UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

☒ QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 2, 2023

OR

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

For the transition period from ____________________ to ___________________

Commission file number: 000-49850

BIG 5 SPORTING GOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	**95-4388794**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
2525 East El Segundo Boulevard El Segundo, California	**90245**
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 536-0611

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, $0.01 par value	BGFV	The Nasdaq Stock Market LLC

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit 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 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 filer	☒
Non-accelerated filer	☐	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 ☒

There were 22,451,992 shares of common stock, with a par value of $0.01 per share, outstanding as of July 25, 2023.

BIG 5 SPORTING GOODS CORPORATION
INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	July 2, 2023	January 1, 2023
ASSETS		
Current assets:		
Cash	$ 5,888	$ 25,565
Accounts receivable, net of allowances of $22 and $44, respectively	16,219	12,270
Merchandise inventories, net	324,615	303,493
Prepaid expenses	15,518	16,632
Total current assets	362,240	357,960
Operating lease right-of-use assets, net	270,600	276,016
Property and equipment, net	54,754	58,311
Deferred income taxes	10,227	9,991
Other assets, net of accumulated amortization of $1,581 and $1,359, respectively	7,725	6,515
Total assets	$ 705,546	$ 708,793
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 91,881	$ 67,417
Accrued expenses	59,909	70,261
Current portion of operating lease liabilities	67,742	70,584
Current portion of finance lease liabilities	2,777	3,217
Total current liabilities	222,309	211,479
Operating lease liabilities, less current portion	211,198	214,584
Finance lease liabilities, less current portion	6,634	7,089
Other long-term liabilities	6,990	6,857
Total liabilities	447,131	440,009
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value, authorized 50,000,000 shares; issued 26,759,247 and 26,491,750 shares, respectively; outstanding 22,451,992 and 22,184,495 shares, respectively	267	264
Additional paid-in capital	127,358	126,512
Retained earnings	185,047	196,265
Less: Treasury stock, at cost; 4,307,255 shares	(54,257)	(54,257)
Total stockholders' equity	258,415	268,784
Total liabilities and stockholders' equity	$ 705,546	$ 708,793

See accompanying notes to unaudited condensed consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In thousands, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
Net sales	$ 223,567	$ 253,800	$ 448,506	$ 495,781
Cost of sales	151,664	164,934	301,459	320,982
Gross profit	71,903	88,866	147,047	174,799
Selling and administrative expense	72,366	76,628	147,539	151,945
Operating (loss) income	(463)	12,238	(492)	22,854
Interest (income) expense	(55)	136	(170)	320
(Loss) income before income taxes	(408)	12,102	(322)	22,534
Income tax (benefit) expense	(126)	3,168	(233)	4,497
Net (loss) income	$ (282)	$ 8,934	$ (89)	$ 18,037
(Loss) earnings per share:				
Basic	$ (0.01)	$ 0.41	$ (0.00)	$ 0.83
Diluted	$ (0.01)	$ 0.41	$ (0.00)	$ 0.81
Weighted-average shares of common stock outstanding:				
Basic	21,762	21,675	21,696	21,677
Diluted	21,762	22,039	21,696	22,197

See accompanying notes to unaudited condensed consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS’ EQUITY
(In thousands, except share amounts)

	13 Weeks Ended July 2, 2023					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
	Shares	Amount				
Balance as of April 2, 2023	22,394,171	$ 266	$ 126,627	$ 190,918	$ (54,257)	$ 263,554
Net loss	—	—	—	(282)	—	(282)
Dividends on common stock ($0.25 per share)	—	—	—	(5,589)	—	(5,589)
Issuance of nonvested share awards	53,952	1	(1)	—	—	—
Exercise of share option awards	11,875	—	35	—	—	35
Share-based compensation	—	—	704	—	—	704
Forfeiture of nonvested share awards	(7,145)	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(861)	—	(7)	—	—	(7)
Balance as of July 2, 2023	22,451,992	$ 267	$ 127,358	$ 185,047	$ (54,257)	$ 258,415

	13 Weeks Ended July 3, 2022					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
	Shares	Amount				
Balance as of April 3, 2022	22,344,586	$ 264	$ 124,501	$ 195,815	$ (51,679)	$ 268,901
Net income	—	—	—	8,934	—	8,934
Dividends on common stock ($0.25 per share)	—	—	—	(5,507)	—	(5,507)
Issuance of nonvested share awards	48,070	—	—	—	—	—
Exercise of share option awards	6,175	—	27	—	—	27
Share-based compensation	—	—	623	—	—	623
Forfeiture of nonvested share awards	(22,505)	—	—	—	—	—
Purchases of treasury stock	(199,336)	—	—	—	(2,563)	(2,563)
Balance as of July 3, 2022	22,176,990	$ 264	$ 125,151	$ 199,242	$ (54,242)	$ 270,415

	26 Weeks Ended July 2, 2023					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
	Shares	Amount				
Balance as of January 1, 2023	22,184,495	$ 264	$ 126,512	$ 196,265	$ (54,257)	$ 268,784
Net loss	—	—	—	(89)	—	(89)
Dividends on common stock ($0.50 per share)	—	—	—	(11,129)	—	(11,129)
Issuance of nonvested share awards	327,112	3	(3)	—	—	—
Exercise of share option awards	30,675	1	92	—	—	93
Share-based compensation	—	—	1,383	—	—	1,383
Forfeiture of nonvested share awards	(10,225)	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(80,065)	(1)	(626)	—	—	(627)
Balance as of July 2, 2023	22,451,992	$ 267	$ 127,358	$ 185,047	$ (54,257)	$ 258,415

	26 Weeks Ended July 3, 2022					
	Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
	Shares	Amount				
Balance as of January 2, 2022	22,097,467	$ 260	$ 124,909	$ 192,261	$ (50,121)	$ 267,309
Net income	—	—	—	18,037	—	18,037
Dividends on common stock ($0.50 per share)	—	—	—	(11,056)	—	(11,056)
Issuance of nonvested share awards	284,630	2	(2)	—	—	—
Conversion of vested share unit awards	124,012	1	(1)	—	—	—
Exercise of share option awards	67,750	1	271	—	—	272
Share-based compensation	—	—	1,186	—	—	1,186
Forfeiture of nonvested share awards	(25,210)	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(77,340)	—	(1,212)	—	—	(1,212)
Purchases of treasury stock	(294,319)	—	—	—	(4,121)	(4,121)
Balance as of July 3, 2022	22,176,990	$ 264	$ 125,151	$ 199,242	$ (54,242)	$ 270,415

See accompanying notes to unaudited condensed consolidated financial statements.

BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	26 Weeks Ended	
	July 2, 2023	**July 3, 2022**
Cash flows from operating activities:		
Net (loss) income	$ (89)	$ 18,037
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	9,141	8,830
Share-based compensation	1,383	1,186
Amortization of other assets	222	225
Loss on disposal of equipment	—	288
Noncash lease expense	34,936	33,881
Deferred income taxes	(236)	1,607
Changes in operating assets and liabilities:		
Accounts receivable, net	(3,949)	(425)
Merchandise inventories, net	(21,122)	(57,722)
Prepaid expenses and other assets	(318)	(3,336)
Accounts payable	22,284	8,593
Operating lease liabilities	(35,748)	(35,148)
Accrued expenses and other long-term liabilities	(9,810)	(15,147)
Net cash used in operating activities	(3,306)	(39,131)
Cash flows from investing activities:		
Purchases of property and equipment	(4,738)	(5,532)
Proceeds from disposal of property and equipment	—	13
Net cash used in investing activities	(4,738)	(5,519)
Cash flows from financing activities:		
Changes in book overdraft	2,493	2,325
Principal payments under finance lease liabilities	(2,007)	(1,899)
Proceeds from exercise of share option awards	93	272
Cash purchases of treasury stock	—	(4,121)
Tax withholding payments for share-based compensation	(627)	(1,212)
Dividends paid	(11,585)	(11,538)
Net cash used in financing activities	(11,633)	(16,173)
Net decrease in cash and cash equivalents	(19,677)	(60,823)
Cash and cash equivalents at beginning of period	25,565	97,420
Cash and cash equivalents at end of period	$ 5,888	$ 36,597
Supplemental disclosures of non-cash investing and financing activities:		
Property and equipment acquired under finance leases	$ 1,112	$ 942
Property and equipment additions unpaid	$ 1,326	$ 1,363
Supplemental disclosures of cash flow information:		
Interest paid	$ 308	$ 316
Income taxes paid	$ 24	$ 5,367

See accompanying notes to unaudited condensed consolidated financial statements.

(1) Description of Business

Big 5 Sporting Goods Corporation (the "Company") is a leading sporting goods retailer in the western United States, operating 430 stores and an e-commerce platform as of July 2, 2023. The Company provides a full-line product offering in a traditional sporting goods store format that averages approximately 12,000 square feet. The Company's product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, home recreation, tennis, golf, and winter and summer recreation. The Company is a holding company that operates as one reportable segment through Big 5 Corp., its 100%-owned subsidiary, and Big 5 Services Corp., which is a 100%-owned subsidiary of Big 5 Corp. Big 5 Services Corp. provides a centralized operation for the issuance and administration of gift cards and returned merchandise credits (collectively, "stored-value cards").

The accompanying interim unaudited condensed consolidated financial statements ("Interim Financial Statements") of the Company and its 100%-owned subsidiaries have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") for interim financial information and are presented in accordance with the requirements of Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, these Interim Financial Statements do not include all of the information and notes required by GAAP for complete financial statements. These Interim Financial Statements should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended January 1, 2023 included in the Company's Annual Report on Form 10-K. In the opinion of management, the Interim Financial Statements included herein contain all adjustments, including normal recurring adjustments, considered necessary to present fairly the Company's financial position, the results of operations and cash flows for the periods presented.

The operating results and cash flows of the interim periods presented herein are not necessarily indicative of the results to be expected for any other interim period or the full year.

(2) Summary of Significant Accounting Policies

Consolidation

The accompanying Interim Financial Statements include the accounts of Big 5 Sporting Goods Corporation, Big 5 Corp. and Big 5 Services Corp. Intercompany balances and transactions have been eliminated in consolidation.

Reporting Period

The Company follows the concept of a 52-53 week fiscal year, which ends on the Sunday nearest December 31. Fiscal year 2023 is comprised of 52 weeks and ends on December 31, 2023. Fiscal year 2022 was comprised of 52 weeks and ended on January 1, 2023. The interim periods in fiscal 2023 and 2022 are each comprised of 13 weeks.

Recently Issued Accounting Updates

In May 2023, the Securities and Exchange Commission ("SEC") adopted the final rule under SEC Release No. 34-97424, *Share Repurchase Disclosure Modernization*, requiring disclosures related to issuers' share repurchases that will provide investors with enhanced information to assess the purposes and effects of the repurchases. Disclosure requirements under this rule will be effective in the fourth quarter of 2023. We do not expect the adoption of this final rule to have a material impact on our results of operations, liquidity or capital resources.

On June 9, 2023, the SEC approved new listing standards that were proposed by the New York Stock Exchange and Nasdaq. The new listing standards require listed companies to adopt and comply with a written policy providing for the recovery, in the event of a required accounting restatement, of incentive-based compensation received by current or former executive officers where that compensation is based on erroneously reported financial information. The listing standards will take effect on October 2, 2023 and registrants will have until December 1, 2023 (60 days after the effective date) to adopt a recovery policy. The recovery policy must, however, apply to erroneously awarded incentive-based compensation received (as defined in the listing standards) after the effective date. We do not expect the adoption of these new listing standards to have a material impact on our results of operations, liquidity or capital resources.

Other recently issued accounting updates are not expected to have a material impact on the Company's Interim Financial Statements.

General Concentration of Risk

The Company purchases merchandise from nearly 700 suppliers, and the Company's 20 largest suppliers accounted for 35.9% of total purchases in fiscal 2022. No vendor represented greater than 5% of total purchases in fiscal 2022.

A substantial amount of the Company's inventory is manufactured abroad and, from time to time, shipping ports may experience capacity constraints (such as delays associated with the novel coronavirus "COVID-19"), labor strikes, work stoppages or other disruptions that may delay the delivery of imported products. A contract dispute may lead to protracted delays in the movement of the Company's products, which could further delay the delivery of products to the Company's stores and impact net sales and profitability. In addition, other conditions outside of the Company's control, such as adverse weather conditions or acts of terrorism or war, such as the current conflict in Ukraine, could significantly disrupt operations at shipping ports or otherwise impact transportation of the imported merchandise we sell, either through supply chain disruptions, or rising freight and fuel costs.

Use of Estimates

Management makes a number of estimates and assumptions relating to the reporting of assets, liabilities and stockholders' equity and the disclosure of contingent assets and liabilities at the date of the Interim Financial Statements and reported amounts of revenue and expense during the reporting period to prepare these Interim Financial Statements in conformity with GAAP. Certain items subject to such estimates and assumptions include the carrying amount of merchandise inventories, property and equipment, lease assets and lease liabilities; valuation allowances for receivables, sales returns and deferred income tax assets; estimates related to stored-value cards and the valuation of share-based compensation awards; and obligations related to litigation, self-insurance liabilities and employee benefits. Due to the inherent uncertainty involved in making assumptions and estimates, events and changes in circumstances arising after July 2, 2023 may result in actual outcomes that differ from those contemplated by management's assumptions and estimates.

Revenue Recognition

The Company operates solely as a sporting goods retailer, which includes both retail stores and an e-commerce platform, that offers a broad range of products in the western United States and online. Generally, all revenue is recognized when control of the promised goods is transferred to customers, for an amount that reflects the consideration in exchange for those goods. Accordingly, the Company implicitly enters into a contract with customers to deliver merchandise inventory at the point of sale. Collectability is probable since the Company only extends immaterial credit purchases to certain municipalities and local school districts.

In accordance with Accounting Standards Codification ("ASC") 606, *Revenue from Contracts with Customers*, the Company disaggregates net sales into the following major merchandise categories to depict the nature and amount of revenue and related cash flows:

	13 Weeks Ended		26 Weeks Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
	(In thousands)			
Hardgoods	$ 131,233	$ 149,392	$ 233,996	$ 270,357
Athletic and sport footwear	53,123	60,622	112,105	123,389
Athletic and sport apparel	38,017	43,111	99,325	99,684
Other sales	1,194	675	3,080	2,351
Net sales	$ 223,567	$ 253,800	$ 448,506	$ 495,781

Substantially all of the Company's revenue is for single performance obligations for the following distinct items:

- Retail store sales
- E-commerce sales
- Stored-value cards

For performance obligations related to retail store and e-commerce sales contracts, the Company typically transfers control, for retail stores, upon consummation of the sale when the product is paid for and taken by the customer and, for e-commerce sales, when the product is tendered for delivery to the common carrier. For performance obligations related to stored-value cards, the Company typically transfers control upon redemption of the stored-value card through consummation of a future sales transaction. The Company accounts for shipping and handling relative to e-commerce sales as fulfillment activities, and not a separate performance obligation. Accordingly, the Company recognizes revenue for only one performance obligation, the sale of the product, at shipping point (when the customer gains control). Revenue associated with e-commerce sales was not material for the 13 and 26 weeks ended July 2, 2023 and July 3, 2022.

The Company recognized $1.4 million and $3.1 million in stored-value card redemption revenue for the 13 and 26 weeks ended July 2, 2023, respectively, compared to $1.5 million and $3.3 million in stored-value card redemption revenue for the 13 and 26 weeks ended July 3, 2022, respectively. The Company also recognized $0.1 million and $0.2 million in stored-value card breakage revenue for the 13 and 26 weeks ended July 2, 2023, respectively, compared to $0.1 million and $0.2 million in stored-value card breakage revenue for the 13 and 26 weeks ended July 3, 2022, respectively. The Company had outstanding stored-value card liabilities of $8.2 million and $8.8 million as of July 2, 2023 and January 1, 2023, respectively, which are included in accrued expenses in the accompanying interim unaudited condensed consolidated balance sheets. Based upon historical experience, stored-value cards are predominantly redeemed in the first two years following their issuance date.

In the accompanying interim unaudited condensed consolidated balance sheets, the Company recorded, as prepaid expense, estimated right-of-return merchandise cost of $0.8 million and $1.2 million related to estimated sales returns as of July 2, 2023 and January 1, 2023, respectively, and recorded, in accrued expenses, an allowance for sales returns reserve of $1.7 million and $2.3 million as of July 2, 2023 and January 1, 2023, respectively.

Share-Based Compensation

The Company accounts for its share-based compensation in accordance with ASC 718, *Compensation—Stock Compensation*. The Company recognizes compensation expense on a straight-line basis over the requisite service period using the fair-value method for share option awards, nonvested share awards and nonvested share unit awards granted with service-only conditions. See Note 10 to the Interim Financial Statements for a further discussion on share-based compensation.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand and highly-liquid investments of excess cash into U.S. Treasury bills, which have original maturities of three months or less. See Note 3 to the Interim Financial Statements for a further discussion on the fair value of U.S. Treasury bills. Book overdrafts are classified as current liabilities in the Company's interim unaudited condensed consolidated balance sheets.

Valuation of Merchandise Inventories, Net

The Company's merchandise inventories are valued at the lower of cost or net realizable value using the weighted-average cost method that approximates the first-in, first-out ("FIFO") method. Average cost includes the direct purchase price of merchandise inventory, net of vendor allowances and cash discounts, in-bound freight-related expense and allocated overhead expense associated with the Company's distribution center.

Management regularly reviews inventories and records valuation reserves for damaged and defective merchandise, merchandise items with slow-moving or obsolescence exposure and merchandise that has a carrying value that exceeds net realizable value. Because of its merchandise mix, the Company has not historically experienced significant occurrences of obsolescence.

Inventory shrinkage is accrued as a percentage of merchandise sales based on historical inventory shrinkage trends. The Company performs physical inventories of its stores at least once per year and cycle counts inventories at its distribution center throughout the year. The reserve for inventory shrinkage primarily represents an estimate for inventory shrinkage for each store since the last physical inventory date through the reporting date.

These reserves are estimates, which could vary significantly, either favorably or unfavorably, from actual results if future economic conditions, consumer demand and competitive environments differ from expectations.

Valuation of Long-Lived Assets

In accordance with ASC 360, *Property, Plant, and Equipment*, the Company reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

Long-lived assets are reviewed for recoverability at the lowest level in which there are identifiable cash flows ("asset group"), usually at the store level. The carrying amount of a store asset group includes stores' property and equipment, primarily leasehold improvements, and operating lease right-of-use ("ROU") assets. The carrying amount of a store asset group is not considered recoverable if it exceeds the sum of the undiscounted cash flows expected to result from the use and eventual disposition of the store asset group. Factors that could trigger an impairment review include a current-period operating or cash flow loss combined with a history of operating and cash flow losses, and a projection that demonstrates continuing losses or insufficient income over the remaining reasonably certain lease term associated with the use of a store asset group. Other factors may include an adverse change in the business climate or an adverse action or assessment by a regulator in the market of a store asset group. When stores are identified as having an indicator of impairment, the Company forecasts undiscounted cash flows over the store asset group's remaining reasonably certain lease term and compares the undiscounted cash flows to the carrying amount of the store asset group. If the store asset group is determined not to be recoverable, then an impairment charge will be recognized in the amount by which the carrying amount of the store asset group exceeds its fair value, determined using discounted cash flow valuation techniques, as contemplated in ASC 820, *Fair Value Measurements*.

The Company determines the cash flows expected to result from the store asset group by projecting future revenue, gross margin and operating expense for each store asset group under evaluation for impairment. The estimates of future cash flows involve management judgment and are based upon assumptions about expected future operating performance. Assumptions used in these forecasts are consistent with internal planning, and include assumptions about sales growth rates, gross margins and operating expense in relation to the current economic environment and the Company's future expectations, competitive factors in its various markets, inflation, sales trends and other relevant environmental factors that may impact the store under evaluation. The actual cash flows could differ from management's estimates due to changes in business conditions, operating performance and economic conditions. If economic conditions deteriorate in the markets in which the Company conducts business, or if other negative market conditions develop, the Company may experience additional impairment charges in the future for underperforming stores.

The resulting impairment charge, if any, is allocated to the property and equipment, primarily leasehold improvements, and operating lease ROU assets on a pro-rata basis using the relative carrying amounts of those assets. The allocated impairment charge to a long-lived asset is limited to the extent that the impairment charge does not reduce the carrying amount of the long-lived asset below its individual fair value. The estimation of the fair value of an ROU asset involves the evaluation of current market value rental amounts for leases associated with ROU assets. The estimates of current market value rental amounts are primarily based on recent observable market rental data of other comparable retail store locations. The fair value of an ROU asset is measured using a discounted cash flow valuation technique by discounting the estimated current and future market rental values using a property-specific discount rate.

The Company did not recognize any impairment charges in the first half of fiscal 2023 or 2022.

Leases

In accordance with ASC 842, *Leases*, the Company determines if an arrangement is a lease at inception. The Company has operating and finance leases for the Company's retail store facilities, distribution center, corporate offices, information technology ("IT") systems hardware, and distribution center delivery tractors and equipment. Operating leases are included in operating lease ROU assets and operating lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheets. Finance leases are included in property and equipment and finance lease liabilities, current and noncurrent, on the interim unaudited condensed consolidated balance sheets. Lease liabilities are calculated using the effective interest method, regardless of classification, while the amortization of ROU assets varies depending upon classification. Finance lease classification results in a front-loaded expense recognition pattern over the lease term which amortizes the ROU asset by recognizing interest expense and amortization expense as separate components of lease expense and calculates the amortization expense component on a straight-line basis. Conversely, operating lease classification results in a straight-line expense recognition pattern over the lease term and recognizes lease expense as a single expense component, which results in amortization of the ROU asset that equals the difference between lease expense and interest expense. Lease expense for finance and operating leases are included in cost of sales or selling and administrative expense, based on the use of the leased asset, on the interim unaudited condensed consolidated statements of operations. Variable payments such as property taxes, insurance and common area maintenance related to triple net leases, as well as certain equipment sales taxes, licenses, fees and repairs, are expensed as incurred, and leases with an initial term of 12 months or less are excluded from minimum lease payments and are not recorded on the interim unaudited condensed consolidated balance sheets. The Company recognizes variable lease expense for these short-term leases on a straight-line basis over the remaining lease term.

ROU assets represent the right to use an underlying asset for the lease term and operating lease liabilities represent the obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the Company's leases generally do not provide an implicit rate, the Company uses a collateralized incremental borrowing rate ("IBR") to determine the present value of lease payments. The collateralized IBR is based on a synthetic credit rating that is externally prepared on an annual basis. This analysis considers qualitative and quantitative factors based on guidance provided by a rating agency for the consumer durables industry. The Company adjusts the selected IBR quarterly with a company-specific unsecured yield curve that approximates the Company's market risk profile. The collateralized IBR is also based upon the estimated impact that the collateral has on the IBR. To account for the collateralized nature of the IBR, the Company utilized a notching method based on notching guidance provided by a rating agency whereby the Company's base credit rating is notched upward as the yield curve on a secured loan is expected to be lower versus an unsecured loan.

The operating lease ROU asset also includes any prepaid lease payments made and is reduced by lease incentives such as tenant improvement allowances. The operating lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise that option. Operating lease expense for lease payments is recognized on a straight-line basis over the lease term.

Certain of the leases for the Company's retail store facilities provide for payments based on future sales volumes at the leased location, which are not measurable at the inception of the lease. Under ASC 842, these contingent rents are expensed as they accrue.

See Note 5 to the Interim Financial Statements for a further discussion on leases.

(3) Fair Value Measurements

The carrying values of cash and cash equivalents, accounts receivable, accounts payable and accrued expenses approximate the fair values of these instruments due to their short-term nature. Cash equivalents consist of highly-liquid investments of excess cash into U.S. Treasury bills, which have original maturities of three months or less. As of July 2, 2023 and January 1, 2023, the Company had no cash equivalents, and as of July 3, 2022, the Company recorded $29.9 million in cash equivalents and classified these assets as Level 1 inputs, which are quoted prices (unadjusted) in active markets for identical assets that the Company can access at the measurement date. The Company records these cash equivalents monthly based on the prevailing market interest rate as of the measurement date. Book overdrafts for checks outstanding are classified as current liabilities in the Company's interim unaudited condensed consolidated balance sheets. The carrying amount for borrowings, if any, under the Company's credit facility approximates fair value because of the variable market interest rate charged to the Company for these borrowings. When the Company recognizes impairment on certain of its underperforming stores, the carrying values of these stores are reduced to their estimated fair values.

The Company's only significant assets or liabilities measured at fair value on a nonrecurring basis subsequent to their initial recognition were assets subject to long-lived asset impairment related to certain underperforming stores. The Company estimates the fair values of these long-lived assets based on the Company's own judgments about the assumptions that market participants would use in pricing the asset and on observable real estate market data of underperforming stores' specific comparable markets, when available. The Company classifies these fair value measurements as Level 3 inputs, which are unobservable inputs for which market data are not available and that are developed using the best information available about pricing assumptions used by market participants in accordance with ASC 820. As of July 2, 2023 and January 1, 2023, there were no long-lived assets subject to impairment.

(4) Accrued Expenses

The major components of accrued expenses are as follows:

	July 2, 2023	January 1, 2023
	(In thousands)	
Payroll and related expense	$ 21,702	$ 26,525
Occupancy expense	9,898	10,126
Sales tax	6,457	9,964
Other	21,852	23,646
Accrued expenses	$ 59,909	$ 70,261

(5) Lease Commitments

The Company has operating and finance leases for the Company's retail store facilities, distribution center, corporate offices, IT systems hardware, and distribution center delivery tractors and equipment, and accounts for these leases in accordance with ASC 842.

Certain of the leases for the Company's retail store facilities provide for variable payments for property taxes, insurance, common area maintenance payments related to triple net leases, rental payments based on future sales volumes at the leased location, as well as certain equipment sales taxes, licenses, fees and repairs, which are not measurable at the inception of the lease, or rental payments that are adjusted periodically for inflation. The Company recognizes variable lease expense for these leases in the period incurred which, for contingent rent, begins in the period in which it becomes probable that the specified target that triggers the variable lease payments will be achieved. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

The components of lease expense were as follows:

	13 Weeks Ended		26 Weeks Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
	(In thousands)			
Lease expense:				
Operating lease expense	$ 21,076	$ 20,749	$ 42,114	$ 41,310
Variable lease expense	4,665	4,881	9,477	9,504
Operating lease expense	25,741	25,630	51,591	50,814
Amortization of right-of-use assets	949	900	1,899	1,802
Interest on lease liabilities	78	67	158	141
Finance lease expense	1,027	967	2,057	1,943
Total lease expense	$ 26,768	$ 26,597	$ 53,648	$ 52,757

Other information related to leases was as follows:

	26 Weeks Ended	
	July 2, 2023	July 3, 2022
	(In thousands)	
Operating cash flows from operating leases	$ 43,518	$ 43,300
Financing cash flows from finance leases	2,007	1,899
Operating cash flows from finance leases	165	147
Cash paid for amounts included in the measurement of lease liabilities	$ 45,690	$ 45,346
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 1,152	$ 957
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 29,681	$ 58,624
Weighted-average remaining lease term—finance leases	3.7 years	3.7 years
Weighted-average remaining lease term—operating leases	4.9 years	5.1 years
Weighted-average discount rate—finance leases	4.2 %	3.1 %
Weighted-average discount rate—operating leases	5.2 %	4.9 %

Maturities of finance and operating lease liabilities as of July 2, 2023 were as follows:

Fiscal Year Ending:	Finance Leases	Operating Leases
	(In thousands)	
2023 (remaining six months)	$ 2,693	$ 39,572
2024	2,697	80,527
2025	2,184	64,505
2026	1,686	49,067
2027	683	31,488
Thereafter	267	51,887
Undiscounted cash flows	$ 10,210	$ 317,046
Reconciliation of lease liabilities:		
Weighted-average remaining lease term	3.7 years	4.9 years
Weighted-average discount rate	4.2 %	5.2 %
Present values	$ 9,411	$ 278,940
Lease liabilities - current	2,777	67,742
Lease liabilities - long-term	6,634	211,198
Lease liabilities - total	$ 9,411	$ 278,940
Difference between undiscounted and discounted cash flows	$ 799	$ 38,106

(6) Long-Term Debt

The Company, Big 5 Corp. and Big 5 Services Corp. are parties to a Loan, Guaranty and Security Agreement with Bank of America, N.A. (“BofA”), as agent and lender, which was amended on November 22, 2021, October 19, 2022 and May 16, 2023 (as so amended, the “Loan Agreement”). The Loan Agreement has a maturity date of February 24, 2026 and provides for a revolving credit facility with an aggregate committed availability of up to $150.0 million. The Company may also request additional increases in aggregate availability, up to a maximum of $200.0 million, in which case the existing lender under the Loan Agreement will have the option to increase the commitment to accommodate the requested increase. If such existing lender does not exercise that option, the Company may (with the consent of BofA in its role as the administrative agent, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The credit facility includes a $50.0 million sublimit for issuances of letters of credit.

The Company may borrow under the Loan Agreement from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate committed availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the “Line Cap”). As defined in the Loan Agreement, the “Borrowing Base” generally is comprised of the sum, at the time of calculation, of (a) 90.00% of eligible credit card receivables; plus (b) the cost of eligible inventory (other than eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the cost of eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), minus (d) certain agreed-upon reserves as well as other reserves established by BofA in its role as the administrative agent in its reasonable discretion.

Generally, the Company may designate specific borrowings under the Loan Agreement as either base rate loans or Term SOFR rate loans. The applicable interest rate on the Company's borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Line Cap over amounts borrowed (such amount being referred to as the "Average Daily Availability"). Those loans designated as Term SOFR rate loans bear interest at a rate equal to the then applicable secured overnight financing rate as administered by the Federal Reserve Bank of New York ("SOFR") rate plus a 0.10% "SOFR adjustment" spread, plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the one-month SOFR rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within BofA as its "prime rate." The applicable margin for all loans is a function of Average Daily Availability for the preceding fiscal quarter as set forth below.

Level	Average Daily Availability	SOFR Rate Applicable Margin	Base Rate Applicable Margin
I	Greater than or equal to $70,000,000	1.375%	0.375%
II	Less than $70,000,000	1.500%	0.500%

The commitment fee assessed on the unused portion of the credit facility is 0.20% per annum.

Obligations under the Loan Agreement are secured by a general lien on and security interest in substantially all of the Company's assets. The Loan Agreement contains covenants that require the Company to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limits the ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. The Company may generally declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied, although the Company is permitted to make up to $5.0 million of dividend payments or stock repurchases per year without satisfaction of the availability or fixed charge coverage ratio requirements, but dividends or stock repurchases made without satisfying the availability and/or fixed charge coverage ratio requirements will require the establishment of an additional reserve that will reduce borrowing availability under the Loan Agreement for 75 days. The Loan Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the credit facility, failure to pay any interest or other amounts under the credit facility, failure to comply with certain agreements or covenants contained in the Loan Agreement, failure to satisfy certain judgments against the Company, failure to pay when due (or any other default which permits the acceleration of) certain other material indebtedness in principal amount in excess of $5.0 million, and certain insolvency and bankruptcy events.

As of July 2, 2023 and January 1, 2023, the Company had no long-term revolving credit borrowings outstanding. As of July 2, 2023 and January 1, 2023, the Company had outstanding letter of credit commitments of $1.4 million. Total remaining borrowing availability, after subtracting letters of credit, was $148.6 million as of July 2, 2023 and January 1, 2023.

(7) Income Taxes

Under the asset and liability method prescribed under ASC 740, *Income Taxes*, the Company recognizes deferred tax assets and liabilities for the future tax consequences attributable to differences between financial statement carrying amounts of assets and liabilities and their respective tax bases. 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 realized or settled. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income in the period that includes the enactment date. The realizability of deferred tax assets is assessed throughout the year and a valuation allowance is recorded, if necessary, to reduce net deferred tax assets to the amount more likely than not to be realized. As of July 2, 2023 and January 1, 2023, the Company had a valuation allowance for deferred income tax assets of $0.3 million related to unused California Enterprise Zone Tax Credits, which the Company will no longer be able to carry forward beyond 2024 as a result of California's termination of this program.

