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

FORM 10-Q

(Mark One)

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

For the quarterly period ended: May 1, 2021

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: 1-10299

FOOT LOCKER, INC.
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of incorporation or organization)

13-3513936
(I.R.S. Employer Identification No.)

330 West 34th Street, New York, New York 10001
(Address of principal executive offices, Zip Code)
(212-720-3700)
(Registrant's telephone number, including area code)

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.01 Preferred Stock Purchase Rights	FL	New York Stock Exchange New York Stock Exchange

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

Number of shares of Common Stock outstanding as of June 4, 2021: 103,544,361

FOOT LOCKER, INC.

TABLE OF CONTENTS

CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q includes “forward-looking” statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the fact that they do not relate strictly to historical or current facts. They often include words such as “believes,” “expects,” “anticipates,” “estimates,” “intends,” “plans,” “seeks,” “continues,” “feels,” “forecasts,” or words of similar meaning, or future or conditional verbs, such as “will,” “should,” “could,” “may,” “aims,” “intends,” or “projects.” These statements include statements relating to trends in or expectations relating to the expected effects of our initiatives, strategies and plans, as well as trends in or expectations regarding our financial results and long-term growth model and drivers, tax rates, business opportunities and expansion, strategic acquisitions or investments, expenses, dividends, share repurchases, and our mitigation strategies, liquidity, cash flow from operations, use of cash and cash requirements, investments, borrowing capacity and use of proceeds, repatriation of cash to the U.S., and the effects of the coronavirus pandemic (COVID-19), supply chain issues, and social unrest on our financial results. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. You should not place undue reliance on forward-looking statements, which speak to our views only as of the date of this filing. These forward-looking statements are all based on currently available operating, financial, and competitive information and are subject to various risks and uncertainties, many of which are unforeseeable and beyond our control, such as the ongoing uncertainty caused by the COVID-19 pandemic. Additional risks and uncertainties that we do not presently know about or that we currently consider to be insignificant may also affect our business operations and financial performance.

Please refer to “Item 1A. Risk Factors” of our most recent Annual Report on Form 10-K filed with the U.S. Securities and Exchange Commission. Given these risks and uncertainties, you should not rely on forward-looking statements as a prediction of actual results. Any or all of the forward-looking statements contained in this report or any other public statement made by us, including by our management, may turn out to be incorrect. We are including this cautionary note to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995 for forward-looking statements. We expressly disclaim any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

($ in millions, except share amounts)	May 1, 2021	May 2, 2020	January 30, 2021*
ASSETS			
Current assets:			
Cash and cash equivalents	**$ 1,963**	$ 1,012	$ 1,680
Merchandise inventories	**1,021**	1,458	923
Other current assets	**283**	268	232
	3,267	2,738	2,835
Property and equipment, net	**769**	787	788
Operating lease right-of-use assets	**2,700**	2,807	2,716
Deferred taxes	**101**	63	101
Goodwill	**159**	156	159
Other intangible assets, net	**16**	19	17
Minority investments	**342**	147	337
Other assets	**88**	79	90
	$ 7,442	$ 6,796	$ 7,043
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	**$ 658**	$ 468	$ 402
Accrued and other liabilities	**572**	264	560
Current portion of debt and obligations under finance leases	**101**	—	102
Current portion of lease obligations	**582**	581	580
Revolving credit facility	**—**	330	—
	1,913	1,643	1,644
Long-term debt and obligations under finance leases	**8**	121	8
Long-term lease obligations	**2,470**	2,591	2,499
Other liabilities	**121**	127	116
Total liabilities	**4,512**	4,482	4,267
Commitments and contingencies			
Shareholders' equity:			
Common stock and paid-in capital: 104,286,151; 104,245,181; and 103,693,359 shares issued, respectively	**791**	767	779
Retained earnings	**2,507**	1,951	2,326
Accumulated other comprehensive loss	**(326)**	(404)	(331)
Less: Treasury stock at cost: 886,661; 22,879; and 74,236 shares, respectively	**(47)**	—	(3)
Noncontrolling interest	**5**	—	5
Total shareholders' equity	**2,930**	2,314	2,776
	$ 7,442	$ 6,796	$ 7,043

* The balance sheet at January 30, 2021 has been derived from the previously reported audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Foot Locker, Inc.'s Annual Report on Form 10-K for the year ended January 30, 2021.

