

BUCKLE INC
Form 10-K
April 03, 2019

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

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

For the Fiscal Year Ended February 2, 2019

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: 001-12951

THE BUCKLE, INC.

(Exact name of Registrant as specified in its charter)

Nebraska

47-0366193

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

2407 West 24th Street, Kearney, Nebraska 68845-4915

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (308) 236-8491

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

| Title of class | Name of Each Exchange on Which Registered |
|-------------------------------|---|
| Common Stock, \$.01 par value | New York Stock Exchange |

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes No

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 during the preceding 12 months (or for a shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. (See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act). Check one. 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 Act). Yes No

The aggregate market value (based on the closing price of the New York Stock Exchange) of the common stock of the registrant held by non-affiliates of the registrant was \$683,998,740 on August 4, 2018. For purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by non-affiliates was computed as 28,148,096 shares.

The number of shares outstanding of the Registrant's Common Stock, as of March 29, 2019, was 49,240,345.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the registrant's 2019 Annual Meeting of Shareholders to be held June 3, 2019 are incorporated by reference in Part III.

THE BUCKLE, INC.
 FORM 10-K
 February 2, 2019

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PART I

ITEM 1 - BUSINESS

The Buckle, Inc. (the "Company") is a retailer of medium to better-priced casual apparel, footwear, and accessories for fashion-conscious young men and women. As of February 2, 2019, the Company operated 450 retail stores in 42 states throughout the United States under the names "Buckle" and "The Buckle." The Company markets a wide selection of mostly brand name casual apparel including denims, other casual bottoms, tops, sportswear, outerwear, accessories, and footwear. The Company emphasizes personalized attention to its customers and provides customer services such as free hemming, free gift-wrapping, easy layaways, the Buckle private label credit card, and a guest loyalty program. Most stores are located in regional shopping malls and lifestyle centers, and this is the Company's strategy for future expansion. The majority of the Company's central office functions, including purchasing, pricing, accounting, advertising, and distribution, are controlled from its headquarters and distribution center in Kearney, Nebraska. The Company's men's buying team is located in Overland Park, Kansas.

Incorporated in Nebraska in 1948, the Company commenced business under the name Mills Clothing, Inc., a conventional men's clothing store with only one location. In 1967, a second store, under the trade name Brass Buckle, was purchased. In the early 1970s, the store image changed to that of a jeans store with a wide selection of denims and shirts. The first branch store was opened in Columbus, Nebraska, in 1976. In 1977, the Company began selling young women's apparel and opened its first mall store. The Company changed its corporate name to The Buckle, Inc. on April 23, 1991 and has experienced significant growth since that time, operating 450 stores in 42 states at the end of fiscal 2018. All references herein to fiscal 2018 refer to the 52-week period ended February 2, 2019. Fiscal 2017 refers to the 53-week period ended February 3, 2018, and fiscal 2016 refers to the 52-week period ended January 28, 2017. All references herein to the "Company", "Buckle", "we", "us", or similar terms refer to The Buckle, Inc. and its subsidiary.

The Company's principal executive offices are located at 2407 West 24th Street, Kearney, Nebraska 68845. The Company's telephone number is (308) 236-8491. The Company publishes its corporate web site at www.buckle.com.

Available Information

The Company's annual reports on Form 10-K, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission, are publicly available free of charge on the Investor Information section of the Company's website at www.buckle.com as soon as reasonably practicable after the Company files such materials with, or furnishes them to, the Securities and Exchange Commission. The Company's corporate governance policies, ethics code, and Board of Directors' committee charters are also posted within this section of the website. The information on the Company's website is not part of this or any other report The Buckle, Inc. files with, or furnishes to, the Securities and Exchange Commission.

Marketing and Merchandising

The Company's marketing and merchandising strategy is designed to create customer loyalty by offering a wide selection of key brand name and private label merchandise and providing a broad range of value-added services. The Company believes it provides a unique specialty apparel store experience with merchandise designed to appeal to the fashion-conscious 15 to 30-year old. The merchandise mix includes denims, casual bottoms, tops, sportswear, outerwear, accessories, and footwear. Denim is a significant contributor to total sales (41% of fiscal 2018 net sales) and is a key to the Company's merchandising strategy. The Company believes it attracts customers with its wide selection of branded and private label denim and a wide variety of fits, finishes, and styles. Tops are also significant contributors to total sales (32.8% of fiscal 2018 net sales). The Company strives to provide a continually changing selection of the latest casual fashions.

The percentage of net sales over the past three fiscal years of the Company's major product lines are set forth in the following table:

| Merchandise Group | Fiscal Years Ended | | | | | |
|---------------------------|--------------------|---|------------------|---|------------------|---|
| | February 2, 2019 | | February 3, 2018 | | January 28, 2017 | |
| Denims | 41.0 | % | 41.5 | % | 42.2 | % |
| Tops (including sweaters) | 32.8 | | 32.3 | | 30.8 | |
| Accessories | 8.8 | | 9.1 | | 9.2 | |
| Footwear | 6.7 | | 6.1 | | 5.9 | |
| Sportswear/fashions | 6.0 | | 6.2 | | 6.5 | |
| Outerwear | 2.1 | | 2.0 | | 2.0 | |
| Casual bottoms | 1.2 | | 1.3 | | 1.9 | |
| Other | 1.4 | | 1.5 | | 1.5 | |
| Total | 100.0 | % | 100.0 | % | 100.0 | % |

Brand name merchandise accounted for approximately 62.5% of the Company's sales during fiscal 2018. The remaining balance is comprised of private label merchandise from exclusive brands including BKE, Buckle Black, BKE Boutique, Red by BKE, Daytrip denim, Gimmicks, Gilded Intent, FITZ + EDDI, Outpost Makers, Departwest, and Veece. The Company's merchandisers continually work with manufacturers and vendors to produce brand name merchandise, the majority of which they believe is exclusive in terms of color, style, and fit. While the brands offered by the Company change to meet current customer preferences, the Company currently offers denims from brands such as Miss Me, Rock Revival, KanCan, Flying Monkey, and Levi's. Other key brands include Hurley, Billabong, Affliction, American Fighter, Oakley, Fox, Puma, Obey, RVCA, Salvage, 7 Diamonds, Nixon, Free People, White Crow, Salt Life, Corral, Reef, Kustom, Timberland, UGG, SOREL, Hey Dude, Steve Madden, SAXX, Stance, Lokai, Ray-Ban, Fossil, and G-Shock. The Company expects that brand name merchandise will continue to constitute the majority of sales.

Management believes the Company provides a unique store environment by maintaining a high level of personalized service and by offering a wide selection of fashionable, quality merchandise. The Company believes it is essential to create an enjoyable shopping environment and, in order to fulfill this mission, it employs highly motivated employees who provide personal attention to customers. Each salesperson is educated to help create a complete look for the customer by helping them find the best fits and showing merchandise as coordinating outfits. The Company also incorporates specialized services such as free hemming, free gift wrapping, layaways, a guest loyalty program, the Buckle private label credit card, personalized stylist services, and a special order system that allows stores to obtain specifically requested merchandise from other Company stores or from the Company's online order fulfillment center. Customers are encouraged to use the Company's layaway plan, which allows customers to make a partial payment on merchandise that is then held by the store until the balance is paid. For the past three fiscal years, an average of between approximately 1.5% to 3.2% of net sales have been made on a layaway basis, which is recorded as revenue upon delivery of the merchandise to the customer.

Merchandising and pricing decisions are made centrally; however, the Company's distribution system allows for variation in the mix of merchandise distributed to each store. This allows individual store inventories to be tailored to reflect differences in customer buying patterns at various locations. In addition, to ensure a continually fresh look in its stores, the Company ships new merchandise daily to most stores. The Company also has a transfer program that shifts certain merchandise to locations where it is selling best. This distribution and transfer system helps to maintain customer satisfaction by providing in-stock popular items and reducing the need to markdown slow-moving merchandise at a particular location. The Company believes the reduced markdowns justify the incremental

distribution costs associated with the transfer system. The Company does not hold store-wide off-price sales at any time.

The Company continually evaluates its store design as part of the overall shopping experience and feels its current design continues to be well received by both guests and developers. This store design contains warm wood fixtures and floors, real brick finishes, and an appealing ceiling and lighting layout that creates a comfortable environment for the guest to shop. The Company has been able to modify the store design for specialized venues including lifestyle centers and larger mall fronts. The signature Buckle-B icon and red color are used throughout the store on fixtures, graphic images, and print materials to reinforce the brand identity. To enhance selling and product presentation, the Company continues to update the fixtures in its stores. New tables and fixtures have been added to the Company's signature store design in each of the last several fiscal years. The new tables and fixtures were also rolled out to certain existing stores to update their looks as well.

Marketing and Advertising

In fiscal 2018, the Company spent \$10.7 million, or 1.2% of net sales, on seasonal marketing campaigns, advertising, promotions, online marketing, and in-store point-of-sale materials. Seasonal image and promotional signage is presented in store window displays and on merchandising presentations throughout the store to complement the product and reinforce the brand's image. Promotions such as sweepstakes, gift with purchase offers, and special events are offered to enhance the guest's shopping experience. Seasonal image guides, featuring current fashion trends and product selection, are distributed in the stores, at special events, and in new markets. Buckle partners with key merchandise vendors on joint advertising and promotional opportunities that expand the marketing reach and position Buckle as the destination store for these specialty branded fashions.

The Company also offers programs to build and strengthen its relationship with loyal guests. Two different programs work to achieve these goals. In fiscal 2016, the Company phased out its previous frequent shopper program (the Buckle Primo Card) and replaced it with an improved electronic loyalty program called Buckle Guest Loyalty. Both the former Buckle Primo Card and the new Buckle Guest Loyalty program are available to all guests who elect to participate and the rewards structure for both programs is similar. In addition, private label credit card guests receive even more benefits when they use their Buckle Card. The B-Rewards incentive program rewards loyal cardholders with a B-Rewards gift card at the end of each rewards period and invites them back into the store. The Company extends other exclusive benefits to active Buckle cardholders such as special bonus B-Rewards periods, targeted mailings, and exclusive gift with purchase offers. The Company provides special Buckle Black and Buckle Exclusive cardholder programs for its most loyal Buckle Card guests. Buckle Black cardholders must purchase at least \$500 and Buckle Exclusive cardholders must spend at least \$1,000 annually. These guests receive exclusively designed cards and enjoy additional benefits including free ground shipping on special orders and online purchases, as well as extended B-Reward redemption periods. The Buckle Card marketing program is partially funded by Comenity Bank, a third-party bank that owns the Buckle Card accounts.

The Company publishes a corporate web site at www.buckle.com. The Company's web site serves as a second retail touch-point for cross-channel marketing, reaching a growing online audience. Buckle.com is an e-Commerce enabled channel with an interactive, informative, and brand building environment where guests can shop, enter sweepstakes, fill out a wish list, find out about career opportunities, and read the Company's latest financial news. The Company maintains an opt-in email database. Targeted email campaigns are sent notifying guests of the latest promotions and product offerings. Search engine and affiliate marketing programs are managed to increase online and in-store traffic as well as conversion rates. Buckle's online store was launched April 26, 1999 as a marketing tool, to extend the Company's brand beyond the physical locations. The Company launched a completely redesigned Buckle.com on a new e-Commerce platform on June 8, 2016. The new site provided several updates and enhancements designed to improve both the performance of the site and the overall shopping experience.

Store Operations

The Company has an Executive Vice President of Stores, a Vice President of Sales, an Associate Vice President of Sales, 2 Directors of Sales, 4 Regional Managers, 23 District Managers, and 85 Area Managers. Certain district managers and all area managers also serve as manager of their home base store. In general, each store has 1 manager, 1 or 2 assistant managers, 1 to 3 additional full-time salespeople, and up to 20 part-time salespeople. Most stores have peak levels of staff during the back-to-school and Christmas seasons. Almost every location also employs an alterations person.

The Company places great importance on educating quality personnel. In addition to sharing career opportunities with current Buckle employees, the Company also recruits interns and management trainees from college campuses. A majority of the Company's store managers, all of its area and district managers, and most of its executive management team are former salespeople, including President and CEO, Dennis H. Nelson, and Chairman, Daniel J. Hirschfeld. Recognizing talent and promoting managers from within allows the Company to build a strong foundation for management.

Store managers receive compensation in the form of a base salary and incentive bonuses. District and area managers also receive added incentives based upon the performance of stores in their district/area. Store managers perform sales training for new employees at the store level.

The Company has established a comprehensive program stressing the prevention and control of shrinkage losses. Steps taken to reduce shrinkage include monitoring returns, cash refunds, voids, inappropriate discounts, and employee sales. The Company also has electronic article surveillance systems in all of the Company's stores as well as surveillance camera systems in approximately 99% of the stores. As a result, the Company achieved a merchandise shrinkage rate of 0.5% of net sales in fiscal year 2018 and 0.6% of net sales in both fiscal years 2017 and 2016.

The average store is approximately 5,100 square feet (of which the Company estimates an average of approximately 80% is selling space), and stores range in size from 2,900 square feet to 8,475 square feet.

Purchasing and Distribution

The Company has an experienced buying team. The buying team is led by the Vice President of Women's Merchandising and Senior Vice President of Men's Merchandising, who have over 50 years of combined experience with the Company. The experience and leadership within the buying team contributes significantly to the Company's success by enabling the buying team to react quickly to changes in fashion and by providing extensive knowledge of sources for both branded and private label goods.

The Company purchases products from manufacturers within the United States as well as from agents who source goods from foreign manufacturers. The Company's merchandising team shops and monitors fashion to stay abreast of the latest trends. The Company continually monitors styles, quality, and delivery schedules. The Company has not experienced any material difficulties with merchandise manufactured in foreign countries. The Company does not have long-term or exclusive contracts with any brand name manufacturer, private label manufacturer, or supplier. The Company plans its private label production with private label vendors three to six months in advance of product delivery. The Company requires its vendors to sign and adhere to its Code of Conduct and Standards of Engagement, which addresses adherence to legal requirements regarding employment practices and health, safety, and environmental regulations.

In fiscal 2018, Miss Me/Rock Revival accounted for 15.8% of the Company's net sales and Axis Denim (which produces private label denim for the Company) accounted for 15.0% of net sales. No other vendor accounted for more than 10% of the Company's net sales. Other current significant vendors include KanCan, Flying Monkey, Levi's, Hurley, Billabong, Affliction, American Fighter, Oakley, Fox, Puma, Obey, RVCA, Salvage, 7 Diamonds, Nixon, Free People, White Crow, Salt Life, Corral, Reef, Kustom, Timberland, UGG, SOREL, Hey Dude, Steve Madden, SAXX, Stance, Lokai, Ray-Ban, Fossil, and G-Shock. The Company continually strives to offer brands that are currently popular with its customers and, therefore, the Company's suppliers and purchases from specific vendors may vary significantly from year to year.

Buckle stores generally carry the same merchandise, with quantity and seasonal variations based upon historical sales data, climate, and perceived local customer demand. The Company uses a centralized receiving and distribution center

located in Kearney, Nebraska. Merchandise is received daily in Kearney where it is sorted, tagged with bar-coded tickets (unless the vendor UPC code is used or the merchandise is pre-ticketed), and packaged for distribution to individual stores primarily via FedEx. The Company's goal is to ship the majority of its merchandise out to the stores within one to two business days of receipt. This system allows stores to receive new merchandise almost daily, creating excitement within the store and providing customers with a reason to shop often.

The Company has developed an effective computerized system for tracking merchandise from the time it is checked in at the Company's distribution center until it arrives at the stores and is sold to a customer. The system's function is to ensure that store shipments are delivered accurately and promptly, to account for inventory, and to assist in allocating merchandise among stores. Management can track, on a daily basis, which merchandise is selling at specific locations and direct transfers of merchandise from one store to another as necessary. This allows stores to carry a reduced inventory while at the same time satisfying customer demand.

To reduce inter-store shipping costs and provide timely restocking of in-season merchandise, the Company warehouses a portion of initial shipments for later distribution. Sales reports are then used to replenish, on a basis of one to three times each week, those stores that are experiencing the greatest success selling specific styles, colors, and sizes of merchandise. This system is also designed to prevent an over-crowded look in the stores at the beginning of a season.

During fiscal 2010, the Company completed construction of a new 240,000 square foot distribution center in Kearney, Nebraska. The Company transitioned to the new distribution center in September 2010 and the new facility is currently the Company's only operating store distribution center. The Company also owns two additional facilities as part of its home office campus in Kearney, Nebraska (one of which was completed during the first quarter of fiscal 2015). These facilities serve as the Company's corporate headquarters and house its online fulfillment and customer service center.

Store Locations and Expansion Strategies

As of March 29, 2019, the Company operated 450 stores in 42 states. The existing stores are in 3 downtown locations, 14 strip centers, 57 lifestyle centers, and 376 shopping malls. The Company anticipates opening one new store in fiscal 2019. The following table lists the location of existing stores as of March 29, 2019:

Location of Stores

| State | Number of Stores | State | Number of Stores | State | Number of Stores |
|------------|------------------|----------------|------------------|----------------|------------------|
| Alabama | 7 | Maryland | 2 | Oregon | 6 |
| Alaska | 1 | Michigan | 18 | Pennsylvania | 9 |
| Arizona | 12 | Minnesota | 12 | South Carolina | 4 |
| Arkansas | 7 | Mississippi | 5 | South Dakota | 3 |
| California | 15 | Missouri | 14 | Tennessee | 12 |
| Colorado | 14 | Montana | 5 | Texas | 53 |
| Florida | 22 | Nebraska | 13 | Utah | 11 |
| Georgia | 10 | Nevada | 6 | Virginia | 6 |
| Idaho | 7 | New Jersey | 1 | Washington | 14 |
| Illinois | 16 | New Mexico | 5 | West Virginia | 6 |
| Indiana | 15 | New York | 4 | Wisconsin | 11 |
| Iowa | 17 | North Carolina | 12 | Wyoming | 2 |
| Kansas | 16 | North Dakota | 4 | Total | 450 |
| Kentucky | 6 | Ohio | 24 | | |
| Louisiana | 11 | Oklahoma | 12 | | |

Over the past ten years, Buckle has grown its number of stores from 387 at the beginning of fiscal 2009 to 450 at the end of fiscal 2018. The Company intends to open new stores only when management believes there is a reasonable expectation of satisfactory results.

The following table sets forth information regarding store openings and closings from the beginning of fiscal 2009 through the end of fiscal 2018:

Total Number of Stores Per Year

| Fiscal Year | Open at start of year | Opened in Current Year | Closed in Current Year | Open at end of year |
|-------------|-----------------------|------------------------|------------------------|---------------------|
| 2009 | 387 | 20 | 6 | 401 |
| 2010 | 401 | 21 | 2 | 420 |
| 2011 | 420 | 13 | 2 | 431 |
| 2012 | 431 | 10 | 1 | 440 |
| 2013 | 440 | 13 | 3 | 450 |
| 2014 | 450 | 16 | 6 | 460 |
| 2015 | 460 | 9 | 1 | 468 |
| 2016 | 468 | 5 | 6 | 467 |
| 2017 | 467 | 2 | 12 | 457 |
| 2018 | 457 | — | 7 | 450 |

The Company's criteria used when considering a particular location for expansion include:

- Market area, including proximity to existing markets to capitalize on name recognition;
- Trade area population (number, average age, and college population);
- Economic vitality of market area;
- Mall location, anchor tenants, tenant mix, and average sales per square foot;
- Available location within a mall, square footage, storefront width, and facility of using the current store design;
- Availability of experienced management personnel for the market;
- Cost of rent, including minimum rent, common area, and extra charges;
- Estimated construction costs, including landlord charge backs and tenant allowances.

The Company generally seeks sites of 4,250 to 5,000 square feet for its stores. The projected cost of opening a store is approximately \$1.0 million, including construction costs of approximately \$0.8 million (prior to any construction allowance received) and inventory costs of approximately \$0.2 million, net of accounts payable.

The Company anticipates opening one new store during fiscal 2019 and expects to complete approximately three full remodels. The construction costs for a full remodel are comparable to those of a new store. The Company also plans to complete several smaller store remodeling projects during fiscal 2019. The Company anticipates capital spending of approximately \$8.0 to \$12.0 million during fiscal 2019, which includes primarily planned store projects and technology investments.

The Company's ability to expand in the future will depend, in part, on general business conditions, the ability to find suitable malls with acceptable sites on satisfactory terms, and the readiness of trained store managers. There can be no assurance that the Company's future expansion plans will be fulfilled in whole or in part, or that leases for potential new sites will be obtained on terms favorable to the Company.

Management Information Systems

The Company's management information systems ("MIS") and electronic data processing systems ("EDP") consist of a full range of retail, financial, and merchandising systems, including purchasing, inventory distribution and control, sales reporting, accounts payable, and merchandise management.

The system includes PC based point-of-sale ("POS") registers in each store. The registers trickle transactions to a central server using a virtual private network for collection of comprehensive data, including complete item-level sales information and employee time clocking. The transactions are then swept into the central computer (IBM iSeries). Price updates are sent daily for the price lookup ("PLU") file maintained within the POS registers.

Each weekday morning, the Company initiates an electronic "sweep" of the individual store bank accounts to the Company's primary concentration account. This allows the Company to meet its obligations and invest cash on a timely basis.

Management monitors the performance of each of its stores on a continual basis. Daily information is used to evaluate inventory, determine markdowns, analyze profitability, and assist management in the scheduling and compensation of employees.

The PLU system allows management to control merchandise pricing centrally, permitting faster and more accurate processing of sales at the store and the monitoring of specific inventory items to confirm that centralized pricing decisions are carried out in each of the stores. Management is able to direct all price changes, including promotional, clearance, and markdowns on a central basis and estimate the financial impact of such changes.

The virtual private network for communication with the stores also supports the Company's intranet site. The intranet allows stores to view various types of information from the corporate office. Stores also have access to a variety of tools such as a product search with pictures, product availability, special order functions, inventory management, scheduling, performance tracking, printable forms, links to transmit various requests and information to the corporate office, training videos, email, and information/guidelines from each of the departments at the corporate office. The Company's network is also structured so that it can support additional functionality such as digital video monitoring and digital music content programming at each store location.

The Company is committed to the ongoing review of its MIS and EDP systems to maintain productive, timely information and effective controls. This review includes testing of new products and systems to ensure that the Company is aware of technological developments. Most important, continual feedback is sought from every level of the Company to ensure that information provided is pertinent to all aspects of the Company's operations.

Employees

As of February 2, 2019, the Company had approximately 7,400 employees - approximately 3,000 of whom were full-time. The Company has an experienced management team and most of the management team, from store managers through senior management, began work for the Company on the sales floor. The Company experiences high turnover of store and distribution center employees, primarily due to the number of part-time employees. However, the Company has not experienced significant difficulty in hiring qualified personnel. Of the total employees, approximately 800 are employed at the corporate headquarters and in the distribution center. None of the Company's employees are represented by a union. Management believes that employee relations are good.

Competition

The men's and women's apparel industries are highly competitive with fashion, selection, quality, price, location, store environment, and service being the principal competitive factors. While the Company believes it is able to compete favorably with other merchandisers, including department stores and specialty retailers, with respect to each of these factors, the Company believes it competes mainly on the basis of customer service and merchandise selection.

In the men's merchandise area, the Company competes primarily with specialty retailers such as Abercrombie & Fitch, American Eagle Outfitters, Gap, H&M, Hollister, Pacific Sunwear, Scheels, Tilly's, Urban Outfitters, and Zumiez. The men's market also competes with certain department stores, such as Dillard's, Macy's, Nordstrom, and certain local or regional department stores and small specialty stores, as well as with mail order and internet retailers.

In the women's merchandise area, the Company competes primarily with specialty retailers such as Abercrombie & Fitch, American Eagle Outfitters, Express, Forever 21, Gap, H&M, Hollister, Maurices, Pacific Sunwear, Scheels, Tilly's, Urban Outfitters, and Zumiez. The women's market also competes with department stores, such as Dillards, Macy's, Nordstrom, and certain local or regional department stores and small specialty stores (such as women's clothing boutiques), as well as with mail order and internet retailers.

Many of the Company's competitors are considerably larger and have substantially greater financial, marketing, and other resources than the Company, and there is no assurance that the Company will be able to compete successfully with them in the future. Furthermore, while the Company believes it competes effectively for favorable site locations and lease terms, competition for prime locations within a mall is intense.

Seasonality

The Company's business is seasonal, with the holiday season (from approximately November 15 to December 30) and the back-to-school season (from approximately July 15 to September 1) historically contributing the greatest volume of net sales. For fiscal years 2018, 2017, and 2016, the holiday and back-to-school seasons accounted for approximately 35% of the Company's fiscal year net sales.

Trademarks

“BUCKLE”, “THE BUCKLE”, “BUCKLE BLACK”, “BKE”, “BKE BOUTIQUE”, “BKE SOLE”, “DAYTRIP”, “RECLAIM BELIEVES”, “GIMMICKS”, “BEST OF THE BLUES”, “BKE RED”, “BEST BRANDS. FAVORITE JEANS.”, “BKE SPORT”, “BKE LOUNGE”, “BKE RESERVE”, “BUCKLE BELIEVES”, “FADE BY BKE”, “SOLELY BLACK BY BKE”, “FITZ + EDDI”, “BUCKLE SELECT”, “IN THESE BLUES”, “POETIC REBEL”, “UNTAMED SOUL”, “WILLOW & ROOT”, “TWIN & STARK”, “INDIE SPIRIT DESIGNS”, “BKE CORE”, “GILDED INTENT”, “#BUCKLEDOUT”, “QUINN & COPPER”, “LEGACY COLLECTION BY BKE”, “SWEET HARMONY BY BUCKLE”, “DAYTRIP REFINED”, “WHEREVER YOU WANDER BY BUCKLE”, “RED BY BKE”, “#INTHESEBLUES”, “J.B. HOLT”, “OUTPOST MAKERS”, “DEPARTWEST”, “STONE REFINERY”, “stylized G”, “GREHY”, and “B” icon are federally registered trademarks of the Company. The Company believes the strength of its trademarks is of considerable value to its business, and its trademarks are important to its marketing efforts. The Company intends to protect and promote its trademarks as management deems appropriate.

Executive Officers of the Company

The Executive Officers of the Company are listed below, together with brief accounts of their experience and certain other information.

Daniel J. Hirschfeld, age 77. Mr. Hirschfeld is Chairman of the Board of the Company. He has served as Chairman of the Board since April 19, 1991. Prior to that time, Mr. Hirschfeld served as President and Chief Executive Officer. Mr. Hirschfeld has been involved in all aspects of the Company's business, including the development of the Company's management information systems.

Dennis H. Nelson, age 69. Mr. Nelson is President and Chief Executive Officer and a Director of the Company. He has held the titles of President and Director since April 19, 1991. Mr. Nelson was elected Chief Executive Officer on March 17, 1997. Mr. Nelson began his career with the Company in 1970 as a part-time salesman while he was attending Kearney State College (now the University of Nebraska - Kearney). While attending college, he became involved in merchandising and sales supervision for the Company. Upon graduation from college in 1973, Mr. Nelson became a full-time employee of the Company and he has worked in all phases of the Company's operations since that date. Prior to his election as President and Chief Operating Officer on April 19, 1991, Mr. Nelson performed all of the

functions normally associated with those positions.

Thomas B. Heacock, age 41. Mr. Heacock is Senior Vice President of Finance, Treasurer, Chief Financial Officer, and a Director of the Company. He was elected a Director on December 4, 2017. Mr. Heacock was appointed Senior Vice President of Finance, Treasurer, and Chief Financial Officer effective February 4, 2018, after having served as Vice President of Finance, Treasurer, and Chief Financial Officer upon his appointment as Chief Financial Officer on July 20, 2017. He has been employed by the Company since October 2003 and served as Vice President of Finance, Treasurer, and Corporate Controller prior to his appointment as Chief Financial Officer. Prior to joining the Company, he was employed by Ernst & Young, LLP. Mr. Heacock is the son-in-law of Dennis H. Nelson, who serves as President and Chief Executive Officer and a Director of The Buckle, Inc.

Kari G. Smith, age 55. Ms. Smith is Executive Vice President of Stores and a Director of the Company. She was elected a Director effective February 4, 2018 and was appointed Executive Vice President of Stores on February 13, 2014, after having served as Vice President of Sales since May 2001. Ms. Smith joined the Company in May 1978 as a part-time salesperson. Later she became store manager in Great Bend, Kansas and then began working with other stores as an area manager. Ms. Smith has continued to develop her involvement with the sales management team, helping with manager meetings and the development of new store managers, as well as providing support for store managers, area managers, and district managers.

Brett P. Milkie, age 59. Mr. Milkie is Senior Vice President of Leasing. He was appointed to this position on March 6, 2014, after having served as Vice President of Leasing since May 1996. Mr. Milkie was a leasing agent for a national retail mall developer for 6 years prior to joining the Company in January 1992 as Director of Leasing.

Robert M. Carlberg, age 55. Mr. Carlberg is Senior Vice President of Men's Merchandising. He was appointed to this position on March 6, 2014, after having served as Vice President of Men's Merchandising since December 2006. Mr. Carlberg started with the Company as a salesperson and also worked as a store manager and as an area and district leader while being involved and traveling with the men's merchandising team. He has been full-time with the merchandising team since January 2001.

Michelle Hoffman, age 57. Ms. Hoffman is Vice President of Sales. She was appointed to this position on March 6, 2014. Ms. Hoffman has been employed by the Company since 1979 and has served in various roles of increasing responsibility on the sales team since that time; including salesperson, Store Manager, District Manager, and most recently Regional Manager since 2008.

Kelli D. Molczyk, age 40. Ms. Molczyk is Vice President of Women's Merchandising. She was appointed to this position on December 8, 2014. Ms. Molczyk has been employed by the Company since 1999 and has served in various roles on the women's merchandising team since that time, including most recently as Divisional Merchandise Manager.

Diane L. Applegate, age 54. Ms. Applegate is Vice President of Supply Chain and Merchandising Operations. She was appointed to this position on December 8, 2014. Ms. Applegate has been employed by the Company since 1983 and has served in various roles of increasing responsibility on the merchandise operations and e-commerce teams, including as Director of Merchandise Operations since 2000.

Robert J. Harbols, age 42. Mr. Harbols is Vice President of Information Technology. He was appointed to this position on February 4, 2018. Mr. Harbols has been employed by the Company since May 2004 and has served in several positions of increasing responsibility within the Company's IT organization, including Senior Director of Information Technology since February 2016.

Brady M. Fritz, age 39. Ms. Fritz is General Counsel and Corporate Secretary. She was appointed to this position on December 10, 2018. Ms. Fritz was hired by the Company on December 10, 2018 after having served Cargill Incorporated for over 10 years in several roles of increasing responsibility, including most recently as Global Legal Operations Leader and Senior Attorney. Prior to joining Cargill Incorporated, Ms. Fritz began her career at Scudder Law Firm in Lincoln, Nebraska.

ITEM 1A - RISK FACTORS

Cautionary Statement Pursuant to the Private Securities Litigation Reform Act of 1995 and Risk Factors

Certain statements herein, including anticipated store openings, trends in or expectations regarding the Company's revenue and net earnings growth, comparable store sales growth, cash flow requirements, and capital expenditures, all constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements are based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties. Actual future results and trends may differ materially depending on a variety of factors, including, but not limited to, changes in product mix, changes in fashion trends and/or pricing, competitive factors, general economic conditions, economic conditions in the retail apparel industry, successful execution of internal performance and expansion plans, and other risks detailed herein and in The Buckle, Inc.'s other filings with the Securities and Exchange Commission.

A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Users should not place undue reliance on the forward-looking statements, which are accurate only as of the date of this report. The Company is under no obligation to update or revise any forward-looking statements, whether as a result of new information, future events, or otherwise. In management's judgment, the following are material risk factors:

Dependence on Merchandising/Fashion Sensitivity. The Company's success is largely dependent upon its ability to gauge the fashion tastes of its customers and to provide merchandise that satisfies customer demand in a timely manner. The Company's failure to anticipate, identify, or react appropriately and timely to changes in fashion trends would reduce the Company's net sales and profitability. Misjudgments or unanticipated fashion changes could have a negative impact on the Company's image with its customers, which would also reduce the Company's net sales and profitability.

Dependence on Private Label Merchandise. Sales from private label merchandise accounted for approximately 37.5% of net sales for fiscal 2018 and 36.0% for fiscal 2017. The Company may increase or decrease the percentage of net sales from private label merchandise in the future. The Company's private label products generally earn a higher margin than branded products. Thus, reductions in the private label mix would decrease the Company's merchandise margins and, as a result, reduce net earnings.

Fluctuations in Comparable Store Net Sales Results. The Company's comparable store net sales results have fluctuated in the past and are expected to continue to fluctuate in the future. A variety of factors affect comparable store sales results, including changes in fashion trends, changes in the Company's merchandise mix, calendar shifts of holiday periods, actions by competitors, weather conditions, and general economic conditions. As a result of these or other factors, the Company's future comparable store sales could decrease, reducing overall net sales and profitability.

Ability to Continue Expansion and Management of Growth. The Company's growth depends on its ability to open and operate stores on a profitable basis and management's ability to manage planned expansion. During fiscal 2019, the Company plans to open one new store. Potential future expansion is dependent upon factors such as the ability to locate and obtain favorable store sites, negotiate acceptable lease terms, obtain necessary merchandise, and hire and train qualified management and other employees. There may be factors outside of the Company's control that affect the ability to expand, including general economic conditions. There is no assurance that the Company will be able to achieve its planned expansion or that future expansion will be profitable. If the Company fails to achieve store growth, there would be less growth in the Company's net sales from new stores and less growth in profitability. If the Company opens unprofitable store locations, there could be a reduction in net earnings, even with the resulting growth in the Company's net sales.

Ability to Adjust to Changes in Shopping Center Traffic and Consumer Trends Related to E-Commerce Shopping. Shopping patterns have been evolving rapidly, along with consumers' ability to shop whenever and wherever they choose. These changing dynamics and increased competition from online retailers have adversely impacted shopping center traffic in many malls. The Company's ability to compete effectively in the future is dependent on its ability to continue to profitably manage both its in-store and e-commerce businesses. The Company considers its unique merchandise selection and its outstanding customer service to be key differentiators. The Company continues to invest in its e-commerce website and other digital initiatives to drive traffic to both its stores and buckle.com. The Company also continues to expand its omni-channel capabilities to satisfy its guests however they choose to shop. There can, however, be no assurance that the Company will be able to successfully integrate both channels and compete successfully with other retailers. The Company's inability to profitably adapt to changing consumer preferences would cause a decrease in the Company's net sales and net earnings.

Reliance on Key Personnel. The continued success of the Company is dependent to a significant degree on the continued service of key personnel, including senior management. The loss of a member of senior management could create additional expense in covering their position as well as cause a reduction in net sales, thus reducing net earnings. The Company's success in the future will also be dependent upon the Company's ability to attract and retain qualified personnel. The Company's failure to attract and retain qualified personnel could negatively impact net sales, could create additional operating expenses, and could reduce overall profitability for the Company.

Dependence on a Single Distribution Facility and Third-Party Carriers. The distribution function for all of the Company's stores is handled from a single facility in Kearney, Nebraska. Any significant interruption in the operation of the distribution facility due to natural disasters, system failures, or other unforeseen causes would impede the distribution of merchandise to the stores, causing a decline in store inventory, a reduction in store sales, and a reduction in Company profitability. Interruptions in service by common carriers could also delay shipment of goods to Company store locations. Additionally, there can be no assurance that the current facilities will be adequate to support future growth.

Reliance on Foreign Sources of Production. The Company purchases a portion of its private label merchandise through sourcing agents in foreign markets. In addition, some of the Company's domestic vendors manufacture goods overseas. The Company does not have any long-term merchandise supply contracts and its imports are subject to existing or potential duties, tariffs, and quotas. The Company faces a variety of risks associated with doing business overseas including competition for facilities and quotas, political instability, possible new legislation relating to imports that could limit the quantity of merchandise that may be imported, imposition of tariffs, duties, taxes, and other charges on imports, and local business practice and political issues which may result in adverse publicity. The Company's inability to rely on foreign sources of production due to these or other causes could reduce the amount of inventory the Company is able to purchase, hold up the timing on the receipt of new merchandise, and reduce merchandise margins if comparable inventory is purchased from branded sources. Any or all of these changes would cause a decrease in the Company's net sales and net earnings.

Fluctuations in Tax Obligations and Effective Tax Rate. The Company records tax expense based on its estimates of future payments. At any one time, multiple tax years are subject to audit by various taxing authorities. There can be no assurance as to the outcome of any current or potential future audits and their impact on the tax owed by the Company. In addition, the Company's effective tax rate may be materially impacted by changes in tax laws and regulations in the jurisdictions where it operates. Future tax law changes could materially impact the Company's effective tax rate and, therefore, its net earnings.

Dependence upon Maintaining Sales and Profit Growth in the Highly Competitive Retail Apparel Industry. The specialty retail industry is highly competitive. The Company competes primarily on the basis of fashion, selection, quality, price, location, service, and store environment. The Company faces a variety of competitive challenges, including:

- Anticipating and responding timely to changing customer demands and preferences;
- Effectively marketing both branded and private label merchandise to consumers in several diverse market segments and maintaining favorable brand recognition;
- Providing unique, high-quality merchandise in styles, colors, and sizes that appeal to consumers;
- Sourcing merchandise efficiently;
- Competitively pricing merchandise and creating customer perception of value;
- Monitoring increased labor costs, including increases in health care benefits and worker's compensation and unemployment insurance costs.

There is no assurance that the Company will be able to compete successfully in the future.

Reliance on Consumer Spending Trends. The continued success of the Company depends, in part, upon numerous factors that impact the levels of individual disposable income and thus, consumer spending. Factors include the political environment, economic conditions, employment, consumer debt, interest rates, inflation, and consumer confidence. A decline in consumer spending, for any reason, could have an adverse effect on the Company's net sales, gross profits, and results from operations.

Modifications and/or Upgrades to Information Technology Systems May Disrupt Operations. The Company relies upon its various information systems to manage its operations and regularly evaluates its information technology in order for management to identify investment opportunities for maintaining, modifying, upgrading, or replacing these systems. There are inherent risks associated with replacing or changing these systems. Any delays, errors in capturing data, or difficulties in transitioning to these or other new systems, or in integrating these systems with the Company's current systems, or any other disruptions affecting the Company's information systems, could have a material adverse impact on the Company's business.

Reliance on Increasingly Complex Information Systems for Management of Distribution, Sales, and Other Functions. If the Company's information systems fail to perform these functions adequately or if the Company experiences an interruption in their operation, including a breach in cyber-security, its business and results of operations could suffer. All of the Company's major operations, including distribution, sales, and accounting, are dependent upon the Company's complex information systems. The Company's information systems are vulnerable to damage or interruption from:

Earthquake, fire, flood, tornado, and other natural disasters;
Power loss, computer systems failure, internet and telecommunications or data network failure;
Hackers, computer viruses, software bugs, or glitches.

Any damage or significant disruption in the operation of such systems, or the failure of the Company's information systems to perform as expected, could disrupt the Company's business, result in decreased sales, increased overhead costs, excess inventory, or product shortages and otherwise adversely affect the Company's operations, financial performance, and financial condition.

Unauthorized Access to, or Accidental Disclosure of, Consumer Personally-Identifiable Information that the Company Collects May Result in Significant Expenses and Negatively Impact the Company's Reputation and Business. As part of the Company's normal operations, it receives and maintains confidential information about customers, employees, and other third parties. The Company employs systems and websites that allow for the secure storage and transmission of proprietary or confidential information regarding customers, employees, job applicants, and others, including credit card information and personally-identifiable information. Despite safeguards and security processes and protections, the Company's computer systems may be susceptible to electronic or physical computer break-ins, viruses, and other disruptions and security breaches. Additionally, the Company may not have the resources or technical sophistication to anticipate or prevent rapidly evolving types of cyber-attacks. Attacks may be targeted at the Company, its customers, or others who have entrusted the Company with information. Actual or anticipated attacks may cause the Company to incur increasing costs, including costs to deploy additional personnel and protection technologies, train employees, and engage third-party experts and consultants. Advances in computer capabilities, new technological discoveries, or other developments may result in the technology used to protect transaction or other data being breached or compromised. In addition, data and security breaches can also occur as a result of non-technical issues, including intentional or inadvertent breach by employees or by persons with whom the Company has commercial relationships that result in the unauthorized release of personal or confidential information. Any perceived or actual unauthorized disclosure of personally-identifiable information regarding visitors to the Company's websites or otherwise, whether through a breach of the Company's network by an unauthorized party, employee theft, misuse, or error, or otherwise, could harm the Company's reputation, impair the Company's ability to attract and retain customers, or subject the Company to claims or litigation arising from damages suffered by consumers, and adversely affect the Company's operations, financial performance, and financial condition.

During fiscal 2017, the Company was subject to a data security incident resulting in the possible extrication of certain guest payment information. Upon discovery, the Company launched an immediate investigation and, with the assistance of leading third party forensic experts, the threat was quickly removed. The Company has since implemented additional security enhancements in an effort to reduce the risk of future incidents as well as continuously monitor and mature its cyber-security protection programs. See further discussion of the incident in Footnote H of the Consolidated Financial Statements.

Interest Rate Risk. The Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments.

For each one-quarter percent decline in the interest/dividend rate earned on cash and investments, the Company's net income would decrease approximately \$0.5 million or less than \$0.01 per share. This amount could vary based upon the number of shares of the Company's stock outstanding and the level of cash and investments held by the Company.

The Company cautions that the risk factors described above could cause actual results to vary materially from those anticipated in any forward-looking statements made by or on behalf of the Company. Management cannot assess the impact of each factor on the Company's business or the extent to which any factor, or combination of factors, may cause actual results to vary from those contained in forward-looking statements.

ITEM 1B - UNRESOLVED STAFF COMMENTS

None.

ITEM 2 - PROPERTIES

All of the store locations operated by the Company are leased facilities. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. In the past, the Company has not experienced problems renewing its leases, although no assurance can be given that the Company can renew existing leases on favorable terms. The Company seeks to negotiate extensions on leases for stores undergoing remodeling to provide terms of approximately ten years after completion of remodeling. Consent of the landlord generally is required to remodel or change the name under which the Company does business. The Company has not experienced problems in obtaining such consent in the past. Most leases provide for a fixed minimum rental cost plus an additional rental cost based upon a set percentage of sales beyond a specified breakpoint, plus common area and other charges. The current terms of the Company's leases for stores open as of February 2, 2019, including automatic renewal options, expiring on or before January 31st of each year is as follows:

| Year | Number of Expiring Leases |
|----------------|---------------------------|
| 2020 | 119 |
| 2021 | 74 |
| 2022 | 52 |
| 2023 | 41 |
| 2024 | 54 |
| 2025 | 40 |
| 2026 | 29 |
| 2027 and later | 41 |
| Total | 450 |

The corporate headquarters and online fulfillment center for the Company are located within a facility purchased by the Company in 1988, which is located in Kearney, Nebraska. The building currently provides approximately 261,200 square feet of space, which includes approximately 82,200 square feet related to the Company's 2005 addition. The Company also owns a 40,000 square foot building with warehouse and office space near the corporate headquarters. The Company acquired the lease on the land the building is built upon. The lease is currently in the fourth of ten five-year renewal options, which expires on October 31, 2021. During fiscal 2010, the Company completed construction of a new 240,000 square foot distribution center in Kearney, Nebraska. The Company transitioned to the new distribution center in September 2010 and the new facility is currently the Company's only operating store distribution center. In fiscal 2015, the Company completed construction of a new office building as a part of its home office campus in Kearney, Nebraska. The new building provides 80,000 square feet of additional office space, which was necessary to support the Company's growth.

ITEM 3 - LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of this Form 10-K, the Company was not engaged in legal proceedings that are expected, individually or in the aggregate, to have a material effect on the Company.

ITEM 4 - MINE SAFETY DISCLOSURES

Not applicable.

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PART II

ITEM 5 - MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED SHAREHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock trades on the New York Stock Exchange under the symbol BKE.

Dividend Payments

During fiscal 2016, the Company paid cash dividends of \$0.25 per share in each of the four quarters and also paid a special cash dividend of \$0.75 per share in the fourth quarter. During fiscal 2017, the Company paid cash dividends of \$0.25 per share in each of the four quarters and also paid a special cash dividend of \$1.75 per share in the fourth quarter. During fiscal 2018, the Company paid cash dividends of \$0.25 per share in each of the four quarters and also paid a special cash dividend of \$1.00 per share in the fourth quarter. Subject to continuing Company performance and market conditions, the Company expects to continue its quarterly dividends during fiscal 2019.

Issuer Purchases of Equity Securities

The following table sets forth information concerning purchases made by the Company of its common stock for each of the months in the fiscal quarter ended February 2, 2019:

| | Total Number of Shares Purchased | Average Price Paid Per Share | Total Number of Shares Purchased as Part of Publicly Announced Plans | Approximate Number of Shares Yet To Be Purchased Under Publicly Announced Plans |
|------------------------------|--|------------------------------|---|---|
| Nov. 4, 2018 to Dec. 1, 2018 | — | — | — | 440,207 |
| Dec. 2, 2018 to Jan. 5, 2019 | — | — | — | 440,207 |
| Jan. 6, 2019 to Feb. 2, 2019 | — | — | — | 440,207 |
| Total | — | — | — | |

The Board of Directors authorized a 1,000,000 share repurchase plan on November 20, 2008. The Company has 440,207 shares remaining to complete this authorization.

Stock Price Performance Graph

The graph below compares the cumulative total return on common shares of the Company for the last five fiscal years with the cumulative total return on the Russell 2000 Stock Index and a peer group of Retail Trade Stocks:

Total Return Analysis 2/1/2014 1/31/2015 1/30/2016 1/28/2017 2/3/2018 2/2/2019

| | | | | | | |
|--------------------|-----------|-----------|----------|----------|----------|----------|
| The Buckle, Inc. | \$ 100.00 | \$ 123.26 | \$ 73.36 | \$ 57.12 | \$ 63.11 | \$ 61.88 |
| Russell 2000 Index | 100.00 | 104.41 | 94.05 | 126.40 | 144.59 | 142.23 |
| Peer Group | 100.00 | 118.48 | 108.11 | 83.07 | 89.59 | 75.11 |

The Peer Group included in the above performance graph includes the following retail company stocks: AEO, ANF, GPS, LB, TLYS, URBN, ZUMZ, EXPR, GES, ASNA, and GCO.

The following table lists the Company's quarterly market range for fiscal years 2018, 2017, and 2016, as reported by the New York Stock Exchange:

| | Fiscal Years Ended | | | | | |
|---------|---------------------|---------|---------------------|---------|---------------------|---------|
| | February 2, 2019 | | February 3, 2018 | | January 28, 2017 | |
| Quarter | High | Low | High | Low | High | Low |
| First | \$24.00 | \$17.80 | \$21.85 | \$16.00 | \$35.02 | \$27.54 |
| Second | 28.80 | 22.05 | 20.40 | 16.05 | 29.19 | 22.00 |
| Third | 29.65 | 18.03 | 17.50 | 13.50 | 28.67 | 20.60 |
| Fourth | 22.80 | 17.03 | 25.11 | 16.05 | 27.10 | 19.95 |

The number of record holders of the Company's common stock as of March 29, 2019 was 460. Based upon information from the principal market makers, the Company believes there are more than 20,000 beneficial owners. The closing price of the Company's common stock on March 29, 2019 was \$18.72.

Additional information required by this item appears in the Notes to Consolidated Financial Statements contained herein under Footnote J "Stock-Based Compensation" and is incorporated by reference.

ITEM 6 - SELECTED FINANCIAL DATA

| SELECTED FINANCIAL DATA | | | | | | | | | | |
|---|---------------------|-------------------------|---------------------|---------------------|---------------------|----|------|----|---|---|
| (Amounts in Thousands Except Share, Per Share Amounts, and Selected Operating Data) | | | | | | | | | | |
| Fiscal Years Ended | | | | | | | | | | |
| | February 2, 2019 | February 3, 2018 (d) | January 28, 2017 | January 30, 2016 | January 31, 2015 | | | | | |
| Income Statement Data | | | | | | | | | | |
| Net sales | \$885,496 | \$913,380 | \$974,873 | \$1,119,616 | \$1,153,142 | | | | | |
| Cost of sales (including buying, distribution, and occupancy costs) | 519,423 | 533,357 | 577,705 | 638,215 | 645,810 | | | | | |
| Gross profit | 366,073 | 380,023 | 397,168 | 481,401 | 507,332 | | | | | |
| Selling expenses | 202,032 | 206,068 | 205,933 | 212,531 | 212,688 | | | | | |
| General and administrative expenses | 43,113 | 39,877 | 38,475 | 39,282 | 37,671 | | | | | |
| Income from operations | 120,928 | 134,078 | 152,760 | 229,588 | 256,973 | | | | | |
| Other income, net | 5,716 | 5,407 | 3,511 | 5,236 | 2,723 | | | | | |
| Income before income taxes | 126,644 | 139,485 | 156,271 | 234,824 | 259,696 | | | | | |
| Provision for income taxes | 31,036 | 49,778 | 58,310 | 87,541 | 97,132 | | | | | |
| Net income | \$95,608 | \$89,707 | \$97,961 | \$147,283 | \$162,564 | | | | | |
| Basic earnings per share | \$1.97 | \$1.86 | \$2.04 | \$3.06 | \$3.39 | | | | | |
| Diluted earnings per share | \$1.97 | \$1.85 | \$2.03 | \$3.06 | \$3.38 | | | | | |
| Dividends declared per share (a) | \$2.00 | \$2.75 | \$1.75 | \$1.94 | \$3.66 | | | | | |
| Selected Operating Data | | | | | | | | | | |
| Stores open at end of period | 450 | 457 | 467 | 468 | 460 | | | | | |
| Average sales per square foot | \$334 | \$344 | \$370 | \$430 | \$459 | | | | | |
| Average sales per store (000's) | \$1,715 | \$1,761 | \$1,860 | \$2,180 | \$2,321 | | | | | |
| Comparable store sales change (b) | (0.9 |)% | (7.2 |)% | (13.5 |)% | (4.4 |)% | — | % |
| Balance Sheet Data (c) | | | | | | | | | | |
| Working capital | \$280,214 | \$262,678 | \$287,841 | \$255,271 | \$202,318 | | | | | |
| Long-term investments | \$18,745 | \$21,453 | \$18,092 | \$33,826 | \$43,698 | | | | | |
| Total assets | \$527,302 | \$538,116 | \$579,847 | \$572,773 | \$542,993 | | | | | |
| Long-term debt | \$— | \$— | \$— | \$— | \$— | | | | | |
| Stockholders' equity | \$393,877 | \$391,248 | \$430,539 | \$412,643 | \$355,278 | | | | | |

(a) During fiscal 2014, cash dividends were \$0.22 per share in each of the first three quarters and \$0.23 per share in the fourth quarter. The Company also paid a special cash dividend of \$2.77 per share in the fourth quarter of fiscal 2014. During fiscal 2015, cash dividends were \$0.23 per share in each of the first three quarters and \$0.25 per share in the fourth quarter. The Company also paid a special cash dividend of \$1.00 per share in the fourth quarter of fiscal 2015. During fiscal 2016, cash dividends were \$0.25 per share in each of the four quarters. The Company also paid a special cash dividend of \$0.75 per share in the fourth quarter of fiscal 2016. During fiscal 2017, cash dividends were \$0.25 per share in each of the four quarters. The Company also paid a special cash dividend of \$1.75 per share in the fourth quarter of fiscal 2017. During fiscal 2018, cash dividends were \$0.25 per share in each of the four quarters. The Company also paid a special cash dividend of \$1.00 per share in the fourth quarter of fiscal 2018.

(b) Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as

comparable stores, are not excluded from the comparable store sales calculation. Prior to February 1, 2015, online sales were excluded from comparable store sales. For fiscal periods beginning on or after February 1, 2015, however, the Company began including online sales in its reported comparable store sales.

(c) At the end of the period.

(d) Consists of 53 weeks.

ITEM 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion should be read in conjunction with the consolidated financial statements and notes thereto of the Company included in this Form 10-K. The following is management's discussion and analysis of certain significant factors which have affected the Company's financial condition and results of operations during the periods included in the accompanying consolidated financial statements included in this Form 10-K.

EXECUTIVE OVERVIEW

Company management considers the following items to be key performance indicators in evaluating Company performance.

Comparable Store Sales – Stores are deemed to be comparable stores if they were open in the prior year on the first day of the fiscal period being presented. Stores which have been remodeled, expanded, and/or relocated, but would otherwise be included as comparable stores, are not excluded from the comparable store sales calculation. Prior to February 1, 2015, online sales were excluded from comparable store sales. For fiscal periods beginning on or after February 1, 2015, however, online sales are included in comparable store sales. Management considers comparable store sales to be an important indicator of current Company performance, helping leverage certain fixed costs when results are positive. Negative comparable store sales results could reduce net sales and have a negative impact on operating leverage, thus reducing net earnings.

Net Merchandise Margins – Management evaluates the components of merchandise margin including initial markup and the amount of markdowns during a period. Any inability to obtain acceptable levels of initial markups or any significant increase in the Company's use of markdowns could have an adverse effect on the Company's gross margin and results of operations.

Operating Margin – Operating margin is a good indicator for management of the Company's success. Operating margin can be positively or negatively affected by comparable store sales, merchandise margins, occupancy costs, and the Company's ability to control operating costs.

Cash Flow and Liquidity (working capital) – Management reviews current cash and short-term investments along with cash flow from operating, investing, and financing activities to determine the Company's short-term cash needs for operations and expansion. The Company believes that existing cash, short-term investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years.

RESULTS OF OPERATIONS

The following table sets forth certain financial data expressed as a percentage of net sales and the percentage change in the dollar amount of such items compared to the prior period:

| | Percentage of Net Sales | | | Percentage Increase (Decrease) | |
|---|-------------------------|------------------|------------------|-----------------------------------|-------------------|
| | For Fiscal Years Ended | | | Fiscal | Fiscal |
| | February 2, 2019 | February 3, 2018 | January 28, 2017 | Year 2017 to 2018 | Year 2016 to 2017 |
| Net sales | 100.0% | 100.0 % | 100.0 % | (3.1)% | (6.3)% |
| Cost of sales (including buying, distribution, and occupancy costs) | 58.7 % | 58.4 % | 59.3 % | (2.6)% | (7.7)% |
| Gross profit | 41.3 % | 41.6 % | 40.7 % | (3.7)% | (4.3)% |
| Selling expenses | 22.8 % | 22.5 % | 21.1 % | (2.0)% | 0.1 % |
| General and administrative expenses | 4.9 % | 4.4 % | 3.9 % | 8.1 % | 3.6 % |
| Income from operations | 13.6 % | 14.7 % | 15.7 % | (9.8)% | (12.2)% |
| Other income, net | 0.7 % | 0.6 % | 0.3 % | 5.7 % | 54.0 % |
| Income before income taxes | 14.3 % | 15.3 % | 16.0 % | (9.2)% | (10.7)% |
| Provision for income taxes | 3.5 % | 5.5 % | 6.0 % | (37.7)% | (14.6)% |
| Net income | 10.8 % | 9.8 % | 10.0 % | 6.6 % | (8.4)% |

Fiscal 2018 Compared to Fiscal 2017

Net sales for the 52-week fiscal year ended February 2, 2019, decreased 3.1% to \$885.5 million from net sales of \$913.4 million for the 53-week fiscal year ended February 3, 2018. Comparable store net sales for the 52-week fiscal year decreased 0.9% from comparable store net sales for the prior year 52-week period ended February 3, 2018. The comparable store sales decline was primarily attributable to a 0.4% reduction in the number of transactions at comparable stores during the year and a 2.6% reduction in the average retail price per piece of merchandise sold, which were partially offset by a 2.1% increase in the average number of units sold per transaction. Total net sales for the year were also impacted by the closing of 12 stores during fiscal 2017 and 7 stores during fiscal 2018, partially offset by the inclusion of a full year of operating results for the 2 new stores opened during fiscal 2017. Additionally, fiscal 2017 included an extra week of sales due to the fact that 2017 was a 53-week fiscal year while 2018 was a 52-week fiscal year. Online sales for the fiscal year increased 5.6% to \$103.7 million for the 52-week fiscal year ended February 2, 2019 compared to \$98.2 million for the 53-week fiscal year ended February 3, 2018. Compared to the 52-week period ended February 3, 2018, however, online sales for the fiscal year were up 7.5%. Average sales per square foot for fiscal 2018 decreased 2.8% from \$344 to \$334. Total square footage as of February 2, 2019 was 2.335 million compared to 2.367 million as of February 3, 2018.

The Company's average retail price per piece of merchandise sold decreased \$1.21, or 2.6%, during fiscal 2018 compared to fiscal 2017. This \$1.21 decrease was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 4.2% reduction in average denim price points (-\$0.83), a 2.3% reduction in average knit shirt price points (-\$0.25), a 5.5% reduction in average woven shirt price points (-\$0.19), and a reduction in average price points for certain other merchandise categories (-\$0.19); which were partially offset by a shift in the merchandise mix (\$0.25). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy costs decreased from \$380.0 million in fiscal 2017 to \$366.1 million in fiscal 2018. As a percentage of net sales, gross profit was 41.3% in fiscal 2018 compared to 41.6% in fiscal 2017. The decrease was attributable to deleveraged occupancy, buying, and distribution expenses (0.30%, as a percentage of net sales). Merchandise margins for the year were flat and merchandise shrinkage was 0.5% of net sales for fiscal 2018 compared to 0.6% of net sales for fiscal 2017.

Selling expenses decreased from \$206.1 million in fiscal 2017 to \$202.0 million in fiscal 2018. Selling expenses as a percentage of net sales increased from 22.5% in fiscal 2017 to 22.8% in fiscal 2018. The increase was primarily attributable to an increase in store compensation expense (0.60%, as a percentage of net sales), partially offset by reductions across certain other selling expenses (0.30%, as a percentage of net sales).

General and administrative expenses increased from \$39.9 million in fiscal 2017 to \$43.1 million in fiscal 2018. As a percentage of net sales, general and administrative expenses increased from 4.4% in fiscal 2017 to 4.9% in fiscal 2018. The increase was primarily attributable to increased information technology investments, both in terms of increased home office payroll as well as spending for other strategic initiatives (0.65%, as a percentage of net sales), partially offset by a reduction in professional and consulting fees (0.15%, as a percentage of net sales).

As a result of the above changes, the Company's income from operations decreased from \$134.1 million for fiscal 2017 to \$120.9 million for fiscal 2018. Income from operations was 13.6% as a percentage of net sales in fiscal 2018 compared to 14.7% as a percentage of net sales in fiscal 2017.

Other income was \$5.7 million in fiscal 2018 compared to \$5.4 million in fiscal 2017. The Company's other income is derived primarily from investment income related to the Company's cash and investments.

Income tax expense as a percentage of pre-tax income was 24.5% in fiscal 2018 and 35.7% in fiscal 2017, bringing net income to \$95.6 million in fiscal 2018 versus \$89.7 million in fiscal 2017.

Fiscal 2017 Compared to Fiscal 2016

Net sales for the 53-week fiscal year ended February 3, 2018, decreased 6.3% to \$913.4 million from net sales of \$974.9 million for the 52-week fiscal year ended January 28, 2017. Comparable store net sales for the 53-week fiscal year decreased 7.2% from comparable store net sales for the prior year 53-week period ended February 4, 2017. The comparable store sales decline was primarily attributable to a 4.2% reduction in the number of transactions at comparable stores during the year and a 4.7% reduction in the average retail price per piece of merchandise sold, which were partially offset by a 1.7% increase in the average number of units sold per transaction. Total net sales for the year were also impacted by the closing of 6 stores during fiscal 2016 and 12 stores during fiscal 2017, partially offset by the inclusion of a full year of operating results for the 5 new stores opened during fiscal 2016 and the opening of 2 new stores during fiscal 2017. Additionally, fiscal 2017 included an extra week of sales due to the fact that 2017 was a 53-week fiscal year while 2016 was a 52-week fiscal year. Online sales for the fiscal year decreased 1.6% to \$98.2 million for the 53-week fiscal year ended February 3, 2018 compared to \$99.8 million for the 52-week fiscal year ended January 28, 2017. Average sales per square foot for fiscal 2017 decreased 7.0% from \$370 to \$344. Total square footage as of February 3, 2018 was 2.367 million compared to 2.392 million as of January 28, 2017.

The Company's average retail price per piece of merchandise sold decreased \$2.31, or 4.7%, during fiscal 2017 compared to fiscal 2016. This \$2.31 decrease was primarily attributable to the following changes (with their corresponding effect on the overall average price per piece): a 5.7% reduction in average denim price points (-\$1.17), a 3.3% reduction in average knit shirt price points (-\$0.37), a 7.9% reduction in average shorts/swim price points (-\$0.21), and a reduction in average price points for certain other merchandise categories (-\$0.38); and were further impacted by a shift in the merchandise mix (-\$0.18). These changes are primarily a reflection of merchandise shifts in terms of brands and product styles, fabrics, details, and finishes.

Gross profit after buying, distribution, and occupancy costs decreased from \$397.2 million in fiscal 2016 to \$380.0 million in fiscal 2017. As a percentage of net sales, gross profit was 41.6% in fiscal 2017 compared to 40.7% in fiscal 2016. The increase was primarily attributable to improvement in merchandise margins (1.20%, as a percentage of net sales) and the benefit related to the elimination of the impact of the Company's old Primo Card loyalty program

(1.00%, as a percentage of net sales), partially offset by deleveraged occupancy, buying, and distribution expenses as a result of the comparable store sales decline (1.30%, as a percentage of net sales). The Company continued to support two loyalty programs throughout fiscal 2016, after the launch of the Company's new Guest Loyalty program during the first quarter of fiscal 2016. Merchandise shrinkage was 0.6% of net sales for both fiscal 2017 and fiscal 2016.

Selling expenses increased from \$205.9 million in fiscal 2016 to \$206.1 million in fiscal 2017. Selling expenses as a percentage of net sales increased from 21.1% in fiscal 2016 to 22.5% in fiscal 2017. The increase was primarily attributable to increases in store compensation expense (0.80%, as a percentage of net sales), online marketing and fulfillment expenses (0.40%, as a percentage of net sales), and certain other selling expenses (0.20%, as a percentage of net sales).

General and administrative expenses increased from \$38.5 million in fiscal 2016 to \$39.9 million in fiscal 2017. As a percentage of net sales, general and administrative expenses increased from 3.9% in fiscal 2016 to 4.4% in fiscal 2017. The increase, as a percentage of net sales, was the result of increased professional and consulting fees related to the Company's data security incident as further described in Footnote H (0.25%, as a percentage of net sales) and deleverage across several general and administrative expense categories as a result of the comparable store sales decline (0.25%, as a percentage of net sales).

As a result of the above changes, the Company's income from operations decreased from \$152.8 million for fiscal 2016 to \$134.1 million for fiscal 2017. Income from operations was 14.7% as a percentage of net sales in fiscal 2017 compared to 15.7% as a percentage of net sales in fiscal 2016.

Other income was \$5.4 million in fiscal 2017 compared to \$3.5 million in fiscal 2016. The Company's other income is derived primarily from investment income related to the Company's cash and investments.

Income tax expense as a percentage of pre-tax income was 35.7% in fiscal 2017 and 37.3% in fiscal 2016, bringing net income to \$89.7 million in fiscal 2017 versus \$98.0 million in fiscal 2016.

LIQUIDITY AND CAPITAL RESOURCES

As of February 2, 2019, the Company had working capital of \$280.2 million, including \$168.5 million of cash and cash equivalents and \$51.5 million of short-term investments. The Company's cash receipts are generated from retail sales and from investment income, and the Company's primary ongoing cash requirements are for inventory, payroll, occupancy costs, dividend payments, new store expansion, remodeling, and other capital expenditures. Historically, the Company's primary source of working capital has been cash flow from operations. During fiscal 2018, 2017, and 2016 the Company's cash flow from operations was \$108.7 million, \$119.7 million, and \$148.9 million, respectively.

During fiscal 2018, 2017, and 2016, the Company invested \$8.3 million, \$12.5 million, and \$29.5 million, respectively, in new store construction, store renovation, and store technology upgrades. The Company spent \$1.7 million, \$1.0 million, and \$2.2 million in fiscal 2018, 2017, and 2016, respectively, in capital expenditures for the corporate headquarters and distribution facility.

During fiscal 2019, the Company anticipates opening one new store and completing approximately 3 store remodels and/or relocations. Management estimates that total capital expenditures during fiscal 2019 will be approximately \$8.0 to \$12.0 million, which includes primarily planned store projects and technology investments. The Company believes that existing cash and cash equivalents, investments, and cash flow from operations will be sufficient to fund current and long-term anticipated capital expenditures and working capital requirements for the next several years. The Company has had a consistent record of generating positive cash flow each year and, as of February 2, 2019, had total cash and investments of \$238.8 million, including \$18.7 million of long-term investments. The Company does not currently have plans for any merger or acquisition, and has fairly consistent plans for store projects. Based upon past results and current plans, management does not anticipate any large swings in the Company's need for cash in the upcoming years.

Future conditions, however, may reduce the availability of funds based upon factors such as a decrease in demand for the Company's product, change in product mix, competitive factors, and general economic conditions as well as other risks and uncertainties which would reduce the Company's sales, net profitability, and cash flows. Also, the Company's acceleration in store openings and/or remodels, or entering into a merger, acquisition, or other financial related transaction could reduce the amount of cash available for further capital expenditures and working capital requirements.

The Company has available an unsecured line of credit of \$25.0 million with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit agreement has an expiration date of July 31, 2019 and provides that \$10.0 million of the \$25.0 million line is available for letters of credit. Borrowings under the line of credit provide for interest to be paid at a rate based on LIBOR. The Company has, from time to time, borrowed against these lines of credit. There were no borrowings during fiscal 2018, 2017, and 2016. The Company had no bank borrowings as of February 2, 2019 and was in compliance with the terms and conditions of the line of credit agreement.

Dividend payments - During fiscal 2018, the Company paid total cash dividends of \$97.7 million as follows: \$0.25 per share in each of the four quarters and a special cash dividend of \$1.00 per share in the fourth quarter. During fiscal 2017, the Company paid total cash dividends of \$133.9 million as follows: \$0.25 per share in each of the four quarters and a special cash dividend of \$1.75 per share in the fourth quarter. During fiscal 2016, the Company paid total cash dividends of \$84.9 million as follows: \$0.25 per share in each of the four quarters and a special cash dividend of \$0.75 per share in the fourth quarter. Subject to continuing Company performance and market conditions, the Company expects to continue its quarterly dividends in fiscal 2019.

Stock repurchase plan - The Company did not repurchase any shares of its common stock during fiscal 2018, fiscal 2017, or fiscal 2016. As of February 2, 2019, 440,207 shares remained available under the Company's current 1,000,000 share repurchase plan that was approved by the Board of Directors on November 20, 2008.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations are based upon The Buckle, Inc.'s consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these consolidated financial statements requires that management make estimates and judgments that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the financial statement date, and the reported amounts of sales and expenses during the reporting period. The Company regularly evaluates its estimates, including those related to inventory, investments, incentive bonuses, and income taxes. Management bases its estimates on past experience and on various other factors that are thought to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management believes that the estimates and judgments used in preparing these consolidated financial statements were the most appropriate at that time. Presented below are those critical accounting policies that management believes require subjective and/or complex judgments that could potentially affect reported results of operations.

Revenue Recognition. Retail store sales are recorded, net of expected returns, upon the purchase of merchandise by customers. Online sales are recorded, net of expected returns, when the merchandise is tendered for delivery to the common carrier. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company recognizes revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The liability recorded for unredeemed gift certificates and gift cards was \$16.6 million and \$18.2 million as of February 2, 2019 and February 3, 2018, respectively. Gift card and gift certificate breakage is recognized as revenue in proportion to the redemption pattern of customers by applying an estimated breakage rate. The estimated breakage rate is based on historical issuance and redemption patterns and is re-assessed by the Company on a regular basis. Sales tax collected from customers is excluded from revenue and is included as part of "accrued store operating expenses" on the Company's consolidated balance sheets.

The Company establishes a liability for estimated merchandise returns, based upon the historical average sales return percentage, that is recognized at the transaction value. The Company also recognizes a return asset and a corresponding adjustment to cost of sales for the Company's right to recover returned merchandise, which is measured at the estimated carrying value, less any expected recovery costs. Customer returns could potentially exceed the historical average, thus reducing future net sales results and potentially reducing future net earnings. The accrued liability for reserve for sales returns was \$2.2 million as of February 2, 2019 and \$1.1 million as of February 3, 2018.

The Company's Guest Loyalty program allows participating guests to earn points for every qualifying purchase, which (after achievement of certain point thresholds) are redeemable as a discount off a future purchase. Reported revenue is net of both current period reward redemptions and accruals for estimated future rewards earned under the Guest Loyalty program. A liability has been recorded for future rewards based on the Company's estimate of how many earned points will turn into rewards and ultimately be redeemed prior to expiration. As of February 2, 2019 and February 3, 2018, \$10.9 million and \$9.0 million was included in "accrued store operating expenses" as a liability for estimated future rewards.

Through partnership with Comenity Bank, the Company offers a private label credit card ("PLCC"). Customers with a PLCC are enrolled in our B-Rewards incentive program and earn points for every qualifying purchase on their card. At the end of each rewards period, customers who have exceeded a minimum point threshold receive a reward to be redeemed on a future purchase. The B-Rewards program also provides other discount and promotional opportunities to cardholders on a routine basis. Reported revenue is net of both current period reward redemptions, current period discounts and promotions, and accruals for estimated future rewards earned under the B-Rewards program. A liability has been recorded for future rewards based on the Company's estimate of how many earned points will turn into rewards and ultimately be redeemed prior to expiration, which is included in "gift certificates redeemable" on the Company's consolidated balance sheets.

Inventory. Inventory is valued at the lower of cost or net realizable value. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to account for merchandise obsolescence and markdowns that could affect net realizable value, based on assumptions using calculations applied to current inventory levels within each different markdown level. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. Such judgments could vary significantly from actual results, either favorably or unfavorably, due to fluctuations in future economic conditions, industry trends, consumer demand, and the competitive retail environment. Such changes in market conditions could negatively impact the sale of markdown inventory, causing further markdowns or inventory obsolescence, resulting in increased cost of goods sold from write-offs and reducing the Company's net earnings. The adjustment to inventory for markdowns and/or obsolescence was \$10.6 million as of February 2, 2019 and \$10.0 million as of February 3, 2018. The Company is not aware of any events, conditions, or changes in demand or price that would indicate that its inventory valuation may not be materially accurate at this time.

Income Taxes. The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. Estimating the value of these assets is based upon the Company's judgment. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased. Adjustment would be made to increase net income in the period such determination was made.

Operating Leases. The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expense on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expense on a straight-line basis over the terms of the leases on the consolidated statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the consolidated balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

Investments. Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes), using the specific identification method, until they are sold. Held-to-maturity securities are reported at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings, using the specific identification method.

OFF-BALANCE SHEET ARRANGEMENTS, CONTRACTUAL OBLIGATIONS, AND COMMERCIAL COMMITMENTS

As referenced in the table below, the Company has contractual obligations and commercial commitments that may affect the financial condition of the Company. Based on management's review of the terms and conditions of its contractual obligations and commercial commitments, there is no known trend, demand, commitment, event, or uncertainty that is reasonably likely to occur which would have a material effect on the Company's financial condition, results of operations, or cash flows.

In addition, the commercial obligations and commitments made by the Company are customary transactions which are similar to those of other comparable retail companies. The operating lease obligations shown in the table below represent future cash payments to landlords required to fulfill the Company's minimum rent requirements. Such amounts are actual cash requirements by year and are not reported net of any tenant improvement allowances received from landlords.

The following table identifies the material obligations and commitments as of February 2, 2019:

| Contractual obligations (dollar amounts in thousands): | Payments Due by Period | | | | |
|--|------------------------|------------------|-----------|-----------|---------------|
| | Total | Less than 1 year | 1-3 years | 4-5 years | After 5 years |
| Purchase obligations | \$8,999 | \$3,270 | \$4,006 | \$1,723 | \$— |
| Deferred compensation | 13,978 | — | — | — | 13,978 |
| Operating leases | 287,259 | 66,303 | 101,822 | 69,885 | 49,249 |
| Total contractual obligations | \$310,236 | \$69,573 | \$105,828 | \$71,608 | \$63,227 |

The Company has available an unsecured line of credit of \$25.0 million, which is excluded from the preceding table. The line of credit agreement has an expiration date of July 31, 2019 and provides that \$10.0 million of the \$25.0 million line of credit is available for letters of credit. Certain merchandise purchase orders require that the Company open letters of credit. When the Company takes possession of the merchandise, it releases payment on the letters of credit. The amounts of outstanding letters of credit reported reflect the open letters of credit on merchandise ordered, but not yet received or funded. The Company believes it has sufficient credit available to open letters of credit for merchandise purchases. There were no bank borrowings during fiscal 2018, 2017, and 2016. The Company had outstanding letters of credit totaling \$2.0 million as of both February 2, 2019 and February 3, 2018. The Company has no other off-balance sheet arrangements.

RELATED PARTY TRANSACTIONS

Included in other assets is a note receivable of \$1.3 million as of both February 2, 2019 and February 3, 2018, from a life insurance trust fund controlled by the Company's Chairman. The note was created over three years, beginning in July 1994, when the Company paid life insurance premiums of \$0.2 million each year for the Chairman on a personal policy. The note accrues interest at 5% of the principal balance per year and is to be paid from the life insurance proceeds. The note is secured by a life insurance policy on the Chairman.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

Recently issued accounting pronouncements are disclosed in Footnote A of the Consolidated Financial Statements.

FORWARD LOOKING STATEMENTS

Information in this report, other than historical information, may be considered to be forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the “1995 Act”). Such statements are made in good faith by the Company pursuant to the safe-harbor provisions of the 1995 Act. In connection with these safe-harbor provisions, this management’s discussion and analysis contains certain forward-looking statements, which reflect management’s current views and estimates of future economic conditions, Company performance, and financial results. The statements are based on many assumptions and factors that could cause future results to differ materially. Such factors include, but are not limited to, changes in product mix, changes in fashion trends, competitive factors, and general economic conditions, economic conditions in the retail apparel industry, as well as other risks and uncertainties inherent in the Company’s business and the retail industry in general. Any changes in these factors could result in significantly different results for the Company. The Company further cautions that the forward-looking information contained herein is not exhaustive or exclusive. The Company does not undertake to update any forward-looking statements, which may be made from time to time by or on behalf of the Company.

ITEM 7A – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Interest Rate Risk - The Company is exposed to market risk related to interest rate risk on the cash and investments in interest-bearing securities. These investments have carrying values that are subject to interest rate changes that could impact earnings to the extent that the Company did not hold the investments to maturity. If there are changes in interest rates, those changes would also affect the investment income the Company earns on its cash and investments. For each one-quarter percent decline in the interest/dividend rate earned on cash and investments, the Company’s net income would decrease approximately \$0.5 million, or less than \$0.01 per share. This amount could vary based upon the number of shares of the Company’s stock outstanding and the level of cash and investments held by the Company.

ITEM 8 - FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of The Buckle, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of The Buckle, Inc. and subsidiary (the "Company") as of February 2, 2019 and February 3, 2018, the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows, for each of the three fiscal years in the period ended February 2, 2019, and the related notes and the schedule listed in the Index at Item 15 (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of February 2, 2019 and February 3, 2018, and the results of its operations and its cash flows for each of the three fiscal years in the period ended February 2, 2019, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of February 2, 2019 based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated April 3, 2019, expressed an unqualified opinion on the Company's internal control over financial reporting.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Deloitte & Touche LLP

Omaha, Nebraska
April 3, 2019

We have served as the Company's auditor since 1990.

THE BUCKLE, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands Except Share and Per Share Amounts)

| ASSETS | February 2, 2019 | February 3, 2018 |
|--|---------------------|---------------------|
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$ 168,471 | \$ 165,086 |
| Short-term investments (Notes B and C) | 51,546 | 50,833 |
| Receivables | 7,089 | 8,588 |
| Inventory | 125,190 | 118,007 |
| Prepaid expenses and other assets (Note F) | 18,136 | 18,070 |
| Total current assets | 370,432 | 360,584 |
| PROPERTY AND EQUIPMENT (Note D) | 452,187 | 459,043 |
| Less accumulated depreciation and amortization | (321,505) | (309,497) |
| | 130,682 | 149,546 |
| LONG-TERM INVESTMENTS (Notes B and C) | 18,745 | 21,453 |
| OTHER ASSETS (Notes F and G) | 7,443 | 6,533 |
| Total assets | \$ 527,302 | \$ 538,116 |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$ 29,008 | \$ 29,387 |
| Accrued employee compensation | 21,452 | 22,307 |
| Accrued store operating expenses | 17,982 | 15,646 |
| Gift certificates redeemable | 16,634 | 18,202 |
| Income taxes payable | 5,142 | 12,364 |
| Total current liabilities | 90,218 | 97,906 |
| DEFERRED COMPENSATION (Note I) | 13,978 | 15,154 |
| DEFERRED RENT LIABILITY | 29,229 | 33,808 |
| Total liabilities | 133,425 | 146,868 |
| COMMITMENTS (Notes E and H) | | |
| STOCKHOLDERS' EQUITY (Note J): | | |
| Common stock, authorized 100,000,000 shares of \$.01 par value; 49,017,395 and 48,816,170 shares issued and outstanding at February 2, 2019 and February 3, 2018, respectively | 490 | 488 |
| Additional paid-in capital | 148,564 | 144,279 |
| Retained earnings | 244,823 | 246,570 |
| Accumulated other comprehensive loss | — | (89) |
| Total stockholders' equity | 393,877 | 391,248 |

| | | |
|--|------------|------------|
| Total liabilities and stockholders' equity | \$ 527,302 | \$ 538,116 |
|--|------------|------------|

See notes to consolidated financial statements.

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THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF INCOME
(Amounts in Thousands Except Per Share Amounts)

| | Fiscal Years Ended | | |
|---|---------------------|---------------------|---------------------|
| | February 2, 2019 | February 3, 2018 | January 28, 2017 |
| SALES, Net of returns and allowances | \$885,496 | \$ 913,380 | \$ 974,873 |
| COST OF SALES (Including buying, distribution, and occupancy costs) | 519,423 | 533,357 | 577,705 |
| Gross profit | 366,073 | 380,023 | 397,168 |
| OPERATING EXPENSES: | | | |
| Selling | 202,032 | 206,068 | 205,933 |
| General and administrative | 43,113 | 39,877 | 38,475 |
| | 245,145 | 245,945 | 244,408 |
| INCOME FROM OPERATIONS | 120,928 | 134,078 | 152,760 |
| OTHER INCOME, Net | 5,716 | 5,407 | 3,511 |
| INCOME BEFORE INCOME TAXES | 126,644 | 139,485 | 156,271 |
| PROVISION FOR INCOME TAXES (Note F) | 31,036 | 49,778 | 58,310 |
| NET INCOME | \$95,608 | \$ 89,707 | \$ 97,961 |
| EARNINGS PER SHARE (Note K): | | | |
| Basic | \$1.97 | \$ 1.86 | \$ 2.04 |
| Diluted | \$1.97 | \$ 1.85 | \$ 2.03 |

See notes to consolidated financial statements.

THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Amounts in Thousands)

| | Fiscal Years Ended | | |
|---|---------------------|---------------------|---------------------|
| | February 2, 2019 | February 3, 2018 | January 28, 2017 |
| NET INCOME | \$95,608 | \$ 89,707 | \$ 97,961 |
| OTHER COMPREHENSIVE INCOME, NET OF TAX: | | | |
| Change in unrealized loss on investments, net of tax of \$31, \$17, and \$129, respectively | 89 | (7 |) 221 |
| Reclassification adjustment for losses included in net income, net of tax of \$0, \$0, and \$17, respectively | — | — | 28 |
| Other comprehensive income | 89 | (7 |) 249 |
| COMPREHENSIVE INCOME | \$95,697 | \$ 89,700 | \$ 98,210 |

See notes to consolidated financial statements.

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THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(Amounts in Thousands Except Share and Per Share Amounts)

| | Number of Shares | Common Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Total |
|---|---------------------|-----------------|----------------------------------|----------------------|---|------------|
| BALANCE, January 30, 2016 | 48,428,110 | \$ 484 | \$ 134,864 | \$ 277,626 | \$ (331) | \$ 412,643 |
| Net income | — | — | — | 97,961 | — | 97,961 |
| Dividends paid on common stock, (\$1.75 per share) | — | — | — | (84,850) | — | (84,850) |
| Issuance of non-vested stock, net of forfeitures | 194,670 | 2 | (2) | — | — | — |
| Amortization of non-vested stock grants, net of forfeitures | — | — | 5,330 | — | — | 5,330 |
| Income tax benefit related to vesting of restricted shares | — | — | (794) | — | — | (794) |
| Change in unrealized loss on investments, net of tax | — | — | — | — | 221 | 221 |
| Reclassification adjustment for losses included in net income, net of tax | — | — | — | — | 28 | 28 |
| BALANCE, January 28, 2017 | 48,622,780 | \$ 486 | \$ 139,398 | \$ 290,737 | \$ (82) | \$ 430,539 |
| Net income | — | — | — | 89,707 | — | 89,707 |
| Dividends paid on common stock, (\$2.75 per share) | — | — | — | (133,874) | — | (133,874) |
| Issuance of non-vested stock, net of forfeitures | 193,390 | 2 | (2) | — | — | — |
| Amortization of non-vested stock grants, net of forfeitures | — | — | 4,883 | — | — | 4,883 |
| Change in unrealized loss on investments, net of tax | — | — | — | — | (7) | (7) |
| BALANCE, February 3, 2018 | 48,816,170 | \$ 488 | \$ 144,279 | \$ 246,570 | \$ (89) | \$ 391,248 |
| Net income | — | — | — | 95,608 | — | 95,608 |
| Dividends paid on common stock, (\$2.00 per share) | — | — | — | (97,744) | — | (97,744) |
| Issuance of non-vested stock, net of forfeitures | 201,225 | 2 | (2) | — | — | — |
| Amortization of non-vested stock grants, net of forfeitures | — | — | 4,287 | — | — | 4,287 |
| Change in unrealized loss on investments, net of tax | — | — | — | — | 89 | 89 |
| Cumulative effect of change in accounting upon adoption of ASC Topic 606 | — | — | — | 389 | — | 389 |

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| | | | | | | |
|---------------------------|------------|--------|------------|------------|------|------------|
| BALANCE, February 2, 2019 | 49,017,395 | \$ 490 | \$ 148,564 | \$ 244,823 | \$ — | \$ 393,877 |
|---------------------------|------------|--------|------------|------------|------|------------|

See notes to consolidated financial statements.

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THE BUCKLE, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Amounts in Thousands)

| | Fiscal Years Ended | | |
|--|---------------------|---------------------|---------------------|
| | February 2, 2019 | February 3, 2018 | January 28, 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | |
| Net income | \$95,608 | \$ 89,707 | \$ 97,961 |
| Adjustments to reconcile net income to net cash flows from operating activities: | | | |
| Depreciation and amortization | 26,848 | 30,745 | 32,787 |
| Amortization of non-vested stock grants, net of forfeitures | 4,287 | 4,883 | 5,330 |
| Deferred income taxes | (1,099 |) (340 |) (3,260) |
| Other | 1,925 | 1,628 | 1,875 |
| Changes in operating assets and liabilities: | | | |
| Receivables | (550 |) (413 |) 3,853 |
| Inventory | (7,487 |) 7,687 | 23,872 |
| Prepaid expenses and other assets | (66 |) (12,047 |) 7 |
| Accounts payable | 276 | 4,584 | (8,314) |
| Accrued employee compensation | (855 |) (4,599 |) (6,220) |
| Accrued store operating expenses | 2,336 | 951 | 8,056 |
| Gift certificates redeemable | (1,568 |) (2,997 |) (1,659) |
| Income taxes payable | (5,173 |) 1,662 | (3,610) |
| Deferred rent liabilities and deferred compensation | (5,755 |) (1,730 |) (1,812) |
| Net cash flows from operating activities | 108,727 | 119,721 | 148,866 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchases of property and equipment | (10,021 |) (13,462 |) (31,663) |
| Proceeds from sale of property and equipment | 150 | 263 | 318 |
| Change in other assets | 158 | 92 | 80 |
| Purchases of investments | (74,215 |) (56,631 |) (41,621) |
| Proceeds from sales/maturities of investments | 76,330 | 52,441 | 44,221 |
| Net cash flows from investing activities | (7,598 |) (17,297 |) (28,665) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Payment of dividends | (97,744 |) (133,874 |) (84,850) |
| Net cash flows from financing activities | (97,744 |) (133,874 |) (84,850) |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 3,385 | (31,450 |) 35,351 |
| CASH AND CASH EQUIVALENTS, Beginning of year | 165,086 | 196,536 | 161,185 |
| CASH AND CASH EQUIVALENTS, End of year | \$ 168,471 | \$ 165,086 | \$ 196,536 |

See notes to consolidated financial statements.

THE BUCKLE, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar Amounts in Thousands Except Share and Per Share Amounts)

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fiscal Year - The Buckle, Inc. (the "Company") has its fiscal year end on the Saturday nearest January 31. All references in these consolidated financial statements to fiscal years are to the calendar year in which the fiscal year begins. Fiscal 2018 represents the 52-week period ended February 2, 2019, fiscal 2017 represents the 53-week period ended February 3, 2018, and fiscal 2016 represents the 52-week period ended January 28, 2017.

Nature of Operations - The Company is a retailer of medium to better-priced casual apparel, footwear, and accessories for fashion-conscious young men and women. The Company operates its business as one reportable segment and sells its merchandise through its retail stores and e-Commerce platform. The Company operated 450 stores located in 42 states throughout the United States as of February 2, 2019.

During fiscal 2018, the Company did not open any new stores, substantially remodeled 6 stores, and closed 7 stores. During fiscal 2017, the Company opened 2 new stores, substantially remodeled 8 stores, and closed 12 stores. During fiscal 2016, the Company opened 5 new stores, substantially remodeled 19 stores, and closed 6 stores.

Principles of Consolidation - The consolidated financial statements include the accounts of The Buckle, Inc. and its wholly-owned subsidiary. All intercompany accounts and transactions have been eliminated in consolidation.

Revenue Recognition - Retail store sales are recorded, net of expected returns, upon the purchase of merchandise by customers. Online sales are recorded, net of expected returns, when the merchandise is tendered for delivery to the common carrier. Shipping fees charged to customers are included in revenue and shipping costs are included in selling expenses. The Company recognizes revenue from sales made under its layaway program upon delivery of the merchandise to the customer. Revenue is not recorded when gift cards and gift certificates are sold, but rather when a card or certificate is redeemed for merchandise. A current liability for unredeemed gift cards and certificates is recorded at the time the card or certificate is purchased. The liability recorded for unredeemed gift certificates and gift cards was \$16,634 and \$18,202 as of February 2, 2019 and February 3, 2018, respectively. Gift card and gift certificate breakage is recognized as revenue in proportion to the redemption pattern of customers by applying an estimated breakage rate. The estimated breakage rate is based on historical issuance and redemption patterns and is re-assessed by the Company on a regular basis. Sales tax collected from customers is excluded from revenue and is included as part of "accrued store operating expenses" on the Company's consolidated balance sheets.

The Company establishes a liability for estimated merchandise returns, based upon the historical average sales return percentage, that is recognized at the transaction value. The Company also recognizes a return asset and a corresponding adjustment to cost of sales for the Company's right to recover returned merchandise, which is measured at the estimated carrying value, less any expected recovery costs. The accrued liability for reserve for sales returns was \$2,182 as of February 2, 2019 and \$1,070 as of February 3, 2018.

The Company's Guest Loyalty program allows participating guests to earn points for every qualifying purchase, which (after achievement of certain point thresholds) are redeemable as a discount off a future purchase. Reported revenue is net of both current period reward redemptions and accruals for estimated future rewards earned under the Guest Loyalty program. A liability has been recorded for future rewards based on the Company's estimate of how many earned points will turn into rewards and ultimately be redeemed prior to expiration. As of February 2, 2019 and February 3, 2018, \$10,910 and \$9,025 was included in "accrued store operating expenses" as a liability for estimated future rewards.

Through partnership with Comenity Bank, the Company offers a private label credit card ("PLCC"). Customers with a PLCC are enrolled in our B-Rewards incentive program and earn points for every qualifying purchase on their card. At the end of each rewards period, customers who have exceeded a minimum point threshold receive a reward to be redeemed on a future purchase. The B-Rewards program also provides other discount and promotional opportunities to cardholders on a routine basis. Reported revenue is net of both current period reward redemptions, current period discounts and promotions, and accruals for estimated future rewards earned under the B-Rewards program. A liability has been recorded for future rewards based on the Company's estimate of how many earned points will turn into rewards and ultimately be redeemed prior to expiration, which is included in "gift certificates redeemable" on the Company's consolidated balance sheets.

Cash and Cash Equivalents - The Company considers all debt instruments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - Investments classified as short-term investments include securities with a maturity of greater than three months and less than one year. Available-for-sale securities are reported at fair value, with unrealized gains and losses excluded from earnings and reported as a separate component of stockholders' equity (net of the effect of income taxes), using the specific identification method, until they are sold. Held-to-maturity securities are carried at amortized cost. Trading securities are reported at fair value, with unrealized gains and losses included in earnings, using the specific identification method.

Inventory - Inventory is valued at the lower of cost or net realizable value. Cost is determined using an average cost method that approximates the first-in, first-out (FIFO) method. Management makes adjustments to inventory and cost of goods sold, based upon estimates, to account for merchandise obsolescence and markdowns that could affect net realizable value, based on assumptions using calculations applied to current inventory levels within each different markdown level. Management also reviews the levels of inventory in each markdown group and the overall aging of the inventory versus the estimated future demand for such product and the current market conditions. The adjustment to inventory for markdowns and/or obsolescence reduced the Company's inventory valuation by \$10,586 and \$10,044 as of February 2, 2019 and February 3, 2018, respectively.

Property and Equipment - Property and equipment are stated on the basis of historical cost. Depreciation is provided using a combination of accelerated and straight-line methods based upon the estimated useful lives of the assets. The majority of property and equipment have useful lives of five to ten years with the exception of buildings, which have estimated useful lives of 31.5 to 39 years. Leasehold improvements are stated on the basis of historical cost and are amortized over the shorter of the life of the lease or the estimated economic life of the assets. When circumstances indicate the carrying values of long-lived assets may be impaired, an evaluation is performed on current net book value amounts. Judgments made by the Company related to the expected useful lives of property and equipment and the ability to realize cash flows in excess of carrying amounts of such assets are affected by factors such as changes in economic conditions and changes in operating performance. As the Company assesses the expected cash flows and carrying amounts of long-lived assets, adjustments are made to such carrying values.

Pre-Opening Expenses - Costs related to opening new stores are expensed as incurred.

Advertising Costs - Advertising costs are expensed as incurred and were \$10,661, \$18,075, and \$16,188 for fiscal years 2018, 2017, and 2016, respectively.

Health Care Costs - The Company is self-funded for health and dental claims up to \$200 per individual per plan year. The Company's plan covers eligible employees, and management makes estimates at period end to record a reserve for unpaid claims based upon historical claims information. The accrued liability as a reserve for unpaid health care claims was \$890 and \$1,430 as of February 2, 2019 and February 3, 2018, respectively.

Operating Leases - The Company leases retail stores under operating leases. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of income.

For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the consolidated statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability in "accrued store operating expenses" on the consolidated balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved.

Other Income - The Company's other income is derived primarily from interest and dividends received on cash and investments.

Income Taxes - The Company records a deferred tax asset and liability for expected future tax consequences resulting from temporary differences between financial reporting and tax bases of assets and liabilities. The Company considers future taxable income and ongoing tax planning in assessing the value of its deferred tax assets. If the Company determines that it is more than likely that these assets will not be realized, the Company would reduce the value of these assets to their expected realizable value, thereby decreasing net income. If the Company subsequently determined that the deferred tax assets, which had been written down, would be realized in the future, such value would be increased, thus increasing net income in the period such determination was made. The Company records tax benefits only for tax positions that are more than likely to be sustained upon examination by tax authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50% likely to be realized upon ultimate settlement. Unrecognized tax benefits are tax benefits claimed in the Company's tax returns that do not meet these recognition and measurement standards.

Financial Instruments and Credit Risk Concentrations - Financial instruments, which potentially subject the Company to concentrations of credit risk, are primarily cash, investments, and accounts receivable. The Company's investments are primarily in tax-free municipal bonds, corporate bonds, or U.S. Treasury securities with short-term maturities. The majority of the Company's cash and cash equivalents are held by Wells Fargo Bank, N.A. This amount, as well as cash and investments held by certain other financial institutions, exceeds federally insured limits.

Concentrations of credit risk with respect to accounts receivable are limited due to the nature of the Company's receivables, which include primarily employee receivables that can be offset against future compensation. The Company's financial instruments have a fair value approximating the carrying value.

Earnings Per Share - Basic earnings per share data are based on the weighted average outstanding common shares during the period. Diluted earnings per share data are based on the weighted average outstanding common shares and the effect of all dilutive potential common shares.

Use of Estimates - The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of certain assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Recently Issued Accounting Pronouncements - In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification ("ASC") Topic 605, Revenue Recognition. The new revenue recognition standard requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In preparation for the implementation of the new standard, the Company determined the adoption of Topic 606 would affect the timing of recognition and the income statement classification of gift card and gift certificate breakage, the timing of revenue recognition for sales of merchandise shipped to customers, and the presentation of the allowance for estimated sales returns. The Company adopted Topic 606 on February 4, 2018, using the modified retrospective transition method. Under this transition method, the prior period comparative information has not been adjusted and continues to be reported under Topic 605, with the cumulative effect of adopting the new standard recorded as a \$389 adjustment increasing retained earnings as of February 4, 2018.

The effect of the adoption of ASU 2014-09 on our consolidated balance sheet as of February 2, 2019 was as follows:

| | As Reported | Adjustments | Excluding Topic 606 Adjustments |
|------------------------------------|----------------|-------------|---------------------------------------|
| Consolidated Balance Sheet Amounts | | | |
| Inventory | \$125,190 | \$ 679 | \$ 124,511 |
| Accrued store operating expenses | 17,982 | 982 | 17,000 |
| Accounts payable | 29,008 | (693) | 29,701 |
| Retained earnings | 244,823 | 389 | 244,434 |

The adoption of ASU 2014-09 did not have a material impact on the Company's results of operations for the fiscal year ended February 2, 2019. The adoption did, however, impact the income statement classification of gift card and gift certificate breakage. For the 52-week period ended February 2, 2019, the Company recognized \$2,250 of gift card and gift certificate breakage as revenue. For the 53-week period ended February 3, 2018 and the 52-week period ended January 28, 2017, the Company recognized \$2,444 and \$2,067 of breakage in "other income."

In February 2016, the FASB issued ASU No. 2016-02, Leases (Topic 842). This ASU replaces the existing guidance in ASC 840, Leases. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company has substantially completed its assessment of Topic 842 and will adopt the new standard on February 3, 2019 using the optional transition method which allows for the prospective application of the new standard. The Company has elected to apply certain practical expedients which allow it to not reassess the initial direct costs of any existing lease and to not separate lease and non-lease components to new leases as well as existing leases through transition. Further, the Company will make an accounting policy election to exclude short-term leases from the recognition requirements. As a result of the adoption of the standard, the Company will recognize a ROU asset and lease liability based on the present value of the total fixed payments on our retail store and corporate office operating leases. The Company continues to finalize its calculations, including the discount rate assumptions, related to the new standard. The Company does not anticipate the new standard will have a material impact on its Consolidated Statements of Income or its Consolidated Statements of Cash Flows.

Supplemental Cash Flow Information - The Company had non-cash investing activities during fiscal years 2018, 2017, and 2016 of \$(38), \$276, and \$469, respectively. The non-cash investing activity relates to the change in the balance of unpaid purchases of property, plant, and equipment included in accounts payable as of the end of the year. The liability for unpaid purchases of property, plant, and equipment included in accounts payable was \$409, \$371, and \$647 as of February 2, 2019, February 3, 2018, and January 28, 2017, respectively. Amounts reported as unpaid purchases are recorded as cash outflows from investing activities for purchases of property, plant, and equipment in the consolidated statement of cash flows in the period they are paid.

Additional cash flow information for the Company includes cash paid for income taxes during fiscal years 2018, 2017, and 2016 of \$37,309, \$48,456, and \$65,180, respectively.

B. INVESTMENTS

The following is a summary of investments as of February 2, 2019:

| | Amortized Cost or Par Value | Gross Unrealized Gains | Gross Unrealized Losses | Other-than- Temporary Impairment | Estimated Fair Value |
|------------------------------|-----------------------------------|------------------------------|-------------------------------|--|----------------------------|
| Held-to-Maturity Securities: | | | | | |
| State and municipal bonds | \$ 56,313 | \$ 65 | \$ (7) | \$ | —\$ 56,371 |
| Trading Securities: | | | | | |
| Mutual funds | \$ 13,364 | \$ 614 | \$ — | \$ | —\$ 13,978 |

The following is a summary of investments as of February 3, 2018:

| | Amortized Cost or Par Value | Gross Unrealized Gains | Gross Unrealized Losses | Other-than-Temporary Impairment | Estimated Fair Value |
|--------------------------------|-----------------------------|------------------------|-------------------------|---------------------------------|----------------------|
| Available-for-Sale Securities: | | | | | |
| Auction-rate securities | \$ 1,725 | \$ — | \$ (120) | \$ | —\$ 1,605 |
| Held-to-Maturity Securities: | | | | | |
| State and municipal bonds | \$ 55,527 | \$ 9 | \$ (76) | \$ | —\$ 55,460 |
| Trading Securities: | | | | | |
| Mutual funds | \$ 13,746 | \$ 1,408 | \$ — | \$ | —\$ 15,154 |

The amortized cost and fair value of debt securities by contractual maturity as of February 2, 2019 is as follows:

| | Amortized Cost | Fair Value |
|-----------------------------|----------------|------------|
| Held-to-Maturity Securities | | |
| Less than 1 year | \$ 51,546 | \$51,596 |
| 1 - 5 years | 4,767 | 4,775 |
| Total | \$ 56,313 | \$56,371 |

As of February 3, 2018, \$1,605 of available-for-sale securities are classified as long-term investments. As of February 2, 2019 and February 3, 2018, \$4,767 and \$4,694 of held-to-maturity securities are classified in long-term investments. Trading securities are held in a Rabbi Trust, intended to fund the Company's deferred compensation plan, and are classified in long-term investments.