The Company files a consolidated federal income tax return and files tax returns in various state and local jurisdictions. The statutes of limitations for consolidated federal income tax returns are open for fiscal years 2019 and after, and state and local income tax returns are open for fiscal years 2018 and after.

As of July 2, 2023 and January 1, 2023, the Company had no unrecognized tax benefits including those that, if recognized, would affect the Company's effective income tax rate over the next 12 months. The Company's policy is to recognize interest accrued related to unrecognized tax benefits in interest expense and penalties in operating expense. As of July 2, 2023 and January 1, 2023, the Company had no accrued interest or penalties.

(8) Earnings Per Share

The Company calculates earnings per share in accordance with ASC 260, *Earnings Per Share*, which requires a dual presentation of basic and diluted earnings per share. Basic earnings per share is calculated by dividing net income by the weighted-average shares of common stock outstanding, reduced by shares repurchased and held in treasury, during the period. Diluted earnings per share represents basic earnings per share adjusted to include the potentially dilutive effect of outstanding share option awards, nonvested share awards and nonvested share unit awards. During periods of net loss, diluted loss per share is equal to basic loss per share because the antidilutive effect of potential common shares is disregarded.

The following table sets forth the computation of basic and diluted earnings per common share:

	13 Weeks Ended		26 Weeks Ended	
	July 2, 2023	July 3, 2022	July 2, 2023	July 3, 2022
	(In thousands, except per share data)			
Net (loss) income	$(282)	$8,934	$(89)	$18,037
Weighted-average shares of common stock outstanding:				
Basic	21,762	21,675	21,696	21,677
Dilutive effect of common stock equivalents arising from share option and nonvested share awards	—	364	—	520
Diluted	21,762	22,039	21,696	22,197
Basic (loss) earnings per share	$(0.01)	$0.41	$(0.00)	$0.83
Diluted (loss) earnings per share	$(0.01)	$0.41	$(0.00)	$0.81
Antidilutive share option awards excluded from diluted calculation	20	14	20	12
Antidilutive nonvested share awards excluded from diluted calculation	298	403	327	—

The computation of diluted earnings per share for the 13 and 26 weeks ended July 2, 2023 excludes all potential share option awards since the Company reported a net loss, and the effect of their inclusion would have been antidilutive (i.e., including such share option awards would result in higher earnings per share). The computation of diluted earnings per share for the 13 and 26 weeks ended July 3, 2022 excludes certain share option awards that were outstanding and antidilutive since the exercise prices of these share option awards exceeded the average market price of the Company's common shares.

The computation of diluted earnings per share for the 13 and 26 weeks ended July 2, 2023 excludes all potential nonvested share awards since the Company reported a net loss and the effect of their inclusion would have been antidilutive. The computation of diluted earnings per share for the 13 weeks ended July 3, 2022 excludes certain nonvested share awards that were outstanding and antidilutive since the grant date fair values of these nonvested share awards exceeded the average market price of the Company's common shares. No nonvested share awards were antidilutive for the 26 weeks ended July 3, 2022.

(9) Commitments and Contingencies

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material effect on the Company's results of operations, financial condition or cash flows.

(10) Share-based Compensation

In June 2022, the Company amended and restated its 2019 Equity Incentive Plan (the "2019 Plan"), primarily authorizing an additional 3,300,000 shares available for future grant. As of July 2, 2023, 3,530,206 shares remained registered and available for future grant under the 2019 Plan.

At its discretion, the Company grants share option awards, nonvested share awards and nonvested share unit awards to certain employees, as defined by ASC 718, *Compensation—Stock Compensation*, under the Company's 2019 Plan, and accounts for its share-based compensation in accordance with ASC 718. The Company recognized $0.7 million and $1.4 million in share-based compensation expense for the 13 and 26 weeks ended July 2, 2023, respectively, compared to $0.6 million and $1.2 million in share-based compensation expense for the 13 and 26 weeks ended July 3, 2022, respectively.

Share Option Awards

Share option awards granted by the Company generally vest and become exercisable in four equal annual installments of 25% per year with a maximum life of ten years. The exercise price of share option awards is equal to the quoted market price of the Company's common stock on the date of grant. No share option awards were granted in the first half of fiscal 2023. The Company granted 10,000 share option awards in the first half of fiscal 2022 with a weighted-average grant-date fair value of $5.46 per share option award.

A summary of the status of the Company's share option awards is presented below:

	Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life (In Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2023	300,035	$ 4.24		
Exercised	(30,675)	3.04		
Outstanding at July 2, 2023	269,360	$ 4.38	6.31	$ 1,484,821
Exercisable at July 2, 2023	190,701	$ 3.95	6.03	$ 1,043,239
Vested and Expected to Vest at July 2, 2023	269,165	$ 4.38	6.31	$ 1,484,205

The aggregate intrinsic value represents the total pretax intrinsic value, based upon the Company's most recent closing stock price of $9.16 as of July 2, 2023, which would have been received by the share option award holders had all share option award holders exercised their share option awards as of that date.

As of July 2, 2023, there was $0.2 million of total unrecognized compensation expense related to share option awards granted. That expense is expected to be recognized over a weighted-average period of 1.0 year.

Nonvested Share Awards and Nonvested Share Unit Awards

Nonvested share awards granted by the Company vest for employees from the date of grant in four equal annual installments of 25% per year. Nonvested share awards and nonvested share unit awards granted by the Company to non-employee directors for their service as directors, as defined by ASC 718, generally vest 100% on the earlier of (a) the date of the Company's next annual stockholders meeting following the grant date, or (b) the first anniversary of the grant date.

Nonvested share awards become outstanding when granted and are delivered to the recipient upon their vesting. Vested share unit awards, including any dividend reinvestments, are delivered to the recipient on the tenth business day of January following the year in which the recipient's service to the Company is terminated, at which time the units convert to shares and become outstanding. The total fair value of nonvested share awards which vested during the first half of fiscal 2023 and 2022 was $2.0 million and $3.3 million, respectively. No nonvested share unit awards vested during the first half of fiscal 2023 and 2022.

The Company granted 327,112 and 284,630 nonvested share awards in the first half of fiscal 2023 and 2022, respectively. The weighted-average grant-date fair value per share of the Company's nonvested share awards granted in the first half of fiscal 2023 and 2022 was $7.91 and $15.03, respectively. No nonvested share unit awards were granted during the periods presented.

A summary of the status of the Company's nonvested share awards is presented below:

	Shares	Weighted-Average Grant-Date Fair Value
Balance at January 1, 2023	587,675	$ 11.64
Granted	327,112	7.91
Vested	(250,055)	9.65
Forfeited	(10,225)	10.55
Balance at July 2, 2023	654,507	$ 10.55

To satisfy employee minimum statutory tax withholding requirements for nonvested share awards that vest, the Company withholds and retires a portion of the vesting common shares, unless an employee elects to pay cash. In the first half of fiscal 2023, the Company withheld 80,065 common shares with a total value of $0.6 million. This amount is presented as a cash outflow from financing activities in the accompanying interim unaudited condensed consolidated statement of cash flows.

As of July 2, 2023, there was $6.1 million of total unrecognized compensation expense related to nonvested share awards, which is expected to be recognized over a weighted-average period of 2.7 years. As of July 2, 2023, there was no remaining unrecognized compensation expense related to nonvested share unit awards.

(11) Subsequent Events

On July 27, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.25 per share of outstanding common stock, which will be paid on September 15, 2023 to stockholders of record as of September 1, 2023.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Stockholders and the Board of Directors of
Big 5 Sporting Goods Corporation
El Segundo, California

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheet of Big 5 Sporting Goods Corporation and subsidiaries (the "Company") as of July 2, 2023, the related condensed consolidated statements of operations and stockholders' equity for the fiscal 13- and 26-week periods ended July 2, 2023 and July 3, 2022, and of cash flows for the fiscal 26-week periods ended July 2, 2023 and July 3, 2022, and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 1, 2023, and the related consolidated statements of operations, stockholders' equity, and cash flows for the fiscal year then ended (not presented herein); and in our report dated March 1, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 1, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company's management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP

Los Angeles, California
August 2, 2023

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

The following discussion and analysis of the Big 5 Sporting Goods Corporation ("we," "our," "us") financial condition and results of operations includes information with respect to our plans and strategies for our business and should be read in conjunction with our interim unaudited condensed consolidated financial statements and related notes ("Interim Financial Statements") included herein, the *Risk Factors* included herein and in our other filings with the Securities and Exchange Commission ("SEC"), and our consolidated financial statements, related notes, *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* contained in our Annual Report on Form 10-K for the fiscal year ended January 1, 2023.

Our fiscal year ends on the Sunday nearest December 31. Fiscal 2023 is comprised of 52 weeks and ends on December 31, 2023. Fiscal 2022 was comprised of 52 weeks and ended on January 1, 2023. The interim periods in fiscal 2023 and 2022 are each comprised of 13 weeks.

Overview

We are a leading sporting goods retailer in the western United States, with 430 stores and an e-commerce platform under the name "Big 5 Sporting Goods" as of July 2, 2023. We provide a full-line product offering in a traditional sporting goods store format that averages approximately 12,000 square feet. Our product mix includes athletic shoes, apparel and accessories, as well as a broad selection of outdoor and athletic equipment for team sports, fitness, camping, hunting, fishing, home recreation, tennis, golf, and winter and summer recreation.

In the first half of fiscal 2023 we closed two stores and in the first half of fiscal 2022 we did not open or close any stores. For fiscal 2023, we anticipate opening approximately two new stores and closing approximately six stores.

Executive Summary

We reported a small net loss in the second quarter of fiscal 2023 compared with net income in the second quarter of fiscal 2022 primarily resulting from reduced net sales which were partially offset by lower selling and administrative expense year over year. Reduced net sales in the second quarter of fiscal 2023 in part reflected challenging macro-economic conditions including significant inflationary pressures which dampened consumer sentiment and negatively impacted discretionary spending, as well as cooler-than-normal weather patterns in our western markets which negatively impacted demand for spring and summer products.

