment, insurance proceeds from operating activities, deferred income taxes and stock-based compensation expense, totaling \$21.3 million (compared to \$20.3 million in the first half of fiscal 2016). Other significant sources of cash in the twenty-six weeks ended July 29, 2017 were (1) a \$1.8 million decrease in inventory (compared to a \$4.9 million decrease in the first half of fiscal 2016) due to apparel retail seasonality, which typically results in having more inventory at the beginning of the spring selling season than at the beginning of the back-to-school season, and (2) a \$1.3 million increase in layaway deposits (compared to a \$1.2 million increase in the first twenty-six weeks of fiscal 2016) because layaways are heavier at the end of the second quarter when they include merchandise put on layaway in advance of the back-to-school season than at the end of the fourth quarter after merchandise put on layaway for Christmas has been picked up.

Significant uses of cash from operating activities in the twenty-six weeks ended July 29, 2017 were (1) an \$8.3 million decrease in accounts payable (compared to a \$5.4 million decrease in the first half of fiscal 2016) due to apparel retail seasonality, which has an effect on the timing of merchandise receipts during the two months leading up to fiscal year end versus the end of the second quarter;

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since this higher level of purchases occurred in the last two months of fiscal 2016, all such purchases would have still been in accounts payable as of January 28, 2017; and (2) a \$1.4 million increase in prepaid and other current assets (compared to a \$2.7 million increase in the first twenty-six weeks of fiscal 2016) due primarily to an increase in charge card receivables attributable to a higher percentage of customers paying with charge cards.

**Cash Flows From Investing Activities.** Cash used in investing activities was \$7.2 million in the twenty-six weeks ended July 29, 2017 compared to \$8.4 million in the same period of 2016. Cash used for purchases of property and equipment totaled \$12.9 million and \$10.0 million in the first half of fiscal 2017 and 2016, respectively. Sales/redemptions of investment securities, net of purchases, provided cash of \$5.3 million in the first half of fiscal 2017 and \$1.6 million in the first half of fiscal 2016.

**Cash Flows From Financing Activities.** Cash used in financing activities was \$27.9 million and \$3.1 million in the twenty-six weeks ended July 29, 2017 and July 30, 2016, respectively, with the increase due primarily to the repurchase of common stock for an aggregate purchase price of \$24.9 million during the second quarter of 2017.

## Cash Requirements

Our principal sources of liquidity consist of: (i) cash and cash equivalents (which equaled \$30.2 million as of July 29, 2017); (ii) short-term and long-term investment securities (which equaled \$32.7 million and \$26.7 million, respectively, as of July 29, 2017); (iii) short-term trade credit; (iv) cash generated from operations on an ongoing basis as we sell our merchandise inventory; and (v) a \$50 million revolving credit facility (under which we have no borrowings outstanding). Trade credit represents a significant source of financing for inventory purchases and arises from customary payment terms and trade practices with our vendors. Historically, our principal liquidity requirements have been for working capital and capital expenditure needs.

We believe that our existing sources of liquidity will be sufficient to fund our operations and anticipated capital expenditures for at least the next 12 months.

## Recent Accounting Pronouncements

See discussion of Recent Accounting Pronouncements in Note 12 to the condensed consolidated financial statements included in Part I, Item 1 of this report.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There have been no material changes to the Critical Accounting Policies outlined in the Company's Annual Report on Form 10-K for the year ended January 28, 2017.



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Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risk during the twenty-six weeks ended July 29, 2017 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended January 28, 2017.

Item 4. Controls and Procedures.

We have carried out an evaluation under the supervision and with the participation of management, including the Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of July 29, 2017 pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based on that evaluation, the Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information has been accumulated and communicated to our management, including the officers who certify our financial reports, as appropriate, to allow timely decisions regarding the required disclosures.

Our disclosure controls and procedures are designed to provide reasonable assurance that the controls and procedures will meet their objectives. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended July 29, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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## PART II — OTHER INFORMATION

## Item 1. Legal Proceedings.

We are from time to time involved in various legal proceedings incidental to the conduct of our business, including claims by customers, employees or former employees. Once it becomes probable that we will incur costs in connection with a legal proceeding and such costs can be reasonably estimated, we establish appropriate reserves. While legal proceedings are subject to uncertainties and the outcome of any such matter is not predictable, we are not aware of any legal proceedings pending or threatened against us that we expect to have a material adverse effect on our financial condition, results of operations or liquidity.

## Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described under the section “ITEM 1A. RISK FACTORS” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

## Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

## Information on Share Repurchases

The number of shares of common stock repurchased by CitiTrends, Inc. during the second quarter of fiscal 2017 and the average price paid per share are as follows:

Period	Total number of shares purchased	Average price paid per share (1)	Total number of shares purchased as part of publicly announced plans or programs (2)	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (2)
May (4/30/17 - 5/27/17)	—	\$ —	—	\$ 25,000,000
June (5/28/17 - 7/1/17)	621,171	20.27	621,171	12,408,864

July (7/2/17 - 7/29/17)	576,152	21.40	576,152	79,211
Total	1,197,323		1,197,323	

(1) Includes commissions for the shares repurchased under stock repurchase program.

(2) In April 2017, Citi Trends, Inc. announced a \$25.0 million stock repurchase program, under which approximately \$0.1 million remained available as of July 29, 2017. Repurchases under the stock repurchase program may be made at management's discretion from time to time on the open market, in privately negotiated transactions or otherwise, and may be made in part under one or more Rule 10b5-1 plans.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

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Item 6. Exhibits.

- 3.1 Second Amended and Restated Bylaws of Citi Trends, Inc. (incorporated by reference to Exhibit 3.1 to Citi Trends, Inc.'s Current Report on Form 8-K filed with the SEC on May 30, 2017).
- 31.1 Certification of Bruce D. Smith, Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of Bruce D. Smith, Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\* †
- 101 The following financial information from Citi Trends, Inc.'s Quarterly Report on Form 10-Q for the quarter ended July 29, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of July 29, 2017 and January 28, 2017, (ii) the Condensed Consolidated Statements of Operations for the twenty-six and thirteen week periods ended July 29, 2017 and July 30, 2016, (iii) the Condensed Consolidated Statements of Cash Flows for the twenty-six week periods ended July 29, 2017 and July 30, 2016, and (iv) Notes to the Condensed Consolidated Financial Statements.\*
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\* Included herewith.

† Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as “accompanying” this Quarterly Report on Form 10-Q and not “filed” as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934 and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

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SIGNATURES

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, and the undersigned also has signed this report in his capacity as the Registrant's Chief Financial Officer (Principal Financial and Accounting Officer).

CITI TRENDS, INC.

Date: August 28, 2017

By: /s/ Bruce D. Smith

Name: Bruce D. Smith

Title: Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer