

HIBBETT SPORTS INC
Form 10-K
April 02, 2008

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended: February 2, 2008

or

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

For the transition period from: _____ to _____

Commission file number: 000-20969

HIBBETT SPORTS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE	20-8159608
State or other jurisdiction of incorporation or organization	(I.R.S. Employer Identification No.)

451 Industrial Lane, Birmingham, Alabama 35211
(Address of principal executive offices, including zip code)

205-942-4292
(Registrant's telephone number, including area code)

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

Common Stock, \$0.01 Par Value Per Share	NASDAQ Stock Market, LLC
Title of Class	Name of each exchange on which registered

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Securities registered pursuant to section 12(g) of NONE
the Act:

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 Section 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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) is not contained herein, and will not be contained, to the best of 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, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes	<input type="checkbox"/>	No	<input checked="" type="checkbox"/>
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The aggregate market value of the voting stock held by non-affiliates of the Registrant (assuming for purposes of this calculation that all executive officers and directors are "affiliates") was \$737,818,499 on August 3, 2007, based on the closing sale price of \$23.72 at August 3, 2007 for the Common Stock on such date on the NASDAQ National Market.

The number of shares outstanding of the Registrant's Common Stock, as of March 28, 2008 was 28,401,206.

DOCUMENTS INCORPORATED BY REFERENCE

The information regarding securities authorized for issuance under equity compensation plans called for in Item 5 of Part II and the information called for in Items 10, 11, 12, 13 and 14 of Part III are incorporated by reference from the Company's definitive Proxy Statement for the 2008 Annual Meeting of Stockholders, to be held June 2, 2008. Registrant's definitive Proxy Statement will be filed with the Securities and Exchange Commission on or before April 24, 2008.

HIBBETT SPORTS, INC.

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A warning about Forward-Looking Statements

This document contains “forward-looking statements” as that term is used in the Private Securities Litigation Reform Act of 1995. Forward-looking statements address future events, developments and results. They include statements preceded by, followed by or including words such as “believe,” “anticipate,” “expect,” “intend,” “plan,” “target” or “estimate.” For example, our forward-looking statements include statements regarding:

- our anticipated sales, including comparable store net sales changes, net sales growth and earnings;
- our growth, including our plans to add, expand or relocate stores and square footage growth, our market’s ability to support such growth and the suitability of our distribution facilities;
 - the possible effect of pending legal actions and other contingencies;
- our cash needs, including our ability to fund our future capital expenditures and working capital requirements;
 - our ability and plans to renew or increase our revolving credit facilities;
- our seasonal sales patterns and assumptions concerning customer buying behavior;
 - our expectations regarding competition;
 - our ability to renew or replace store leases satisfactorily;
- our estimates and assumptions as they relate to preferable tax and financial accounting methods, accruals, inventory valuations, dividends, carrying amount and liquidity of financial instruments and fair value of options and other stock-based compensation as well as our estimates of economic and useful lives of depreciable assets and leases;
 - our expectations concerning future stock-based award types;
 - our expectations concerning employee option exercise behavior;
- the possible effect of inflation, market decline and other economic changes on our costs and profitability;
 - our analyses of trends as related to earnings performance;
 - our target market presence and its expected impact on our sales growth;
 - our expectations concerning vendor level purchases and related discounts;
- our estimates and assumptions related to income tax liabilities and uncertain tax positions;
- the future reliability of, and cost associated with, our sources of supply, particularly imported goods; and
 - the possible effect of recent accounting pronouncements.

You should assume that the information appearing in this annual report is accurate only as of the date it was issued. Our business, financial condition, results of operations and prospects may have changed since that date.

For a discussion of the risks, uncertainties and assumptions that could affect our future events, developments or results, you should carefully review the “Risk Factors” described beginning on page 9, as well as “Management’s Discussion and Analysis of Financial Condition and Results of Operations” beginning on page 19.

Our forward-looking statements could be wrong in light of these and other risks, uncertainties and assumptions. The future events, developments or results described in this report could turn out to be materially different. We have no obligation to publicly update or revise our forward-looking statements after the date of this annual report and you should not expect us to do so.

Investors should also be aware that while we do, from time to time, communicate with securities analysts and others, we do not, by policy, selectively disclose to them any material nonpublic information or other confidential commercial information. Accordingly, stockholders should not assume that we agree with any statement or report issued by any analyst regardless of the content of the statement or report. We do not, by policy, confirm forecasts or projections issued by others. Thus, to the extent that reports issued by securities analysts contain any projections, forecasts or opinions, such reports are not our responsibility.

Introductory Note

Unless specifically indicated otherwise, any reference to “2009” or “Fiscal 2009” relates to our year ending January 31, 2009. Any reference to “2008” or “Fiscal 2008” relates to our year ending February 2, 2008. Any reference to “2007” or “Fiscal 2007” relates to our year ended February 3, 2007. Any reference to “2006” or “Fiscal 2006” relates to our year ended January 28, 2006.

PART 1

Item 1. Business.

Our Company

Our Company was originally organized in 1945 under the name Dixie Supply Company in Florence, Alabama, in the marine and small aircraft business. In 1951, the Company started targeting school athletic programs in North Alabama and by the end of the 1950's had developed a profitable team sales business. In 1960, we sold the marine portion of our business and have been solely in the athletic business since that time. In 1965, we opened Dyess & Hibbett Sporting Goods in Huntsville, Alabama, and hired Mickey Newsome, our current Chief Executive Officer and Chairman of the Board. The next year, we opened another sporting goods store in Birmingham and by the end of 1980, we had stores operating in 12 locations in central and northwest Alabama with a distribution center located in Birmingham and our central accounting office in Florence. We went public in October 1996 and were incorporated under the laws of the State of Delaware as Hibbett Sporting Goods, Inc. We incorporated under the laws of the State of Delaware as Hibbett Sports, Inc. in January 2007 and on February 10, 2007, Hibbett Sports, Inc. became the successor holding company for Hibbett Sporting Goods, Inc., which is now our operating subsidiary.

Today, we are a rapidly-growing operator of sporting goods stores in small to mid-sized markets predominantly in the Sunbelt, Mid-Atlantic and lower Midwest. As of February 2, 2008, we operated 666 Hibbett Sports stores as well as 18 smaller-format Sports Additions athletic shoe stores and 4 larger-format Sports & Co. superstores in 23 states. Over the past two years, we have increased the number of stores from 549 stores to 688 stores, an increase in store base of approximately 25%. Our primary retail format and growth vehicle is Hibbett Sports, a 5,000 square foot store located primarily in strip centers which are usually anchored by a Wal-Mart store and in enclosed malls.

Although competitors in some markets may carry similar product lines and national brands as our stores, we believe that our stores are typically the primary sporting goods retailers in their markets due to the extensive selection of quality branded merchandise and high level of customer service. Hibbett's merchandise assortment emphasizes team sports complemented by localized apparel and accessories designed to appeal to a wide range of customers within each individual market.

Available Information

The Company maintains an Internet website at the following address: www.hibbett.com.

We make available free of charge on or through our website under the heading "Investor Information," certain reports that we file with or furnish to the Securities and Exchange Commission (SEC) in accordance with the Securities Exchange Act of 1934. These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q and our current reports on Form 8-K. We make this information available on our website as soon as reasonably practicable after we electronically file the information with or furnish it to the SEC. In addition to accessing copies of our reports online, you may request a copy of our Annual Report on Form 10-K for the fiscal year ended February 2, 2008, at no charge, by writing to: Investor Relations, Hibbett Sports, Inc., 451 Industrial Lane, Birmingham, Alabama 35211.

Reports filed with or furnished to the SEC are also available free of charge upon request by contacting our corporate office at (205) 942-4292.

The public may also read or copy any materials filed by us with the SEC at the SEC's Public Reference Room at 100F Street, N.E., Washington, DC 20549. Information may be obtained on the operation of the Public Reference Room by calling the SEC at 1-800-732-0330. The SEC also maintains a website that contains reports, proxy and information

statements, and other information regarding issuers that file electronically at www.sec.gov.

Our Business Strategy

We target markets with county populations that range from 30,000 to 100,000. By targeting these smaller markets, we believe that we achieve important strategic advantages, including many expansion opportunities, comparatively low operating costs and a more limited competitive environment than generally faced in larger markets. In addition, we establish greater customer and vendor recognition as the leading sporting goods retailer in these local communities.

We believe our ability to merchandise to local sporting and community interests differentiates us from our national competitors. This strong regional focus also enables us to achieve significant cost benefits including lower corporate expenses, reduced distribution costs and increased economies of scale from marketing activities. Additionally, we also use sophisticated information systems to maintain tight controls over inventory and operating costs and continually search for ways to improve efficiencies through information system upgrades, such as the JDA Merchandising System we implemented beginning February 4, 2007.

We strive to hire enthusiastic sales personnel with an interest in sports. Our extensive training program focuses on product knowledge and selling skills and is conducted through the use of in-store clinics, videos, self-study courses, interactive group discussions and “Hibbett University” designed specifically for store management.

Our Store Concepts

Hibbett Sports

Our primary retail format is Hibbett Sports, a 5,000 square foot store located primarily in strip centers which are usually anchored by a Wal-Mart store and in enclosed malls. In considering locations for our Hibbett Sports stores, we take into account the size, demographics and competitive conditions of each market. Of these stores, 461 Hibbett Sports stores are located in strip centers with the remaining 205 stores located in enclosed malls, the majority of which are the only enclosed malls in the county.

Hibbett Sports stores offer a core selection of quality, brand name merchandise with an emphasis on team sports. This merchandise mix is complemented by a selection of localized apparel and accessories designed to appeal to a wide range of customers within each market. We strive to respond quickly to major sporting events of local interest. Such events in Fiscal 2008 included the LSU Tiger’s victory in the Bowl Championship Series (BCS) national championship game as well as the successful seasons of the Dallas Cowboys and Jacksonville Jaguars and the enthusiasm surrounding Nick Saban’s return to collegiate coaching at the University of Alabama.

Sports Additions

Our 18 Sports Additions stores are small, mall-based stores, averaging 2,500 square feet with approximately 90% of merchandise consisting of athletic footwear and the remainder consisting of caps and a limited assortment of apparel. Sports Additions stores offer a broader assortment of athletic footwear, with a greater emphasis on fashion than the athletic footwear assortment offered by our Hibbett Sports stores. All but 4 Sports Additions stores are currently located in malls in which Hibbett Sports stores are also present.

Sports & Co.

We opened 4 Sports & Co. superstores between March 1995 and September 1996. Sports & Co. superstores average 25,000 square feet and offer a broader assortment of athletic footwear, apparel and equipment than our Hibbett Sports stores. Athletic equipment and apparel represent a higher percentage of the overall merchandise mix at Sports & Co. superstores than they do at Hibbett Sports stores. Sports & Co. superstores are designed to project the same in-store atmosphere as our Hibbett Sports stores but on a larger scale. We have no plans to open any superstores in the future.

Team Sales

Hibbett Team Sales, Inc. (Team Sales), a wholly-owned subsidiary of the Company, is a leading supplier of customized athletic apparel, equipment and footwear to school, athletic and youth programs primarily in Alabama. Team Sales sells its merchandise directly to educational institutions and youth associations. The operations of Team Sales are independent of the operations of our retail stores. Team Sales does not meet the quantitative or qualitative reporting requirements of the Financial Accounting Standards Board’s (“FASB”) Statement of Financial Accounting Standards (“SFAS”) No. 131, “Disclosures About Segments of an Enterprise and Related Information.”

Our Expansion Strategy

In Fiscal 1994, we began to accelerate our rate of new store openings to take advantage of the growth opportunities in our target markets. We have currently identified over 350 potential markets for future Hibbett Sports stores generally within the states in which we operate. Our clustered expansion program, which calls for opening new stores within a two-hour driving distance of an existing Hibbett location, allows us to take advantage of efficiencies in distribution, marketing and regional management. We believe our current distribution center can support over 1,000 stores.

In Fiscal 2009, we plan to open approximately 85 new stores and close 10 stores while we will also remodel and expand approximately 10 stores we feel have significant sales potential. While we are opening more stores year over year, the percentage increase will decline slightly from last year's rate of 12%.

In evaluating potential markets, we consider population, economic conditions, local competitive dynamics, availability of suitable real estate and proximity to existing Hibbett Stores. Our continued growth largely depends upon our ability to open new stores in a timely manner, to operate them profitably and to manage them effectively. Additionally, successful expansion is subject to various contingencies, many of which are beyond our control. See "Risk Factors."

Our Distribution

We maintain a single 220,000 square foot distribution center in Birmingham, Alabama, which services our existing stores. The distribution process is centrally managed from our corporate headquarters, which is located in the same building as the distribution center. We believe strong distribution support for our stores is a critical element of our expansion strategy and is central to our ability to maintain a low cost operating structure.

Previously, we discussed plans to open a second distribution center in or around Dallas, Texas in Fiscal 2008. However, we have secured additional warehousing space in Birmingham for new store accumulation and have made an additional investment in our current distribution center that we believe will support our anticipated growth over the next few years primarily in the states we currently operate. Because of the additional warehousing space and investment in our current distribution center coupled with improved technology and vendor assistance with cross-docking, we believe we can service over 1,000 stores with our current infrastructure in Birmingham.

We receive substantially all of our merchandise at our distribution center. For key products, we maintain backstock at the distribution center that is allocated and distributed to stores through an automatic replenishment program based on items that are sold. Merchandise is typically delivered to stores weekly via Company-operated vehicles.

Our Merchandising Strategy

Our merchandising strategy is to provide a broad assortment of quality brand name footwear, athletic equipment, and apparel at competitive prices in a full service environment. Historically, as well as for Fiscal 2008, our most popular consumer item is athletic footwear, followed by performance and fashion apparel and team sports equipment, ranked according to sales.

We believe that the breadth and depth of our brand name merchandise selection generally exceeds the merchandise selection carried by local independent competitors. Many of these branded products are highly technical and require considerable sales assistance. We coordinate with our vendors to educate the sales staff at the store level on new products and trends.

Although the core merchandise assortment tends to be similar for each Hibbett Sports store, important local or regional differences frequently exist. Accordingly, our stores regularly offer products that reflect preferences for particular sporting activities in each community and local interests in college and professional sports teams. Our knowledge of these interests, combined with access to leading vendors, enables our stores to react quickly to emerging trends or special events, such as college or professional championships.

Our merchandising staff, operations staff and management analyze current sporting goods trends primarily through the gathering and analyzing of detail daily sales activity available through point-of-sale terminals located in the stores. We also visit Hibbett and competitor store locations, maintain close relationships with vendors and other retailers, monitor product selection at competing stores, communicate with district and store managers and review industry trade publications in an effort to recognize trends. The merchandising staff works closely with store personnel to meet the requirements of individual stores for appropriate merchandise in sufficient quantities.

Our success depends in part on our ability to anticipate and respond to changing merchandise trends and consumer demand on a store level in a timely manner. See "Risk Factors."

Our Vendor Relationships

The sporting goods retail business is very brand name driven. Accordingly, we maintain relationships with a number of well known sporting goods vendors to satisfy customer demand. We believe that our stores are among the primary retail distribution avenues for brand name vendors that seek to penetrate our target markets. As a result, we are able to attract considerable vendor interest and establish long-term partnerships with vendors. As our vendors expand their product lines and grow in popularity, we expand sales and promotions of these products within our stores. In addition, as we continue to increase our store base and enter new markets, our vendors increase their brand presence within these regions. We also emphasize and work with our vendors to establish favorable pricing and to receive cooperative marketing funds. We believe that we maintain good working relationships with our vendors. For the fiscal year ended February 2, 2008, Nike, our largest vendor, represented approximately 48.5% of our total purchases while our next largest vendor represented approximately 9.3% of our total purchases. For the fiscal year ended February 3, 2007, Nike, our largest vendor, represented approximately 47.3% of our total purchases while our next largest vendor represented approximately 9.4% of our total purchases.

The loss of key vendor support could be detrimental to our business, financial condition and results of operations. We believe that we have long-standing and strong relationships with our vendors and that we have adequate sources of brand name merchandise on competitive terms; however, we cannot guarantee that we will be able to acquire such merchandise at competitive prices or on competitive terms in the future. In this regard, certain merchandise that is high profile and in high demand may be allocated by vendors based upon the vendors' internal criterion, which is beyond our control. See "Risk Factors."

Our Advertising and Promotion

We target special advertising opportunities in our markets to increase the effectiveness of our advertising budget. In particular, we prefer advertising in local media as a way to further differentiate Hibbett from national chain competitors. Substantially all of our advertising and promotional spending is centrally directed. Print advertising, including direct mail catalogs and postcards to customers, serves as the foundation of our promotional program and accounted for the majority of our total advertising costs in Fiscal 2008. Other advertising means, such as television commercials, outdoor billboards, Hibbett trucks, our MVP loyalty program and the Hibbett website, are used to reinforce Hibbett's name recognition and brand awareness in the community.

Our Competition

The business in which we are engaged is highly competitive. Many of the items we offer in our stores are also sold by local sporting goods stores, athletic footwear and other specialty athletic stores, traditional shoe stores and national and regional sporting goods stores. The marketplace for sporting goods remains highly fragmented as many different retailers compete for market share by utilizing a variety of store formats and merchandising strategies. In recent years, there has been significant consolidation of large format retailers in large metropolitan markets. However, we believe the competitive environment for sporting goods remains different in smaller markets where retail demand may not support larger format stores. In such markets as those targeted by Hibbett, national chains compete by focusing on a specialty category like athletic footwear.

Our stores compete with national chains that focus on athletic footwear, local sporting goods stores, department and discount stores, traditional shoe stores and mass merchandisers. On a limited basis, we are also seeing competition from national sporting goods chains in some of our mid-sized markets. Although we face competition from a variety of competitors, including on-line competitors, we believe that our stores are able to compete effectively by being distinguished as sporting goods stores emphasizing team sports and fitness merchandise complemented by a selection of localized apparel and accessories. Our competitors may carry similar product lines and national brands, but we believe the principal competitive factors for all of our stores are service, breadth of merchandise offered, availability of brand names and availability of local merchandise. We believe we compete favorably with respect to these factors in the smaller markets predominantly in the Sunbelt, Mid-Atlantic and the lower Midwest. However, we cannot guarantee that we will be able to continue to compete successfully against existing or future competitors. Expansion into markets served by our competitors, entry of new competitors or expansion of existing competitors into our markets, could be detrimental to our business, financial condition and results of operations. See "Risk Factors."

Our Trademarks

Our Company, by and through subsidiaries, is the owner or licensee of trademarks that are very important to our business. For the most part, trademarks are valid as long as they are in use and/or their registrations are properly maintained. Registrations of trademarks can generally be renewed indefinitely as long as the trademarks are in use.

Following is a list of active trademarks registered and owned by the Company:

- Hibbett Sports, Registration No. 2717584
- Sports Additions, Registration No. 1767761
- Hibbett, Registration No. 78923441

Our Employees

As of February 2, 2008, we employed approximately 1,900 full-time and approximately 3,500 part-time employees, none of whom are represented by a labor union. The number of part-time employees fluctuates depending on seasonal needs. We cannot guarantee that our employees will not, in the future, elect to be represented by a union. We consider our relationship with our employees to be good and have not experienced significant interruptions of operations due to labor disagreements.

Employee Development. We develop our training programs in a continuing effort to service the needs of our customers and employees. These programs are designed to increase employee knowledge and include video training in all stores for the latest in technical detail of new products and new operational and service techniques. Because we primarily promote or relocate current employees to serve as managers for new stores, training and assessment of our employees is essential to our sustained growth.

We have implemented programs in our stores and corporate offices to ensure that we hire and promote the most qualified employees in a non-discriminatory way. One of the most significant programs we have is Hibbett University or “Hibbett U” which is an intensive, four day training session held at our corporate offices and designed specifically for store management.

Item 1A. Risk Factors.

You should carefully consider the following risks, as well as the other information contained in this report, before investing in shares of our common stock. If any of the following risks actually occur, our business could be harmed. In that case, the trading price of our common stock could decline, and you might lose all or part of your investment.

We may be unable to achieve our expansion plans for future growth.

We have grown rapidly primarily through opening new stores, growing from 67 stores at the beginning of fiscal year 1997 to 688 stores at February 2, 2008. We plan to increase our store base by opening 85 new Hibbett Sports stores while closing 10 stores in Fiscal 2009. Our continued growth depends, in large part, upon our ability to open new stores in a timely manner and to operate them profitably. Additionally, successful expansion is subject to various contingencies, many of which are beyond our control. In order to open and operate new stores successfully, we must:

- identify and secure suitable store sites on a timely basis;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- complete any necessary construction or refurbishment of these sites as well as furnish and equip the new stores timely;
- hire, train and retain competent store personnel;
- identify and source sufficient inventories to meet the needs of the new stores and the preferences of the consumers in that market; and
- successfully integrate new stores into our existing operations.

In addition, our expansion strategy may be subject to rising real estate and construction costs that could inhibit our ability to sustain our rate of growth. We may also face new competitive, distribution and merchandising challenges different from those we currently face. We cannot give any assurances that we will be able to continue our expansion plans successfully; that we will be able to achieve results similar to those achieved with prior locations; or that we will be able to continue to manage our growth effectively. Our failure to achieve our expansion plans could materially and adversely affect our business, financial condition and results of operations. In addition, our operating margins may be impacted in periods in which incremental expenses are incurred as a result of new store openings.

Our stores are concentrated within the Sunbelt, Mid-Atlantic and lower Midwest portions of the United States, which could subject us to regional risks.

Because our stores are located primarily in a concentrated area of the United States, we are subject to regional risks, such as the regional economy, weather conditions and natural disasters such as floods, droughts, tornadoes and hurricanes, increasing costs of electricity, oil and natural gas as well as government regulations specific in the states and localities within which we operate. We sell a significant amount of team sports merchandise which can be adversely affected by significant weather events that postpone the start of or shorten sports seasons or that limit participation of fans and sports enthusiasts.

A downturn in the economy could affect consumer purchases of discretionary items, which could reduce our sales.

In general, our sales represent discretionary spending by our customers. Discretionary spending is affected by many factors, including:

- interest rates and inflation;
- the impact of an economic recession;

- the impact of natural disasters;
- the availability of consumer credit;
- consumer debt levels and reduced levels of consumer disposable income;
- changes in tax rates and tax policies;
- unemployment trends; and
- consumer confidence in future economic conditions.

Increasing volatility in financial markets could cause a greater frequency or higher magnitude of change in many of the factors listed. Our customers' purchases of discretionary items, including products that we sell, could decline during periods when disposable income is lower or periods of actual or perceived unfavorable economic conditions. If this occurs, our revenues and profitability could decline. In addition, our sales could be adversely affected by a downturn in the economic conditions in the markets in which we operate.

We may be subject to periodic litigation, including the Fair Labor Standards Act lawsuits, which may adversely affect the Company's business and financial performance.

From time to time, we are involved in lawsuits, including class action lawsuits brought against us for alleged violations of the Fair Labor Standards Act. Due to the inherent uncertainties of litigation, we cannot accurately predict the ultimate outcome of any such proceedings. We may incur losses relating to these claims and, in addition, these proceedings could cause us to incur costs and may require us to devote resources to defend against these claims which could adversely affect our results of operations. For a description of current legal proceedings, see Part I, Item 3, Legal Proceedings.

Our inability to identify, and anticipate changes in consumer demands and preferences and our inability to respond to such consumer demands in a timely manner could reduce our sales.

Our products appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. Our success depends on our ability to identify product trends as well as to anticipate and respond to changing merchandise trends and consumer demand in a timely manner. We cannot assure you that we will be able to continue to offer assortments of products that appeal to our customers or that we will satisfy changing consumer demands in the future. Accordingly, our business, financial condition and results of operations could be materially and adversely affected if:

- we are unable to identify and respond to emerging trends, including shifts in the popularity of certain products;
- we miscalculate either the market for the merchandise in our stores or our customers' purchasing habits; or
- consumer demand unexpectedly shifts away from athletic footwear or our more profitable apparel lines.

In addition, we may be faced with significant excess inventory of some products and missed opportunities for other products, which could decrease our profitability.

If we lose any of our key vendors or any of our key vendors fail to supply us with merchandise, we may not be able to meet the demand of our customers and our sales could decline.

Our business is dependent to a significant degree upon close relationships with vendors and our ability to purchase brand name merchandise at competitive prices. In addition, many of our vendors provide us with incentives, such as return privileges, volume purchasing allowances and cooperative advertising. The loss of key vendor support or decline or discontinuation of vendor incentives could have a material adverse effect on our business, financial condition and results of operations. We cannot guarantee that we will be able to acquire such merchandise at competitive prices or on competitive terms in the future. In this regard, certain merchandise that is in high demand may be allocated by vendors based upon the vendors' internal criterion which is beyond our control.

In addition, we believe many of our largest vendors source a substantial majority of their products from China and other foreign countries. Imported goods are generally less expensive than domestic goods and indirectly contribute significantly to our favorable profit margins. A disruption in the flow of imported merchandise or an increase in the cost of those goods may significantly decrease our sales and profits.

We may experience a disruption or increase in the cost of imported vendor products at any time for reasons that may not be in our control. If imported merchandise becomes more expensive or unavailable, the transition to alternative sources by our vendors may not occur in time to meet our demands or the demands of our customers. Products from alternative sources may also be more expensive than those our vendors currently import. Risks associated with reliance on imported goods include:

- disruptions in the flow of imported goods because of factors such as:
- raw material shortages, work stoppages, strikes and political unrest;
- problems with oceanic shipping;
- economic crises and international disputes; and
- increases in the cost of purchasing or shipping foreign merchandise resulting from:
 - foreign government regulations;
 - changes in currency exchange rates and local economic conditions; and
- trade restrictions, including import duties, import quotas or loss of “most favored nation” status with the United States.

In addition, to the extent that any foreign manufacturer from whom our vendors are associated may directly or indirectly utilize labor practices that are not commonly accepted in the United States, we could be affected by any resulting negative publicity. Our sales and profitability could decline if vendors are unable to promptly replace sources providing equally appealing products at a similar cost.

Problems with our information system software could disrupt our operations and negatively impact our financial results and materially adversely affect our business operations.

The efficient operation of our business is dependent on the successful integration and operation of our information systems. In particular, we rely on our information systems to manage effectively our sales, distribution, merchandise planning and replenishment, to process financial information and sales transactions and to optimize our overall inventory levels. Most of our information systems are centrally located at our headquarters, with offsite backup at other locations. Our systems, if not functioning properly, could disrupt our ability to track, record and analyze sales and inventory movement and could cause disruptions of operations, including, among other things, our ability to process and ship inventory, process financial information including credit card transactions, process payrolls or vendor payments or engage in other similar normal business activities. Any material disruption, malfunction or other similar problems in or with our information systems could negatively impact our financial results and materially adversely affect our business operations.

Pressure from our competitors may force us to reduce our prices or increase our spending, which would lower our revenue and profitability.

The business in which we are engaged is highly competitive. The marketplace for sporting goods remains highly fragmented as many different retailers compete for market share by utilizing a variety of store formats and merchandising strategies. We compete with national chains that focus on athletic footwear, local sporting goods stores, department and discount stores, traditional shoe stores and mass merchandisers and, on a limited basis, national sporting goods stores. Many of our competitors have greater financial resources than we do. In addition, many of our competitors employ price discounting policies that, if intensified, may make it difficult for us to reach our sales goals without reducing our prices. As a result of this competition, we may also need to spend more on advertising and promotion than we anticipate. We cannot guarantee that we will continue to be able to compete successfully against existing or future competitors. Expansion into markets served by our competitors, entry of new competitors or expansion of existing competitors into our markets could be detrimental to our business, financial condition and results of operations.

Our operating results are subject to seasonal and quarterly fluctuations, which could cause the market price of our common stock to decline.

We have historically experienced and expect to continue to experience seasonal fluctuations in our net sales, operating income and net income. Our net sales, operating income and net income are typically higher in the spring, back-to-school and Christmas holiday seasons. An economic downturn during these periods could adversely affect us to a greater extent than if a downturn occurred at other times of the year.

Our highest sales and operating income historically occur during the fourth fiscal quarter, due mostly to the holiday selling season. Any decrease in our fourth quarter sales, whether because of a slow holiday selling season, unseasonable weather conditions, slowing economic conditions, or otherwise, could have a material adverse effect on our business, financial condition and operating results for the entire fiscal year.

Our quarterly operating results, including comparable store sales, will fluctuate and may not be a meaningful indicator of future performance and such fluctuations could adversely affect the market price of our common stock.

Our net sales and quarterly results of operations have fluctuated in the past and vary from quarter to quarter. A number of factors, many outside our control, can cause variations in our quarterly results, including:

- changes in product demand that we offer in our stores;

- retirement or demise of sports superstars key to certain product promotion;
- strikes or lockouts involving professional sports teams;
- costs related to the closures of existing stores;
- changes in our merchandise assortment;
- population trends and changes in the business environment.

Changes in our comparable store sales results could affect the price of our common stock. Factors which have historically affected, and will continue to affect our comparable store sales results, include:

- shifts in consumer tastes and fashion trends;
- calendar shifts of holiday or seasonal periods;
- the timing of new store openings and the relative proportion of new stores to mature stores;
 - the level of pre-operating expenses associated with new stores;
 - the amount and timing of net sales contributed by new stores;
- changes in the other tenants in the shopping centers in which we are located;
- pricing, promotion or other actions taken by our competitors or the addition of new competitors within our markets;
 - the timing and type of promotional events; and
 - unseasonable weather conditions or natural disasters.

We cannot assure you that comparable store sales will trend at the rates achieved in prior periods or that rates will not decline. Comparable store sales vary from quarter to quarter, and an unanticipated decline in revenues or comparable store sales may cause the price of our common stock to fluctuate significantly.

The market price of our common stock is likely to be highly volatile as the stock market in general is and has been highly volatile. Factors that could cause fluctuation in our common stock price may include, among other things:

- actual or anticipated variations in quarterly operating results;
- changes in financial estimates by security analysts;
- our inability to meet or exceed securities analysts' estimates or expectations;
- market reaction to conditions or trends within our industry or to changes in the market valuations of other retail companies;
- additions or departures of key personnel;
- market rumors or announcements by us or by our competitors of significant acquisitions, divestitures or joint ventures, strategic partnerships or other strategic initiatives;
- announcements by us of large capital commitments; and
- sales of our common stock by key personnel or large institutional holders.

Many of these factors are beyond our control and may cause the market price of our common stock to decline, regardless of our operating performance.

We would be materially and adversely affected if our single distribution center were shut down.

We currently operate a single centralized distribution center in Birmingham, Alabama. We receive and ship substantially all of our merchandise at our distribution center. Any natural disaster or other serious disruption to this facility due to fire, tornado or any other cause would damage a portion of our inventory and could impair our ability to adequately stock our stores and process returns of products to vendors and could adversely affect our sales and profitability. In addition, we could incur significantly higher costs and longer lead times associated with distributing our products to our stores during the time it takes for us to reopen or replace the center.

We depend on key personnel.

We have benefited from the leadership and performance of our senior management, especially Michael J. Newsome, our Chairman and Chief Executive Officer. If we lose the services of any of our principal executive officers, including Mr. Newsome we may not be able to run our business effectively and operating results could suffer. In particular, Mr. Newsome has been instrumental in directing our business strategy within our target markets in the Sunbelt, Mid-Atlantic and the lower Midwest and maintaining long-term relationships with our key vendors. Our overall success and the success of our expansion strategy will depend on our ability to retain our current management, including Mr. Newsome, and our ability to attract and retain qualified personnel in the future. As we continue to grow, we will continue to hire, appoint or otherwise change senior managers and other key executives. We do not maintain key man life insurance on any of our executive officers. The loss of services of Mr. Newsome for any reason could have a material adverse effect on our business, financial condition and results of operations. In addition, the loss of certain other principal executive officers could affect our ability to run our business effectively and our ability to successfully expand our operations.

On March 9, 2005, we entered into a Retention Agreement (the Agreement) with Mr. Newsome. The purpose of the Agreement is to secure the continued employment of Mr. Newsome as an advisor to us following his future retirement from the duties of Chief Executive Officer of our Company. Such retirement is not currently planned.

Provisions in our charter documents and Delaware law might deter acquisition bids for us.

Certain provisions of our certificate of incorporation and bylaws may be deemed to have anti-takeover effects and may discourage, delay or prevent a takeover attempt that a stockholder might consider in its best interest. These provisions, among other things:

- classify our Board of Directors into three classes, each of which serves for different three year periods;
- provide that a director may be removed by stockholders only for cause by a vote of the holders of not less than two-thirds of our shares entitled to vote;
- provide that all vacancies on our Board of Directors, including any vacancies resulting from an increase in the number of directors, may be filled by a majority of the remaining directors, even if the number is less than a quorum;
- provide that special meetings of the stockholders may only be called by the Chairman of the Board of Directors, a majority of the Board of Directors or upon the demand of the holders of a majority of the shares entitled to vote at any such special meeting; and
- call for a vote of the holders of not less than two-thirds of the shares entitled to vote in order to amend the foregoing provisions and certain other provisions of our certificate of incorporation and bylaws.

In addition, our Board of Directors, without further action of the stockholders, is permitted to issue and fix the terms of preferred stock which may have rights senior to those of common stock. We are also subject to the Delaware business combination statute, which may render a change in control of us more difficult. Section 203 of the Delaware General Corporation Laws would be expected to have an anti-takeover effect with respect to transactions not approved in advance by the Board of Directors, including discouraging takeover attempts that might result in a premium over the market price for the shares of Common Stock held by stockholders.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

We currently lease all of our existing 688 store locations and expect that our policy of leasing rather than owning will continue as we continue to expand. Our leases typically provide for terms of five to ten years with options on our part to extend. Most leases also contain a kick-out clause if projected sales levels are not met and an early termination/remedy option if co-tenancy and exclusivity provisions are violated. We believe this leasing strategy enhances our flexibility to pursue various expansion opportunities resulting from changing market conditions and to periodically re-evaluate store locations. Our ability to open new stores is contingent upon locating satisfactory sites, negotiating favorable leases, recruiting and training qualified management personnel and the availability of market relevant inventory.

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

Our corporate offices and our retail distribution center are leased under an operating lease. We own the Team Sales' facility located in Birmingham, Alabama that warehouses inventory for educational institutions and youth associations. We believe our current distribution center is suitable and adequate to support our immediate needs in the next few years.

Store Locations

As of February 2, 2008, we currently operate 688 stores in 23 contiguous states. Of these stores, 224 are located in malls and 464 are located in strip-shopping centers which are typically anchored by a Wal-Mart store. The following shows the number of locations by state as of March 28, 2008:

Alabama	79	Kansas	15	Ohio	14
Arizona	5	Kentucky	33	Oklahoma	27
Arkansas	34	Louisiana	33	South Carolina	31
Florida	32	Missouri	21	Tennessee	50
Georgia	84	Mississippi	52	Texas	67
Iowa	5	Nebraska	4	Virginia	16
Illinois	16	New Mexico	7	West Virginia	4

Indiana	18	North Carolina	44	TOTAL	691
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Item 3. Legal Proceedings.

In October 2005, three former employees filed a lawsuit in Mississippi federal court alleging they are owed back wages for overtime because they were improperly classified as exempt salaried employees. They also alleged other wage and hour violations. The suit asked the court to certify the case as a collective action under the Fair Labor Standards Act on behalf of all similarly situated employees. We dispute the allegations of wrongdoing in this complaint and have vigorously defended ourselves in this matter. However, the parties have negotiated a settlement and the court has now ruled to certify the collective action in accordance with the negotiated settlement. At February 2, 2008, we began making initial distributions and estimated that the remaining liability related to this matter is \$755,000. Accordingly, we accrued \$755,000 as a current liability on our condensed consolidated balance sheet. At February 3, 2007, we had accrued \$750,000 as a current liability on our condensed consolidated balance sheet relating to this matter. Subsequent to the end of Fiscal 2008, we completed our obligation under the negotiated settlement related to this case.

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

The estimate of our liability for pending and unasserted potential claims does not include litigation costs. It is our policy to accrue legal fees when it is probable that we will have to defend against known claims or allegations and we can reasonably estimate the amount of the anticipated expense. Although we have accrued legal fees associated with litigation currently pending against us, we have not made any accruals for potential liability for settlements or judgments because the potential liability is neither probable nor estimable.

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

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

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

No matters were submitted to a vote of our stockholders during the fourth quarter of Fiscal 2008.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

Our common stock is traded on the NASDAQ Global Select Market (NASDAQ) under the symbol HIBB. The following table sets forth, for the periods indicated, the high and low sales prices of shares of our Common Stock as reported by NASDAQ.

	High	Low
Fiscal 2008:		
First Quarter ended May 5, 2007	\$ 32.97	\$ 27.26
Second Quarter ended August 4, 2007	\$ 30.62	\$ 23.70
Third Quarter ended November 3, 2007	\$ 28.74	\$ 21.09
Fourth Quarter ended February 2, 2008	\$ 23.65	\$ 12.30
Fiscal 2007:		
First Quarter ended April 29, 2006	\$ 34.54	\$ 28.20
Second Quarter ended July 29, 2006	\$ 31.19	\$ 18.95
Third Quarter ended October 28, 2006	\$ 28.16	\$ 18.90
Fourth Quarter ended February 3, 2007	\$ 33.95	\$ 27.00

On March 28, 2008, the last reported sale price for our common stock as quoted by NASDAQ was \$15.06 per share. As of March 28, 2008, we had 23 stockholders of record.

The Stock Price Performance Graph below compares the percentage change in our cumulative total stockholder return on its common stock against a cumulative total return of the NASDAQ Composite Index and the NASDAQ Retail Trade Index. The graph below outlines returns for the period beginning on January 31, 2003 to January 31, 2008. We have not paid any dividends. Total stockholder return for prior periods is not necessarily an indication of future performance.

We have never declared or paid any dividends on our common stock. We currently intend to retain our future earnings to finance the growth and development of our business and for our stock repurchase program, and therefore do not anticipate declaring or paying cash dividends on our common stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant.