- Net sales for the second quarter of fiscal 2023 decreased 11.9% to $223.6 million compared to $253.8 million for the second quarter of fiscal 2022. The decrease in net sales reflects a decline of 12.0% in same store sales when compared with the second quarter of fiscal 2022. Our lower same store sales in the second quarter of fiscal 2023 in part reflected significant inflationary pressures and cooler-than-normal weather patterns in our western markets that negatively impacted consumer demand, which contributed to reduced net sales across our major merchandise categories of hardgoods, footwear and apparel.
- Gross profit for the second quarter of fiscal 2023 represented 32.2% of net sales, compared with 35.0% in the second quarter of the prior year. The decrease in gross profit margin primarily reflects higher store occupancy and distribution expense, including costs capitalized into inventory, as a percentage of net sales. While merchandise margins were relatively unchanged year over year they remained healthy and continued to compare favorably to pre-pandemic levels.
- Selling and administrative expense for the second quarter of fiscal 2023 decreased to $72.4 million, or 32.4% of net sales, compared to $76.6 million, or 30.2% of net sales, for the second quarter of fiscal 2022. Selling and administrative expense primarily reflects decreases in employee labor and benefit-related expense and company performance-based incentive accruals.
- Net loss for the second quarter of fiscal 2023 was $0.3 million, or $0.01 per basic share, compared to net income of $8.9 million, or $0.41 per diluted share, for the second quarter of fiscal 2022, primarily reflecting reduced net sales which were partially offset by lower selling and administrative expense year over year.
- Operating cash flow for the first half of fiscal 2023 was a negative $3.3 million compared to operating cash flow in the first half of fiscal 2022 of a negative $39.1 million. The increased operating cash flow was due primarily to decreased funding of merchandise inventory and accrued expenses, primarily related to company performance-based incentive accruals, partially offset by lower net income.
- Capital expenditures for the first half of fiscal 2023 decreased to $4.7 million from $5.5 million for the first half of fiscal 2022. We expect to open approximately two new stores in fiscal 2023, after opening three new stores in the prior year.

- We had cash and cash equivalents of $5.9 million, $25.6 million and $36.6 million as of July 2, 2023, January 1, 2023 and July 3, 2022, respectively. The balance as of July 3, 2022 included cash equivalents of $29.9 million related to investments in highly-liquid U.S. Treasury bills. We have had no borrowings under our credit facility since the full pay-down of outstanding balances under the credit facility in the third quarter of fiscal 2020.
- We paid cash dividends in the first half of fiscal 2023 of $11.6 million, or $0.50 per share, compared with $11.5 million, or 0.50 per share, in the first half of fiscal 2022.
- We did not repurchase any shares of common stock in the first half of fiscal 2023, and we repurchased 294,319 shares of common stock for $4.1 million in the first half of fiscal 2022.

Results of Operations

The results of the interim periods are not necessarily indicative of results for the entire fiscal year.

13 Weeks Ended July 2, 2023 Compared to 13 Weeks Ended July 3, 2022

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	13 Weeks Ended			
	July 2, 2023		July 3, 2022	
	(Dollars in thousands)			
Net sales	$ 223,567	100.0 %	$ 253,800	100.0 %
Cost of sales [(1)]	151,664	67.8	164,934	65.0
Gross profit	71,903	32.2	88,866	35.0
Selling and administrative expense [(2)]	72,366	32.4	76,628	30.2
Operating (loss) income	(463)	(0.2)	12,238	4.8
Interest (income) expense	(55)	0.0	136	0.1
(Loss) income before income taxes	(408)	(0.2)	12,102	4.7
Income tax (benefit) expense	(126)	(0.1)	3,168	1.2
Net (loss) income	$ (282)	(0.1)%	$ 8,934	3.5 %

(1) Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

(2) Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

Net Sales. Net sales decreased by $30.2 million, or 11.9%, to $223.6 million in the second quarter of fiscal 2023 from $253.8 million in the second quarter last year. The change in net sales reflected the following:

- Same store sales decreased by $30.1 million, or 12.0%, for the 13 weeks ended July 2, 2023, versus the comparable 13-week period in the prior year. The decline in same store sales was attributed to the following:
  - The decrease in same store sales in the second quarter of fiscal 2023 in part reflected significant inflationary pressures that dampened consumer sentiment and negatively impacted discretionary spending. The continuing cooler-than-normal weather patterns in our western markets negatively impacted sales for the spring and summer product categories during the second quarter of fiscal 2023.
  - Our lower same store sales reflected decreases in our major merchandise categories of hardgoods, footwear and apparel.
  - Same store sales comparisons are made on a comparable-day basis. Same store sales for a period normally consist of sales for stores that operated throughout the period and the full corresponding prior-year period, along with sales from e-commerce. Same store sales comparisons exclude sales from stores permanently closed, or stores in the process of closing, during the comparable periods. Sales from e-commerce in the second quarter of fiscal 2023 and 2022 were not material.
- We experienced decreased customer transactions of 9.3% and a lower average sale per transaction of 2.7% in the second quarter of fiscal 2023 compared to the prior year.

Gross Profit. Gross profit decreased by $17.0 million to $71.9 million, or 32.2% of net sales, in the 13 weeks ended July 2, 2023, compared with $88.9 million, or 35.0% of net sales, in the 13 weeks ended July 3, 2022. The change in gross profit was primarily attributable to the following:

- Net sales decreased by $30.2 million, or 11.9%, compared with the second quarter of last year.
- Distribution expense, including costs capitalized into inventory, increased by $1.4 million, or an unfavorable 123 basis points as a percentage of net sales, in the second quarter of fiscal 2023 compared to the prior year. The increase primarily reflected decreased costs capitalized into inventory, which were partially offset by lower freight, fuel and employee labor expense.
- Store occupancy expense increased by $0.4 million, or an unfavorable 151 basis points as a percentage of net sales, compared with the second quarter of last year.
- Merchandise margins, which exclude buying, occupancy and distribution expense, increased by a favorable 1 basis point compared with the second quarter of last year. While merchandise margins were relatively unchanged year over year they remained healthy and continued to compare favorably to pre-pandemic levels.

Selling and Administrative Expense. Selling and administrative expense decreased by $4.2 million to $72.4 million, or 32.4% of net sales, in the 13 weeks ended July 2, 2023, compared to $76.6 million, or 30.2% of net sales, in the second quarter of last year. The change in selling and administrative expense was primarily attributable to the following:

- Store-related expense, excluding occupancy, decreased by $2.2 million due largely to decreases in employee labor and benefit-related expense. While employee labor expense decreased by $0.5 million as a result of reduced operating hours, these reductions were largely offset by continuing wage pressures. Wages continue to reflect the incremental impact of legislated minimum wage rate increases primarily in California, where over half of our stores are located. In California, state-wide minimum wage rates have risen from $10.00 per hour in 2017 to $15.50 per hour beginning on January 1, 2023. Additionally, certain other jurisdictions within California, including Los Angeles and San Francisco, as well as various other states in which we do business, are and have been implementing their own scheduled increases that exceed the state-wide minimum wage rates, which may also include interim impacts effective at various points throughout the year. Labor expense for the second quarter of fiscal 2023 also reflected higher demand for labor in many of our markets resulting in higher wages. We estimate that the combined impact of these wage pressures caused our labor expense to increase by approximately $1.6 million for the second quarter of fiscal 2023 compared with the second quarter of fiscal 2022.
- Administrative expense decreased by $1.2 million, primarily attributable to decreases in company performance-based incentive accruals and employee benefit-related expense in the current year.
- Our advertising expense decreased by $0.9 million in the second quarter of fiscal 2023 and remains less than half of our pre-pandemic expense level. We expect our expense to continue to benefit from reduced advertising activity in the foreseeable future as we continue to evaluate the impact on our sales.

Interest (Income) Expense. Interest expense decreased by $0.2 million in the second quarter of fiscal 2023 compared to the second quarter of fiscal 2022 as a result of generating interest income for the current fiscal year reflecting higher interest earned on cash equivalents.

Income Tax (Benefit) Expense. The provision for income taxes was a benefit of $0.1 million for the second quarter of fiscal 2023 compared to an expense of $3.2 million for the second quarter of fiscal 2022, primarily reflecting lower pre-tax income compared to the second quarter of fiscal 2022.

26 Weeks Ended July 2, 2023 Compared to 26 Weeks Ended July 3, 2022

The following table sets forth selected items from our interim unaudited condensed consolidated statements of operations by dollar and as a percentage of our net sales for the periods indicated:

	26 Weeks Ended			
	July 2, 2023		July 3, 2022	
	(Dollars in thousands)			
Net sales	$ 448,506	100.0 %	$ 495,781	100.0 %
Cost of sales [(1)]	301,459	67.2	320,982	64.7
Gross profit	147,047	32.8	174,799	35.3
Selling and administrative expense [(2)]	147,539	32.9	151,945	30.6
Operating (loss) income	(492)	(0.1)	22,854	4.7
Interest (income) expense	(170)	0.0	320	0.1
(Loss) income before income taxes	(322)	(0.1)	22,534	4.6
Income tax (benefit) expense	(233)	(0.1)	4,497	0.9
Net (loss) income	$ (89)	(0.0)%	$ 18,037	3.7 %

(1) Cost of sales includes the cost of merchandise, net of discounts or allowances earned, freight, inventory reserves, buying, distribution center expense, including depreciation and amortization, and store occupancy expense. Store occupancy expense includes rent, amortization of leasehold improvements, common area maintenance, property taxes and insurance.

(2) Selling and administrative expense includes store-related expense, other than store occupancy expense, as well as advertising, depreciation and amortization, expense associated with operating our corporate headquarters and impairment charges, if any.

Net Sales. Net sales decreased by $47.3 million, or 9.5%, to $448.5 million in the first half of fiscal 2023 from $495.8 million in the first half of last year. The change in net sales reflected the following:

- Same store sales decreased by $47.1 million, or 9.6%, for the 26 weeks ended July 2, 2023, versus the comparable 26-week period in the prior year. The decline in same store sales was attributed to the following:
  - The decrease in same store sales in the first half of fiscal 2023 in part reflected significant inflationary pressures and heightened recessionary concerns that dampened consumer sentiment and negatively impacted discretionary spending. While we experienced strong winter-related product sales as a result of cold winter-weather conditions during the first quarter of fiscal 2023, the cooler-than-normal weather patterns negatively impacted sales for the spring and summer product categories such as baseball and other spring and summer sports beginning in the first quarter and continuing through the second quarter of fiscal 2023.
  - Our lower same store sales reflected decreases in our major merchandise categories of hardgoods, footwear and apparel.
  - Same store sales comparisons are made on a comparable-day basis. Same store sales for a period normally consist of sales for stores that operated throughout the period and the full corresponding prior-year period, along with sales from e-commerce. Same store sales comparisons exclude sales from stores permanently closed, or stores in the process of closing, during the comparable periods. Sales from e-commerce in the first half of fiscal 2023 and 2022 were not material.
- We experienced decreased customer transactions of 7.6% and a lower average sale per transaction of 2.0% in the first half of fiscal 2023 compared to the prior year.

