

Academy[®]

SPORTS+OUTDOORS

INVESTOR PRESENTATION

DECEMBER 9, 2022



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This presentation contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. These forward-looking statements are based on the Company's current expectations and are not guarantees of future performance. Words such as "outlook," "guidance," "anticipates," "assume," "believes," "continues," "could," "estimates," "expects," "intends," "may," "plans," "potential," "predicts," "projects," "future," "will," "seeks," "foreseeable," or the negative version of these words or other comparable words or similar expressions are used to identify these forward-looking statements. The forward-looking statements include, among other things, statements regarding the payment of the Company's dividend, including the timing and amount thereof, share repurchases, the Company's expectations regarding its future performance and ability to support future dividend growth, and are subject to various risks, uncertainties, assumptions or changes in circumstances that are difficult to predict or quantify. Actual results may differ materially from these expectations due to changes in global, regional, or local economic, business, competitive, market, regulatory and other factors, including ongoing inflation and continued increases in interest rates, many of which are beyond the Company's control. Important factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in the Company's filings with the U.S. Securities and Exchange Commission (the "SEC"), including in the Company's Annual Report on Form 10-K under the caption "Risk Factors," as may be updated from time to time in our periodic filings with the SEC. Any forward-looking statement in this presentation speaks only as of the date released. The Company undertakes no obligation to publicly update or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws.

Within this presentation, references are made to information and statistics regarding the sporting goods and outdoor recreation retail industries. This information and statistics was obtained from various independent third-party sources, including independent industry publications, reports by market research firms and other independent sources. Some data and other information contained in this presentation are also based on management's estimates and calculations, which are derived from its review and interpretation of internal company research, surveys and independent sources. Data regarding the industries in which the Company competes and its market position and market share within these industries are inherently imprecise and are subject to significant business, economic and competitive uncertainties beyond the Company's control, but it believes they generally indicate size, position and market share within these industries. While the Company believes that such information is reliable, it has not independently verified any third-party information. While the Company believes its internal company research, surveys and estimates are reliable, such research, surveys and estimates have not been verified by any independent source. In addition, assumptions and estimates of the Company and the Company's industries' future performance are necessarily subject to a high degree of uncertainty and risk due to a variety of factors, including those described in our Annual Report in form 10K under the caption "Risk Factors," as may be updated in our filings with the SEC. These and other factors could cause the Company's future performance to differ materially from its assumptions and estimates. As a result, you should be aware that market, ranking, and other similar industry data included in this presentation, and estimates and beliefs based on that data may not be reliable. The Company cannot guarantee the accuracy or completeness of any such information contained in this presentation.

This presentation includes certain supplemental financial measures not calculated in accordance with the generally accepted accounting principles in the United States ("GAAP"). These non-GAAP metrics are financial measures that either exclude or include amounts that are not excluded or included in the most directly comparable measures calculated and presented in accordance with GAAP. These financial measures should not be considered as an alternative to net income (loss) as a measure of financial performance or net cash provided by operating activities as a measure of liquidity, or any other performance measures derived in accordance with GAAP. The presentations of these measures have limitations as analytical tools and should not be considered in isolation, or as a substitute for analysis of, the Company's results as reported under GAAP. Because not all companies use identical calculations, the presentations of these measures may not be comparable to other similarly titled measures of other companies and can differ significantly from company to company. Please see the Appendix attached to this presentation for reconciliations of non-GAAP measures to their nearest GAAP measures.

The Company operates on a retail fiscal calendar pursuant to which its fiscal year consists of 52 or 53 weeks, ending on the Saturday closest to January 31 (which such Saturday may occur on a date following January 31) each year. References to any "year," "quarter," "half" or "month" mean "fiscal year," "fiscal quarter," "fiscal half year" and "fiscal month," respectively, unless the context requires otherwise. References to "2017," "2018," "2019," "2020," and "2021" relate to the Company's fiscal years ended February 3, 2018, February 2, 2019, February 1, 2020, January 30, 2021, and January 29, 2022 respectively, unless the context requires otherwise. References to "2022" relate to its fiscal year ending January 28, 2023, unless the context requires otherwise.

Unless otherwise noted, comparisons are to 2021 with 2019 comparisons also provided, where appropriate, to benchmark performance given the impact of the pandemic in 2020 and 2021.

Investment Thesis

- 1 **Leading retailer** of sporting goods and outdoor recreational products, with one of the **best white spaces for sustainable growth in retail**, and consistently **better unit economics** than competitors
- 2 **Unique business model** supported by **value-based focus** on middle income consumer, **preferred partner standing** with national brands, **high-quality private label** products, and **localized assortment** of “Fun for All” products
- 3 **Accelerating new store growth** with goal to **expand footprint by ~30%** (80 to 100 new stores) over the **next five years** (fiscal 2022-2026)
- 4 Continuing to **invest in omnichannel, technology, and data analytics** to further drive efficiencies and **sustain and improve long-term margins** across the business
- 5 **Streamlined operating model** and **strong cash flow profile** that will support continued unit growth execution, investment in sales-driving initiatives and capital returns for shareholders



Academy Sports + Outdoors: Who We Are



Highly Recognized, Super-Regional Sporting Goods + Outdoor Recreation Retailer

- Operating 268 stores in 18 states as of 12/7/2022, primarily in the Southern portion of the U.S., with significant growth opportunities
- Broad assortment of trending outdoor and sport categories
- Deep consumer connections and growing omnichannel capabilities
- **\$110B** total addressable market (“TAM”)* with a lasting shift of customer spend towards in-home health and wellness, nesting and experiences



2021 Academy Sports + Outdoors Financial Highlights**

Revenue
\$6.8B

+19.1%

Net Income
\$671M

+117.4%

Diluted EPS
\$7.12

+87.9%



*Sporting Goods Intelligence, Inc. National Sporting Goods Association; Euromonitor; U.S. Fish & Wildlife Service.

**All growth figures are compared to fiscal 2020.

Our Vision, Mission + Values Drive How We Operate



VISION

To be the **BEST**
sports + outdoors
retailer in the country



MISSION

Provide **FUN FOR ALL** through
strong assortments, value,
and experience



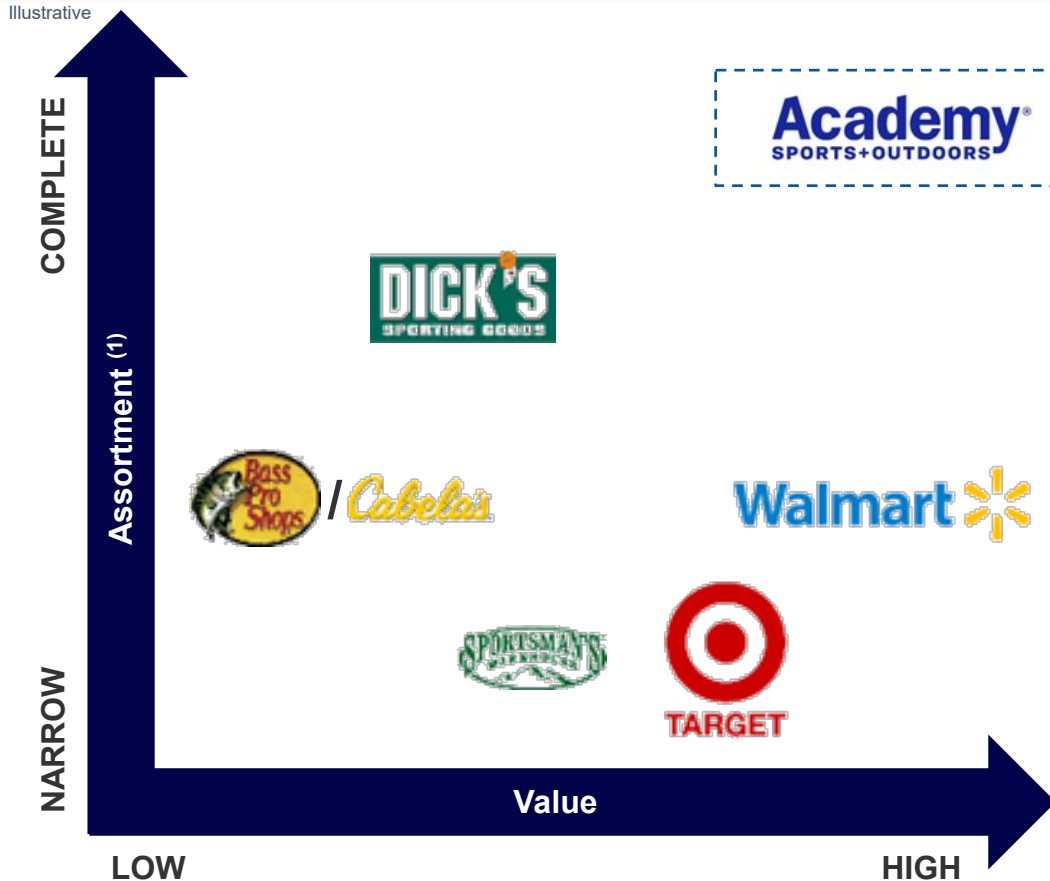
VALUES

- **CUSTOMER** focus and service
- **EXCELLENCE** in all we do
- Responsible **LEADERSHIP**
- **INITIATIVE** with urgency
- **STUDENTS** of the business
- **INTEGRITY** always
- Positive impact on our **COMMUNITIES**