The following table presents our share repurchase activity for the thirteen weeks and quarter ending February 2, 2008:

ISSUER PURCHASES OF EQUITY SECURITIES (1)

Period	Total Number of Shares Purchased	Average Price per Share	Total Number of Shares Purchased as Part of Publicly Announced Programs	Approximate Dollar Value of Shares that may yet be Purchased Under the Programs
As of November 3, 2007	5,276,713	\$ 23.45	5,276,713	\$ 126,239,000
November 4, 2007 to December 1, 2007	302,600	21.44	302,600	119,752,000
December 2, 2007 to January 5, 2008	432,400	20.45	432,400	110,908,000
January 6, 2008 to February 2, 2008	711,400	15.34	711,400	99,996,000
Quarter ended February 2, 2008	1,446,400	18.14	1,446,400	99,996,000
TOTAL since inception	6,723,113	\$ 22.31	6,723,113	\$ 99,996,000

(1) In August 2004, the Board of Directors authorized a plan to repurchase our common stock. The Board of Directors has subsequently authorized increases to this plan with a current authorization effective November 2007 of \$250.0 million. The current authorization expires on January 30, 2010. Considering stock repurchases through February 2, 2008, we have approximately \$100.0 million of the total authorization remaining for future stock repurchases.

Item 6. Selected Consolidated Financial Data.

The following selected consolidated financial data has been derived from the consolidated financial statements of the Company. The data set forth below should be read in conjunction with “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our Consolidated Financial Statements and Notes to Financial Statements thereto.

(Dollars in thousands, except share and per share amounts and Selected Operating Data)
Fiscal Year Ended

	February 2, 2008 (52 weeks)	February 3, 2007 (53 weeks)	January 28, 2006 (52 weeks)	January 29, 2005 (52 weeks)	January 31, 2004 (52 weeks)
Income Statement Data:					
Net sales	\$ 520,720	\$ 512,094	\$ 440,269	\$ 377,534	\$ 320,964
Cost of goods sold, including distribution center and store occupancy costs	351,876	338,963	293,368	255,250	216,938
Gross profit	168,844	173,131	146,901	122,284	104,026
Store operating, selling and administrative expenses					
Depreciation and amortization	108,463	100,461	85,060	72,923	63,514
Operating income	48,227	61,738	51,722	39,422	30,826
Interest income	582	906	1,170	517	165
Interest expense	151	30	24	42	59
Interest income, net	431	876	1,146	475	106
Income before provision for income taxes	48,658	62,614	52,868	39,897	30,932
Provision for income taxes	18,329	24,541	19,244	14,750	11,290
Net income	\$ 30,329	\$ 38,073	\$ 33,624	\$ 25,147	\$ 19,642
Earnings per common shares:					
Basic	\$ 0.98	\$ 1.19	\$ 1.00	\$ 0.72	\$ 0.57
Diluted	\$ 0.96	\$ 1.17	\$ 0.98	\$ 0.70	\$ 0.55
Weighted average shares outstanding:					
Basic	31,049,058	32,094,127	33,605,568	34,855,682	34,521,674
Diluted	31,525,050	32,619,839	34,393,026	35,690,363	35,397,089
Balance Sheet Data:					
Working capital	\$ 89,383	\$ 106,428	\$ 98,623	\$ 106,012	\$ 96,042
Total assets	216,734	212,853	195,829	202,105	173,759
Long-term debt	-	-	-	-	-
Stockholders' investment	119,055	136,641	124,773	130,039	120,440

Selected Operating Data:

Number of stores open at end of period:

Hibbett Sports	666	593	527	461	408
Sports & Co.	4	4	4	4	4
Sports Additions	18	16	18	17	16
Total	688	613	549	482	428

Note: No dividends have been declared or paid.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Overview

Hibbett Sports, Inc. operates sporting goods stores in small to mid-sized markets, predominantly in the Sunbelt, Mid-Atlantic and the lower Midwest. Our stores offer a broad assortment of quality athletic equipment, footwear and apparel with a high level of customer service. As of February 2, 2008 we operated a total of 688 retail stores composed of 666 Hibbett Sports stores, 18 Sports Additions athletic shoe stores and 4 Sports & Co. superstores in 23 states.

Our primary retail format and growth vehicle is Hibbett Sports, a 5,000-square-foot store located primarily in strip centers which are usually anchored by a Wal-Mart store and in enclosed malls. Over the last several years, we have concentrated and expect to continue our store base growth in strip centers versus enclosed malls. We believe Hibbett Sports stores are typically the primary sporting goods retailers in their markets due to the extensive selection of quality branded merchandise and a high level of customer service. We do not expect that the average size of our stores opening in Fiscal 2009 will vary significantly from the average size of stores opened in Fiscal 2008.

We historically have comparable store sales in the low to mid-single digit range. We plan to increase total company-wide square footage by approximately 11% in Fiscal 2009, which is slightly below our increases over the last several years of between 12% and 15%. We believe total sales percentage growth will be mid to high single digits in Fiscal 2009. Over the past several years, we have increased our product margin due to improved vendor discounts, fewer retail reductions, increased efficiencies in logistics and favorable leveraging of store occupancy costs. We expect a slight improvement in product margin rate in Fiscal 2009 attributable primarily to improved vendor discounts.

Due to our increased sales, we have historically leveraged our store operating, selling and administrative expenses. Based on projected sales, we expect operating, selling and administrative rates to increase somewhat in Fiscal 2009 primarily due to lower than normal historical sales growth and increases in statutory minimum wage. We also expect to continue to generate sufficient cash to enable us to expand and remodel our store base and to provide capital expenditures for both distribution center and technology upgrade projects.

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

Our audited consolidated financial statements presented in this Form 10-K differ from our earnings release reported on March 13, 2008 due to a refinement of our estimate of the lower of cost or market reserve. The revised estimate resulted in a decrease of \$0.8 million in ending inventory and pre-tax income from previously reported numbers.

Hibbett operates on a 52- or 53-week fiscal year ending on the Saturday nearest to January 31 of each year. The consolidated statement of operations for fiscal year ended February 2, 2008 includes 52 weeks of operations. The consolidated statements of operations for fiscal year ended February 3, 2007 includes 53 weeks of operations and the consolidated statements of operations for fiscal year ended January 28, 2006 includes 52 weeks of operations. We have operated as a public company and have been incorporated under the laws of the State of Delaware since October 6, 1996.

Results of Operations

The following table sets forth the percentage relationship to net sales of certain items included in our Consolidated Statements of Operations expressed for the periods indicated.

	Fiscal Year Ended		
	February 2, 2008	February 3, 2007	January 28, 2006
Net sales	100.0%	100.0%	100.0%
Costs of goods sold, including distribution and store occupancy costs	67.6	66.2	66.6
Gross profit	32.4	33.8	33.4
Store operating, selling and administrative expenses	20.8	19.6	19.3
Depreciation and amortization	2.3	2.1	2.3
Operating income	9.3	12.1	11.8
Interest income	0.1	0.2	0.3
Interest expense	-	-	-
Interest income, net	0.1	0.2	0.3
Income before provision for income taxes	9.3	12.2	12.0
Provision for income taxes	3.5	4.8	4.4
Net income	5.8%	7.4%	7.6%

Note: Columns may not foot due to rounding.

Fiscal 2008 Compared to Fiscal 2007

Net sales. Net sales increased \$8.6 million, or 1.7%, to \$520.7 million for the 52 weeks ended February 2, 2008, from \$512.1 million for the 53 weeks ended February 3, 2007. We attribute this slight increase to the following factors:

- We opened 82 Hibbett Sports and 2 Sports Additions stores while closing 9 Hibbett Sports stores for net stores opened of 75 stores in the 52 weeks ended February 2, 2008. New stores and stores not in the comparable store net sales calculation accounted for \$22.6 million of the increase in net sales.
- We experienced a 3.1% decrease in comparable store net sales for the 52 weeks ended February 2, 2008 compared to the 52 weeks ended January 27, 2007 primarily as the result of a decrease in store traffic resulting from a difficult economic environment in our industry.
- Net sales increased 4.1% for the 52 weeks ended February 2, 2008 compared to the 52 weeks ended January 27, 2007.
- Net sales from the 53rd week of Fiscal 2007 accounted for approximately \$11.8 million or approximately 2.4%.

We believe the decrease in comparable store sales is attributable to overall economic pressures on our consumers resulting from the housing slump, rising fuel prices and anxiety over the economy in general. Additionally, our results were impacted by a weakening in our urban markets as we believe those fashion dollars historically used for high-priced athletic shoes and fashion items shifted to high-priced electronics. We experienced the following trends in Fiscal 2008:

- We experienced an overall decline in footwear and equipment sales.

- Pro-licensed apparel continued its slow down, especially in NBA licensed product.
- We saw a negative shift in our urban fashion apparel and footwear.

