CHEESECAKE FACTORY INC
Form 8-K
March 07, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 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 1, 2018**

THE CHEESECAKE FACTORY INCORPORATED

(Exact Name of Registrant as Specified in Charter)

Delaware	**0-20574**	**51-0340466**
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

26901 Malibu Hills Road
Calabasas Hills, California 91301
(Address of Principal Executive Offices)

Registrant s Telephone Number, Including Area Code: **(818) 871-3000**

Not Applicable

(Former Name or Former Address, if Changed Since Last Report)

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):

o Written communication pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

o Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

o Pre-commencement communication 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 (17 CFR §230.405) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2).

Emerging growth company o

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. o

ITEM 4.01. CHANGES IN REGISTRANT S CERTIFYING ACCOUNTANT

(a) Dismissal of Independent Registered Public Accounting Firm

On March 1, 2018, the Audit Committee (the Audit Committee) of the Board of Directors (the Board) of The Cheesecake Factory Incorporated (the Company) dismissed PricewaterhouseCoopers LLP (PwC) as the Company s independent registered public accounting firm and provided PwC with notice of such dismissal.

The audit reports of PwC on the Company s consolidated financial statements for each of the two most recent fiscal years ended January 2, 2018 and January 3, 2017 did not contain an adverse opinion or a disclaimer of opinion and were not qualified or modified as to uncertainty, audit scope or accounting principles.

During the Company s two most recent fiscal years ended January 2, 2018 and January 3, 2017, and during the subsequent interim period through March 1, 2018, (i) there were no disagreements with PwC on any matter of accounting principles or practices, financial statement disclosure or auditing scope or procedure, which disagreement(s), if not resolved to PwC s satisfaction, would have caused PwC to make reference to the subject matter of the disagreement(s) in connection with its reports, and (ii) there were no reportable events as that term is defined in Item 304(a)(1)(v) of Regulation S-K.

The Company provided PwC with a copy of the disclosures in this Current Report on Form 8-K (this Report) prior to filing this Report with the Securities and Exchange Commission (the SEC). The Company requested that PwC furnish it with a letter addressed to the SEC stating whether PwC agrees with the statements made by the Company regarding PwC in this Report and, if not, stating the respects in which it does not agree. A copy of PwC s letter dated March 7, 2018 to the SEC, stating that it agrees with the statements made in this Report, is filed as Exhibit 16.1 to this Report.

(b) Engagement of Independent Registered Public Accounting Firm

On March 2, 2018, the Company engaged KPMG LLP (KPMG) as the Company s independent registered public accounting firm for the fiscal year ending January 1, 2019, which engagement was approved by the Audit Committee.

During the Company s two most recent fiscal years ended January 2, 2018 and January 3, 2017, and during the subsequent interim period through March 1, 2018, neither the Company, nor anyone on its behalf, consulted KPMG regarding either (i) the application of accounting principles to a specified transaction, either completed or proposed, or the type of audit opinion that might be rendered on the Company s consolidated financial statements, and neither a written report nor oral advice was provided to the Company that KPMG concluded was an important factor considered by the Company in reaching a decision as to any accounting, auditing, or financial reporting issue, or (ii) any matter that was either the subject of a disagreement (as defined in Regulation S-K Item 304(a)(1)(iv)) or a reportable event (as defined in Regulation S-K Item 304(a)(1)(v)).

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

(d) Exhibits

Exhibit No.	Description
16.1	Letter from PricewaterhouseCoopers LLP dated March 7, 2018 to the Securities and Exchange Commission

EXHIBIT INDEX

Exhibit No.	Description
16.1	Letter from PricewaterhouseCoopers LLP dated March 7, 2018 to the Securities and Exchange Commission

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 hereunto duly authorized.

Date: March 7, 2018

THE CHEESECAKE FACTORY INCORPORATED

By: /s/ Debby Zurzolo
Debby Zurzolo
Executive Vice President, General Counsel and Secretary

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Options outstanding at November 3, 2007	1,288,907	$ 15.85	5.99	$ 10,922
Exercisable at November 3, 2007	823,547	$ 13.38	5.67	$ 8,697

The weighted-average grant fair value of stock options granted during the thirteen weeks ended November 3, 2007 and October 28, 2006 was $9.56 and $11.01, respectively. The compensation expense included in store operating,

selling and administrative expenses and recognized during the periods was $0.4 million and $0.5 million, respectively, before the recognized income tax benefit of $50,000 and $40,000, respectively.

The total intrinsic value of stock options exercised during the thirteen weeks ended November 3, 2007 and October 28, 2006 was $135,000 and $311,000, respectively. The intrinsic value of stock options is defined as the difference between the current market value and the grant price. The total cash received from these stock option exercises during the third quarter of fiscal 2008 and 2007 was $86,000 and $193,000, respectively.

The weighted-average grant fair value of stock options granted during the thirty-nine weeks ended November 3, 2007 and October 28, 2006 was $10.50 and $12.82, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during the periods was $1.7 million and $1.6 million, respectively, before the recognized income tax benefit of $0.3 million and $0.1 million, respectively.

The total intrinsic value of stock options exercised during the thirty-nine weeks ended November 3, 2007 and October 28, 2006 was $1.8 million and $6.2 million, respectively. The intrinsic value of stock options is defined as the difference between the current market value and the grant price. The total cash received from these stock option exercises through the third quarter of fiscal 2008 and 2007 was $0.9 million and $2.0 million, respectively. Receipts from stock option exercises are included in cash flows from financing activities as required by SFAS No. 123R. As of November 3, 2007, there was $3.2 million of unrecognized compensation cost related to nonvested stock options. This cost is expected to be recognized over a weighted-average period of 2.16 years.

Restricted Stock Awards

Restricted stock awards are granted with a fair value equal to the closing market price of our common stock on the date of grant with the exception of those granted between August 2005 and December 2006 which were granted with a fair value equal to the closing market price of our common stock on the last trading day preceding the date of grant. Compensation expense is recorded straight-line over the vesting period. Restricted stock awards generally cliff vest in four to five years from the date of grant.