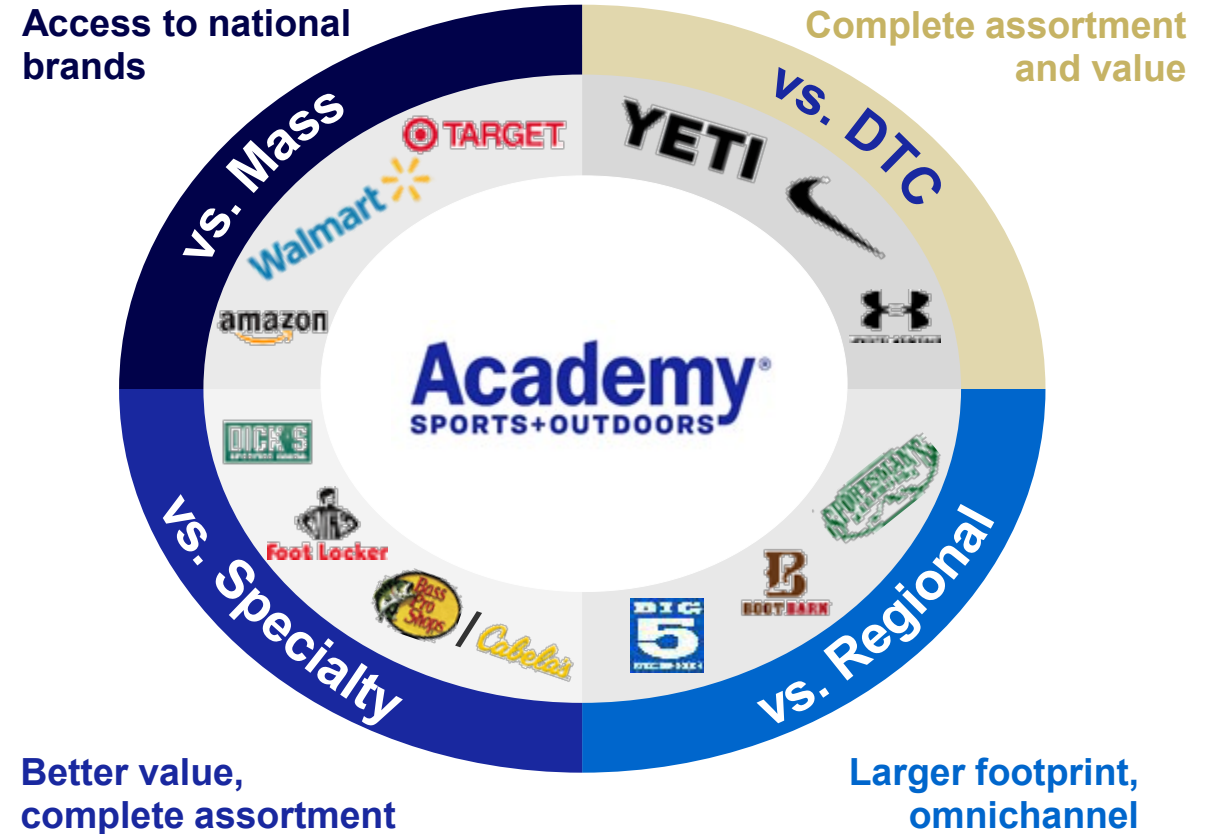
Differentiated Offering + Strategy

Leading Omnichannel Retailer of High Quality, Value Based, National Brand and Private Label Products With Excellent Customer Service

“Every Day Value” and Wide Variety



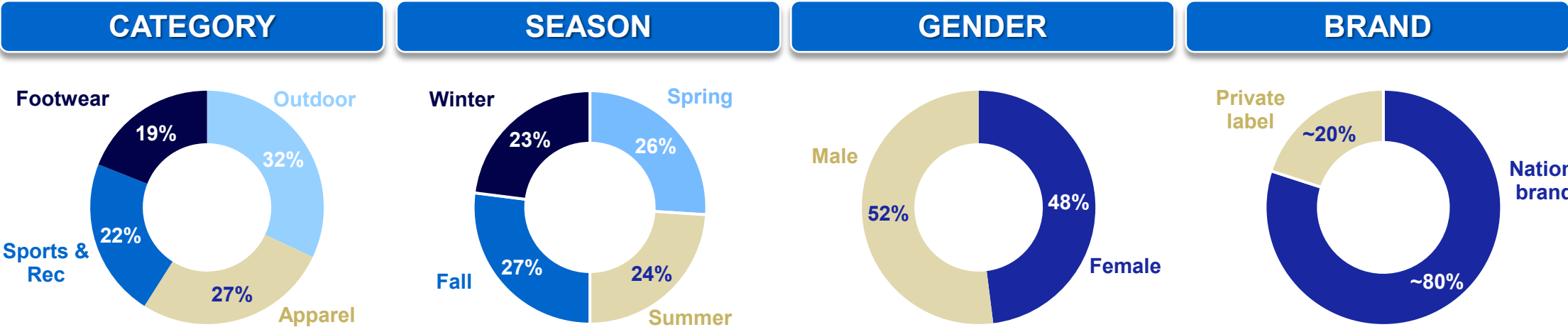
Academy Sits in a “Sweet Spot”



One-Stop Shop Across Activities + Seasons



Diversified All-season, Gender Inclusive, Broad Category Offering



SELECT NATIONAL BRANDS

SELECT PRIVATE LABEL BRANDS

Source: Company information; Information is presented for FY 2021.

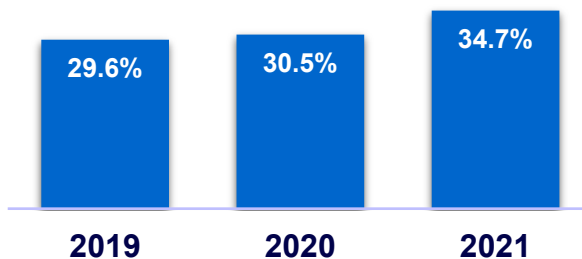
Strategic Accomplishments Since 2018

Refreshed Leadership Made Sustainable Improvements, Driving Strong Sales/Profit Growth

Significant, Structural Improvements to Gross Margins

- Improved merchandise planning/allocation and pricing
- Greater focus on “Power” categories with good/better/best products
- Implemented systems, processes and procedures to manage buying, allocation, pricing, and clearance
- Increased localized product selection
- Improved private label products and margins
- Expanded national brands assortment

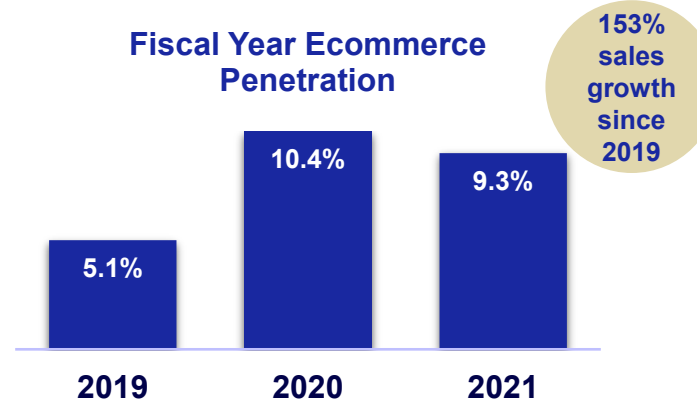
Fiscal Year Gross Margin



Increased Sales & Penetration of Academy.com

- Increased site operations: check-out speed, product search, package tracking
- Added more payment options (Apple Pay, Klarna) and simplified payment process
- Launched a new mobile app on iOS and Android platforms
- Added buy online pick-up in store (BOPIS), ship to store and ship from store order capabilities
- Increased use of content

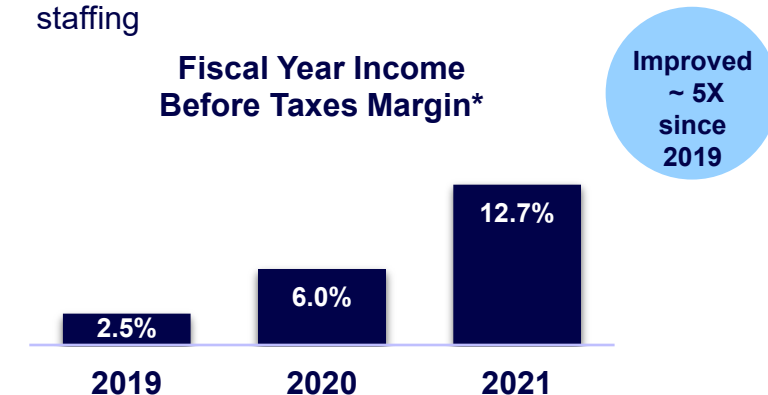
Fiscal Year Ecommerce Penetration



Becoming Best in Class Retailer by Focus on Fundamentals

- From 2019-2021, reduced SG&A expenses from 25.9% to 21.3% through disciplined expense management
- Lowered interest expense by \$60 million
- Effectively managed freight costs through pandemic and supply chain challenges
- Investing in additional AI and technology to further drive long-term profitability
- Reduced level of tasks in stores and improved labor scheduling to focus on customer-facing staffing

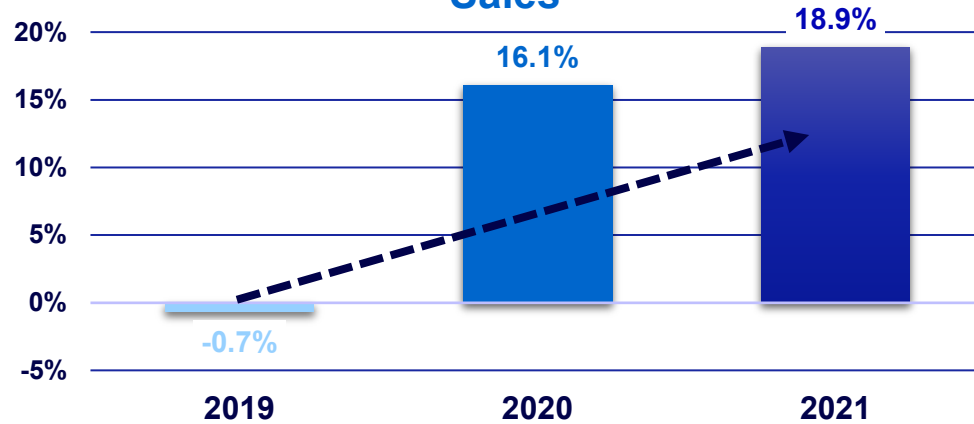
Fiscal Year Income Before Taxes Margin*



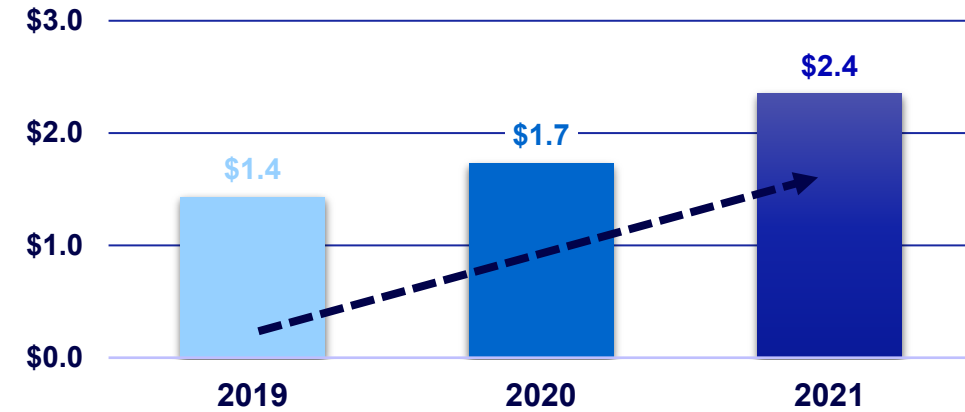
*See appendix for reconciliation of Non-GAAP measures.
Source: Fiscal 2021 10-K