Comparable store net sales data for the period reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel or relocation results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months. During the 52 weeks ended February 2, 2008, 524 stores were included in the comparable store sales comparison. Our four Sports & Co. stores are not and have never been included in the comparable store net sales comparison because we have not opened a superstore since September 1996 nor do we plan to open additional superstores in the future.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was \$168.8 million, or 32.4% of net sales, in the 52 weeks ended February 2, 2008, compared with \$173.1 million, or 33.8% of net sales, in the 53 week period of the prior fiscal year. We attribute this decrease in gross profit to a slight decrease in product margins and the deleveraging of store occupancy costs and distribution expenses. Store occupancy experienced its largest increases in rent expense and utilities expenses as a percent to sales. Distribution expenses were impacted primarily in data processing costs resulting from contract labor costs to support information technology upgrades and projects.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$108.5 million, or 20.8% of net sales, for the 52 weeks ended February 2, 2008, compared with \$100.5 million, or 19.6% of net sales, for the 53 weeks ended February 3, 2007. Expenses contributing to this increase included:

- Salary and benefit costs in our stores increased by 81 basis points while decreasing 29 basis points at the administrative level. Store costs were impacted by the lower than expected sales growth and larger than normal fourth quarter store openings, while administrative salaries decreased as a result of lost bonuses.
- Net advertising expenses increased 18 basis points due to the increased advertising efforts for new and low performing stores.
- Stock-based compensation accounted for 15 basis points. The expense associated with the movement of certain grant dates into the first quarter as compared to a year ago was somewhat offset by a higher than normal forfeiture of awards resulting from employee turnover and loss of performance-based awards.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 2.3% in the 52 weeks ended February 2, 2008, and 2.1% in the 53 weeks ended February 3, 2007. The weighted-average lease term of new store leases added in Fiscal 2008 compared to those added in Fiscal 2007 decreased in lease terms at 6.71 years compared to 7.62 years, respectively. We attribute the increase in depreciation expense as a percent to sales to the shorter lease terms as well as the information systems placed in service as of February 4, 2007.

Provision for income taxes. Provision for income taxes as a percentage of net sales was 3.5% in the 52 weeks ended February 2, 2008, compared to 4.8% for the 53 weeks ended February 3, 2007. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 37.7% for Fiscal 2008 and 39.2% for Fiscal 2007. The decrease in rate over last year is primarily the result of the favorable resolution of certain state tax issues, lower than historical stock option exercise behavior, and higher than historical equity forfeitures offset somewhat by the permanent differences related to incentive stock options.

Fiscal 2007 Compared to Fiscal 2006

Net sales. Net sales increased \$71.8 million, or 16.3%, to \$512.1 million for the 53 weeks ended February 3, 2007, from \$440.3 million for the 52 weeks ended January 28, 2006. We attribute this increase to the following factors:

- We opened 74 Hibbett Sports and closed 8 Hibbett Sports stores and 2 Sports Additions stores for net stores opened of 64 stores in the 53 weeks ended February 3, 2007. New stores and stores not in the comparable store net sales calculation accounted for \$56.7 million of the increase in net sales.
- We experienced a 3.8% increase in comparable store net sales for the 52 weeks ended January 27, 2007 primarily as the result of an increase in price. Higher comparable store net sales contributed \$15.1 million to the increase in net sales.
- We believe sales pick-up related to the 53rd week contributed approximately 2.7% to the increase in sales over last year.

We believe the increase in comparable store sales is attributable to an overall positive merchandise performance during the year and increased focus on customer service. Additionally, our results were positively impacted in the third quarter by the introduction of tax-free holidays in three of our states and an increased promotional effort in an attempt to leverage the strong post-hurricane sales from the prior year. We also experienced strong seasonal sales in the last quarter of Fiscal 2007 related to the Christmas holidays.

- Nike and Under Armour brands experienced solid performance in youth and cleats, performance apparel and team equipment.
- Pro and college licensed apparel performed well, particularly in youth products and NFL jerseys. Key professional teams in our market included the Indianapolis Colts, New Orleans Saints and Chicago Bears. Top selling NFL jerseys included Peyton Manning, Reggie Bush, Tony Romo and Brian Urlacher. College licensed apparel was led by women's Nike product.
 - We continue to experience weakness in caps and in classics footwear.

Comparable store net sales data for the period reflects sales for our traditional format Hibbett Sports and Sports Additions stores open throughout the period and the corresponding period of the prior fiscal year. If a store remodel or relocation results in the store being closed for a significant period of time, its sales are removed from the comparable store base until it has been open a full 12 months. During the 52 weeks ended January 27, 2007, 459 stores were included in the comparable store sales comparison. Our four Sports & Co. stores are not and have never been included in the comparable store net sales comparison because we have not opened a superstore since September 1996 nor do we plan to open additional superstores in the future.

Gross profit. Cost of goods sold includes the cost of inventory, occupancy costs for stores and occupancy and operating costs for the distribution center. Gross profit was \$173.1 million, or 33.8% of net sales, in the 53 weeks ended February 3, 2007, compared with \$146.9 million, or 33.4% of net sales, in the 52 week period of the prior fiscal year. We attribute this increase in gross profit primarily to a reduction in markdown rate. Occupancy, as a percent of net sales, improved by 31 basis points year over year due to decreases in common area maintenance and rental expenses as a percentage of sales. Offsetting these decreases were distribution center costs by 10 basis points, primarily due to the increased repair and maintenance expenses and a decrease in vendor violations.

Store operating, selling and administrative expenses. Store operating, selling and administrative expenses were \$100.5 million, or 19.6% of net sales, for the 53 weeks ended February 3, 2007, compared with \$85.1 million, or 19.3% of net sales, for the 52 weeks ended January 28, 2006. These expenses increased as a percentage of net sales between periods primarily due to the implementation of 123R which added 53 basis points in stock based compensation. Other trends experienced included:

- an increase in legal fees as a percent of net sales of 8 basis points related to pending litigation;
- an increase in credit/debit card fees as a percent of net sales of 7 basis points related to the increased use of these tenders by our customers over cash; and
- decreases as a percent of net sales in insurance costs of 11 basis points and freight and shipping costs of 5 basis points.

Depreciation and amortization. Depreciation and amortization as a percentage of net sales was 2.1% in the 53 weeks ended February 3, 2007, and 2.3% in the 52 weeks ended January 28, 2006. We experienced a slight trend upwards in the terms of our new store leases which contributed to the leveraging of depreciation expense as leasehold improvements were expensed over the longer lease term which, in most cases, is less than the estimated useful life of the asset. Our average lease term of leases added in Fiscal 2007 was 7.44 years compared to 7.15 years for leases added in Fiscal 2006.

Provision for income taxes. Provision for income taxes as a percentage of net sales was 4.8% in the 53 weeks ended February 3, 2007, compared to 4.4% for the 52 weeks ended January 28, 2006. The combined federal, state and local effective income tax rate as a percentage of pre-tax income was 39.2% for Fiscal 2007 and 36.4% for Fiscal 2006. The increase in rate over last year is primarily the result of the permanent difference related to incentive stock options arising as a result of applying the provisions of SFAS No. 123R.

Liquidity and Capital Resources

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

Our Consolidated Statements of Cash Flows are summarized as follows (in thousands):

	Fiscal Year Ended		
	February 2, 2008	February 3, 2007	January 28, 2006
Net cash provided by operating activities:	\$ 48,022	\$ 36,462	\$ 38,061
Net cash used in investing activities:	(16,549)	(2,997)	(28,532)
Net cash used in financing activities:	(51,098)	(29,042)	(41,927)
Net (decrease) increase in cash and cash equivalents	\$ (19,625)	\$ 4,423	\$ (32,398)

Operating Activities.

Cash flow from operations is seasonal in our business. Typically, we use cash flow from operations to increase inventory in advance of peak selling seasons, such as pre-Christmas and back-to-school. Inventory levels are reduced in connection with higher sales during the peak selling seasons and this inventory reduction, combined with proportionately higher net income, typically produces a positive cash flow.

Net cash provided by operating activities was \$48.0 million for the 52 weeks ended February 2, 2008 compared with net cash provided by operating activities of \$36.5 million and \$38.1 million in the 53 weeks ended February 3, 2007 and the 52 weeks ended January 28, 2006, respectively.

Inventory levels have continued to increase year over year as the number of stores have increased. The increase in inventory used cash of \$16.0 million, \$16.4 million and \$5.9 million during Fiscal 2008, 2007, and 2006, respectively, while the accounts payable increase provided cash of \$22.1 million during Fiscal 2008 as we managed cash while protecting vendor discounts. During Fiscal 2007 and Fiscal 2006, the accounts payable decrease used cash of \$3.9 million and \$4.3 million, respectively. Net income provided cash of \$30.3 million, \$38.1 million and \$33.6 million during Fiscal 2008, 2007 and 2006, respectively. Also offsetting uses of cash were non-cash charges, including depreciation and amortization expense of \$12.2 million, \$10.9 million and \$10.1 million during Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively, and stock-based compensation expense of \$3.7 million and \$2.8 million during Fiscal 2008 and Fiscal 2007, respectively. A shift in the timing of certain equity awards contributed to the increase in stock-based compensation in Fiscal 2008 over Fiscal 2007.

Investing Activities.

Cash used in investing activities in the fiscal periods ended February 2, 2008, February 3, 2007 and January 28, 2006 totaled \$16.5 million, \$3.0 million and \$28.5 million, respectively. Net purchases of short-term investments were \$0.2 million during Fiscal 2008 compared to net redemptions of short-term investments of \$13.2 million during Fiscal 2007 and net purchases of short-term investments of \$13.2 million during Fiscal 2006. Gross capital expenditures used \$16.4 million, \$16.3 million and \$15.3 million during Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively. In Fiscal 2008, short-term investments were redeemed for cash used in our stock repurchase program.

We use cash in investing activities to build new stores and remodel or relocate existing stores. Furthermore, net cash used in investing activities includes purchases of information technology assets and expenditures for our distribution facility and corporate headquarters.

We opened 84 new stores and relocated and/or remodeled 13 existing stores during the 52 weeks ended February 2, 2008. We opened 74 new stores and relocated and/or remodeled 7 existing stores during the 53 weeks ended February 3, 2007. We opened 74 new stores and relocated and/or remodeled 9 existing stores during the 52 weeks ended January 28, 2006.