The Company's investments in auction-rate securities ("ARS") are classified as available-for-sale and reported at fair market value. As of February 3, 2018, the reported investment amount is net of \$120 of temporary impairment to account for the impairment of certain securities from their stated par value. The temporary impairment is reported, net of tax, as an "accumulated other comprehensive loss" of \$89 in stockholders' equity as of February 3, 2018. The investments considered temporarily impaired, all of which had been in loss positions for over a year, were successfully redeemed during fiscal 2018 at par value plus accrued interest. As of February 3, 2018, all of the Company's investments in ARS were classified in long-term investments.

C. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Financial assets and liabilities measured and reported at fair value are classified and disclosed in one of the following categories:

- Level 1 – Quoted market prices in active markets for identical assets or liabilities. Short-term and long-term investments with active markets or known redemption values are reported at fair value utilizing Level 1 inputs.
- Level 2 – Observable market-based inputs (either directly or indirectly) such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or inputs that are corroborated by market data.
- Level 3 – Unobservable inputs that are not corroborated by market data and are projections, estimates, or interpretations that are supported by little or no market activity and are significant to the fair value of the assets.

As of February 2, 2019 and February 3, 2018, the Company held certain assets that are required to be measured at fair value on a recurring basis including available-for-sale and trading securities.

The Company's financial assets measured at fair value on a recurring basis are as follows:

| | Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1) | | | Total |
|---|--|---|---|--------|
| | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| February 2, 2019 | | | | |
| Trading securities (including mutual funds) | 13,978 | — | — | 13,978 |

| | Fair Value Measurements at Reporting Date Using Quoted Prices in Active Markets for Identical Assets (Level 1) | | | Total |
|---|--|---|----------|----------|
| | Significant Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | | |
| February 3, 2018 | | | | |
| Available-for-sale securities: | | | | |
| Auction-rate securities | \$— | \$ 50 | \$ 1,555 | \$1,605 |
| Trading securities (including mutual funds) | 15,154 | — | — | 15,154 |
| Total | \$15,154 | \$ 50 | \$ 1,555 | \$16,759 |

Securities included in Level 1 represent securities which have a known or anticipated upcoming redemption as of the reporting date and those that have publicly traded quoted prices. ARS included in Level 2 represent securities which have not experienced a successful auction subsequent to the end of fiscal 2007. The fair market value for these securities was determined by applying a discount to par value based on auction prices for similar securities and by utilizing a discounted cash flow model, using market-based inputs, to determine fair value. The Company used a discounted cash flow model to value its Level 3 investments, using estimates regarding recovery periods, yield, and liquidity. The assumptions used are subjective based upon management's judgment and views on current market conditions, and resulted in \$120 of the Company's recorded temporary impairment as of February 3, 2018. The use of different assumptions would result in a different valuation and related temporary impairment charge.

Changes in the fair value of the Company's financial assets measured at fair value on a recurring basis are as follows:

Fifty-Two Weeks Ended
February 2, 2019

Fair Value Measurements
 Using Significant
 Unobservable Inputs (Level
 3)
 Available-for-Sale
 Securities
 Auction-Mutual
 Securities Funds

| | | | Total |
|---|----------|----|----------|
| Balance, beginning of year | \$1,555 | \$ | —\$1,555 |
| Total gains and losses: | | | |
| Included in net income | — | — | — |
| Included in other comprehensive income | 120 | — | 120 |
| Purchases, Issuances, Sales, and Settlements: | | | |
| Sales | (1,675) | — | (1,675) |
| Balance, end of year | \$— | \$ | —\$— |

| | Fifty-Three Weeks Ended February 3, 2018 | | |
|---|--|----------------------------|-----------|
| | Fair Value Measurements Using Significant Unobservable Inputs (Level 3) | | |
| | Available-For-Sale Securities | Fixed-Income Securities | Total |
| | Auction-Mutual Securities | Funds | |
| Balance, beginning of year | \$ 1,625 | \$ — | —\$ 1,625 |
| Total gains and losses: | | | |
| Included in net income | — | — | — |
| Included in other comprehensive income | 5 | — | 5 |
| Purchases, Issuances, Sales, and Settlements: | | | |
| Sales | (75) | — | (75) |
| Balance, end of year | \$ 1,555 | \$ — | —\$ 1,555 |

There were no transfers of securities between Levels 1, 2, or 3 during the fiscal years ended February 2, 2019 or February 3, 2018. The Company's policy is to recognize transfers in and transfers out as of the beginning of the reporting period in which the transfer occurred.

The carrying value of cash equivalents approximates fair value due to the low level of risk these assets present and their relatively liquid nature, particularly given their short maturities. The Company also holds certain financial instruments that are not carried at fair value on the consolidated balance sheets, including held-to-maturity securities. Held-to-maturity securities consist primarily of state and municipal bonds. The fair values of these debt securities are based on quoted market prices and yields for the same or similar securities, which the Company determined to be Level 2 inputs. As of February 2, 2019, the fair value of held-to-maturity securities was \$56,371 compared to the carrying amount of \$56,313. As of February 3, 2018, the fair value of held-to-maturity securities was \$55,460 compared to the carrying amount of \$55,527.

The carrying values of receivables, accounts payable, accrued expenses, and other current liabilities approximates fair value because of their short-term nature. From time to time, the Company measures certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. These are typically store specific assets, which are reviewed for impairment when circumstances indicate impairment may exist due to the questionable recoverability of the carrying values of long-lived assets. If expected future cash flows related to a store's assets are less than their carrying value, an impairment loss would be recognized for the difference between the carrying value and the estimated fair value of the store's assets. The fair value of the store's assets is estimated utilizing an income-based approach based on the expected cash flows over the remaining life of the store's lease. The amount of impairment related to long-lived assets was immaterial as of both February 2, 2019 and February 3, 2018.

D. PROPERTY AND EQUIPMENT

| | February 2, 2019 | February 3, 2018 |
|---------------------------|---------------------|---------------------|
| Land | \$ 2,491 | \$ 2,491 |
| Building and improvements | 43,243 | 42,895 |

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| | | |
|------------------------------|------------|------------|
| Office equipment | 12,388 | 12,808 |
| Transportation equipment | 20,993 | 20,966 |
| Leasehold improvements | 167,023 | 166,106 |
| Furniture and fixtures | 176,389 | 182,019 |
| Shipping/receiving equipment | 29,266 | 29,491 |
| Construction-in-progress | 394 | 2,267 |
| Total | \$ 452,187 | \$ 459,043 |

E. FINANCING ARRANGEMENTS

The Company has available an unsecured line of credit of \$25,000 with Wells Fargo Bank, N.A. for operating needs and letters of credit. The line of credit agreement has an expiration date of July 31, 2019 and provides that \$10,000 of the \$25,000 line is available for letters of credit. Borrowings under the line of credit provide for interest to be paid at a rate based on LIBOR. The Company has, from time to time, borrowed against these lines of credit. There were no bank borrowings as of February 2, 2019 and February 3, 2018. There were no bank borrowings during fiscal 2018, 2017, and 2016. The Company had outstanding letters of credit totaling \$1,986 and \$1,973 as of February 2, 2019 and February 3, 2018, respectively.

F. INCOME TAXES

On December 22, 2017, the U.S. government enacted comprehensive tax legislation commonly referred to as the Tax Cuts and Jobs Act (the "Tax Act"). The Tax Act included many changes to the U.S. tax code including reducing the U.S. federal corporate tax rate from 35.0% to 21.0% effective January 1, 2018. This change reduced the Company's effective tax rate for the fiscal year ended February 3, 2018, based on the 21.0% rate being in effect for one month of the fiscal year, and then further reduced the Company's effective tax rate for the full fiscal year ended February 2, 2019.

The provision for income taxes consists of:

| | Fiscal Years Ended | | |
|---------------------------------------|---------------------|---------------------|---------------------|
| | February 2, 2019 | February 3, 2018 | January 28, 2017 |
| Current income tax expense: | | | |
| Federal | \$27,278 | \$46,158 | \$55,541 |
| State | 4,857 | 3,960 | 6,029 |
| Deferred income tax expense (benefit) | (1,099) | (340) | (3,260) |
| Total | \$31,036 | \$49,778 | \$58,310 |

Total income tax expense for the year varies from the amount which would be provided by applying the statutory income tax rate to earnings before income taxes. The primary reasons for this difference (expressed as a percent of pre-tax income) are as follows:

| | Fiscal Years Ended | | |
|----------------------------|--------------------|---------------------|---------------------|
| | February 2019 | February 3, 2018 | January 28, 2017 |
| Statutory rate | 21.0 % | 33.7 % | 35.0 % |
| State income tax effect | 3.0 | 1.9 | 2.5 |
| Tax exempt interest income | (0.2) | (0.2) | (0.1) |
| Other | 0.7 | 0.3 | (0.1) |
| Effective tax rate | 24.5 % | 35.7 % | 37.3 % |

Deferred income tax assets and liabilities are comprised of the following:

| | February 2, 2019 | February 3, 2018 |
|--|---------------------|---------------------|
| Deferred income tax assets (liabilities): | | |
| Inventory | \$ 4,439 | \$ 4,368 |
| Stock-based compensation | 1,918 | 2,432 |
| Accrued compensation | 3,451 | 4,006 |
| Accrued store operating costs | 3,023 | 2,899 |
| Realized and unrealized loss on securities | (147) | (270) |
| Gift certificates redeemable | 1,135 | 1,295 |
| Deferred rent liability | 7,015 | 8,744 |
| Property and equipment | (15,004) | (18,712) |
| Net deferred income tax asset | \$ 5,830 | \$ 4,762 |

As of February 2, 2019 and February 3, 2018, respectively, the net deferred income tax assets of \$5,830 and \$4,762 are classified in "other assets." There were no unrecognized tax benefits recorded in the Company's consolidated financial statements as of February 2, 2019 or February 3, 2018. Fiscal years 2015 through 2018 remain subject to potential federal examination. Additionally, fiscal years 2014 through 2018 are subject to potential examination by various state taxing authorities.

G. RELATED PARTY TRANSACTIONS

Included in other assets is a note receivable of \$1,305 as of February 2, 2019 and \$1,275 as of February 3, 2018, respectively, from a life insurance trust fund controlled by the Company's Chairman. The note was created over three years, beginning in July 1994, when the Company paid life insurance premiums of \$200 each year for the Chairman on a personal policy. The note accrues interest at 5% of the principal balance per year and is to be paid from the life insurance proceeds. The note is secured by a life insurance policy on the Chairman.

H. COMMITMENTS AND CONTINGENCIES

Leases - The Company conducts its operations in leased facilities under numerous non-cancelable operating leases expiring at various dates through fiscal 2029. Most of the Company's stores have lease terms of approximately ten years and generally do not contain renewal options. Most lease agreements contain tenant improvement allowances, rent holidays, rent escalation clauses, and/or contingent rent provisions. For purposes of recognizing lease incentives and minimum rental expenses on a straight-line basis over the terms of the leases, the Company uses the date of initial possession to begin amortization, which is generally when the Company enters the space and begins to make improvements in preparation of intended use. For tenant improvement allowances and rent holidays, the Company records a deferred rent liability on the consolidated balance sheets and amortizes the deferred rent over the terms of the leases as reductions to rent expense on the consolidated statements of income. For scheduled rent escalation clauses during the lease terms or for rental payments commencing at a date other than the date of initial occupancy, the Company records minimum rental expenses on a straight-line basis over the terms of the leases on the consolidated statements of income. Certain leases provide for contingent rents, which are determined as a percentage of gross sales in excess of specified levels. The Company records a contingent rent liability on the consolidated balance sheets and the corresponding rent expense when specified levels have been achieved or are reasonably probable to be achieved. Operating lease base rental expense for fiscal 2018, 2017, and 2016 was \$68,379, \$69,154, and \$68,839, respectively. Most of the rental payments are based on a minimum annual rental plus a percentage of sales in excess of a specified amount. Percentage rents for fiscal 2018, 2017, and 2016 were \$2,520, \$2,130, and \$2,600, respectively.

Total future minimum rental commitments under these operating leases with remaining lease terms in excess of one year as of February 2, 2019 are as follows:

| Fiscal Year | Minimum Rental Commitments |
|----------------------------------|----------------------------------|
| 2019 | \$ 66,303 |
| 2020 | 55,914 |
| 2021 | 45,908 |
| 2022 | 38,357 |
| 2023 | 31,528 |
| Thereafter | 49,249 |
| Total minimum rental commitments | \$ 287,259 |

Litigation - From time to time, the Company is involved in litigation relating to claims arising out of its operations in the normal course of business. As of the date of these consolidated financial statements, the Company was not engaged in any legal proceedings that are expected, individually or in the aggregate, to have a material effect on the Company's consolidated results of operations and financial position.

Data Security Incident - On June 16, 2017, the Company announced that it had become aware that it was a victim of a data security incident in which a threat actor accessed certain guest payment information following purchases at some of the Company's retail stores between October 28, 2016, and April 14, 2017. The Company immediately launched a thorough investigation and engaged leading third-party forensic experts to review its systems and secure the affected part of its network. Through that investigation, the Company learned that its store payment data systems were infected with a form of malicious code, which was removed. The Company has taken actions that it believes have contained the issue and has implemented additional security enhancements. Based on the forensic investigation, the Company believes that no social security numbers, email addresses, or physical addresses were obtained by those criminally responsible. There is also no evidence that the buckle.com website or buckle.com guests were impacted by this event.

Buckle self-reported the incident to the payment card brands and cooperated fully with the card brands, their forensic experts, and law enforcement during the investigation. To the extent that any card brand imposes a potential assessment, fine, penalty, or other liability in connection with this incident, the Company does not expect that such amounts, whether individually or in the aggregate, would have a material effect on the Company's consolidated result of operations and financial position.

I. EMPLOYEE BENEFITS

The Company has a 401(k) profit sharing plan covering all eligible employees who elect to participate. Contributions to the plan are based upon the amount of the employees' deferrals and the employer's discretionary matching formula. The Company may contribute to the plan at its discretion. The total expense under the profit sharing plan was \$1,624, \$1,743, and \$1,473 for fiscal years 2018, 2017, and 2016, respectively.

The Buckle, Inc. Deferred Compensation Plan covers the Company's executive officers. The plan is funded by participant contributions and a specified annual Company matching contribution not to exceed 6% of the participant's compensation. The Company's contributions were \$176, \$183, and \$193 for fiscal years 2018, 2017, and 2016, respectively.

J. STOCK-BASED COMPENSATION

The Company has several stock option plans which allow for granting of stock options to employees, executives, and directors. The Company has not granted any stock options since fiscal 2008 and there are currently no stock options outstanding. The Company also has a restricted stock plan that allows for the granting of non-vested shares of common stock to employees and executives and a restricted stock plan that allows for the granting of non-vested shares of common stock to non-employee directors. As of February 2, 2019, 1,061,691 shares were available for grant under the Company's various restricted stock plans, of which 1,017,067 shares were available for grant to executive officers.

Compensation expense was recognized during fiscal 2018, 2017, and 2016 for equity-based grants, based on the grant date fair value of the awards. The fair value of grants of non-vested common stock awards is the stock price on the date of grant.

Information regarding the impact of compensation expense related to grants of non-vested shares of common stock is as follows:

| | Fiscal Years Ended | | |
|--|---------------------|---------------------|---------------------|
| | February 2, 2019 | February 3, 2018 | January 28, 2017 |
| Stock-based compensation expense, before tax | \$4,287 | \$ 4,883 | \$ 5,330 |
| Stock-based compensation expense, after tax | \$3,237 | \$ 3,140 | \$ 3,358 |

Non-vested shares of common stock granted during each of the past three fiscal years were granted pursuant to the Company's 2005 Restricted Stock Plan and the Company's 2008 Director Restricted Stock Plan. Shares granted under the 2005 Plan are typically "performance based" and vest over a period of four years, only upon certification by the Compensation Committee of the Board of Directors that the Company has achieved its pre-established performance targets for the fiscal year. Certain shares granted under the 2005 Plan, however, are "non-performance based" and vest over a period of four years without being subject to the achievement of performance targets. Shares granted under the 2008 Director Plan vest 25% on the date of grant and then in equal portions on each of the first three anniversaries of the date of grant.

A summary of the Company's stock-based compensation activity related to grants of non-vested shares of common stock for the fiscal year ended February 2, 2019 is as follows:

| | Shares | Weighted Average Grant Date Fair Value |
|--------------------------------|-----------|---|
| Non-Vested - beginning of year | 470,022 | \$ 24.63 |
| Granted | 374,800 | 19.61 |
| Forfeited | (173,575) | 20.98 |
| Vested | (168,074) | 29.06 |
| Non-Vested - end of year | 503,173 | \$ 20.67 |

As of February 2, 2019, there was \$3,251 of unrecognized compensation expense related to grants of non-vested shares. It is expected that this expense will be recognized over a weighted average period of approximately 1.9 years. The total fair value of shares vested during fiscal 2018, 2017, and 2016 was \$3,046, \$3,289, and \$2,713 respectively. During the fiscal year ended February 2, 2019, 145,325 shares (representing one-half of the "performance based" shares granted during fiscal 2017 under the 2005 Restricted Stock Plan) were forfeited because the Company did not achieve all of the performance targets established for the fiscal 2017 grants.