Gross Profit. Gross profit decreased by $27.8 million to $147.0 million, or 32.8% of net sales, in the 26 weeks ended July 2, 2023, compared with $174.8 million, or 35.3% of net sales, in the 26 weeks ended July 3, 2022. The change in gross profit was primarily attributable to the following:

- Net sales decreased by $47.3 million, or 9.5%, compared with the first half of last year.
- Distribution expense, including costs capitalized into inventory, increased by $1.9 million, or an unfavorable 91 basis points as a percentage of net sales, in the first half of fiscal 2023 compared to the prior year. The increase primarily reflected decreased costs capitalized into inventory, which were partially offset by lower freight, fuel and employee labor and benefit-related expense.
- Merchandise margins, which exclude buying, occupancy and distribution expense, decreased by an unfavorable 10 basis points compared with the first half of last year. Our decreased merchandise margins primarily reflect increased promotional pricing and higher product purchase costs. While merchandise margins were down slightly year over year they remained healthy and continued to compare favorably to pre-pandemic levels.

- Store occupancy expense increased by $1.1 million, or an unfavorable 131 basis points as a percentage of net sales, compared with the first half of last year.

Selling and Administrative Expense. Selling and administrative expense decreased by $4.4 million to $147.5 million, or 32.9% of net sales, in the 26 weeks ended July 2, 2023, compared to $151.9 million, or 30.6% of net sales, in the first half of last year. The change in selling and administrative expense was primarily attributable to the following:

- Administrative expense decreased by $2.9 million, primarily attributable to decreases in company performance-based incentive accruals and employee benefit-related expense in the current year.
- Our advertising expense decreased by $1.1 million in the first half of fiscal 2023 and remains less than half of our pre-pandemic expense level. We expect our expense to continue to benefit from reduced advertising activity in the foreseeable future as we continue to evaluate the impact on our sales.
- Store-related expense, excluding occupancy, decreased by $0.3 million due largely to reductions in employee benefit-related expense, primarily health and welfare expense as compared to the prior year which experienced a surge related to post-COVID-19 medical treatment. These reductions were partially offset by increases in employee labor expense, store security and systems improvements and the impact of broad-based inflation. Wages continue to reflect the incremental impact of legislated minimum wage rate increases primarily in California, where over half of our stores are located. In California, state-wide minimum wage rates have risen from $10.00 per hour in 2017 to $15.50 per hour beginning on January 1, 2023. Additionally, certain other jurisdictions within California, including Los Angeles and San Francisco, as well as various other states in which we do business, are and have been implementing their own scheduled increases that exceed the state-wide minimum wage rates, which may also include interim impacts effective at various points throughout the year. Labor expense for the first half of fiscal 2023 also reflected higher demand for labor in many of our markets resulting in higher wages. We estimate that the combined impact of these wage pressures caused our labor expense to increase by approximately $2.8 million for the first half of fiscal 2023 compared with the first half of fiscal 2022.

Interest (Income) Expense. Interest expense decreased by $0.5 million in the first half of fiscal 2023 compared to the first half of fiscal 2022 as a result of generating interest income for the current fiscal year reflecting higher interest earned on cash equivalents.

Income Tax (Benefit) Expense. The provision for income taxes was a benefit of $0.2 million for the first half of fiscal 2023 compared to an expense of $4.5 million for the first half of fiscal 2022, primarily reflecting lower pre-tax income and a tax deduction related to share-based compensation compared to the first half of fiscal 2022.

Liquidity and Capital Resources

Our principal liquidity requirements are for working capital, capital expenditures and cash dividends. We fund our liquidity requirements primarily through cash and cash equivalents, cash flows from operations and borrowings from the revolving credit facility, when necessary.

As of July 2, 2023, we had $5.9 million of cash compared to $36.6 million of cash and cash equivalents as of July 3, 2022. Our cash flows from operating, investing and financing activities are summarized as follows:

	26 Weeks Ended	
	July 2, 2023	July 3, 2022
	(In thousands)	
Total cash used in:		
Operating activities	$ (3,306)	$ (39,131)
Investing activities	(4,738)	(5,519)
Financing activities	(11,633)	(16,173)
Net decrease in cash and cash equivalents	$ (19,677)	$ (60,823)

Operating Activities. Operating cash flows for the first half of fiscal 2023 and 2022 were a negative $3.3 million and a negative $39.1 million, respectively. The increased cash flow provided by operating activities for the first half of fiscal 2023 compared to the prior year primarily reflects decreased funding of merchandise inventory and accrued expenses, primarily related to company performance-based incentive accruals, partially offset by lower net income.

Investing Activities. Net cash used in investing activities for the first half of fiscal 2023 and 2022 was $4.7 million and $5.5 million, respectively. Capital expenditures, excluding non-cash acquisitions, represented substantially all of the cash used in investing activities for each period. Capital expenditures for both periods primarily reflect store-related remodeling, distribution center investments and computer hardware and software purchases.

Financing Activities. Financing cash flows for the first half of fiscal 2023 and 2022 were a negative $11.6 million and a negative $16.2 million, respectively. For the first half of both periods, cash was used primarily to fund dividend payments and make principal payments on finance lease liabilities. For the first half of fiscal 2022, cash was also used to purchase treasury stock.

As of July 2, 2023, January 1, 2023 and July 3, 2022, we had no revolving credit borrowings, and $1.4 million, $1.4 million and $1.1 million, respectively, of letter of credit commitments outstanding.

In fiscal 2022 we paid four quarterly cash dividends of $0.25 per share of outstanding common stock. In the first half of fiscal 2023, we paid two quarterly cash dividends of $0.25 per share of outstanding common stock, and in the third quarter of fiscal 2023, our Board of Directors declared a quarterly cash dividend of $0.25 per share of outstanding common stock, which will be paid on September 15, 2023 to stockholders of record as of September 1, 2023.

Periodically, we repurchase our common stock in the open market pursuant to programs approved by our Board of Directors. We may repurchase our common stock for a variety of reasons, including, among other things, our alternative cash requirements, existing business conditions and the current market price of our stock. In the first quarter of fiscal 2022, our Board of Directors authorized a new share repurchase program of up to $25.0 million of our common stock, which replaced the previous share repurchase program. Under this program, we may purchase shares from time to time in the open market or in privately negotiated transactions in compliance with the applicable rules and regulations of the SEC. However, the timing and amount of such purchases, if any, would be at the discretion of our management and Board of Directors, and would depend on market conditions and other considerations. We repurchased 295,719 shares of our common stock for $4.1 million in the full year of fiscal 2022. We did not repurchase any shares of our common stock in the first half of fiscal 2023. Since the inception of our initial share repurchase program in May 2006 through July 2, 2023, we have repurchased a total of 4,186,014 shares for $53.6 million.

Loan Agreement. We are party to a Loan, Guaranty and Security agreement with Bank of America, N.A. ("BofA"), as agent and lender, which was amended on November 22, 2021, October 19, 2022 and May 16, 2023 (as so amended, the "Loan Agreement"). The Loan Agreement has a maturity date of February 24, 2026 and provides for a revolving credit facility with an aggregate committed availability of up to $150.0 million. We may also request additional increases in aggregate availability, up to a maximum of $200.0 million, in which case the existing lender under the Loan Agreement will have the option to increase their commitment to accommodate the requested increase. If the lender does not exercise that option, we may (with the consent of BofA in its role as the administrative agent, not to be unreasonably withheld) seek other lenders willing to provide such commitments. The credit facility includes a $50.0 million sublimit for issuances of letters of credit.

We may borrow under the Loan Agreement from time to time, provided the amounts outstanding will not exceed the lesser of the then aggregate committed availability (as discussed above) and the Borrowing Base (such lesser amount being referred to as the "Line Cap"). As defined in the Loan Agreement, the "Borrowing Base" generally is comprised of the sum, at the time of calculation, of (a) 90.00% of eligible credit card receivables; plus (b) the cost of eligible inventory (other than eligible in-transit inventory), net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible inventory (expressed as a percentage of the cost of eligible inventory); plus (c) the cost of eligible in-transit inventory, net of inventory reserves, multiplied by 90.00% of the appraised net orderly liquidation value of eligible in-transit inventory (expressed as a percentage of the cost of eligible in-transit inventory), minus (d) certain agreed-upon reserves as well as other reserves established by BofA in its role as the administrative agent in its reasonable discretion.

Generally, we may designate specific borrowings under the Loan Agreement as either base rate loans or Term SOFR rate loans. The applicable interest rate on our borrowings is a function of the daily average, over the preceding fiscal quarter, of the excess of the Line Cap over amounts borrowed (such amount being referred to as the "Average Daily Availability"). Those loans designated as Term SOFR rate loans bear interest at a rate equal to the then applicable secured overnight financing rate as administered by the Federal Reserve Bank of New York ("SOFR") rate plus a 0.10% "SOFR adjustment" spread, plus an applicable margin as shown in the table below. Those loans designated as base rate loans bear interest at a rate equal to the applicable margin for base rate loans (as shown below) plus the highest of (a) the Federal funds rate, as in effect from time to time, plus one-half of one percent (0.50%), (b) the one-month SOFR rate, plus one percentage point (1.00%), or (c) the rate of interest in effect for such day as announced from time to time within BofA as its "prime rate." The applicable margin for all loans will be a function of Average Daily Availability for the preceding fiscal quarter as set forth below.

Level	**Average Daily Availability**	**SOFR Rate Applicable Margin**	**Base Rate Applicable Margin**
I	Greater than or equal to $70,000,000	1.375%	0.375%
II	Less than $70,000,000	1.500%	0.500%

The commitment fee assessed on the unused portion of the credit facility is 0.20% per annum.

Obligations under the Loan Agreement are secured by a general lien on and security interest in substantially all of our assets. The Loan Agreement contains covenants that require us to maintain a fixed charge coverage ratio of not less than 1.0:1.0 in certain circumstances, and limits the ability to, among other things, incur liens, incur additional indebtedness, transfer or dispose of assets, change the nature of the business, guarantee obligations, pay dividends or make other distributions or repurchase stock, and make advances, loans or investments. We may generally declare or pay cash dividends or repurchase stock only if, among other things, no default or event of default then exists or would arise from such dividend or repurchase of stock and, after giving effect to such dividend or repurchase, certain availability and/or fixed charge coverage ratio requirements are satisfied, although we are permitted to make up to $5.0 million of dividend payments or stock repurchases per year without satisfaction of the availability or fixed charge coverage ratio requirements, but dividends or stock repurchases made without satisfying the availability and/or fixed charge coverage ratio requirements will require the establishment of an additional reserve that will reduce borrowing availability under the Loan Agreement for 75 days. The Loan Agreement contains customary events of default, including, without limitation, failure to pay when due principal amounts with respect to the credit facility, failure to pay any interest or other amounts under the credit facility, failure to comply with certain agreements or covenants contained in the Loan Agreement, failure to satisfy certain judgments against us, failure to pay when due (or any other default which permits the acceleration of) certain other material indebtedness in principal amount in excess of $5.0 million, and certain insolvency and bankruptcy events.