We estimate the cash outlay for capital expenditures in the fiscal year ended January 31, 2009 will be approximately \$24.0 million, which relates to the opening of approximately 85 new stores, remodeling of selected existing stores, information system upgrades and various improvements at our headquarters and distribution center. Of the total budgeted dollars for capital expenditures for Fiscal 2009, we anticipate that approximately 70% will be related to the opening of new stores and remodeling and or relocating existing stores. Approximately 21% will be related to information systems with the remaining 9% related primarily to office expansion and security equipment for our stores.

As of February 2, 2008, we had an approximate \$0.1 million outlay remaining on enhancements to our JDA system relating to inventory planning and replenishment. We anticipate that these upgrades will be implemented in the first half of Fiscal 2009 and believe these enhancements will help us develop better efficiencies in the allocation and planning of inventory and better enable us to analyze and generally improve sales across all markets and merchandise by allowing us to better analyze inventory at the store level.

Financing Activities.

Net cash used in financing activities was \$51.1 million in the 52 weeks ended February 2, 2008 compared to \$29.0 million in the 53 weeks ended February 3, 2007 and \$41.9 million in the 52 weeks ended January 28, 2006, respectively. The cash fluctuation as compared to prior fiscal years was primarily the result of the repurchase of our common stock. We expended \$52.7 million, \$33.0 million and \$45.3 million on repurchases of our common stock during Fiscal 2008, Fiscal 2007 and Fiscal 2006, respectively.

Financing activities also consisted of proceeds from transactions in our common stock and the excess tax benefit from the exercise of incentive stock options. As stock options are exercised, we will continue to receive proceeds and expect a tax deduction; however, the amounts and timing cannot be predicted.

At February 2, 2008, we had a revolving credit facility that allows borrowings up to \$30.0 million and which renews in August 2008. Under the provisions of this facility, we can draw down funds when our main operating account falls below \$100,000. The facility does not require a commitment or agency fee and there are no covenant restrictions associated with the facility. We plan to renew this facility as it expires and do not anticipate any problems in doing so; however, no assurance can be given that we will be granted a renewal or terms which are acceptable to us.

Subsequent to fiscal year ended February 2, 2008, we entered into an additional revolving credit facility that allows borrowings up to \$50.0 million to facilitate our stock repurchase program. The facility is unsecured and expires on December 31, 2008. There are no covenant restrictions on this facility.

At February 3, 2007, we had a revolving credit facility that allowed borrowings up to \$15.0 million and renewed annually in November. Under the provisions of this facility, we could draw down funds when our main operating account fell below \$100,000. The facility did not require a commitment or agency fee and there were no covenant restrictions associated with the facility.

At January 28, 2006, we had two unsecured credit facilities that allowed borrowings up to \$15.0 million and \$10.0 million and which renewed annually in November. Under the provisions of these facilities, we could draw down funds when our main operating account fell below \$100,000. Neither facility required a commitment or agency fee nor were there any covenant requirements.

As of February 2, 2008, February 3, 2007 and January 28, 2006, we had no debt outstanding under any of these facilities. Based on our current operating and store opening plans and plans for the repurchase of our common stock, we believe we can fund our cash needs for the foreseeable future through cash generated from operations and, if necessary, through periodic future borrowings against our credit facilities.

The following table lists the aggregate maturities of various classes of obligations and expiration amounts of various classes of commitments related to Hibbett Sports, Inc. at February 2, 2008:

	Payments due under contractual obligations (in thousands)			
	Long-term Debt Obligations	Capital Lease Obligations	Operating Lease Obligations	Total
	(1)	(2)	(3)	
Fiscal 2009	\$ -	\$ -	\$ 40,332	\$ 40,332
Fiscal 2010	-	-	35,676	35,676
Fiscal 2011	-	-	28,735	28,735
Fiscal 2012	-	-	22,635	22,635
Fiscal 2013	-	-	17,519	17,519
Thereafter	-	-	32,280	32,280
	\$ -	\$ -	\$ 177,177	\$ 177,177

(1) See “Debt” – Consolidated Financial Statement Note 5 in Item 8.

(2) As of Fiscal 2008, we do not have any capital lease obligations.

(3) See “Lease Commitments” – Consolidated Financial Statements Note 9 in Item 8.

Approximately \$2.3 million of unrecognized tax benefits have been recorded as liabilities in accordance with FIN No. 48 and we are uncertain as to if or when such amounts may be settled.

Off-Balance Sheet Arrangements

We have not provided any financial guarantees as of February 2, 2008. All purchase obligations are cancelable and therefore are not included in the table above.

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

Inflation and Other Economic Factors

Our ability to provide quality merchandise on a profitable basis may be subject to economic factors and influences that we cannot control. National or international events, including the war on terrorism and unrest in the Middle East, could lead to disruptions in economies in the United States or in foreign countries where a significant portion of our merchandise is manufactured. These and other factors could increase our merchandise costs and other costs that are critical to our operations. Consumer spending could also decline because of economic pressures.

Merchandise Costs. Based on current economic conditions, we expect that any increase in merchandise costs per unit will be offset by improved vendor discounts and increased retail prices in Fiscal 2009.

Freight Costs. We continued to experience rising fuel costs during Fiscal 2008 that increased our freight costs and we expect that fuel costs may continue to rise in Fiscal 2009. We do not expect increases in freight costs to have a material effect on our results of operations as we continue to leverage the costs associated with inbound freight against the cost of outbound freight.

Minimum Wage. Recent increases in the mandated minimum wage have impacted our payroll costs. Congress has approved federal minimum wage increases by approximately 41% over a three year period with the first increase of approximately 14% taking place during Fiscal 2008. By July 2009, the federal minimum wage will increase an additional 24.0%. All of the states we operate in have either passed legislation to raise the minimum wage or their minimum wage is increasing in conjunction with the federal minimum wage. Some of the states have automatic provision for future increase based on the Consumer Price Index or on inflation.

Insurance Costs. In Fiscal 2008, we continued to experience a decrease in general business insurance that began in Fiscal 2007, when we changed to a partially self-insured program for our workers' compensation and general liability. During both fiscal periods, we have experienced an increase in our average monthly health insurance claims. In Fiscal 2006, we experienced an increase in general business insurance costs due to raised limits on Directors and Officers insurance and expanded coverage on our distribution center. During the same period, health insurance declined due to a reduction in claims. In Fiscal 2009, we expect that general business insurance costs will stabilize while health insurance costs will increase slightly.

Recent Accounting Pronouncements

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities – Including an Amendment of FASB Statement 115." This statement permits companies to elect to measure certain assets and liabilities at fair value. At each reporting date subsequent to adoption, unrealized gains and losses on items for which the fair value option has been elected must be reported in earnings. SFAS No. 159 was effective as of the beginning of the first fiscal year that began after November 15, 2007, or February 3, 2008 for our Company. The adoption of SFAS No. 159 did not have a material effect on our consolidated financial statements.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements; however, SFAS No. 157 does not require any new fair value measurements. SFAS No. 157 is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We implemented SFAS No. 157 on February 3, 2008 and the adoption of SFAS No. 157 did not have a material effect on our consolidated financial statements.

Our Critical Accounting Policies

Our critical accounting policies reflected in the consolidated financial statements are detailed below.

Revenue Recognition. We recognize revenue, including gift card and layaway sales, in accordance with the SEC Staff Accounting Bulletin (SAB) No. 101, "Revenue Recognition in Financial Statements," as amended by SAB No. 104, "Revenue Recognition."

Retail merchandise sales occur on-site in our retail stores. Customers have the option of paying the full purchase price of the merchandise upon sale or paying a down payment and placing the merchandise on layaway. The customer may make further payments in installments, but the entire purchase price for merchandise placed on layaway must be received by us within 30 days. The down payment and any installments are recorded by us as short-term deferred revenue until the customer pays the entire purchase price for the merchandise. We recognize revenue at the time the customer takes possession of the merchandise. Retail sales are recorded net of returns and discounts and exclude sales taxes.

The cost of coupon sales incentives is recognized at the time the related revenue is recognized by us. Proceeds received from the issuance of gift cards are initially recorded as deferred revenue. Revenue is subsequently

recognized at the time the customer redeems the gift cards and takes possession of the merchandise. Unredeemed gift cards are recorded as a current liability.

It is not our policy to take unclaimed layaway deposits and unredeemed gift cards into income. As of February 2, 2008, February 3, 2007 and January 28, 2006, there was no breakage revenue recorded in income. The deferred revenue liability for layaway deposits and unredeemed gift cards was \$2.1 million and \$1.8 million at February 2, 2008 and February 3, 2007, respectively. Any unrecognized breakage revenue is immaterial. We escheat unredeemed gift cards.

Inventory Valuation.

Lower of Cost or Market: Beginning in Fiscal 2008, inventory is valued using the lower of weighted-average cost or market method. Market is determined based on estimated net realizable value. We regularly review inventories to determine if the carrying value exceeds realizable value, and we record a reserve to reduce the carrying value to net realizable value as necessary. We account for obsolescence as part of our lower of cost or market reserve based on historical trends and specific identification. As of February 2, 2008, the reserve was \$1.5 million. There was no amount reserved as of February 3, 2007. Our inventory valuation reserves contain uncertainties as the calculations require management to make assumptions and to apply judgment regarding such factors as market conditions, the selling environment, historical results and current inventory trends.

Prior to Fiscal 2008, cost was assigned to store inventories using the retail inventory method. In using this method, the valuation of inventories at cost and the resulting gross margins were computed by applying a calculated cost-to-retail ratio to the retail value of inventories. The retail method is an averaging method that has been widely used in the retail industry and results in valuing inventories at lower of cost or market when markdowns are taken as a reduction of the retail value of inventories on a timely basis.

Our management believes that the application of the cost method is preferable as compared to the retail method because it increases the organizational focus on the actual margin realized on each sale.