The following table summarizes the restricted stock awards activity under all of our plans during the thirty-nine week period ended November 3, 2007:

	Number of Awards	Weighted-Average Grant Date Fair Value
Restricted stock awards outstanding at February 3, 2007	87,923	$ 29.66
Granted	124,425	28.30
Vested	-	-
Forfeited	(516)	30.46
Restricted stock awards outstanding at May 5, 2007	211,832	28.86
Granted	-	-
Vested	-	-
Forfeited	(22,354)	27.27
Restricted stock awards outstanding at August 4, 2007	189,478	29.05
Granted	-	-
Vested	-	-
Forfeited	(2,513)	28.96
Restricted stock awards outstanding at November 3, 2007	186,965	$ 29.05

The weighted-average grant date fair value of our RSUs granted was $28.30 and $29.67 for the thirty-nine weeks ended November 3, 2007 and October 28, 2006, respectively. There were no restricted stock awards granted during the thirteen weeks ended November 3, 2007 or October 28, 2006. The compensation expense included in store operating, selling and administrative expenses and recognized during the comparable thirteen week periods was $0.3 million and $0.2 million, respectively, before the recognized income tax benefit of $0.1 million and $60,000, respectively. The compensation expense included in store operating, selling and administrative expenses and recognized during the comparable thirty-nine week periods was $1.4 million and $0.4 million, respectively, before the recognized income tax benefit of $0.5 million and $0.2 million, respectively.

There were no restricted stock awards that vested during the period. The total intrinsic value of our restricted stock awards outstanding and unvested at November 3, 2007 and October 28, 2006 was $4.3 million and $2.4 million, respectively. As of November 3, 2007, there was approximately $3.2 million of total unrecognized compensation cost related to restricted stock awards. This cost is expected to be recognized over a weighted-average period of 3.14 years.

Employee Stock Purchase Plan

The Company's ESPP allows eligible employees the right to purchase shares of our common stock, subject to certain limitations, at 85% of the lesser of the fair market value at the end of each calendar quarter (purchase date) or the beginning of each calendar quarter. Our employees purchased 4,304 shares of common stock at $21.08 per share through the ESPP during the thirteen weeks ended November 3, 2007. The assumptions used in the option pricing model for the thirteen weeks ended November 3, 2007 were: (a) expected life of 3 months (.25 years); (b) volatility of 36.3%; (c) risk-free interest rate of 4.75%; and (d) dividend yield of 0.0%. The weighted-average grant date fair value of ESPP options granted during the thirteen weeks ended November 3, 2007 was $5.57. Our employees purchased 13,221 shares of common stock at an average price of $22.95 per share during the thirty-nine weeks ended November 3, 2007. The assumptions used in the option pricing model for the thirty-nine weeks ended November 3, 2007 were: (a) expected life of 3 months (.25 years); (b) volatility between 36.3% and 41.8%; (c) risk-free interest rate between

4.75% and 5.08%; and (d) dividend yield of 0.0%. The weighted-average grant date fair value of ESPP options granted during the thirty-nine weeks ended November 3, 2007 was $6.07.

During the thirteen weeks ended October 28, 2006, our employees purchased 4,331 shares of common stock at $20.32 per share through the ESPP. The assumptions used in the option pricing model for the thirteen weeks ended October 28, 2006 were: (a) expected life of 3 months (.25 years); (b) volatility of 40.7%; (c) risk-free interest rate of 4.93%; and (d) dividend yield of 0.0%. The weighted-average grant date fair value of ESPP options granted during the thirteen weeks ended October 28, 2006 was $5.07. Our employees purchased 14,206 shares of common stock at an average price of $21.96 per share during the thirty-nine weeks ended October 28, 2006. The assumptions used in the option pricing model for the thirty-nine weeks ended October 28, 2006 were: (a) expected life of 3 months (.25 years); (b) volatility between 40.7% and 41.0%; (c) risk-free interest rate between 3.98% and 4.93%; and (d) dividend yield of 0.0%. The weighted-average grant date fair value of ESPP options granted during the thirty-nine weeks ended October 28, 2006 was $6.02.

The expense related to the ESPP was determined using the Black-Scholes option pricing model and the provisions of FASB Technical Bulletin (FTB) No. 97-1, "*Accounting under Statement 123 for Certain Employee Stock Purchase Plans with a Look-Back Option,*" as amended by SFAS No. 123R. The compensation expense included in store operating, selling and administrative expenses and recognized during the thirteen weeks ended November 3, 2007 and October 28, 2006 was approximately $22,000 for both periods. The compensation expense included in store operating, selling and administrative expenses and recognized during the thirty-nine weeks ended November 3, 2007 and October 28, 2006 was approximately $75,000 and $78,000, respectively.

Director Deferred Compensation

Under the Deferred Plan, outside non-employee directors can elect to defer all or a portion of their board and board committee fees into cash, stock options or deferred stock units. Those fees deferred into stock options are subject to the same provisions as provided for in the DEP and are expensed and accounted for accordingly. Director fees deferred into our common stock are calculated and expensed each calendar quarter by taking total fees earned during the calendar quarter and dividing by the closing price on the last day of the calendar quarter, rounded to the nearest whole share. The total annual retainer, board and board committee fees for non-employee directors that are not deferred into stock options, but which includes amounts deferred into stock units under the Deferred Plan, are expensed as incurred in all periods presented. A total of 292 and 277 stock units were deferred under this plan during the third quarter of fiscal 2008 and fiscal 2007, respectively. A total of 918 and 905 stock units were deferred under this plan through the third quarter of fiscal 2008 and fiscal 2007, respectively.

The compensation expense included in store operating, selling and administrative expenses and recognized during each of the thirteen weeks ended November 3, 2007 and October 28, 2006 was approximately $7,000 before the recognized income tax benefit of approximately $3,000 in each period. The compensation expense included in store operating, selling and administrative expenses and recognized during the thirty-nine weeks ended November 3, 2007 and October 28, 2006 was approximately $25,000 and $24,000, respectively, before the recognized income tax benefit of approximately $10,000 and $9,000, respectively.

4. Earnings Per Share

The computation of basic earnings per share (EPS) is based on the number of weighted-average common shares outstanding during the period. The computation of diluted EPS is based on the weighted-average number of shares outstanding plus the incremental shares that would be outstanding assuming exercise of dilutive stock options and issuance of restricted stock. The number of incremental shares is calculated by applying the treasury stock method. The following table sets forth the computation of basic and diluted earnings per share:

	Thirteen Weeks Ended		**Thirty-Nine Weeks Ended**	
	November 3, 2007	**October 28, 2006**	**November 3, 2007**	**October 28, 2006**
Net income, in thousands	$ 7,815	$ 9,926	$ 22,723	$ 25,469
Weighted-average number of common shares outstanding	31,074,731	31,982,045	31,312,106	32,221,569
Effect of dilutive securities:				
Stock options	416,542	445,425	443,936	498,941
Restricted stock units	62,363	12,863	66,464	21,976
Weighted-average number of common shares outstanding and dilutive securities	31,553,636	32,440,333	31,822,506	32,742,486

Earnings per share:				
Basic	$ 0.25	$ 0.31	$ 0.73	$ 0.79
Dilutive	$ 0.25	$ 0.31	$ 0.71	$ 0.78

In calculating diluted earnings per share for the thirteen weeks and thirty-nine weeks ended November 3, 2007 options to purchase 279,681 shares of common stock were outstanding as of the end of the period, but were not included in the computation of diluted earnings per share due to their anti-dilutive effect. In calculating diluted earnings per share for the thirteen and thirty-nine weeks ended October 28, 2006, options to purchase 448,976 shares of common stock were outstanding as of the end of the period, but were not included in the computation of diluted earnings per share due to their anti-dilutive effect.

5. Stock Repurchase Plan

In August 2004, our Board of Directors (The Board) authorized a plan to repurchase our common stock. The Board has subsequently authorized increases to this plan with a current authorization effective August 2006 of $150.0 million. Stock repurchases may be made in the open market or in negotiated transactions until February 2, 2008, with the amount and timing of repurchases dependent on market conditions and at the discretion of our management.

We repurchased 242,900 of our common stock during the thirteen weeks ended November 3, 2007 at a cost of $5.7 million. For the thirty-nine weeks ended November 3, 2007, we repurchased 970,300 shares of our common stock at a cost of $26.4 million bringing the total shares repurchased to 5,276,713 shares at a cost of $123.8 million.

In November 2007, subsequent to the third quarter, our Board of Directors increased its authorization to repurchase our common stock by an additional $100.0 million to $250.0 million and extended its authorization through January 30, 2010. After considering past stock repurchases, approximately $126.2 million of the total authorization remained for future stock repurchases at November 3, 2007.

6. Properties

We currently lease all of our existing 650 store locations and expect that our policy of leasing rather than owning will continue as we continue to expand. Our leases typically provide for terms of five to ten years with options on our part to extend. Most leases also contain a kick-out clause if projected sales levels are not met and an early termination/remedy option if co-tenancy and exclusivity provisions are violated. We believe that this leasing strategy enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions and to periodically re-evaluate store locations. Our ability to open new stores is contingent upon locating satisfactory sites, negotiating favorable leases, recruiting and training qualified management personnel and the availability of market relevant inventory.

As current leases expire, we believe that we will be able to either obtain lease renewals for present store locations or to obtain leases for equivalent or better locations in the same general area. For the most part, we have not experienced any significant difficulty in either renewing leases for existing locations or securing leases for suitable locations for new stores. Based primarily on our belief that we maintain good relations with our landlords, that most of our leases are at approximate market rents and that generally we have been able to secure leases for suitable locations, we believe that our lease strategy will not be detrimental to our business, financial condition or results of operations.

Our corporate offices and our retail distribution center are leased under an operating lease. We also own a small warehouse located in Birmingham, Alabama that houses inventory for educational institutions and youth associations.

As recently as late August 2007, we discussed plans to open a second distribution center in or around Dallas, Texas within the next 12 months. However, with an additional investment in our current distribution center, additional warehousing space in Birmingham for new store accumulation and the larger number of new store opportunities in our core states and the lower Midwest, we believe our current distribution center is suitable to support our anticipated growth over the next few years.

We currently operate 650 stores in 23 contiguous states. Of these stores, 218 are located in malls and 432 are located in strip centers which are generally the centers of commerce and which are usually anchored by a Wal-Mart store. Over the last several years, we have typically concentrated our store base growth in the most dominant strip center within the market we target.

7. Accounting for the Impairment of Long-Lived Assets

We continually evaluate whether events and circumstances have occurred that indicate the remaining balance of long-lived assets and intangibles may be impaired and not recoverable. Our policy is to recognize any impairment loss on long-lived assets as a charge to current income when certain events or changes in circumstances indicate that the carrying value of the assets may not be recoverable. Impairment is assessed considering the estimated undiscounted cash flows over the asset's remaining life. If estimated cash flows are insufficient to recover the investment, an impairment loss is recognized based on a comparison of the cost of the asset to fair value less any costs of disposition.

8. Commitments and Contingencies

Lease Commitments.

We lease the premises for our retail sporting goods stores under non-cancelable operating leases having initial or remaining terms of more than one year. The leases typically provide for terms of five to ten years with options on our part to extend. Many of our leases contain scheduled increases in annual rent payments and the majority of our leases also require us to pay common area maintenance, insurance and real estate taxes. Additionally, many of the lease agreements contain tenant improvement allowances, rent holidays and/or rent escalation clauses (contingent rentals). For purposes of recognizing incentives and minimum rental expenses on a straight-line basis over the terms of the leases,

we use the date of initial possession to begin amortization, which is generally when we enter the space and begin to make improvements in preparation of our intended use.

Most of our retail store leases contain provisions that allow for early termination of the lease if certain predetermined annual sales levels are not met. Generally, these provisions allow the lease to be terminated between the third and fifth year of the lease. Should the lease be terminated under these provisions, in some cases, the unamortized portion of any landlord allowances related to that property would be payable to the landlord.