Future Capital Requirements. We had cash of $5.9 million as of July 2, 2023. We expect capital expenditures for fiscal 2023, excluding non-cash acquisitions, to range from approximately $8.0 million to $13.0 million primarily to fund store-related remodeling, the opening of new stores, distribution center investments and computer hardware and software purchases. For fiscal 2023, we anticipate opening approximately two new stores and closing approximately six stores.

Dividends are paid at the discretion of our Board of Directors. In fiscal 2022 we paid four quarterly cash dividends of $0.25 per share of outstanding common stock. In the first half of fiscal 2023, we paid two quarterly cash dividends of $0.25 per share of outstanding common stock, and in the third quarter of fiscal 2023, our Board of Directors declared a quarterly cash dividend of $0.25 per share of outstanding common stock, which will be paid on September 15, 2023 to stockholders of record as of September 1, 2023.

As of July 2, 2023, a total of $20.9 million remained available for share repurchases under our new share repurchase program. We did not repurchase any shares of our common stock in the first half of fiscal 2023. We repurchased 295,719 shares of our common stock for $4.1 million in the full year of fiscal 2022. We consider several factors in determining when and if we make share repurchases including, among other things, our alternative cash requirements, existing business conditions and the market price of our stock.

We believe we will be able to fund our cash requirements from cash and cash equivalents, operating cash flows and borrowings from our credit facility, for at least the next 12 months.

Contractual Obligations. Our material contractual obligations include operating lease commitments associated with our leased properties and other occupancy expense, finance lease obligations, borrowings under the credit facility, if any, and other liabilities. Operating lease commitments consist principally of leases for our retail store facilities, distribution center and corporate offices. These leases frequently include options which permit us to extend the terms beyond the initial fixed lease term, and we intend to renegotiate most of these leases as they expire. Operating lease commitments also consist of information technology ("IT") systems hardware, distribution center delivery tractors and equipment. Additional information regarding our operating and finance leases is available in Notes 2 and 5 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

In the first half of fiscal 2023 and 2022, we had zero borrowings under our revolving credit facility.

In the ordinary course of business, we enter into arrangements with vendors to purchase merchandise in advance of expected delivery. Because most of these purchase orders do not contain any termination payments or other penalties if cancelled, they are not included as outstanding contractual obligations.

Critical Accounting Estimates

As discussed in Part II, Item 7, *Management's Discussion and Analysis of Financial Condition and Results of Operations*, of our Annual Report on Form 10-K for the fiscal year ended January 1, 2023, we consider our estimates on valuation of merchandise inventory and valuation of long-lived assets to be among the most critical in understanding the judgments that are involved in preparing our consolidated financial statements. There have been no significant changes to these estimates in the 26 weeks ended July 2, 2023.

Seasonality and Impact of Inflation

We experience seasonal fluctuations in our net sales and operating results, which can suffer when weather does not conform to seasonal norms. Seasonality in our net sales influences our buying patterns which directly impacts our merchandise and accounts payable levels and cash flows. We purchase merchandise for seasonal activities in advance of a season and supplement our merchandise assortment as necessary and when possible during the season. Our efforts to replenish products during a season are not always successful. In the fourth fiscal quarter, which includes the holiday selling season and the start of the winter selling season, we normally experience higher inventory purchase volumes and increased expense for staffing and advertising. If we miscalculate the consumer demand for our products generally or for our product mix in advance of a season, particularly the fourth quarter, our net sales can decline, which can harm our financial performance. A significant shortfall from expected net sales, particularly during the fourth quarter, can negatively impact our annual operating results.

In fiscal 2022 and the first half of fiscal 2023, we experienced greater inflation in the cost of products that we purchase for resale than in previous years. While our merchandise inventory costs have been impacted by inflationary pressures, we have generally been able to adjust our selling prices in response to these higher product purchase costs. However, if we are unable to adjust our selling prices for product purchase cost increases that might occur in the future, then our merchandise margins could decline, which would adversely impact our operating results. In fiscal 2022 and the first half of fiscal 2023, we also experienced increased wage expense as a result of higher demand and competition for labor in many of our markets and we expect these dynamics to continue in fiscal 2023. Broad-based inflationary pressures adversely impacted many categories of costs and expenses during fiscal 2022 and the first half of fiscal 2023. This impact is expected to continue during the remainder of fiscal 2023.

Recently Issued Accounting Updates

See Note 2 to the Interim Financial Statements included in Part I, Item 1, *Financial Statements*, of this Quarterly Report on Form 10-Q.

Forward-Looking Statements

This document includes certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements relate to, among other things, our financial condition, our results of operations, our growth strategy and the business of our company generally. In some cases, you can identify such statements by terminology such as "may," "could," "project," "estimate," "potential," "continue," "should," "expects," "plans," "anticipates," "believes," "intends" or other such terminology. These forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause our actual results in current or future periods to change significantly and differ materially from forecasted results. These forward-looking statements involve known and unknown risks and uncertainties and other factors that may cause our actual results in current or future periods to change significantly and differ materially from forecasted results. These risks and uncertainties include, among other things, the economic impacts of COVID-19, including any potential variants, on our business operations, including as a result of regulations that may be issued in response to COVID-19, global supply chain disruptions resulting from the ongoing conflict in Ukraine, changes in the consumer spending environment, fluctuations in consumer holiday spending patterns, increased competition from e-commerce retailers, breach of data security or other unauthorized disclosure of sensitive personal or confidential information, the competitive environment in the sporting goods industry in general and in our specific market areas, inflation, product availability and growth opportunities, changes in the current market for (or regulation of) firearm-related products, a reduction or loss of product from a key supplier, disruption in product flow, seasonal fluctuations, weather conditions, changes in cost of goods, operating expense fluctuations, increases in labor and benefit-related expense, changes in laws or regulations, including those related to tariffs and duties as well as environmental, social and governance issues, public health issues (including those caused by COVID-19 or any potential variants), impacts from civil unrest or widespread vandalism, lower than expected profitability of our e-commerce platform or cannibalization of sales from our existing store base which could occur as a result of operating the e-commerce platform, litigation risks, stockholder campaigns and proxy contests, risks related to our historically leveraged financial condition, changes in interest rates, credit availability, higher expense associated with sources of credit resulting from uncertainty in financial markets and economic conditions in general. Those and other risks and uncertainties are more fully described in Part II, Item 1A, *Risk Factors*, in this report and in Part I, Item 1A, *Risk Factors*, in our Annual Report on Form 10-K and other filings with the SEC. We caution that the risk factors set forth in this report and the other reports that we file with the SEC are not exclusive. In addition, we conduct our business in a highly competitive and rapidly changing environment. Accordingly, new risk factors may arise. It is not possible for management to predict all such risk factors, nor to assess the impact of all such risk factors on our business or the extent to which any individual risk factor, or combination of factors, may cause results to differ materially from those contained in any forward-looking statement. We undertake no obligation to revise or update any forward-looking statement that may be made from time to time by us or on our behalf.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

Because we are a smaller reporting company as defined by Rule 12b-2 of the Exchange Act, we are not required to provide the information under this item.

Item 4. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation, under the supervision and with the participation of our Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based on such evaluation, our CEO and CFO have concluded that, as of the end of such period, our disclosure controls and procedures are effective, at a reasonable assurance level, in recording, processing, summarizing and reporting, on a timely basis, information required to be disclosed by us in the reports that we file or submit under the Exchange Act and are effective in ensuring that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to our management, including our CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the fiscal quarter ended July 2, 2023, no changes occurred with respect to our internal control over financial reporting that materially affected, or are reasonably likely to materially affect, internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is involved in various claims and legal actions arising in the ordinary course of business. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the Company's results of operations or financial condition.

Item 1A. Risk Factors

There have been no material changes to the risk factors identified in Part I, Item 1A, *Risk Factors*, of the Company's Annual Report on Form 10-K for the fiscal year ended January 1, 2023.

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

Not applicable.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Collective Bargaining Agreement

In December 2022, the Company entered into a five-year collective bargaining agreement with General Teamsters, Airline, Aerospace and Allied Employees, Warehousemen, Drivers, Construction, Rock and Sand; Airline Employees, Local Union No. 986, affiliated with the International Brotherhood of Teamsters ("Local 986"), which was approved by the covered distribution center employees. In June 2023, the Company entered into a five-year collective bargaining agreement with Local 986 for a smaller number of covered store employees. Both collective bargaining agreements are retroactive to September 1, 2022, and expire on August 31, 2027. The Company has not had a strike or work stoppage in over 40 years, although such a disruption could have a significant negative impact on the Company's business operations and financial results.

Rule10b5-1 Trading Plans

During the fiscal quarter ended July 2, 2023, none of the Company's directors or executive officers adopted or terminated any contract, instruction or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

Item 6. Exhibits

(a) Exhibits

Exhibit Number	Description of Document
10.1	Third Amendment to Loan, Guaranty and Security Agreement, dated as of May 16, 2023 among Big 5 Sporting Goods Corporation, Big 5 Corp. and Big 5 Services Corp., and Bank of America, N.A., as agent and lender. (1)
15.1	Independent Auditors' Awareness Letter Regarding Interim Financial Statements. (1)
31.1	Rule 13a-14(a) Certification of Chief Executive Officer. (1)
31.2	Rule 13a-14(a) Certification of Chief Financial Officer. (1)
32.1	Section 1350 Certification of Chief Executive Officer. (1)
32.2	Section 1350 Certification of Chief Financial Officer. (1)
101.INS	Inline XBRL Instance Document – the instance document does not appear in the Interactive Data File because XBRL tags are embedded within the Inline XBRL document. (1)
101.SCH	Inline XBRL Taxonomy Extension Schema Document. (1)
101.CAL	Inline XBRL Taxonomy Calculation Linkbase Document. (1)
101.DEF	Inline XBRL Taxonomy Definition Linkbase Document. (1)
101.LAB	Inline XBRL Taxonomy Label Linkbase Document. (1)
101.PRE	Inline XBRL Taxonomy Presentation Linkbase Document. (1)
104	Cover Page Interactive Data File (embedded within the Inline XBRL document). (1)

(1) Filed herewith.

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.