Shrink Reserves: We accrue for inventory shrinkage based on the actual historical shrink results of our most recent physical inventories. These estimates are compared to actual results as physical inventory counts are performed and reconciled to the general ledger. Store counts are typically performed on a cyclical basis and the distribution center's counts are performed mid-year and in late December or early January every year. As of February 2, 2008 and February 3, 2007, the reserve was \$0.9 million and \$2.0 million, respectively.

Accrued Expenses. On a monthly basis, we estimate certain material expenses in an effort to record those expenses in the period incurred. Our most material estimates relate to payroll and payroll tax expenses, property taxes, insurance-related expenses and utility expenses. Estimates are primarily based on current activity and historical results and are adjusted as our estimates change. Differences in our estimates and assumptions could result in an accrual materially different from the accrual calculated. Historically, the differences in these accruals have not had a material effect on our financial condition or results of operations.

Income Taxes. We estimate the annual tax rate based on projected taxable income for the full year and record a quarterly income tax provision in accordance with the anticipated annual rate. As the year progresses, we refine the estimates of the year's taxable income as new information becomes available, including year-to-date financial results. This continual estimation process often results in a change to our expected effective tax rate for the year. When this occurs, we adjust the income tax provision during the quarter in which the change in estimate occurs so that the year-to-date provision reflects the expected annual tax rate. Significant judgment is required in determining our effective tax rate and in evaluating our tax position and changes in estimates could materially impact our results of operations and financial position.

Uncertain Tax Positions: We account for uncertain tax positions in accordance with FIN No. 48. The application of income tax law is inherently complex. Laws and regulations in this area are voluminous and are often ambiguous. As such, we are required to make many subjective assumptions and judgments regarding our income tax exposures. Interpretations of and guidance surrounding income tax laws and regulations change over time. As such, changes in our subjective assumptions and judgments can materially affect amounts recognized in the consolidated balance sheets and statements of income. See Note 8 to the Consolidated Financial Statements, "Income Taxes", for additional detail on our uncertain tax positions.

Litigation Accruals. Estimated amounts for claims that are probable and can be reasonably estimated are recorded as liabilities in the consolidated balance sheets. The likelihood of a material change in these estimated accruals would be dependent on new claims as they may arise and the favorable or unfavorable outcome of a particular litigation. As additional information becomes available, we assess the potential liability related to pending litigation and revise estimates as appropriate. Such revisions in estimates of the potential liability could materially impact our results of operations and financial position.

Impairment of Assets. We continually evaluate whether events and circumstances have occurred that indicate the remaining balance of long-lived assets and intangibles may be impaired and not recoverable. Our policy is to recognize any impairment loss on long-lived assets as a charge to current income when certain events or changes in

circumstances indicate that the carrying value of the assets may not be recoverable. Impairment is assessed considering the estimated undiscounted cash flows over the asset's remaining life. If estimated cash flows are insufficient to recover the investment, an impairment loss is recognized based on a comparison of the cost of the asset to fair value less any costs of disposition.

Stock-Based Compensation. We use the Black-Scholes option-pricing model to estimate the fair value at the date of grant of stock options granted under our stock option plans and stock purchase rights associated with the Employee Stock Purchase Plan. Volatility is estimated as of the date of grant or purchase date based on management's estimate of the time period that captures the relative volatility of our stock. We use the risk free interest rate on the date of grant or purchase date based on the U.S. Treasury rate with maturities approximating the expected lives of our options. The effects on net income and earnings per shares (EPS) of stock-based compensation expense, net of tax, calculated using the fair value of stock options and stock purchase rights in accordance with the Black-Scholes options-pricing model are not necessarily representative of the effects of our results of operations in the future. In addition, the compensation expense utilizes an option-pricing model developed for traded options with relatively short lives. Our stock option grants have a life of up to ten years and are not transferable. Therefore, the actual fair value of a stock option grant may be different from our estimates. We believe that our estimates incorporate all relevant information and represent a reasonable approximation in light of the difficulties involved in valuing non-traded stock options. All estimates and assumptions are regularly evaluated and updated when applicable.

Insurance Accruals. We use a combination of insurance and self-insurance for a number of risks including employee-related health benefits, a portion of which is paid by our employees, workers' compensation and general liability. The estimates and accruals for these liabilities associated with these risks are regularly evaluated for adequacy based on the most current available information, including historical claims experience and expected future claims costs.

Operating Leases. We lease our retail stores and distribution center under operating leases. Many lease agreements contain rent holidays, rent escalation clauses and/or contingent rent provisions. We recognize rent expense on a straight-line basis over the expected lease term, including cancelable option periods where failure to exercise such options would result in an economic penalty. We use a time period for our straight-line rent expense calculation that equals or exceeds the time period used for depreciation. In addition, the commencement date of the lease term is the earlier of the date when we become legally obligated for the rent payments or the date when we take possession of the building for initial setup of fixtures and merchandise.

Dividend Policy

We have never declared or paid any dividends on our common stock. We currently intend to retain our future earnings to finance the growth and development of our business and for our stock repurchase program, and therefore do not anticipate declaring or paying cash dividends on our common stock for the foreseeable future. Any future decision to declare or pay dividends will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, capital requirements and such other factors as our Board of Directors deems relevant.

Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer (See Item 9A).

Quarterly and Seasonal Fluctuations

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

Although our operations are influenced by general economic conditions, we do not believe that, historically, inflation has had a material impact on our results of operations as we are generally able to pass along inflationary increases in costs to our customers. However, in recent periods, we have experienced an impact on overall sales due to a consumer spending slowdown spawned by higher gas prices and a slump in the housing market.

Item 7A. Quantitative and Qualitative Disclosure About Market Risk.

Our financial condition, results of operations and cash flows are subject to market risk from interest rate fluctuations on our credit facilities, which bear interest at rates that vary with LIBOR, prime or quoted cost of funds rates. During

the majority of Fiscal 2008, we had only one facility that allowed borrowings up to \$15.0 million. In August 2007, we renewed this facility and increased the allowed borrowings to \$30.0 million. During the majority of Fiscal 2007 and all of Fiscal 2006, we had two operating facilities allowing combined borrowings up to \$25.0 million. Effective November 2006, we elected to renew only one facility that allowed borrowings up to \$15.0 million and renewed annually.

In February 2008, subsequent to our fiscal year end, we added another facility which allows borrowings up to \$50.0 million which we intend to use for our stock repurchase program. The new facility expires in December 2008 and is renewable at that time. Interest rates on this facility vary with the British Bankers Association (BBA) LIBOR rate.

At the end of Fiscal 2008, Fiscal 2007 and Fiscal 2006, we had no borrowings outstanding under any credit facility. There were 106 days during the fifty-two weeks ended February 2, 2008, where we incurred borrowings against our credit facility for an average borrowing of \$7.8 million. During Fiscal 2008, the maximum amount outstanding against these agreements was \$18.4 million and the weighted average interest rate was 5.64%. There were twenty-four days during the fifty-three weeks ended February 3, 2007, where we incurred borrowings against our credit facilities for an average and maximum borrowing of \$2.5 million and \$5.1 million and an average interest rate of 6.12%. At no time during the fifty-two weeks ended January 28, 2006, did we incur borrowings against our credit facility. A 10% increase or decrease in market interest rates would not have a material impact on our financial condition, results of operations or cash flows.

Item 8. Consolidated Financial Statements and Supplementary Data.

The following consolidated financial statements and supplementary data of our Company are included in response to this item:

·Report of Independent Registered Public Accounting Firm

·Consolidated Balance Sheets as of February 2, 2008 and February 3, 2007

·Consolidated Statements of Operations for the fiscal years ended February 2, 2008, February 3, 2007 and January 28, 2006

·Consolidated Statements of Cash Flows for the fiscal years ended February 2, 2008, February 3, 2007 and January 28, 2006

·Consolidated Statements of Stockholders' Investment for fiscal years ended February 2, 2008, February 3, 2007 and January 28, 2006

·Notes to Consolidated Financial Statements

·Report of Independent Registered Public Accounting Firm on Supplemental Schedule

·Valuation and Qualifying Accounts

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

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Hibbett Sports, Inc.:

We have audited the accompanying consolidated balance sheets of Hibbett Sports, Inc. and subsidiaries (the Company) as of February 2, 2008 and February 3, 2007, and the related consolidated statements of operations, stockholders' investment, and cash flows for each of the years in the three-year period ended February 2, 2008. We also have audited the Company's internal control over financial reporting as of February 2, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements, 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 (Item 9A(b)). Our responsibility is to express an opinion on these consolidated financial statements and an opinion on the Company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

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.

As discussed in note 1 to the consolidated financial statements, effective February 4, 2007, the Company changed its method of accounting for inventory and adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes - an Interpretation of FASB Statement No. 109. As discussed in note 3 to the consolidated financial statements, effective January 29, 2006, the Company changed its method of accounting for share-based payments.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Hibbett Sports, Inc. and subsidiaries as of February 2, 2008 and February 3, 2007, and the results of their operations and their cash flows for each of the years in the three-year period ended February 2, 2008, in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, Hibbett Sports, Inc. and subsidiaries maintained, in all material respects, effective internal control over financial reporting as of February 2, 2008, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ KPMG LLP

Birmingham, Alabama
April 1, 2008

HIBBETT SPORTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(in thousands, except share and per share information)

ASSETS	February 2, 2008	February 3, 2007
Current Assets:		
Cash and cash equivalents	\$ 10,742	\$ 30,367
Short-term investments	191	-
Trade receivables, net	1,899	1,585
Accounts receivable, other	3,676	3,066
Inventories	141,406	125,240
Prepaid expenses and other	5,348	5,024
Deferred income taxes, net	2,725	1,607
Total current assets	165,987	166,889
Property and Equipment:		
Land and building	245	