We also lease certain computer hardware, office equipment and transportation equipment under non-cancelable operating leases having initial or remaining terms of more than one year.

During the thirty-nine weeks ended November 3, 2007, we increased our lease commitments by a net of 37 retail stores, one short-term warehousing location and various office and transportation equipment. The retail stores have initial lease termination dates between January 2012 and November 2017. At November 3, 2007, the future minimum lease payments, excluding maintenance, insurance and real estate taxes, for our current operating leases and including the net 37 store operating leases added during the thirty-nine weeks ended November 3, 2007, were as follows (in thousands):

Remaining Fiscal 2008	$	8,780
Fiscal 2009		37,310
Fiscal 2010		32,180
Fiscal 2011		25,477
Fiscal 2012		19,186
Fiscal 2013		13,888
Thereafter		28,117
TOTAL	$	164,938

Additionally, in February 1996, we entered into a sale-leaseback transaction to finance our distribution center and office facilities. In December 1999, the related operating lease was amended to include the fiscal 2000 expansion of these facilities. This lease will expire in December 2014.

Incentive Bonuses

Specified officers and employees of our Company are entitled to incentive bonuses, primarily based on net earnings of our Company or particular operations thereof. At November 3, 2007 and February 3, 2007, there was $1.0 million and $2.1 million of bonus related expense included in accrued expenses.

In addition, starting in March 2006, the Compensation Committee (Committee) of the Board of Directors of our Company began placing performance criteria on awards of RSUs to our named executive officers under the Incentive Plan. The performance criterion is primarily tied to performance targets with respect to future sales and Company profit over a specified period of time. These performance-based awards of RSUs are being expensed under the provisions of SFAS No. 123R and assume that the performance conditions set within will be met. We expect the Committee to continue to place performance criteria on awards of RSUs to our named executive officers.

Legal Proceedings and Other Contingencies.

In October 2005, three former employees filed a lawsuit in Mississippi federal court alleging they are owed back wages for overtime because they were improperly classified as exempt salaried employees. They also alleged other wage and hour violations. The suit asked the court to certify the case as a collective action under the Fair Labor Standards Act on behalf of all similarly situated employees. We dispute the allegations of wrongdoing in this

complaint and have vigorously defended ourselves in this matter. However, the parties have negotiated a settlement and the court has now ruled to certify the collective action in accordance with the negotiated settlement. We have begun to make some initial distributions, and at November 3, 2007, we have estimated that the remaining liability related to this matter is $600,000. Accordingly, we have accrued $600,000 as a current liability on our condensed consolidated balance sheet. At October 28, 2006, no loss amount was accrued because a loss was not considered probable or estimable.

We are also party to other legal proceedings incidental to our business. We do not believe that any of these matters will, individually or in the aggregate, have a material adverse effect on our business or financial condition. We cannot give assurance, however, that one or more of these lawsuits will not have a material adverse effect on our results of operations for the period in which they are resolved.

From time to time, we enter into certain types of agreements that require us to indemnify parties against third party claims under certain circumstances. Generally these agreements relate to: (a) agreements with vendors and suppliers under which we may provide

customary indemnification to our vendors and suppliers in respect of actions they take at our request or otherwise on our behalf; (b) agreements to indemnify vendors against trademark and copyright infringement claims concerning merchandise manufactured specifically for or on behalf of the Company; (c) real estate leases, under which we may agree to indemnify the lessors from claims arising from our use of the property; and (d) agreements with our directors, officers and employees, under which we may agree to indemnify such persons for liabilities arising out of their relationship with us. The Company has director and officer liability insurance, which, subject to the policy's conditions, provides coverage for indemnification amounts payable by us with respect to our directors and officers up to specified limits and subject to certain deductibles.

9. Income Taxes

Our effective tax rate is based on expected income, statutory tax rates and tax planning opportunities available in the various jurisdictions in which we operate. For interim financial reporting, we estimate the annual tax rate based on projected taxable income for the full year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining our effective tax rate and in evaluating our tax positions.

In accordance with SFAS No. 109, we recognize deferred tax assets and liabilities based on the difference between the financial statement carrying amounts and the tax basis of assets and liabilities. Deferred tax assets represent items to be used as a tax deduction or credit in future tax returns for which we have already properly recorded the tax benefit in the income statement. At least quarterly, we assess the likelihood that the deferred tax assets balance will be recovered. We take into account such factors as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies that could potentially enhance the likelihood of a realization of a deferred tax asset. To the extent recovery is not more likely than not, a valuation allowance is established against the deferred tax asset, increasing our income tax expense in the year such determination is made.

Additionally, due to the adoption of FIN No. 48 (as described in Note 1), we have revised our policy on income taxes with respect to accounting for uncertain tax positions. We consider our policy on income taxes to be a critical accounting policy due to the significant level of estimates, assumptions and judgments and its potential impact on our consolidated financial statements.

We adopted FIN No. 48 effective February 4, 2007. In accordance with FIN No. 48, we recognize a tax benefit associated with an uncertain tax position when, in our judgment, it is more likely than not that the position will be sustained upon examination by a taxing authority. For a tax position that meets the more-likely-than-not recognition threshold, we initially and subsequently measure the tax benefit as the largest amount that we judge to have a greater than 50% likelihood of being realized upon ultimate settlement with a taxing authority. Our liability associated with unrecognized tax benefits is adjusted periodically due to changing circumstances, such as the progress of tax audits, case law developments and new or emerging legislation. Such adjustments are recognized entirely in the period in which they are identified. Our effective tax rate includes the net impact of changes in the liability for unrecognized tax benefits and subsequent adjustments as considered appropriate by management.

A number of years may elapse before a particular matter for which we have recorded a liability related to an unrecognized tax benefit is audited and finally resolved. The number of years with open tax audits varies by jurisdiction. While it is often difficult to predict the final outcome or the timing of resolution of any particular tax matter, we believe our liability for unrecognized tax benefits is adequate. Favorable settlement of an unrecognized tax benefit could be recognized as a reduction in our effective tax rate in the period of resolution. Unfavorable settlement

of an unrecognized tax benefit could increase the effective tax rate and may require the use of cash in the period of resolution. Our liability for unrecognized tax benefits is generally presented as non-current. However, if we anticipate paying cash within one year to settle an uncertain tax position, the liability is presented as current.