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

Date: August 2, 2023	By:	/s/ Steven G. Miller
		Steven G. Miller
		Chairman of the Board of Directors, *President and Chief Executive Officer*
Date: August 2, 2023	By:	/s/ Barry D. Emerson
		Barry D. Emerson
		Executive Vice President, *Chief Financial Officer and Treasurer* *(Principal Financial and* *Accounting Officer)*

THIRD AMENDMENT TO LOAN, GUARANTY AND SECURITY AGREEMENT

This **THIRD AMENDMENT TO LOAN, GUARANTY AND SECURITY AGREEMENT** (this "Amendment") dated as of May 16, 2023, is entered into by and among **BIG 5 SPORTING GOODS CORPORATION**, a Delaware corporation ("Parent"), **BIG 5 CORP.**, a Delaware corporation ("Big 5 Corp"), **BIG 5 SERVICES CORP.**, a Virginia corporation ("Big 5 Services", and together with Big 5 Corp, each a "Borrower" and collectively, the "Borrowers"), Parent and certain of its subsidiaries from time to time joined thereto, as guarantors thereunder (each, a "Guarantor" and collectively, the "Guarantors"), financial institutions party to the Loan Agreement from time to time as Lenders, and **BANK OF AMERICA, N.A.**, a national banking association ("Bank of America"), as agent for the Lenders (in such capacity, "Agent"), with reference to the following facts:

RECITALS

A. **WHEREAS,** Borrowers, Guarantors, Lenders and Agent entered into that certain Loan, Guaranty and Security Agreement dated as of February 24, 2021 (as amended, restated, extended, amended and restated, supplemented, or otherwise modified from time to time, the "Loan Agreement");

B. **WHEREAS**, Borrowers have requested that the Agent and Lenders amend the Loan Agreement in certain respects, which Agent and Lenders are willing to do so, pursuant to the terms and subject to the conditions set forth in this Amendment.

AGREEMENT

NOW, THEREFORE, for good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the parties hereby agree as follows:

ARTICLE I
DEFINITIONS

Section 1.01 Defined Terms. Any and all initially-capitalized terms used in this Amendment (including, without limitation, in the Recitals to this Amendment), without definition shall have the respective meanings specified in the Loan Agreement.

Section 1.02 Recitals. The Recitals above are incorporated herein as though set forth in full and Borrowers stipulate to the accuracy of each of the Recitals.

ARTICLE II
AMENDMENT TO LOAN AND SECURITY AGREEMENT

Section 2.01 Amendment to clause (c) of the Definition of "Permitted Indebtedness" in Section 1.1. Clause (c) of the definition of "Permitted Indebtedness" in Section 1.1 of the Loan Agreement is hereby amended and restated in its entirety to read as follows:

> "(c) Without duplication of Debt described in clause (f) of this definition, purchase money Debt of any Obligor to finance the acquisition of any fixed or capital assets, including Capital Lease Obligations and Synthetic Lease Obligations, and any Debt assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Debt that do not increase the outstanding principal amount thereof or result in an earlier maturity date or decreased weighted average life thereof, provided that the amortization, maturity, collateral (if any) and subordination (if any), and other material terms thereof (other than the interest rate applicable thereto) taken as a whole, of any such refinancing, refunding, renewing or extending Debt, and of any agreement entered into and of any instrument issued in connection therewith, are not materially less favorable to the Obligors or the Lenders than the terms of any agreement or instrument governing the Debt being refinanced, refunded, renewed or extended and the interest rate applicable to any such refinancing, refunding, renewing or extending Debt does not exceed the then applicable market interest rate, provided, however, that the aggregate principal amount of Debt permitted by this clause (c) shall not exceed $30,000,000 at any time outstanding and further provided that, if requested by the Agent, the Obligors shall cause the holders of any such Debt which is secured by a Lien permitted pursuant to clause (h) of the definition of Permitted Liens to enter into a Lien Waiver on terms reasonably satisfactory to the Agent."
>
> For the avoidance of doubt, the definition of "Permitted Indebtedness" in Section 1.1 of the Loan Agreement shall otherwise remain in full force and effect.

ARTICLE III
CONDITIONS TO EFFECTIVENESS

Section 3.01 Conditions Precedent. The effectiveness of this Amendment shall be subject to the prior satisfaction of each of the following conditions:

(a) This Amendment. The Agent shall have received this Amendment, duly executed by Borrowers, Agent and the Lender.

(c) No Default. After giving effect to this Amendment, no Default or Event of Default shall exist.

(d) Payment of Fees and Expenses. The Agent shall have received from Borrowers costs and expenses owed to and/or incurred by the Agent arising in connection with this Amendment (including reasonable attorneys' fees and costs).

(e) Other Documents. Borrowers shall have executed and delivered to the Agent such other documents and instruments as the Agent may require.

ARTICLE IV
ADDITIONAL COVENANTS AND MISCELLANEOUS.

Section 4.01 **<u>Acknowledgment by Obligors</u>.** Each Obligor hereby represents and warrants that the execution and delivery of this Amendment and compliance by each Obligor with all of the provisions of this Amendment: (a) are within the powers and purposes of each Obligor; (b) have been duly authorized or approved by the board of directors or managers of each Obligor; and (c) when executed and delivered by or on behalf of each Obligor, will constitute valid and binding obligations of each Obligor, enforceable in accordance with their terms. Each Obligor reaffirms its obligation to pay all amounts due to Agent and Lenders under the Loan Documents in accordance with the terms thereof, as modified hereby.

Section 4.02 **<u>Survival of Representations and Warranties</u>.** All representations and warranties made in the Loan Agreement or in any other document or documents relating thereto, including, without limitation, any Loan Document furnished in connection with this Amendment, shall survive the execution and delivery of this Amendment and the other Loan Documents, and no investigation by Agent or any closing shall affect the representations and warranties or the right of Agent to rely thereon.

Section 4.03 **<u>Amendment as Loan Document</u>.** This Amendment shall constitute a Loan Document under the Loan Agreement. Any provision of any Loan Document which applies to Loan Documents generally shall apply to this Amendment. It shall be an Event of Default under the Loan Agreement if any Borrower breaches any covenant contained herein or if any representation or warranty contained herein proves to be inaccurate or untrue in any material respect.

Section 4.04 **<u>Reference to Loan Agreement</u>.** The Loan Agreement, each of the other Loan Documents, and any and all other agreements, documents or instruments now or hereafter executed and delivered pursuant to the terms hereof, or pursuant to the terms of the Loan Agreement as amended hereby, are hereby amended so that any reference therein to the Loan Agreement shall mean a reference to the Loan Agreement as amended hereby.

Section 4.05 **<u>Loan Agreement Remains in Effect</u>.** The Loan Agreement and the other Loan Documents remain in full force and effect and each Obligor ratifies and confirms its agreements and covenants contained therein.

Section 4.06 **<u>Severability</u>.** Any provision of this Amendment held by a court of competent jurisdiction to be invalid or unenforceable shall not impair or invalidate the remainder of this Amendment, and the effect thereof shall be confined to the provision so held to be invalid or unenforceable.

Section 4.07 **<u>APPLICABLE LAW</u>.** THIS AMENDMENT AND ALL OTHER LOAN DOCUMENTS EXECUTED PURSUANT HERETO SHALL BE DEEMED TO HAVE BEEN MADE AND TO BE PERFORMABLE IN THE STATE OF NEW YORK, WITHOUT GIVING EFFECT TO ANY CONFLICT OF LAW PRINCIPLES THAT WOULD REQUIRE THE APPLICATION OF LAWS OF ANOTHER JURISDICTION. <u>SECTIONS 14.13</u> AND <u>14.14</u> OF THE LOAN AGREEMENT SHALL BE INCORPORATED BY REFERENCE HEREIN, *MUTATIS MUTANDIS*.

Section 4.08 **Successors and Assign**s. This Amendment is binding upon and shall inure to the benefit of Agent, Lenders and each Obligor and their respective successors and assigns; provided, however, that an Obligor may not assign or transfer any of its rights or obligations hereunder without the prior written consent of the Agent and Lenders.

Section 4.09 **Counterparts; Electronic Delivery.** This Amendment may be in the form of an Electronic Record and may be executed using Electronic Signatures (including, without limitation, facsimile and .pdf) and shall be considered an original, and shall have the same legal effect, validity and enforceability as a paper record. This Amendment may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Amendment. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Agent of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

Section 4.10 **Headings.** The headings, captions and arrangements used in this Amendment are for convenience only and shall not affect the interpretation of this Amendment.

Section 4.11 **NO ORAL AGREEMENTS.** THIS AMENDMENT, TOGETHER WITH THE OTHER LOAN DOCUMENTS AS WRITTEN, REPRESENTS THE FINAL AGREEMENT BETWEEN THE AGENT, LENDERS AND OBLIGORS AND MAY NOT BE CONTRADICTED BY EVIDENCE OF PRIOR, CONTEMPORANEOUS OR SUBSEQUENT ORAL AGREEMENTS OF THE PARTIES. THERE ARE NO UNWRITTEN ORAL AGREEMENTS BETWEEN THE AGENT, LENDERS AND OBLIGORS.

[*Signature Pages Follow*]

IN WITNESS WHEREOF, the parties have entered into this Amendment by their respective duly authorized officers as of the date first written above.

<u>**PARENT AND GUARANTOR**</u>:

BIG 5 SPORTING GOODS CORPORATION,
a Delaware corporation

By: /s/Steven G. Miller
Name: Steven G. Miller
Title: President

<u>**BORROWERS**</u>:

BIG 5 CORP., a Delaware corporation

By: /s/Steven G. Miller
Name: Steven G. Miller
Title: President

BIG 5 SERVICES CORP., a Virginia corporation

By: /s/Steven G. Miller
Name: Steven G. Miller
Title: President
Address: 2525 East El Segundo Blvd.
El Segundo, CA 90245

<u>AGENT AND LENDERS</u>:

BANK OF AMERICA, N.A.,
as Agent and Lender

By: /s/Chad Shimabukuro
Name: Chad Shimabukuro
Title: Vice President

Exhibit 15.1

August 2, 2023

The Board of Directors and Stockholders of
Big 5 Sporting Goods Corporation
2525 East El Segundo Boulevard
El Segundo, CA 90245

We are aware that our report dated August 2, 2023, on our review of theinterim financial information of Big5 Sporting Goods Corporation and subsidiaries appearing in this Quarterly Report on Form 10-Q for the fiscal quarter ended July 2, 2023, is incorporated by reference in Registration Statement Nos. 333-149730, 333-179602, 333-215545, 333-234317, and 333-268129 each on Form S-8.

/s/ Deloitte & Touche LLP

Los Angeles, California

Exhibit 31.1

CERTIFICATIONS

I, Steven G. Miller, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Steven G. Miller

Steven G. Miller

President and Chief Executive Officer

Exhibit 31.2

CERTIFICATIONS

I, Barry D. Emerson, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
    d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 2, 2023

/s/ Barry D. Emerson

Barry D. Emerson
Executive Vice President, Chief Financial Officer and Treasurer

Exhibit 32.1

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the "Company") for the period ending July 2, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven G. Miller, President and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Steven G. Miller

Steven G. Miller
President and Chief Executive Officer

August 2, 2023

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906 OF
THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q of Big 5 Sporting Goods Corporation (the "Company") for the period ending July 2, 2023 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barry D. Emerson, Senior Vice President, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that, to my knowledge:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barry D. Emerson
Barry D. Emerson
Executive Vice President, Chief Financial Officer and Treasurer

August 2, 2023

A signed original of this written statement required by Section 906 has been provided to Big 5 Sporting Goods Corporation and will be retained by Big 5 Sporting Goods Corporation and furnished to the Securities and Exchange Commission or its staff upon request.