Structural + Process Improvements = Strong Results

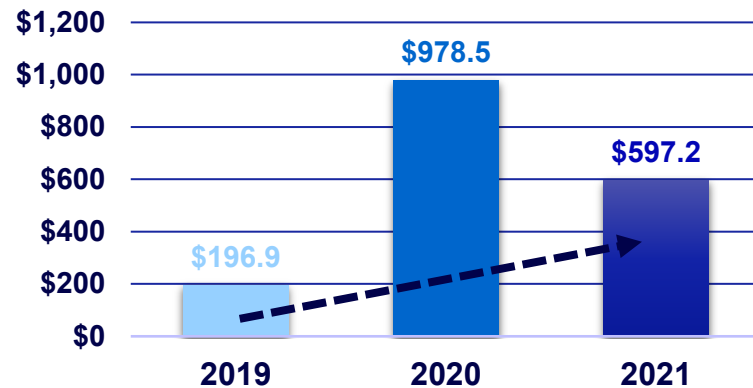
Comparable Sales



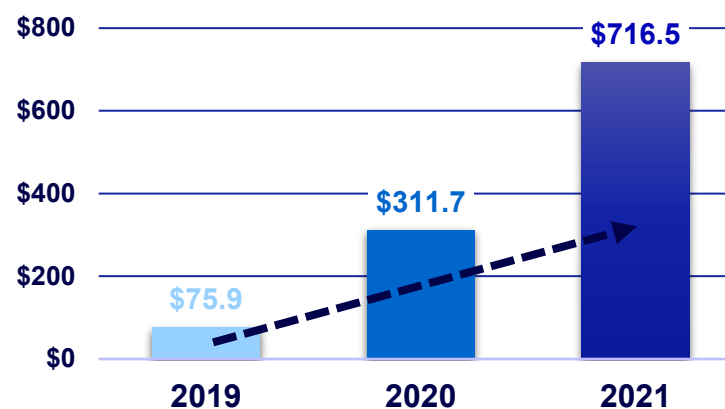
Gross Margin (in billions)



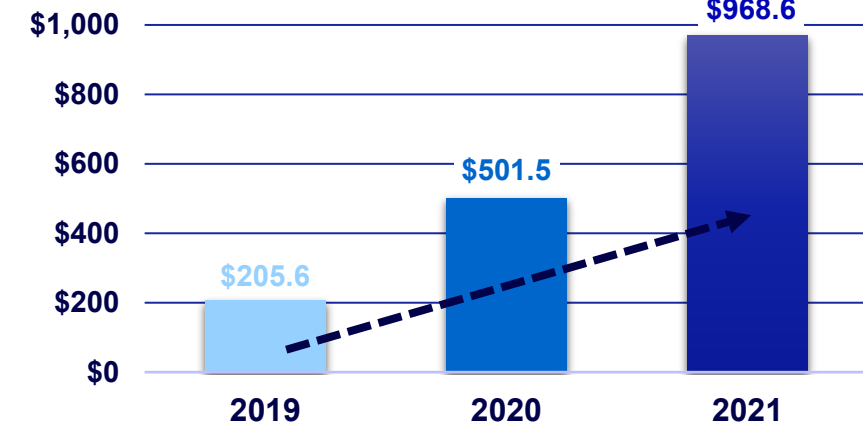
Adj. Free Cash Flow* (in millions)



Pro Forma Adj. Net Income* (in millions)



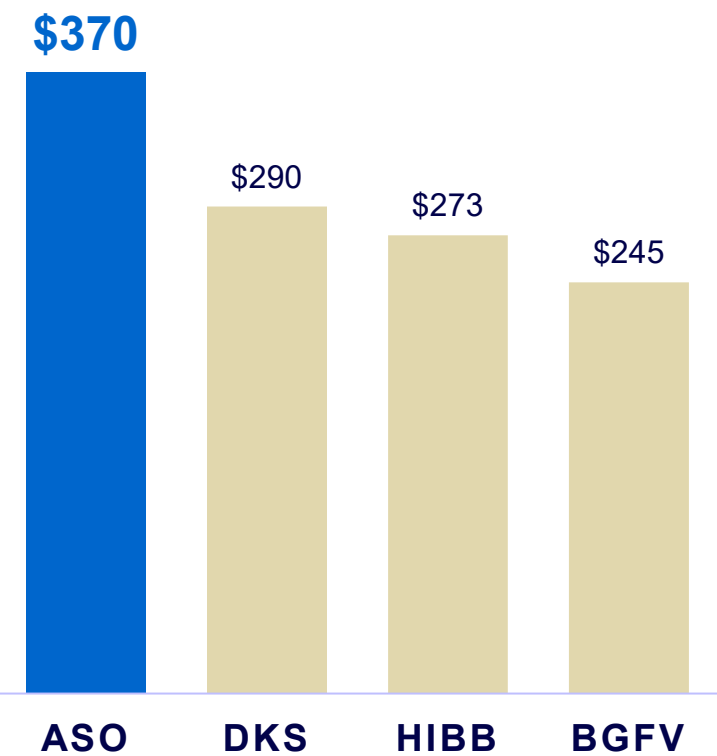
Adj. EBIT* (in millions)



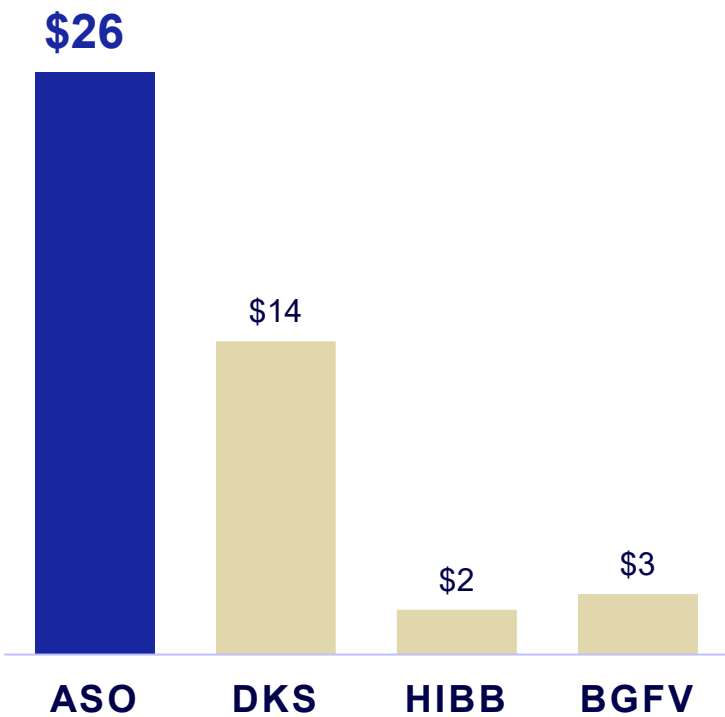
ASO Store Productivity

Outperforming Peers in Key Store Productivity Metrics

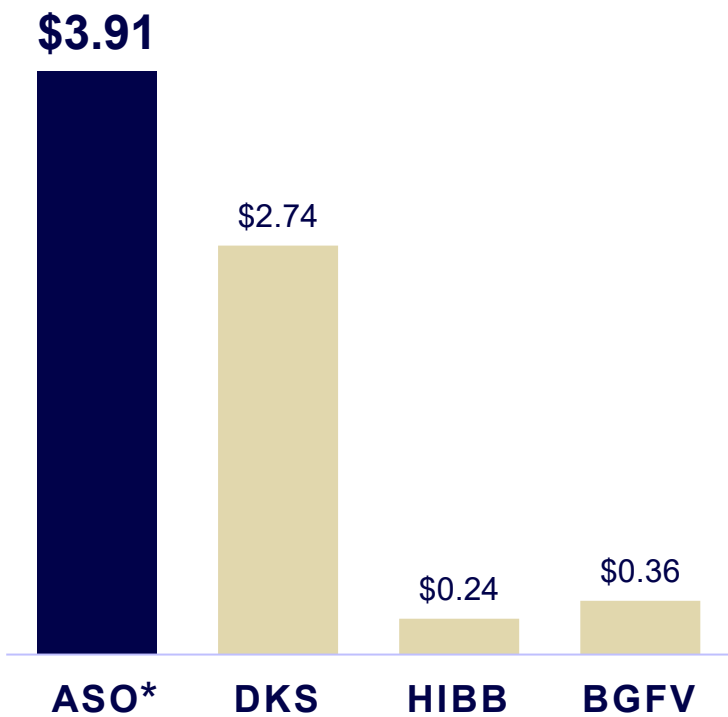
FY 2021 Sales Per Sq. Foot



FY 2021 Sales Per Store (in millions)



FY 2021 EBITDA Per Store (in millions)



*See appendix for reconciliation of Non-GAAP measures.
Source: Company financials and Bloomberg;
Note that other companies' EBITDA is as reported in public filings, and that not all companies calculate them using the same adjustments.

What's Ahead: 2022 Strategic Growth Priorities

Tremendous Growth Opportunities from New Stores, Omnichannel, Existing Stores and Investing in Ourselves

Grow store base to strengthen existing markets and enter new markets

- Opened nine new stores in 2022
- Goal is to open 80 to 100 new stores over the next 5 years (fiscal 2022-2026)



Provide a great customer experience across all points of contact that drives loyalty and long-term growth

- Drive FUN through value, assortment and experience
- Expand customer data analytics
- Drive traffic through customer engagement and targeted digital marketing



Investing in team members and infrastructure

- Strengthen supply chain
- Scale IT capabilities to support expansion
- Attract, develop and retain critical talent
- Invest in our communities



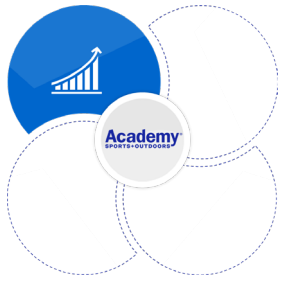
Enhance, leverage and expand omnichannel capabilities to maximize customer's experiences

- Leverage and improve web/app capabilities to generate traffic and drive sales
- Increase store connection through seamless store fulfillment options



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Grow Store Base



Multiple New Store Expansion Opportunities to Drive Growth

Expansion Strategy



Fill out existing markets to build scale



Expand into adjacent markets

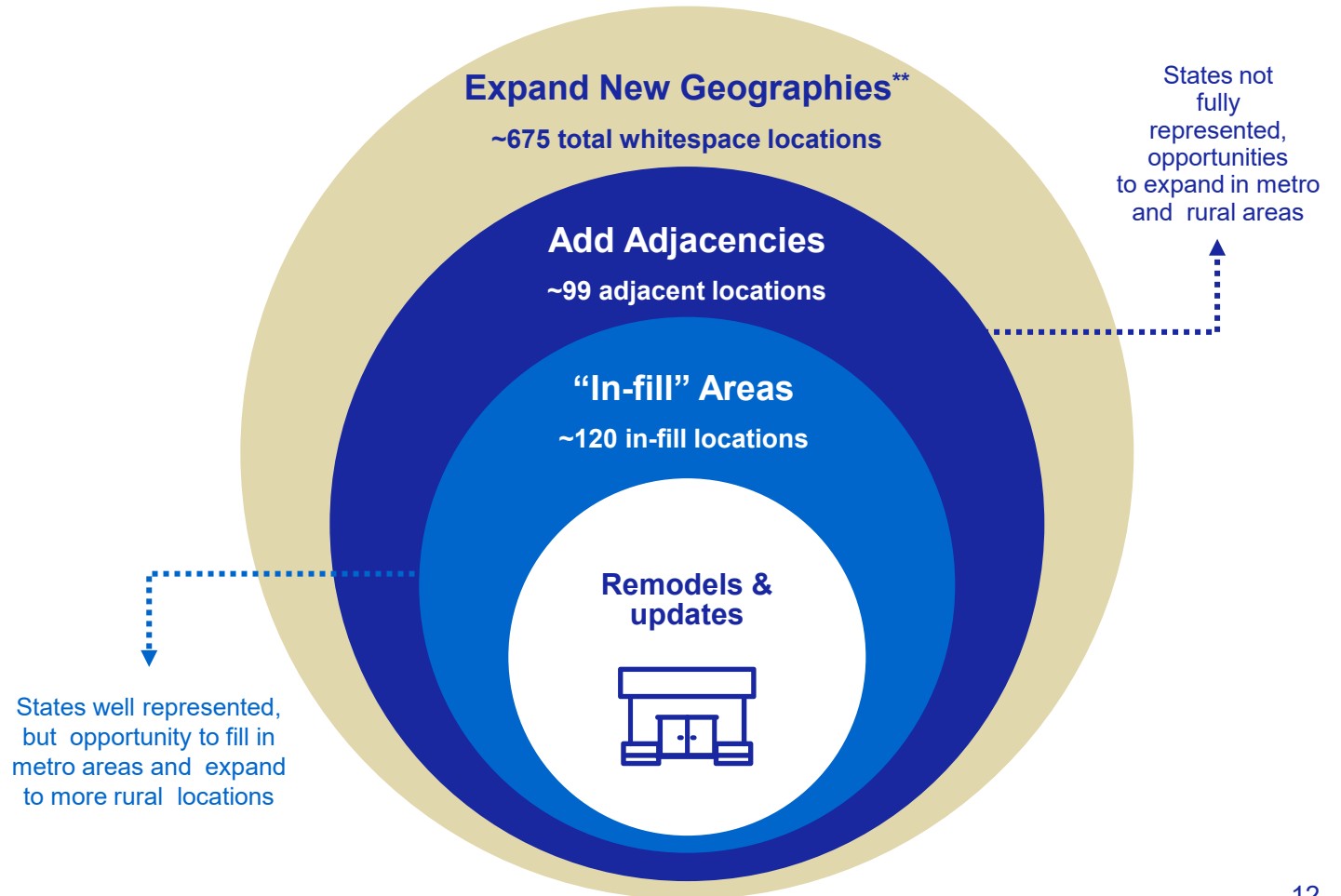


Open in new markets

New Store Model

- ROIC of at least 20%
- Ramp to maturity of 4 to 5 years
- EBITDA accretive after year 1

268 Stores* with Ample Whitespace Opportunities



*As of 12/07/2022

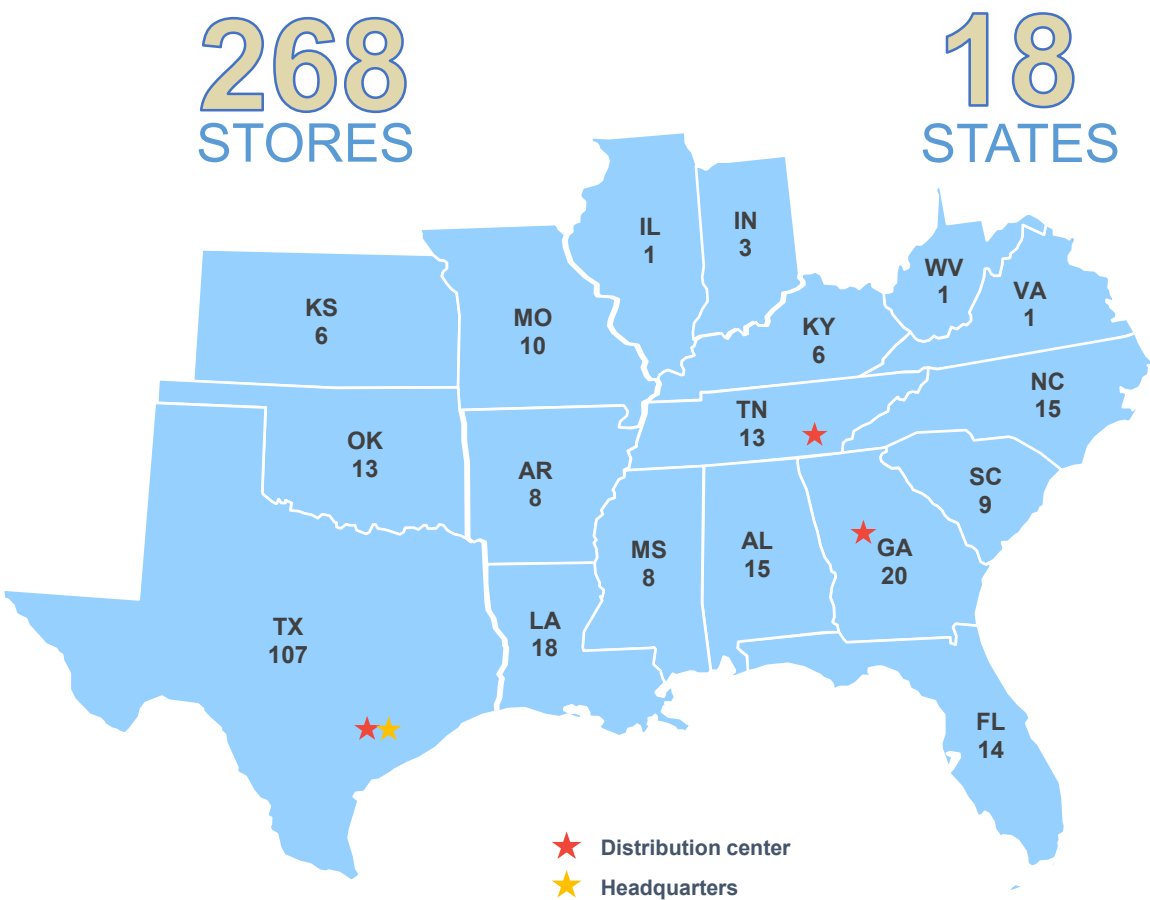
**As of FYE 2021; Opportunities are based on 14M volumestores.

Grow Store Base

Well-Positioned in Major Growth Markets



ATTRACTIVE REGIONAL PRESENCE



POSITIVE DEMOGRAPHIC TRENDS*

2x
Population growth
rate vs. U.S. average

29%
of stores are in the
top 5 fastest growing
MSAs

20bps
Higher real GDP
growth

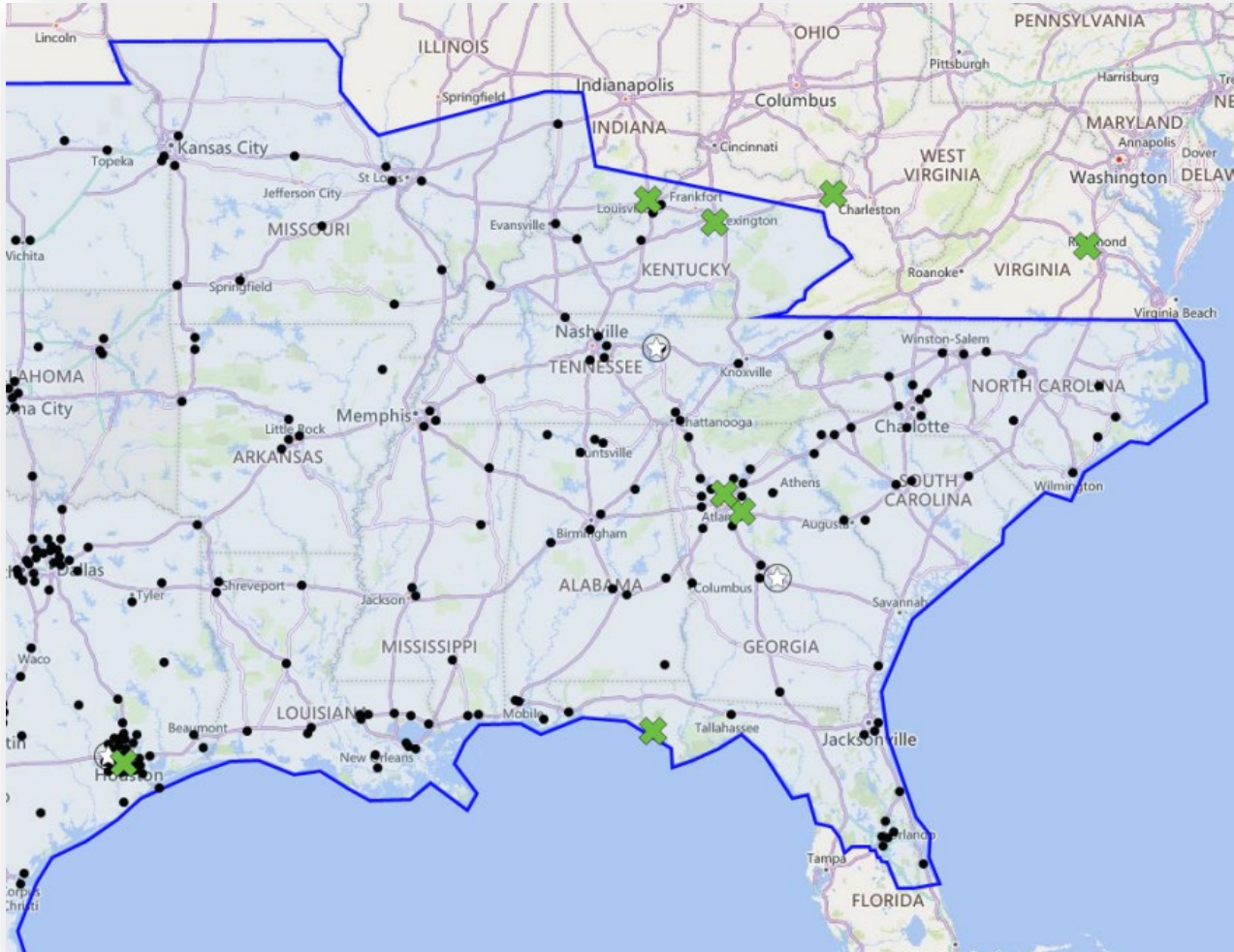
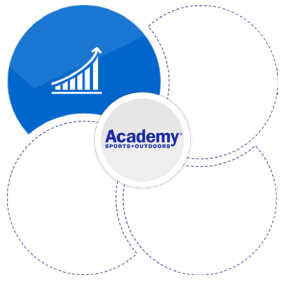
7 of 10
Fastest growing
MSAs



Store count data is as of 12/07/2022
*Academy figures represent a weighted average based on store count per state. Real GDP growth represents current-dollar growth measured from 2018 – 2019.

Grow Store Base

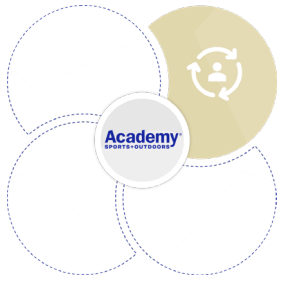
2022 Store Opening Plan



- Goal is to open 80 to 100 stores over the next 5 years (fiscal 2022-2026)
- Assuming \$20M Sales Per Store
Opportunity = potential \$2B+ in additional annual revenue

Site	Target Open
Conyers, GA	Completed
Panama City, FL	Completed
Lexington, KY	Completed
Short Pump, VA	Completed
Perimeter, GA	Completed
Jeffersonville, IN	Completed
Barboursville, WV	Completed
Meyerland, TX	Completed
Tampa Bay, FL	Completed

Provide a Great Customer Experience



Power Merchandising Focus Continues to Drive Sales Growth, Profits & Customer Engagement

1

Lean Into Position as a Value Leader

2

Improve & Prioritize Localization

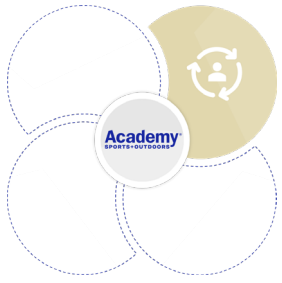
- Be in stock and navigate supply chain challenges ahead of time
- Utilize pricing optimization tools and ensure same or better than competitor
- Continual improvement in managing our clearance inventory
- Lean into everyday value
- Promote during key must-win seasons

- Personalize & localize marketing by growing the number of targeted interactions
- Robust licensed apparel and accessories inventory in “hot” markets
- Localized merchandise across categories to match inventory to customer needs in various geographies
 - Ex: crawfish cookers in Louisiana stores and smokers in Texas locations



Provide a Great Customer Experience

Power Merchandising Focus Continues to Drive Sales Growth, Profits & Customer Engagement



3 Create Strong Good, Better, Best Assortments

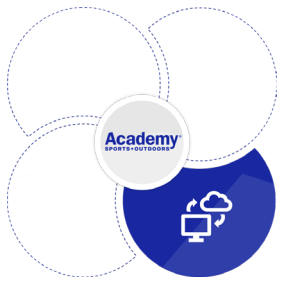
- Highlight power and key businesses
- Continue to introduce new national brand products into better/best assortment
- Elevate private label assortment to complement national brand offerings
- Expand on collaborations and cultural moments
- Utilize AI systems to enhance allocation and replenishment capabilities

4 Engage Customers Consistently + Routinely

- Expand Academy credit card sales as % of total sales
- Strong front entrance rotation for relevant seasonal and localized products
- Leverage end of aisles to spotlight key brands and categories
- Show new ideas and innovation using endcaps and racetracks
- Maximize [academy.com](https://www.academy.com) as hub for research and education



Expanding Omnichannel Capabilities



Delivering a Consistent, Meaningful Omnichannel Experience for Customers

Consistently Investing...

- ✓ Website optimization: search, checkout, navigation
- ✓ Launched mobile app
- ✓ Expanded store fulfillment options, such as Ship from Store and Ship to Store
- ✓ Leveraging data and analytics
- ✓ Streamlined shipping and logistics
- ✓ Improved marketing capabilities
- ✓ Increasing connectivity with stores and customers
- ✓ Increasing product and category content for customers

...Creating a Seamless Omnichannel Experience



...Investments Are Working

- ✓ **2021 eCommerce** sales growth of **153%** when compared to FY 2019⁽²⁾
- ✓ **9.3% penetration in FY 2021** compared to 5.1% in FY 2019⁽²⁾
- ✓ **\$225m investment** in IT and omnichannel capabilities⁽¹⁾
- ✓ **100% of stores** have BOPIS, Ship from Store, and Ship to Store capabilities and serve as eCommerce fulfillment centers

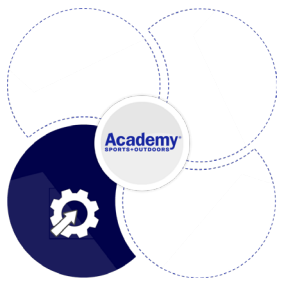
Significant Upside Potential Remains to Further Penetrate and Reach New Markets

(1) Dollars invested from 2011-2019 on a gross basis

(2) Source: Company financials

Investing to Support Growth

Advancing People, Process, and Technology Above Industry Standards



Strengthen Supply Chain

- Improve workload planning capability with increased visibility to inventory
- Improve in-stocks through shortened supply chain lead times
- Improve quality and reduce shrink support organizational growth initiatives
- Streamline supply chain efficiency



Scale IT Capabilities to Support Expansion

- Drive assortment performance
- Supply chain upgrade
- Oracle financials implementation
- Customer data transformation



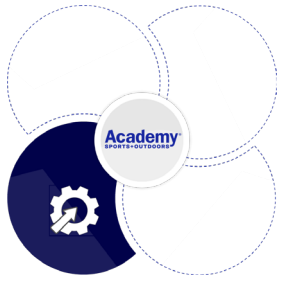
Attract, Develop & Retain Critical Talent

- Responsible leadership
 - Conversations, Listen to Learn, Engagement Survey, & Career Opportunities
- Best team
 - Diversity of Thought, Reflect Customer Base, Build on Momentum, & Participate!
- Investing in talent
 - Tuition Reimbursement, Soft Skills Training, Career Growth, & Play It Forward



Investing in Our Communities

Responsible Leadership with Integrity is Core to Our Mission



INCLUSION

- Committed to providing equal employment and advancement opportunities for all employees
- Implemented initiatives to benefit team members and their impact on our communities



SUPPLY CHAIN

- Committed to maintaining compliance with human rights and safety, regulations and standards
- Maintains Academy's brand integrity by complying with industry best practices and Academy's own high standards
- Holds vendors and factories to high standards and best practices



FIREARMS RESPONSIBILITY

- Enhanced background checks for both customers and Firearm Sales Compliance team members
- Promotes compliance with all laws and goes above and beyond to uphold firearm safety
- Provide free locking devices and safety information with all firearms purchases



PHILANTHROPY

- Donated and supplied crisis preparedness efforts in response to various natural disasters and crises
- From 2019 to 2021, positively impacted more than 1,500 organizations and 2.7 million individuals across our footprint
- Supports youth sports and activities



SUSTAINABILITY

- New stores are built with a variety of LEED or environmentally-friendly fixtures and design elements
- Lighting: LED lighting; dimming system; daylight harvesting through clerestories and skylights, scheduled lighting



CYBERSECURITY

- Formal cybersecurity program in place that includes standard governance, policy, prevention, audits and response efforts
- Developed a corporate Data Classification policy and a records retention policy

FINANCIALS & OUTLOOK



Q3 2022 Results Overview

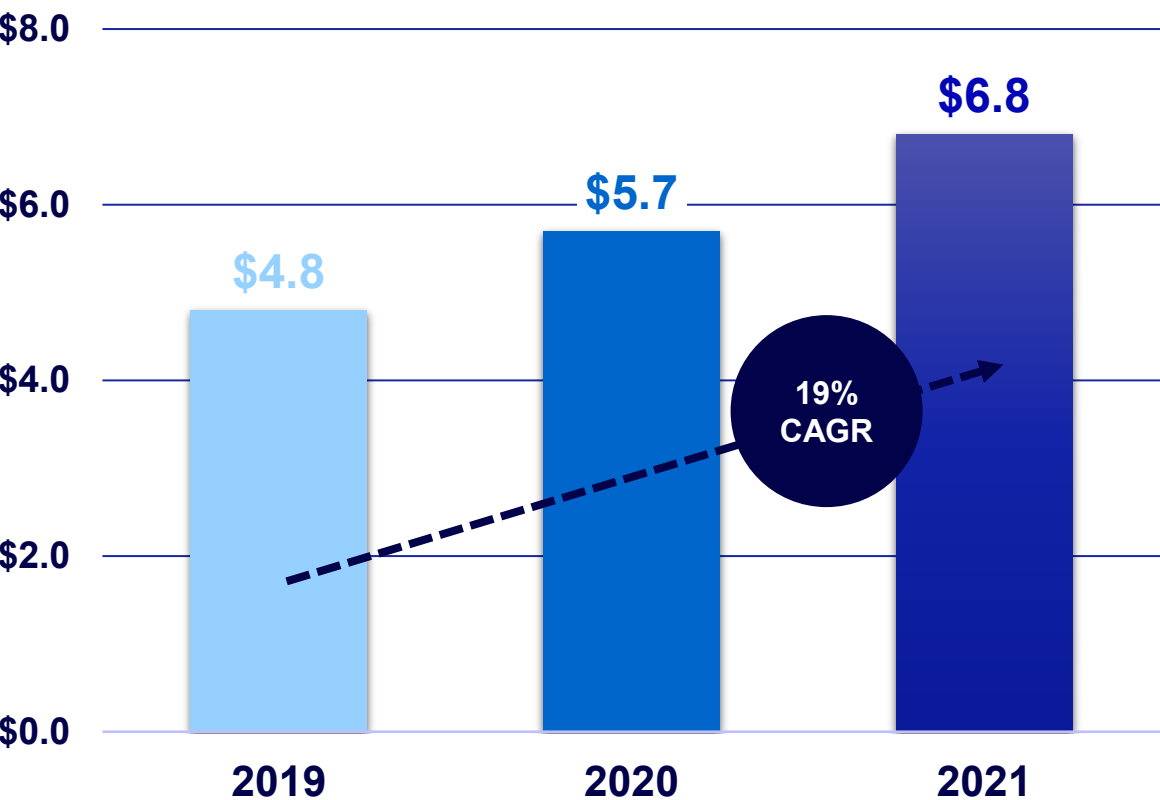
Results vs Q3 Fiscal 2022

Revenue \$1.49B (6.2%)	Diluted EPS \$1.62 (5.8%)	E-commerce +10.5% Sales Growth
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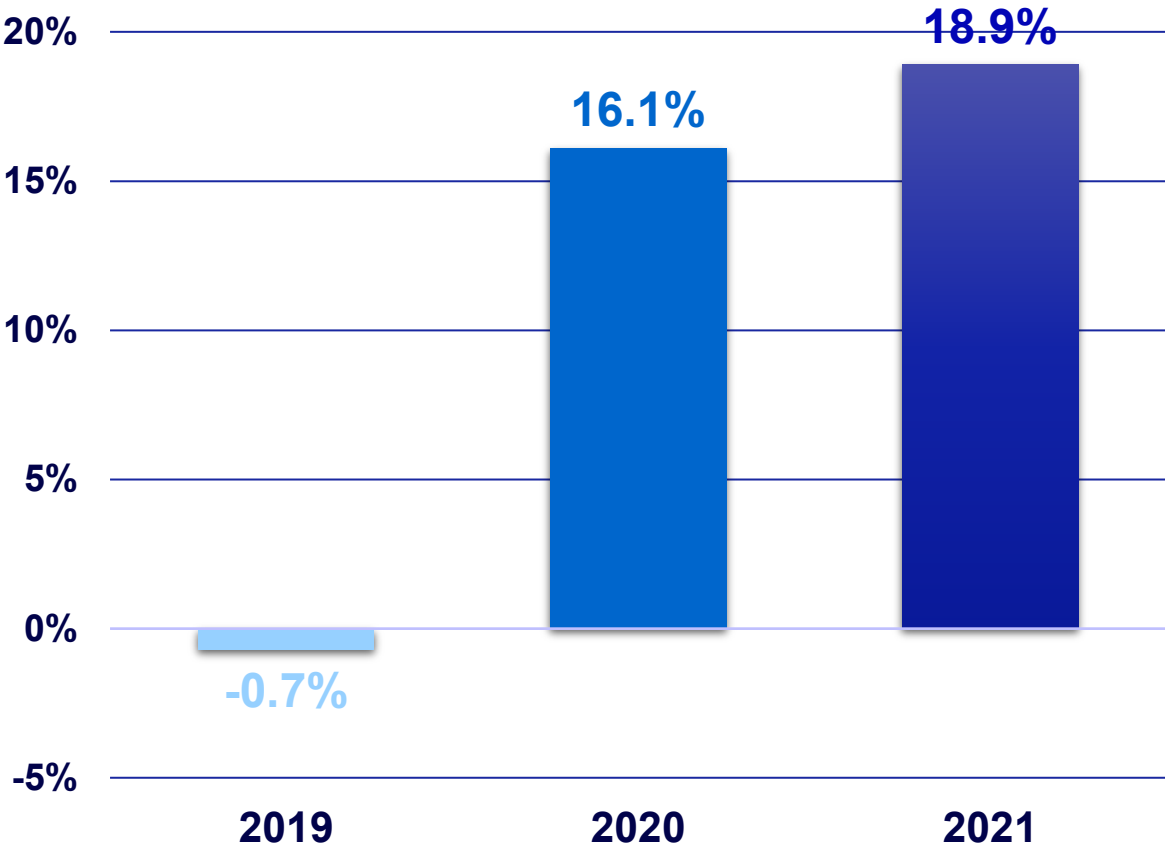
- Sales performance slightly below expectations, while profits were inline. Narrowed FY sales guidance and increased EPS forecast; continue to substantially outperform pre-pandemic sales and profit levels
- Comparable sales declined 7.2%, as a result of fewer transactions primarily from a decline in Hunting sales within the Outdoors division
- E-commerce sales grew 10.5%; fifth consecutive quarter of a double-digit increase
- GAAP and Adjusted diluted EPS FY guidance updated to reflect reduction in share count from share repurchases
- Returned \$106.8 million in cash to stockholders through a combination of share repurchases and dividends
- Opened four new stores; three new stores opened in Q4 2022, completing the goal of nine stores in FY'22
- Inventory is well-positioned entering the Holiday season

Execution Driving Top-line + Comps

Fiscal Year Net Sales
(in billions)



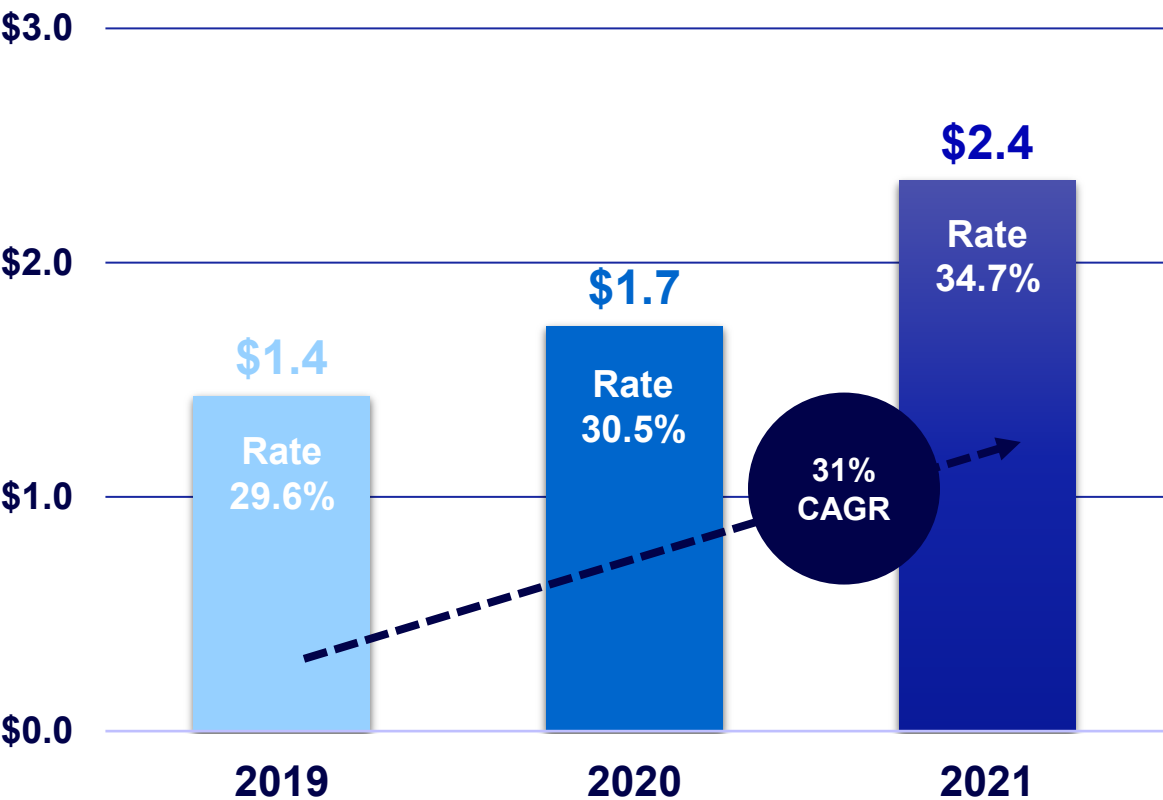
Comparable Sales



Strategic Initiatives Are Expanding Margins

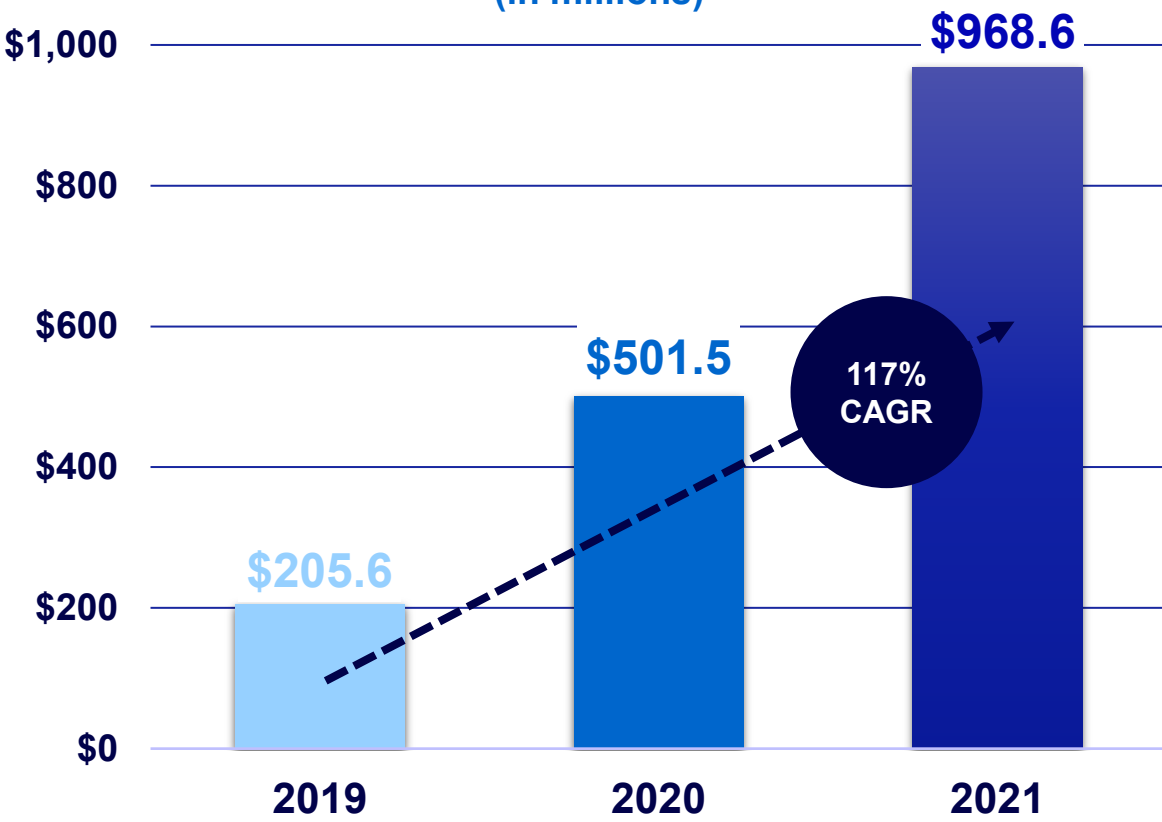
Fiscal Year Gross Margin

(in billions)



Fiscal Year Adjusted EBIT*

(in millions)

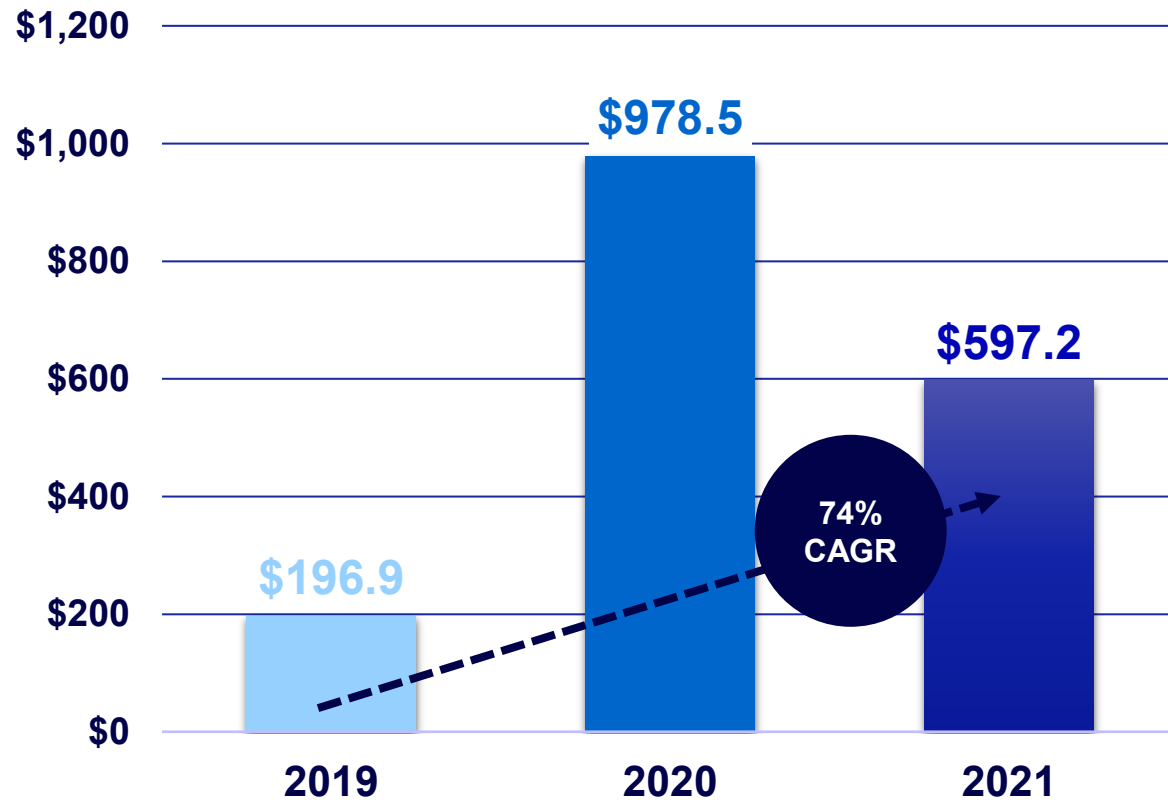


Source: Fiscal 2021 10-K
* See appendix for reconciliations of Non-GAAP measures

Strong Sales + Operations is Driving Cash + Profits

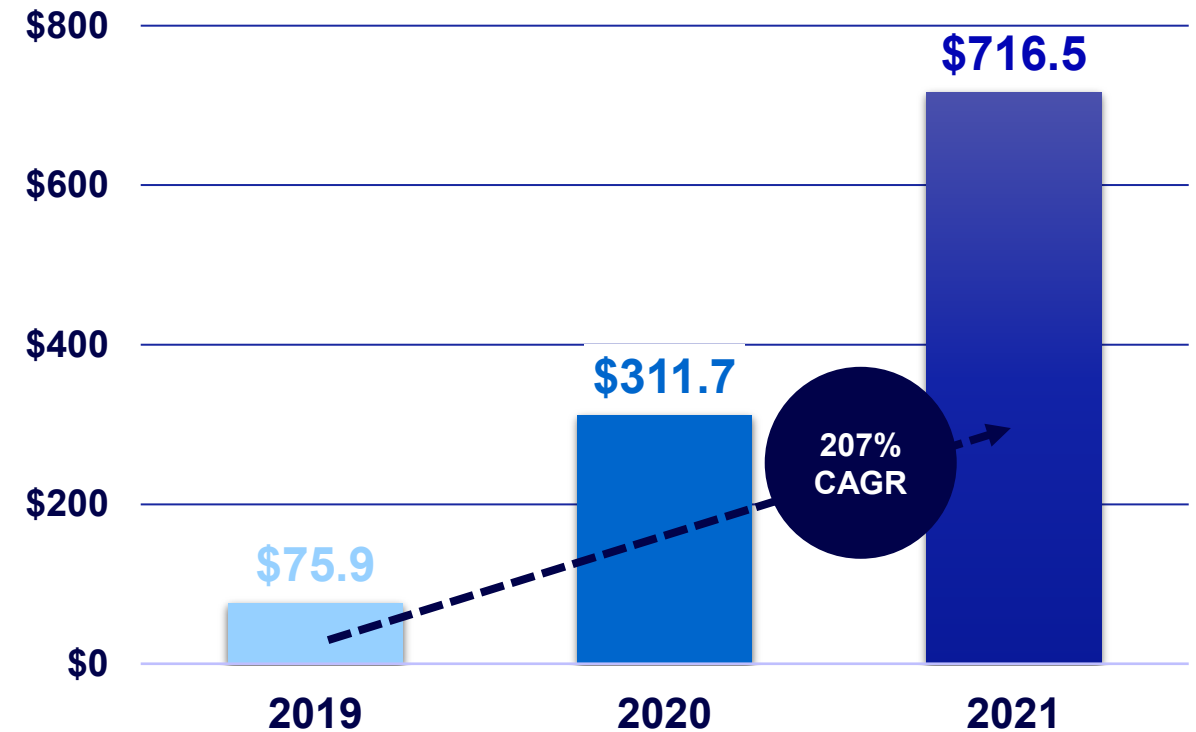
Fiscal Year Adjusted Free Cash Flow *

(in millions)



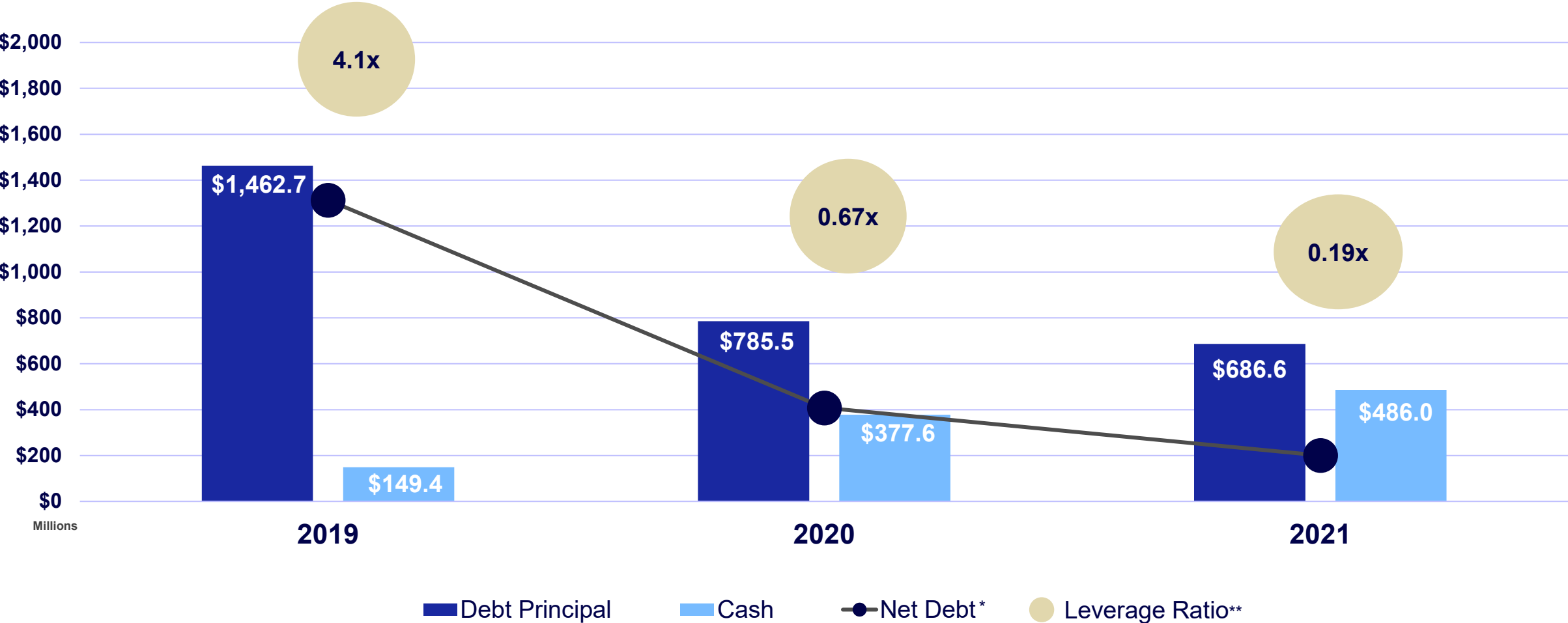
Fiscal Year Pro Forma Adjusted Net Income *

(in millions)



Leverage Profile Significantly Enhanced

Strong, Industry Leading Balance Sheet Positioned to Support Growth and Capital Returns



*See appendix for reconciliation of Non-GAAP measures.
Source: Fiscal 2021 10-K
**Leverage Ratio defined as Net Debt divided by adjusted EBITDA

Capital Allocation Priorities

Balanced Approach to Drive Shareholder Value + Growth for the Long-term

**Academy's
strong cash
flow profile**

***Have Generated
Over \$1.5 Billion
in Free Cash Flow
Over Last 3 Years***

**Financial
Stability**

STRONG BALANCE SHEET

- Maintain high-quality balance sheet and low leverage profile
- Support new store growth and inventory needs
- Plan to spend approximately \$130 million in Capex in fiscal 2022

**Invest in
Growth**

GROWTH

- Have opened nine stores in 2022; Goal of 80-100 over next 5 years
- Investments that will drive efficiencies throughout business
- Continue investment in omnichannel

**Return
Capital to
Share-
holders**

OPPORTUNISTIC REPURCHASES

- Repurchased and retired 10.6M shares for \$411 million in 2021
- Repurchased and retired 10.0M shares for \$389 million YTD 2022
- \$400M currently available for share repurchases

DIVIDEND INITIATION

- On March 3, 2022, announced its first ever quarterly dividend
- Quarterly cash dividend of \$0.075 per share declared with respect to the quarter ended October 29, 2022

Fiscal 2022 Guidance



Fiscal 2022 Guidance as of 12/7/2022*

Net Sales	\$6.43 to \$6.49 billion
Comp Sales	-6.0% to -5.0%
Gross Margin Rate	34.0% to 34.5%
GAAP Income Before Taxes	\$790M to \$810M
GAAP Net Income	\$610M to \$620M
GAAP EPS, Diluted	\$7.25 to \$7.40
Adjusted EPS, Diluted**	\$7.50 to \$7.65
Diluted Weighted Average Shares Outstanding	84 million

*Reflects guidance provided on 12/7/2022 and only as of that date. This presentation is not intended to update, reaffirm or otherwise comment on such guidance.
The earnings per share estimate reflects a tax rate of 23.0% and the year-to-date share repurchase activity, but does not include any potential future share repurchases.