We classify interest and penalties recognized on the liability for unrecognized tax benefits as income tax expense.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Hibbett Sports, Inc. operates sporting goods stores in small to mid-sized markets, predominantly in the Sunbelt, Mid-Atlantic and the lower Midwest. Our stores offer a broad assortment of quality athletic equipment, footwear and apparel with a high level of customer service. As of November 3, 2007, we operated a total of 650 retail stores composed of 628 Hibbett Sports stores, 18 Sports Additions athletic shoe stores and 4 Sports & Co. superstores in 23 states.

Our primary retail format and growth vehicle is Hibbett Sports, a 5,000 square-foot store located in dominant strip centers which are usually anchored by a Wal-Mart store and in enclosed malls. Over the last several years, we have concentrated and expect to continue our store base growth in strip centers versus enclosed malls. We believe Hibbett Sports stores are typically the primary sporting goods retailer in their markets due to the extensive selection of quality branded merchandise and a high level of customer service. We do not expect that the average size of our stores opening in fiscal 2008 will vary significantly from the average size of stores opened in fiscal 2007.

We historically have comparable store sales increases in the low to mid-single digit range, and we plan to increase total company-wide square footage by approximately 13% in fiscal 2008. We believe total sales percentage growth will be in the low to mid single digits in fiscal 2008 due to the timing of new store openings and the unfavorable calendar comparison of 52- versus 53-weeks last year as noted below. Over the past several years, we have increased our product margin due to improved vendor discounts, fewer retail reductions, increased efficiencies in logistics and favorable leveraging of store occupancy costs. We expect a slight improvement in product margin in fiscal 2008 attributable to improved vendor discounts offset by markdowns.

Due to our increased sales, we have historically leveraged our store operating, selling and administrative expenses. Based on projected sales, we expect operating, selling and administrative expense rates to increase in fiscal 2008 due to the movement of certain stock option expense into fiscal 2008 and the new store cost related to approximately 18 additional new stores over fiscal 2007. We also expect to continue to generate sufficient cash to enable us to expand and remodel our store base, to provide capital expenditures for both distribution center and technology upgrade projects and to repurchase shares of our common stock through the stock repurchase plan.

As recently as late August 2007, we discussed plans to open a second distribution center in or around Dallas, Texas within the next 12 months. However, with an additional investment in our current distribution center, additional warehousing space in Birmingham for new store accumulation and the larger number of new store opportunities in our core states and the lower Midwest, we believe our current distribution center is suitable to support our anticipated growth over the next few years.

Hibbett maintains a merchandise management system that allows us to identify and monitor trends. However, this system does not produce generally accepted accounting principle (GAAP) financial information by product category. Thus it is impracticable to provide GAAP net sales by product category.

Hibbett operates on a 52- or 53-week fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statements of operations for fiscal year ended February 2, 2008, will include 52 weeks of operations, while the fiscal year ended February 3, 2007 included 53 weeks of operations. We have operated as a public company and have been incorporated under the laws of the State of Delaware since October 6, 1996.

Results of Operations

The following table sets forth condensed consolidated statements of operations items expressed as a percentage of net sales for the periods indicated:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 3, 2007	October 28, 2006	November 3, 2007	October 28, 2006
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of goods sold, including distribution and store occupancy costs	67.2	66.8	66.9	66.8
Gross profit	32.8	33.2	33.1	33.2
Store operating, selling and administrative expenses	20.8	19.1	21.0	19.8
Depreciation and amortization	2.3	2.1	2.4	2.3
Operating income	9.7	12.0	9.7	11.1
Interest income	0.1	0.2	0.1	0.2
Interest expense	-	-	-	-
Interest income, net	0.1	0.2	0.1	0.2
Income before provision for income taxes	9.8	12.2	9.8	11.3
Provision for income taxes	3.7	4.6	3.8	4.3
Net income	6.0%	7.7%	6.0%	7.1%

Note: Columns may not foot due to rounding.

Thirteen Weeks Ended November 3, 2007 Compared to Thirteen Weeks Ended October 28, 2006

Net sales. Net sales remained essentially flat decreasing $31,000, or 0.02%, to $129.6 million for the thirteen weeks ended November 3, 2007 from $129.7 million for the comparable period in the prior year. The following factors helped define this quarter:

- We opened 18 Hibbett Sports stores and closed 2 in the thirteen weeks ended November 3, 2007. New stores and stores not in the comparable store net sales calculation increased $8.1 million during the thirteen week period.
- We experienced a 6.6% decrease in comparable store net sales for the thirteen weeks ended November 3, 2007. Lower comparable store net sales offset the increase in net sales attributable to new stores. We attribute this decrease to the shift in our retail calendar as a result of the 53rd week in fiscal 2007 compared to the normal 52-week year. Comparable store, comparable week sales for the thirteen weeks ended November 3, 2007 compared to the thirteen weeks ended November 4, 2006 increased 1.2%.

The decrease in comparable store sales on a fiscal basis was primarily attributable to the shift in the retail calendar that changed the timing of some of our tax free holiday shopping days into the second quarter compared to the third quarter last year.

We experienced the following performance trends in the thirteen week period:

- Athletic performance apparel performed well across all genders (men’s, women’s and children’s) led by Under Armour, Nike and Adidas. Accessories such as socks, backpacks and vendor bags were strong performers in the quarter.
- Urban and licensed apparel underperformed through the third quarter. Urban apparel has been trending down for several quarters and we have taken steps to improve our mix to become more fashionable. Licensed apparel underperformed relative to the underperformance of teams in our market on the field.
- Footwear and cleats were up mid-single digits led by kids footwear. Strong performers included Nike, New Balance, Asics and Adidas. Classics and urban footwear continued its downward trend.