K. EARNINGS PER SHARE

The following table provides a reconciliation between basic and diluted earnings per share:

| | Fiscal Years Ended February 2, 2019 | | | February 3, 2018 | | | January 28, 2017 | | |
|--------------------------------|--|--------------------------------------|------------------------|------------------|--------------------------------------|------------------------|------------------|--------------------------------------|------------------------|
| | Income | Weighted Average Shares (a) | Per Share Amount | Income | Weighted Average Shares (a) | Per Share Amount | Income | Weighted Average Shares (a) | Per Share Amount |
| Basic EPS | \$95,608 | 48,413 | \$ 1.97 | \$89,707 | 48,250 | \$ 1.86 | \$97,961 | 48,125 | \$ 2.04 |
| Effect of Dilutive Securities: | | | | | | | | | |
| Non-vested shares | — | 201 | — | — | 123 | (0.01) | — | 131 | (0.01) |
| Diluted EPS | \$95,608 | 48,614 | \$ 1.97 | \$89,707 | 48,373 | \$ 1.85 | \$97,961 | 48,256 | \$ 2.03 |

(a) Shares in thousands.

L. REVENUES

The Company is a retailer of medium to better priced casual apparel, footwear, and accessories for fashion conscious young men and women. The Company operates its business as one reportable segment. The Company sells its merchandise through its retail stores and e-Commerce platform. The Company operated 450 stores located in 42 states throughout the United States as of February 2, 2019.

During fiscal years 2018, 2017, and 2016, online revenues accounted for 11.7%, 10.7%, and 10.2%, respectively, of the Company's net sales. No sales to an individual customer or country, other than the United States, accounted for more than 10.0% of net sales.

The following is information regarding the Company's major product lines, stated as a percentage of the Company's net sales:

| Merchandise Group | Fiscal Years Ended | | | | | |
|---------------------------|--------------------|---|------------------|---|------------------|---|
| | February 2, 2019 | | February 3, 2018 | | January 28, 2017 | |
| Denims | 41.0 | % | 41.5 | % | 42.2 | % |
| Tops (including sweaters) | 32.8 | | 32.3 | | 30.8 | |
| Accessories | 8.8 | | 9.1 | | 9.2 | |
| Footwear | 6.7 | | 6.1 | | 5.9 | |
| Sportswear/Fashions | 6.0 | | 6.2 | | 6.5 | |
| Outerwear | 2.1 | | 2.0 | | 2.0 | |
| Casual bottoms | 1.2 | | 1.3 | | 1.9 | |
| Other | 1.4 | | 1.5 | | 1.5 | |
| Total | 100.0 | % | 100.0 | % | 100.0 | % |

M. SELECTED QUARTERLY FINANCIAL DATA (UNAUDITED)

Selected unaudited quarterly financial information for fiscal 2018 and 2017 are as follows:

| Fiscal 2018 | Quarter | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| | First | Second | Third | Fourth |
| Net sales | \$204,897 | \$201,080 | \$215,107 | \$264,412 |
| Gross profit | \$79,691 | \$78,931 | \$86,157 | \$121,294 |
| Net income | \$18,338 | \$15,659 | \$20,476 | \$41,135 |
| Basic earnings per share | \$0.38 | \$0.32 | \$0.42 | \$0.85 |
| Diluted earnings per share | \$0.38 | \$0.32 | \$0.42 | \$0.84 |

| Fiscal 2017 | Quarter | | | |
|----------------------------|-----------|-----------|-----------|-----------|
| | First | Second | Third | Fourth |
| Net sales | \$212,251 | \$195,650 | \$224,307 | \$281,172 |
| Gross profit | \$81,717 | \$74,139 | \$90,928 | \$133,239 |
| Net income | \$16,285 | \$11,483 | \$19,904 | \$42,035 |
| Basic earnings per share | \$0.34 | \$0.24 | \$0.41 | \$0.87 |
| Diluted earnings per share | \$0.34 | \$0.24 | \$0.41 | \$0.87 |

Basic and diluted shares outstanding are computed independently for each of the quarters presented and, therefore, may not sum to the totals for the year. Each of the quarters presented is a 13-week quarter, except for the fourth quarter of fiscal 2017 which was a 14-week quarter ending the Company's 53-week fiscal year.

ITEM 9 - CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A – CONTROLS AND PROCEDURES

The Company maintains a system of disclosure controls and procedures that are designed to provide reasonable assurance that material information, which is required to be timely disclosed, is accumulated and communicated to management in a timely manner. An evaluation of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) of the Securities Exchange Act of 1934 (the "Exchange Act")) was performed as of the end of the period covered by this report. This evaluation was performed under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures as of the end of the period covered by this report were effective to provide reasonable assurance that information required to be disclosed by the Company in the Company's reports that it files or submits under the Exchange Act is accumulated and communicated to management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure and are effective to provide reasonable assurance that such information is recorded, processed, summarized, and reported within the time periods specified by the SEC's rules and forms.

Change in Internal Control Over Financial Reporting - There were no changes in the Company's internal control over financial reporting that occurred during the Company's last fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control Over Financial Reporting - Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Securities Exchange Act of 1934. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United State of America ("GAAP").

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements.

Management has assessed the effectiveness of the Company's internal control over financial reporting as of February 2, 2019, based on the criteria set forth by the Committee of Sponsoring Organizations ("COSO") of the Treadway Commission in their Internal Control-Integrated Framework (2013). In making its assessment of internal control over financial reporting, management has concluded that the Company's internal control over financial reporting was effective as of February 2, 2019.

The Company's independent registered public accounting firm, Deloitte & Touche LLP, has audited the effectiveness of the Company's internal control over financial reporting. Their report appears herein.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the stockholders and the Board of Directors of The Buckle, Inc.

Opinion on Internal Control over Financial Reporting

We have audited the internal control over financial reporting of The Buckle, Inc. and subsidiary (the “Company”) as of February 2, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of February 2, 2019, based on criteria established in Internal Control - Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the fiscal year ended February 2, 2019, of the Company and our report dated April 3, 2019, expressed an unqualified opinion on those financial statements.

Basis for Opinion

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control over Financial Reporting

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP

Omaha, Nebraska

April 3, 2019

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ITEM 9B - OTHER INFORMATION

As required by Section 303A of the New York Stock Exchange's Corporate Governance Standards, the Company's Chief Executive Officer submitted a certification to the New York Stock Exchange in fiscal 2018 that he was not aware of any violation by the Company of the New York Stock Exchange's Corporate Governance Standards as of the date of the certification, June 25, 2018.

PART III

ITEM 10 - DIRECTORS, EXECUTIVE OFFICERS, AND CORPORATE GOVERNANCE

The information required by this item appears under the captions "Executive Officers of the Company" in this report and "Election of Directors" in the Company's Proxy Statement for its 2019 Annual Shareholders' Meeting and is incorporated by reference.

ITEM 11 - EXECUTIVE COMPENSATION

The information required by this item appears under the following captions in the Company's Proxy Statement for its 2019 Annual Shareholders' Meeting and is incorporated by reference: "Executive Compensation," "Director Compensation" (included under the "Election of Directors" section), and "Report of the Audit Committee."

ITEM 12 - SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information required by this item appears under the captions "Beneficial Ownership of Common Stock" and "Election of Directors" in the Company's Proxy Statement for its 2019 Annual Shareholders' Meeting and in the Notes to Consolidated Financial Statements under Footnote J in this report and is incorporated by reference.

ITEM 13 - CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE

The information required by this item appears under the captions "Independence" and "Related Party Transactions" (included under the "Election of Directors" section) in the Company's Proxy Statement for its 2019 Annual Shareholders' Meeting and is incorporated by reference.

ITEM 14 - PRINCIPAL ACCOUNTANT FEES AND SERVICES

Information regarding the fees billed by our independent registered public accounting firm and the nature of services comprising the fees for each of the two most recent fiscal years is set forth under the caption "Ratification of Independent Registered Public Accounting Firm" in the Company's Proxy Statement for its 2019 Annual Shareholders' Meeting and is incorporated by reference.

PART IV

ITEM 15 - EXHIBITS AND FINANCIAL STATEMENT SCHEDULE

(a) Financial Statement Schedule

Valuation and Qualifying Account. See Schedule II included in this report.

All other schedules are omitted because they are not applicable or the required information is presented in the consolidated financial statements or notes thereto.

(b) Exhibits

See Index To Exhibits.

ITEM 16 - FORM 10-K SUMMARY

Not applicable.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

THE BUCKLE, INC.

Date: April 3, 2019 By: /s/ DENNIS H. NELSON
DENNIS H. NELSON,
President and CEO
(principal executive officer)

Date: April 3, 2019 By: /s/ THOMAS B. HEACOCK
THOMAS B. HEACOCK,
Senior Vice President of Finance, Treasurer,
and CFO (principal accounting officer)

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed by the following persons on behalf of the registrant and in the capacities indicated on the 3rd day of April, 2019.

/s/ DANIEL J. HIRSCHFELD
Daniel J. Hirschfeld
Chairman of the Board and Director

/s/ BILL L. FAIRFIELD
Bill L. Fairfield
Director

/s/ DENNIS H. NELSON
Dennis H. Nelson
President and Chief Executive Officer
and Director

/s/ BRUCE L. HOBERMAN
Bruce L. Hoberman
Director

/s/ THOMAS B. HEACOCK
Thomas B. Heacock
Sr. Vice President of Finance, Treasurer,
Chief Financial Officer, and Director

/s/ MICHAEL E. HUSS
Michael E. Huss
Director

/s/ KARI G. SMITH
Kari G. Smith
Executive Vice President of Stores
and Director

/s/ JAMES E. SHADA
James E. Shada
Director

/s/ JOHN P. PEETZ
John P. Peetz, III
Director

/s/ KAREN B. RHOADS
Karen B. Rhoads
Director

/s/ ROBERT E. CAMPBELL
Robert E. Campbell
Director

/s/ HANK M. BOUNDS
Hank M. Bounds
Director

SCHEDULE II - Valuation and Qualifying Accounts
(Amounts in Thousands)

| | Allowance for Doubtful Accounts | Reserve for Sales Returns | Valuation Allowance - Deferred Tax Assets |
|---------------------------------------|--|---------------------------------|--|
| Balance, January 30, 2016 | \$ 7 | \$ 834 | \$ 518 |
| Amounts charged to costs and expenses | 1,350 | — | — |
| Amounts charged to other accounts | — | 101,375 | — |
| Deductions | (1,353) | (101,540) | (518) |
| Balance, January 28, 2017 | \$ 4 | \$ 669 | \$ — |
| Amounts charged to costs and expenses | 952 | — | — |
| Amounts charged to other accounts | — | 87,389 | — |
| Deductions | (952) | (86,988) | — |
| Balance, February 3, 2018 | \$ 4 | \$ 1,070 | \$ — |
| Amounts charged to costs and expenses | 661 | — | — |
| Amounts charged to other accounts | — | 76,968 | — |
| Deductions | (661) | (75,856) | — |
| Balance, February 2, 2019 | \$ 4 | \$ 2,182 | \$ — |

INDEX TO EXHIBITS

| Exhibits | Page Number or Incorporation by Reference to |
|---|---|
| (3) Articles of Incorporation and By-Laws. | |
| <u>(3.1)</u> Articles of Incorporation of The Buckle, Inc. as amended | Exhibit 3.1 to Form 10-Q filed for the fiscal quarter ended July 29, 2017 |
| <u>(3.2)</u> Amended and Restated By-Laws of The Buckle, Inc. | Exhibit 3.2 to Form 10-K filed for the fiscal year ended February 3, 2018 |
| (4) Instruments defining the rights of security holders, including indentures | |
| See Exhibits 3.1 and 3.2 for provisions of the Articles of Incorporation and Amended and Restated By-laws of the Registrant defining rights of holders of Common Stock of the registrant | |
| <u>(4.1)</u> | |
| <u>(4.2)</u> Form of stock certificate for Common Stock | Exhibit 4.1 to Form S-1 No. 33-46294 |
| (10) Material Contracts | |
| <u>(10.1)</u> Amended and Restated Non-Qualified Deferred Compensation Plan (*) | Exhibit 10.6 and 10.6.1 to Form 10-K filed for the fiscal year ended January 28, 2012 |
| <u>(10.2)</u> Revolving Line of Credit Note and First Amendment to Credit Agreement, dated June 8, 2012 between The Buckle, Inc. and Buckle Brands, Inc. and Wells Fargo Bank, N.A. for a \$25.0 million line of credit | Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended July 28, 2012 |
| <u>(10.2.1)</u> Revolving Line of Credit Note and Second Amendment to Credit Agreement, dated February 16, 2015 between The Buckle, Inc. and Buckle Brands, Inc. and Wells Fargo Bank, N.A. for a \$25.0 million line of credit | Exhibit 10.2.1 to Form 10-K filed for the fiscal year ended January 31, 2015 |
| <u>(10.2.2)</u> Revolving Line of Credit Note and Third Amendment to Credit Agreement, dated June 30, 2017 between The Buckle, Inc. and Buckle Brands, Inc. and Wells Fargo Bank, N.A. for a \$25.0 million line of credit | Exhibit 10.1 to Form 10-Q filed for the fiscal quarter ended July 29, 2017 |
| <u>(10.3)</u> 1993 Director Stock Option Plan Amended and Restated (*) | Exhibit B to Proxy Statement for Annual Meeting held June 2, 2006 |
| <u>(10.4)</u> 1997 Executive Stock Option Plan (*) | Exhibit B to Proxy Statement for Annual Meeting held May 28, 1998 |
| <u>(10.5)</u> 1998 Restricted Stock Plan (*) | Exhibit C to Proxy Statement for Annual Meeting held May 28, 1998 |
| <u>(10.6)</u> 2005 Restricted Stock Plan Amended and Restated (*) | Exhibit B to Proxy Statement for Annual Meeting held May 31, 2013 |
| <u>(10.7)</u> 2008 Director Restricted Stock Plan (*) | Exhibit B to Proxy Statement For Annual Meeting held May 28, 2008 |
| <u>(10.8)</u> 2017 Management Incentive Plan (*) | Exhibit A to Proxy Statement for Annual Meeting held May 30, 2017 |
| <u>(10.9)</u> 2018 Management Incentive Plan (*) | Exhibit A to Proxy Statement for Annual Meeting held June 1, 2018 |
| <u>(10.10)</u> Summary of Named Executive Officer Compensation (*) | Incorporated by reference from the section titled "Executive Compensation and Other |

(10.11) Summary of Non-Employee Director Compensation (*)

Information" in Proxy Statement for Annual Meeting to be held June 3, 2019
Incorporated by reference from the section titled "Director Compensation" in Proxy Statement for Annual Meeting to be held June 3, 2019

ExhibitsPage Number or Incorporation by Reference to

List
(21) of
Subsidiaries

Consent
of
(23) Deloitte
&
Touche
LLP

Certification
Pursuant
to
Rule
13a-14(a)
or
15d-14(a)
Under
the
Securities
Exchange
Act
(31a) of
1934,
as
Adopted
Pursuant
to
Section
302
of
the
Sarbanes-Oxley
Act
of
2002.

(31b) Certification
Pursuant
to
Rule
13a-14(a)
or
15d-14(a)
Under
the

Securities
Exchange
Act
of
1934,
as
Adopted
Pursuant
to
Section
302
of
the
Sarbanes-Oxley
Act
of
2002.

Certifications
Pursuant
to
18
U.S.C.
Section
1350,
as
Adopted

(32) Pursuant
to
Section
906
of
the
Sarbanes-Oxley
Act
of
2002.

(101) Includes
the
following
materials
from
The
Buckle,
Inc.'s
Annual
Report
on
Form
10-K

for
the
fiscal
year
ended
February
2,
2019,
formatted
in
XBRL
(eXtensible
Business
Reporting
Language):
(i)
Consolidated
Balance
Sheets;
(ii)
Consolidated
Statements
of
Income;
(iii)
Consolidated
Statements
of
Comprehensive
Income;
(iv)
Consolidated
Statements
of
Stockholders'
Equity;
(v)
Consolidated
Statements
of
Cash
Flows;
and
(vi)
Notes
to
Consolidated
Financial
Statements,
tagged
as

blocks
of
text
and
in
detail.

(*) Denotes management contract or compensatory
plan or arrangement.

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