** See appendix for reconciliation of Non-GAAP measures.

Investment Thesis

- 1 **Leading retailer** of sporting goods and outdoor recreational products, with one of the **best white spaces for sustainable growth in retail**, and consistently **better unit economics** than competitors
- 2 **Unique business model** supported by **value-based focus** on middle income consumer, **preferred partner standing** with national brands, **high-quality private label** products, and **localized assortment** of “Fun for All” products
- 3 **Accelerating new store growth** with goal to **expand footprint by ~30%** (80 to 100 new stores) over the **next five years** (fiscal 2022-2026)
- 4 Continuing to **invest in omnichannel, technology, and data analytics** to further drive efficiencies and **sustain and improve long-term margins** across the business
- 5 **Streamlined operating model** and **strong cash flow profile** that will support continued unit growth execution, investment in sales-driving initiatives and capital returns for shareholders



APPENDIX



GAAP to Non-GAAP Reconciliations

Adjusted EBITDA and Adjusted EBIT

We define "Adjusted EBITDA" as net income (loss) before interest expense, net, income tax expense and depreciation, and amortization, and impairment, further adjusted to exclude consulting fees, private equity sponsor monitoring fees, equity compensation expense, (gain) loss on early retirement of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, payroll taxes associated with a vesting event, as a result of a secondary offering, of certain time and performance-based equity awards, both of which occurred in May 2021 (the "2021 Vesting Event") and other adjustments. We define "Adjusted EBIT" as net income (loss) before interest expense, net, and income tax expense, further adjusted to exclude consulting fees, private equity sponsor monitoring fees, equity compensation expense, (gain) loss on early retirement of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, payroll taxes associated with the 2021 Vesting Event and other adjustments. We describe these adjustments reconciling net income (loss) to Adjusted EBITDA and Adjusted EBIT in the following table.

	January 29, 2022	<u>Fiscal Year Ended</u> January 30, 2021	February 1, 2020
Net income	\$671,381	\$308,764	\$120,043
Interest expense, net	48,989	86,514	101,307
Income tax expense	188,159	30,356	2,817
Depreciation and amortization	105,274	105,481	117,254
Consulting fees (a)	—	285	3,601
Private equity sponsor monitoring fee (b)	—	14,793	3,636
Equity compensation (c)	39,264	31,617	7,881
(Gain) loss on early retirement of debt, net	2,239	(3,582)	(42,265)
Severance and executive transition costs (d)	—	6,571	1,429
Costs related to the COVID-19 pandemic (e)	—	17,632	—
Payroll taxes associated with the 2021 Vesting Event (f)	15,418	—	—
Other (g)	3,118	8,592	7,111
Adjusted EBITDA	<u>1,073,842</u>	<u>607,023</u>	<u>322,814</u>
Less: Depreciation and amortization	<u>(105,274)</u>	<u>(105,481)</u>	<u>(117,254)</u>
Adjusted EBIT	<u>\$968,568</u>	<u>\$501,542</u>	<u>\$205,560</u>

(a) Represents outside consulting fees associated with our strategic cost savings and business optimization initiatives.

(b) Represents our contractual payments under a monitoring agreement ("Monitoring Agreement") with our private equity sponsor Kohlberg Kravis Roberts & Co. L.P.

(c) Represents non-cash charges related to equity based compensation, which vary from period to period depending on certain factors such as the 2021 Vesting Event, timing and valuation of awards, achievement of performance targets and equity award forfeitures.

(d) Represents severance costs associated with executive leadership changes and enterprise-wide organizational changes.

(e) Represents costs incurred during the first half of 2020 as a result of the COVID-19 pandemic, including temporary wage premiums, additional sick time, costs of additional cleaning supplies and third party cleaning services for the stores, corporate office and distribution centers, accelerated freight costs associated with shifting our inventory purchases earlier in the year to maintain stock, and legal fees associated with consulting in local jurisdictions. These costs were no longer added back beginning in the third quarter of 2020.

(f) Represents cash expenses related to taxes on equity-based compensation resulting from the 2021 Vesting Event.

(g) Other adjustments include (representing deductions or additions to Adjusted EBITDA and Adjusted EBIT) amounts that management believes are not representative of our operating performance, including investment income, installation costs for energy savings associated with our profitability initiatives, legal fees associated with our distribution to NAHC's members and the omnibus incentive plan, store exit costs and other costs associated with strategic cost savings and business optimization initiatives.

GAAP to Non-GAAP Reconciliations

Pro Forma Adjusted Net Income and Adjusted Earnings per Common Share

We define “Adjusted Net Income (Loss)” as net income (loss), plus consulting fees, private equity sponsor monitoring fees, equity compensation expense, (gain) loss on early retirement of debt, net, severance and executive transition costs, costs related to the COVID-19 pandemic, payroll taxes associated with a vesting event, as a result of a secondary offering, of certain time and performance-based equity awards, both of which occurred in May 2021 (the “2021 Vesting Event”) and other adjustments. We define “Pro Forma Adjusted Net Income (Loss)” as Adjusted Net Income (Loss) less the retrospective tax effect of Adjusted Net Income at our estimated effective tax rate of approximately 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation. We define “Pro Forma Adjusted Earnings per Common Share, Basic” as Pro Forma Adjusted Net Income divided by the basic weighted average shares outstanding during the period and “Pro Forma Adjusted Earnings per common Share, Diluted” as Pro Forma Adjusted Net Income divided by the diluted weighted average shares outstanding during the period. We describe these adjustments by reconciling net income (loss) to Adjusted Net Income (Loss), Pro Forma Adjusted Net Income (Loss), and Pro Forma Adjusted Earnings Per common Share in the following table.

	January 29, 2022	Fiscal Year Ended January 30, 2021	February 1, 2020
Net income	\$671,381	\$308,764	\$120,043
Consulting fees (a)	-	285	3,601
Private equity sponsor monitoring fee (b)	-	14,793	3,636
Equity compensation (c)	39,264	31,617	7,881
(Gain) loss on early retirement of debt, net	2,239	(3,582)	(42,265)
Severance and executive transition costs (d)	-	6,571	1,429
Costs related to the COVID-19 pandemic (e)	-	17,632	-
Payroll taxes associated with the 2021 Vesting Event (f)	15,418	-	-
Other (g)	3,118	8,592	7,111
Tax effects of these adjustments (h)	(14,884)	(136)	33
Adjusted Net Income	716,536	384,536	101,469
Estimated tax effect of change to C-Corporation status (i)	-	(72,844)	(25,542)
Pro Forma Adjusted Net Income	<u>\$716,536</u>	<u>\$311,692</u>	<u>\$75,927</u>
Pro Forma Adjusted Earnings per Common Share			
Basic	\$7.88	\$4.00	\$1.05
Diluted	\$7.60	\$3.83	\$1.02
Weighted Average Common Shares Outstanding			
Basic	90,956	77,994	72,477
Diluted	94,284	81,431	74,795

(a) Represents outside consulting fees associated with our strategic cost savings and business optimization initiatives.

(b) Represents our contractual payments under our Monitoring Agreement with our former private equity sponsor Kohlberg Kravis Roberts & Co. L.P.

(c) Represents non-cash charges related to equity-based compensation, which vary from period to period depending on certain factors such as the 2021 Vesting Event, timing and valuation of awards, achievement of performance targets and equity award forfeitures.

(d) Represents severance costs associated with executive leadership changes and enterprise-wide organizational changes.

(e) Represents costs incurred during the first half of 2020 as a result of the COVID-19 pandemic, including temporary wage premiums, additional sick time, costs of additional cleaning supplies and third party cleaning services for the stores, corporate office and distribution centers, accelerated freight costs associated with shifting our inventory purchases earlier in the year to maintain stock, and legal fees associated with consulting in local jurisdictions. These costs were no longer added back beginning in Q3 of 2020.

(f) Represents cash expenses related to taxes on equity-based compensation resulting from the 2021 Vesting Event.

(g) Other adjustments include (representing deductions or additions to Adjusted Net Income) amounts that management believes are not representative of our operating performance, including investment income, installation costs for energy savings associated with our profitability initiatives, legal fees associated with a distribution to NAHC's members and our omnibus incentive plan, store exit costs and other costs associated with strategic cost savings and business optimization initiatives.

(h) Represents the tax effect of the total adjustments made to arrive at Adjusted Net Income at our historical tax rate.

(i) Represents the retrospective tax effect of Adjusted Net Income at our estimated effective tax rate of approximately 25% for periods prior to October 1, 2020, the effective date of our conversion to a C-Corporation, upon which we became subject to federal income taxes.

Select GAAP to Non-GAAP Reconciliations

Adjusted Free Cash Flow

We define "Adjusted Free Cash Flow" as net cash provided by (used in) operating activities less net cash provided used in investing activities. We describe these adjustments by reconciling net cash provided by operating activities to Adjusted Free Cash Flow in the following table.

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	February 1, 2020
Net cash provided by operating activities	\$673,265	\$1,011,597	\$263,669
Net cash used in investing activities	(76,017)	(33,144)	(66,783)
Adjusted Free Cash Flow	<u>\$597,248</u>	<u>\$978,453</u>	<u>\$196,886</u>

Net Debt

We define "Net Debt" as long-term net debt plus current maturities of long-term debt less cash and cash equivalents. We describe this calculation in the following table.

	Fiscal Year Ended		
	January 29, 2022	January 30, 2021	February 1, 2020
(Dollar amounts in thousands)			
Long-term debt, net	\$ 683,585	\$ 781,489	\$ 1,428,542
Current maturities of long-term debt	3,000	4,000	34,116
Total Long-term debt	\$ 686,585	\$ 785,489	\$ 1,462,658
Cash & cash equivalents	\$ 485,998	\$ 377,604	\$ 149,385
Net Debt	<u>\$ 200,587</u>	<u>\$ 407,885</u>	<u>\$ 1,313,273</u>

Select GAAP to Non-GAAP Reconciliations

GAAP to Adjusted Earnings Per Common Share, Diluted, Guidance Reconciliation

(in millions, except per share amounts)	Low Range*	High Range*
	Fiscal Year Ending January 28, 2023	Fiscal Year Ending January 28, 2023
GAAP Net Income	\$610.0	620.0
Equity compensation ^(a)	21.0	21.0
Pre-opening expenses ^(b)	5.0	5.0
Tax effect of these adjustments	(6.0)	(6.0)
Adjusted Net Income	\$630.0	\$640.0
GAAP Earnings Per Common Share, Diluted	\$7.25	\$7.40
Equity compensation ^(a)	0.25	0.25
Pre-opening expenses ^(b)	0.06	0.06
Tax effect of these adjustments	(0.06)	(0.06)
Adjusted Earnings per Common Share, Diluted	\$7.50	\$7.65

* Amounts presented have been rounded.

(a) Represents non-cash charges related to equity-based compensation (as defined above), which may vary from period to period. .

(b) Represents pre-opening expenses which are non-capital expenditures associated with opening new stores and incurred prior to the store opening. These costs consist primarily of occupancy costs, marketing, payroll and recruiting costs. These costs are expensed as incurred.