Comparable store net sales data for the period reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel or relocation results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months. During the thirteen weeks ended November 3, 2007, 557 stores were included in the comparable store sales comparison. Our four Sports & Co. stores are not and have never been included in the comparable store net sales comparison because we have not opened a superstore since September 1996 nor do we have plans to open additional superstores in the future.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was $42.5 million, or 32.8% of net sales, in the thirteen weeks ended November 3, 2007, compared with $43.1 million, or 33.2% of net sales, in the same period of the prior fiscal year. Our decrease in gross profit was due primarily to the deleveraging of store occupancy and distribution expense, offset by an improvement in product gross margin. Distribution expense experienced increases in data processing and fuel costs. Occupancy expense saw its largest increase in rental expense as a percent to sales due to total sales volume and more opened stores this year versus last year. Product gross margin improved due to favorable inventories and a reduction in our obsolescence reserve.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $26.9 million, or 20.8% of net sales, for the thirteen weeks ended November 3, 2007, compared to $24.8 million, or 19.1% of net sales, for the comparable period a year ago. We attribute this increase to the following factors:

- Salary and benefit costs increased in our stores by 100 basis points, resulting primarily from flat sales, while slightly decreasing at the administrative level.
- Net advertising expenses increased 11 basis points as we increased our advertising efforts for new and low performing stores and to combat sluggish sales. Inventory counting expenses increased 14 basis points due to more scheduled counts and higher inventory levels. Bank card fees increased 13 basis points as we are experiencing higher credit and debit card transactions.
- Slightly offsetting the increases above were decreases in new store costs and freight and shipping expenses.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 2.3% in the thirteen weeks ended November 3, 2007 compared to 2.1% for the comparable period a year ago. The weighted-average lease term of new store leases added during the thirteen weeks ended November 3, 2007 compared to those added during the thirteen weeks ended October 28, 2006, decreased in lease terms at 6.81 years compared to 7.46 years, respectively. We attribute the increase in depreciation expense as a percent to sales to the shorter lease terms as well as the information systems placed in service as of February 4, 2007.

Provision for income taxes. Provision for income taxes as a percentage of net sales was 3.7% in the thirteen weeks ended November 3, 2007, compared to 4.6% for the thirteen weeks ended October 28, 2006. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 38.2% and 37.4% for the thirteen weeks ended November 3, 2007 and October 28, 2006, respectively. The increase in rate over last year is primarily the result of permanent differences related to incentive stock options and related employee exercise behavior, higher state tax rates and the adoption of FIN No. 48.

Thirty-Nine Weeks Ended November 3, 2007 Compared to Thirty-Nine Weeks Ended October 28, 2006

Net sales. Net sales increased $16.9 million, or 4.7%, to $377.9 million for the thirty-nine weeks ended November 3, 2007 from $360.9 million for the comparable period in the prior year. We attribute this increase to the following factors:

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We opened 44 Hibbett Sports stores and closed 7 in the thirty-nine weeks ended November 3, 2007. New stores and stores not in the comparable store net sales calculation increased $25.4 million during the thirty-nine week period.

- We experienced a 2.5% decrease in comparable store net sales for the thirty-nine weeks ended November 3, 2007. We attribute this decrease to the shift in our retail calendar as a result of the 53rd week in fiscal 2007 compared to the normal 52-week year. Comparable store, comparable week sales for the thirty-nine weeks ended November 3, 2007 compared to the thirty-nine weeks ended November 4, 2006 decreased 1.2%.

The decrease in comparable store sales on a fiscal basis was primarily attributable to a weak market in our urban consumer, especially in our urban enclosed mall locations coupled with the overall weakness in our industry.

We experienced the following performance trends in the thirty-nine week period:

- Athletic performance apparel was up mid-single digits, led by kid's activewear which was up double digits. Key vendors were Under Armour, Nike and Adidas.
- Team equipment and licensed apparel are performing below expectations year-to-date.
- Kid's footwear and cleats continue to perform well led by Nike, New Balance, Adidas and Asics while classics and urban footwear underperformed.
- Strip center stores continue to outperform enclosed mall stores.

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Comparable store net sales data for the period reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel or relocation results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months. During the thirty-nine weeks ended November 3, 2007, 527 stores were included in the comparable store sales comparison. Our four Sports & Co. stores are not and have never been included in the comparable store net sales comparison because we have not opened a superstore since September 1996 nor do we have plans to open additional superstores in the future.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was $125.0 million, or 33.1% of net sales, in the thirty-nine weeks ended November 3, 2007, compared with $119.9 million, or 33.2% of net sales, in the same period of the prior fiscal year. The slight decrease in gross profit was due primarily to some deleveraging of store and occupancy costs and distribution expense offset by improved product margins. Store occupancy expenses saw its largest increase in rental expense. Distribution expense experienced increases primarily in data processing costs resulting from contract labor costs to support information technology upgrades and projects.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were $79.5 million, or 21.0% of net sales, for the thirty-nine weeks ended November 3, 2007, compared to $71.6 million, or 19.8% of net sales, for the comparable period a year ago. We attribute this increase to the following factors:

- Stock-based compensation accounted for 25 basis points, primarily because of the movement of certain grant dates into the first quarter as compared to a year ago.
- Salary and benefit costs increased in our stores by 61 basis points while decreasing slightly at the administrative level. Net advertising expenses increased 16 basis points due primarily to increased advertising efforts for new and low performing stores. Data processing costs also increased by 10 basis points as we supported the new JDA Merchandising System.
- Slightly offsetting the increases above were decreases in new store costs and business insurance as a percent to sales.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 2.4% in the thirty-nine weeks ended November 3, 2007 compared to 2.3% for the comparable period a year ago. The weighted-average lease term of new store leases added through November 3, 2007 compared to those added through October 28, 2006, decreased in lease terms at 6.88 years compared to 7.37 years, respectively. We attribute the increase in depreciation expense as a percent to sales to the shorter lease terms as well as the information systems placed in service as of February 4, 2007.

Provision for income taxes. Provision for income taxes as a percentage of net sales was 3.8% in the thirty-nine weeks ended November 3, 2007, compared to 4.3% for the thirty-nine weeks ended October 28, 2006. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 38.5% and 37.6% for the thirty-nine weeks ended November 3, 2007 and October 28, 2006, respectively. The increase in rate over last year is primarily the result of permanent differences related to incentive stock options and related employee exercise behavior, higher state tax rates and the adoption of FIN No. 48.

Liquidity and Capital Resources

Our capital requirements relate primarily to stock repurchases, working capital requirements and new store openings. Our working capital requirements are somewhat seasonal in nature and typically reach their peak near the end of the third and the beginning of the fourth quarters of our fiscal year. Historically, we have funded our cash requirements primarily through our cash flow from operations and occasionally from borrowings under our revolving credit facilities.

Our statements of cash flows are summarized as follows (in thousands):

	Thirty-Nine Weeks Ended	
	November 3, 2007	October 28, 2006
Net cash provided by operating activities:	$ 15,588	$ 10,456
Net cash (used in) provided by investing activities:	(10,448)	1,877
Net cash used in financing activities:	(24,756)	(25,537)
Net decrease in cash and cash equivalents	$ (19,616)	$ (13,204)

Operating Activities.

Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, such as pre-Christmas and back-to-school. Inventory levels are reduced in connection with higher sales

during the peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was $15.6 million for the thirty-nine weeks ended November 3, 2007 compared with net cash provided by operating activities of $10.5 million for the thirty-nine weeks ended October 28, 2006. The largest uses of cash during the period resulted from an increase in inventory of $23.1 million and prepaid expenses of $1.2 million combined with a decrease of $5.6 million in accrued and refundable income taxes. Offsetting this use of cash was an increase in accounts payable of $10.6 million, net income of $22.7 million and non-cash charges, including depreciation and amortization expense of $9.0 million and stock-based compensation expense of $3.2 million.

Investing Activities.

Cash used in investing activities in the thirty-nine weeks ended November 3, 2007 totaled $10.4 million. Net purchases of short-term investments were $0.3 million compared to net redemptions of short-term investments of $12.7 million as of October 28, 2006. Capital expenditures used $10.2 million of cash in the thirty-nine weeks ended November 3, 2007. We use cash in investing activities to build new stores and remodel or relocate existing stores. Furthermore, net cash used in investing activities includes purchases of information technology assets and expenditures for our distribution facility and corporate headquarters.

We opened 44 new stores and relocated and/or remodeled 10 existing stores during the thirty-nine weeks ended November 3, 2007 as compared to opening 49 new stores and relocating and/or remodeling 4 existing store during the thirty-nine weeks ended October 28, 2006.

We estimate the cash outlay for capital expenditures in fiscal 2008 will be approximately $18.5 million, which relates to the opening of 86 to 90 new stores, remodeling of selected existing stores, information technology upgrades and enhancements and various improvements at our headquarters and distribution center. Of the total budgeted dollars for capital expenditures for fiscal 2008, we anticipate that approximately 76% will be related to the opening of new stores and remodeling and or relocating existing stores. Approximately 12% will be related to improvements in our distribution center and on information technology with the remaining 12% related primarily to loss prevention tools, office space improvements, information technology, equipment and automobiles.

Financing Activities.

Net cash used in financing activities was $24.8 million in the thirty-nine weeks ended November 3, 2007 compared to $25.5 million in the prior year period. The cash fluctuation as compared to the same period last fiscal year was primarily the result of the repurchase of our common stock. In the thirty-nine weeks ended November 3, 2007 we expended $26.4 million on repurchases of our common stock compared to $30.3 million for the thirty-nine weeks ended October 28, 2006. Financing activities also consisted of proceeds from transactions in our common stock and the excess tax benefit from the exercise of incentive stock options. As stock options are exercised, we will continue to receive proceeds and expect a tax deduction; however, the amounts and timing cannot be predicted.

At November 3, 2007, we had one unsecured revolving credit facility that allows borrowings up to $30.0 million and which renews annually in August. Under the provisions of this facility, we can draw down funds when our main operating account falls below $100,000. The facility does not require a commitment or agency fee nor are there any covenant restrictions. We plan to renew this facility as it expires and do not anticipate any problems in doing so; however, no assurance can be given that we will be granted a renewal or terms which are acceptable to us. As of November 3, 2007, we did not have any debt outstanding under this facility.

At October 28, 2006, we had two unsecured revolving credit facilities that allowed borrowings up to $15.0 million and $10.0 million and which renewed annually in November. Under the provisions of these facilities, we could draw down funds when our main operating account fell below $100,000. Neither facility required a commitment or agency fee nor were there any covenant restrictions. In November 2006, we renewed the facility that allowed borrowings up to $15.0 million and elected not to renew the second facility. As of October 28, 2006, we did not have any debt outstanding under any of our facilities.

Based on our current operating and store opening plans and management's plans for the repurchase of our common stock, we believe that we can fund our cash needs for the foreseeable future through cash generated from operations and, if necessary, through periodic future borrowings against our credit facility.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of November 3, 2007.

We have not created, and are not party to, any special-purpose or off-balance sheet entities for the purpose of raising capital, incurring debt or operating our business. We do not have any arrangements or relationships with entities that are not consolidated into the financial statements.

Quarterly and Seasonal Fluctuations

We have historically experienced and expect to continue to experience seasonal fluctuations in our net sales and operating income. Our net sales and operating income are typically higher in the fourth quarter due to sales increases during the holiday selling season. However, the seasonal fluctuations are mitigated by the strong product demand in the spring and back-to-school sales periods. Our quarterly results of operations may also fluctuate significantly as a result of a variety of factors, including the timing of new store openings, the occurrence and timing of tax holidays within our states of operation, shifts in the retail calendar, the amount and timing of net sales contributed by new stores, the level of pre-opening expenses associated with new stores, the relative proportion of new stores to mature stores, merchandise mix and demand for team-specific merchandise driven by local interest in various sporting events.

ITEM 3. Quantitative and Qualitative Disclosures About Market Risk.

Our financial condition, results of operations and cash flows are subject to market risk from interest rate fluctuations on our credit facility which bears an interest rate that varies with LIBOR, prime or quoted cost of funds rates.

At November 3, 2007, we did not have any debt outstanding under our credit facility. There were three and fifty-nine days during the thirteen and thirty-nine weeks ended November 3, 2007, respectively, where we incurred borrowings against our credit facility for an average borrowing of $2.9 million and $5.1 million, respectively. The maximum borrowing was $5.8 million for the thirteen weeks and $13.5 million for the thirty-nine weeks ended November 3, 2007 with a weighted-average interest rate of 6.05% for both periods.

At October 28, 2006, we had no borrowings outstanding under our credit facilities. There were two days during the thirteen week period ended October 28, 2006 where we incurred borrowings against our credit facilities for an average and maximum borrowing of $0.3 million and $0.4 million, respectively, and a weighted average interest rate of 6.12%. There were twelve days during the thirty-nine week period ended October 28, 2006, where we incurred borrowings against our credit facilities for an average borrowing of approximately $1.7 million. Of these twelve days, the maximum amount outstanding was approximately $3.3 million and the weighted average interest rate was 6.12%.

A 10% increase or decrease in market interest rates would not have a material impact on our financial condition, results of operations or cash flows.

ITEM 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Securities Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Our Chief Executive Officer and Chief Financial Officer have evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act) as of November 3, 2007. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that, as of November 3, 2007, our disclosure controls and procedures were effective.

Changes in Internal Control Over Financial Reporting.

We have not identified any changes in our internal control over financial reporting that occurred during the period ended November 3, 2007, that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

In October 2005, three former employees filed a lawsuit in Mississippi federal court alleging negligence and various violations of the Fair Labor Standards Act (FLSA). The violations alleged that the Company improperly classified certain employees as exempt salaried employees and that we owe back wages for overtime as a result of the alleged misclassification. The suit asked the court to certify the case as a collective action under the FLSA on behalf of all similarly situated former and current employees. Plaintiffs sought to recover overtime pay, liquidated damages, declaratory relief and attorneys' fees. The parties have negotiated a settlement and the court has ruled to certify the collective action in accordance with the negotiated settlement.

While we believe that these employees are and have been properly classified as exempt employees under the FLSA and that the actions described above are not appropriate for collective action treatment, no assurances could be given that we would be successful in that defense on the merits or otherwise, and, if unsuccessful, the resolution(s) could have had a material adverse effect on our results of operations and our financial statements as a whole in the period of resolution. At November 3, 2007, we have estimated that the remaining liability related to this settlement is $600,000. Accordingly, we have accrued $600,000 as a current liability on our condensed consolidated balance sheet. At October 28, 2006, no loss amount was accrued because a loss was not considered probable or estimable.

We are also a party to other legal actions and claims arising in the ordinary course of business. We believe, based upon information currently available, that such other litigation and claims, both individually and in the aggregate, will be resolved without a material effect on our results of operations and our financial statements as a whole in the period of resolution. However, litigation involves an element of uncertainty and future developments could cause these actions or claims to have a material adverse effect on our results of operations and our financial statements as a whole in the period of resolution.

If the Company believes that a loss is both probable and estimable for a particular matter, the loss is accrued in accordance with the requirements of SFAS No. 5. With respect to any matter, we could change our belief as to whether a loss is probable or estimable, or our estimate of loss, at any time. Even though we may not believe a loss is probable or estimable, it is reasonably possible that we could suffer a loss with respect to that matter in the future.

ITEM 1A. Risk Factors.

In addition to the "Warning About Forward-Looking Statements" in the introduction and other information set forth in this report, you should carefully consider the disclosure in Part I, "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended February 3, 2007, as filed on April 4, 2007 with the SEC, discussing factors which could materially affect our business, financial condition or future results. There have not been material changes in such factors since such filing.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The following table presents our stock repurchase activity for the thirteen weeks ended November 3, 2007:

ISSUER PURCHASES OF EQUITY SECURITIES (1)

Period	Total Number of Shares	Average Price per Share	Total Number of Shares	Approximate Dollar Value of Shares

	Purchased		Purchased as Part of Publicly Announced Programs	that may yet be Purchased Under the Programs (2)
As of August 4, 2007	5,033,813	$ 23.46	5,033,813	$ 31,914,000
August 5, 2007 to September 1, 2007	-	-	-	31,914,000
September 2, 2007 to October 6, 2007	10,000	26.84	10,000	31,645,000
October 7, 2007 to November 3, 2007	232,900	23.21	232,900	26,239,000
Quarter Ended November 3, 2007	242,900	23.36	242,900	
TOTAL since inception	5,276,713	$ 23.45	5,276,713	$ 126,239,000

(1) In August 2004, the Board of Directors authorized a plan to repurchase our common stock. The Board of Directors has subsequently authorized increases to this plan with a current authorization effective August 2006 of $150.0 million. The current authorization expires on February 2, 2008.
(2) In November 2007, the Board of Directors increased the maximum authorization under such plan by $100.0 million to $250.0 million and extended the repurchase date through January 2010. Under this new authorization, we have approximately $126.2 million available for stock repurchase as of November 3, 2007.

ITEM 3. Defaults Upon Senior Securities.

None.

ITEM 4. Submission of Matters to a Vote of Security Holders.

None.

ITEM 5. Other Information.

None.

ITEM 6. Exhibits.

Exhibit No.		
10.1		Credit Agreement between the Company and Regions Bank, dated as of August 29, 2007; incorporated by reference as Exhibit 10.1 to the Registrant's Form 8-K filed with the Securities and Exchange Commission on August 29, 2007.
31.1	*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2	*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1	*	Section 1350 Certification of Chief Executive Officer
32.2	*	Section 1350 Certification of Chief Financial Officer
	*	Filed Within

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 duly authorized.

HIBBETT SPORTS, INC.

By: /s/ Gary A. Smith
Gary A. Smith
Vice President & Chief Financial Officer
(Principal Financial Officer and Chief Accounting Officer)

Date: December 13, 2007

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Exhibit Index

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32.2	*	Section 1350 Certification of Chief Financial Officer

* Filed Within