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

	Thirteen weeks ended			
($ in millions, expect per share amounts)		May 1, 2021		May 2, 2020
Sales	**$**	**2,153**	$	1,176
Cost of sales		**1,404**		905
Selling, general and administrative expenses		**418**		316
Depreciation and amortization		**45**		44
Impairment and other charges		**4**		16
Income (loss) from operations		**282**		(105)
Interest expense, net		**(2)**		(1)
Other income, net		**4**		1
Income (loss) before income taxes		**284**		(105)
Income tax expense		**82**		5
Net income (loss)	**$**	**202**	$	(110)
Basic earnings (loss) per share	**$**	**1.95**	$	(1.06)
Weighted-average shares outstanding		**103.6**		104.3
Diluted earnings (loss) per share	**$**	**1.93**	$	(1.06)
Weighted-average shares outstanding, assuming dilution		**105.0**		104.3

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)

(Unaudited)

($ in millions)	Thirteen weeks ended May 1, 2021	Thirteen weeks ended May 2, 2020
Net income (loss)	**$ 202**	$ (110)
Other comprehensive income (loss), net of income tax		
Foreign currency translation adjustment:		
Translation adjustment arising during the period, net of income tax expense (benefit) of $1 and $(2), respectively	**4**	(16)
Cash flow hedges:		
Change in fair value of derivatives, net of income tax expense of $- and $1, respectively	**—**	3
Pension and postretirement adjustments:		
Amortization of net actuarial gain/loss and prior service cost included in net periodic benefit costs, net of income tax expense of $1 and $1, respectively	**1**	3
Comprehensive income (loss)	**$ 207**	$ (120)

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

(Unaudited)

(shares in thousands, amounts in millions)	Additional Paid-In Capital & Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at January 30, 2021	**103,693**	**$ 779**	**(74)**	**$ (3)**	**$ 2,326**	**$ (331)**	**$ 5**	**$ 2,776**
Restricted stock units issued	468							—
Issued under director and stock plans	125	4						4
Share-based compensation expense		8						8
Shares of common stock used to satisfy tax withholding obligations			(192)	(10)				(10)
Share repurchases			(621)	(34)				(34)
Net income					202			202
Cash dividends declared on common stock ($0.20 per share)					(21)			(21)
Translation adjustment, net of tax						4		4
Change in cash flow hedges, net of tax						—		—
Pension and postretirement adjustments, net of tax						1		1
Balance at May 1, 2021	**104,286**	**$ 791**	**(887)**	**$ (47)**	**$ 2,507**	**$ (326)**	**$ 5**	**$ 2,930**

(shares in thousands, amounts in millions)	Additional Paid-In Capital & Common Stock		Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Noncontrolling interests	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
Balance at February 1, 2020	**104,188**	**$ 764**	**—**	**$ —**	**$ 2,103**	**$ (394)**	**$ —**	**$ 2,473**
Restricted stock units issued	54							—
Issued under director and stock plans	3							—
Share-based compensation expense		3						3
Shares of common stock used to satisfy tax withholding obligations			(23)	—				—
Net loss					(110)			(110)
Cash dividends declared on common stock ($0.40 per share)					(42)			(42)
Translation adjustment, net of tax						(16)		(16)
Change in cash flow hedges, net of tax						3		3
Pension and postretirement adjustments, net of tax						3		3
Balance at May 2, 2020	**104,245**	**$ 767**	**(23)**	**$ —**	**$ 1,951**	**$ (404)**	**$ —**	**$ 2,314**

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

($ in millions)	Thirteen weeks ended May 1, 2021	Thirteen weeks ended May 2, 2020
From operating activities:		
Net income (loss)	**$ 202**	$ (110)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Impairment charges	**2**	15
Depreciation and amortization	**45**	44
Deferred income taxes	**7**	24
Share-based compensation expense	**8**	3
Change in assets and liabilities:		
Merchandise inventories	**(94)**	(257)
Accounts payable	**255**	138
Accrued and other liabilities	**(25)**	(44)
Insurance receivable for inventory loss	**8**	—
Other, net	**(10)**	71
Net cash provided by (used in) operating activities	**398**	(116)
From investing activities:		
Capital expenditures	**(51)**	(52)
Minority investments	**(8)**	(6)
Proceeds from sale of property	**3**	—
Insurance proceeds related to loss on property and equipment	**2**	—
Net cash used in investing activities	**(54)**	(58)
From financing activities:		
Purchase of treasury shares	**(34)**	—
Dividends paid on common stock	**(21)**	(42)
Proceeds from exercise of stock options	**4**	—
Shares of common stock repurchased to satisfy tax withholding obligations	**(10)**	—
Proceeds from the revolving credit facility	**—**	330
Net cash (used in) provided by financing activities	**(61)**	288
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	**—**	(9)
Net change in cash, cash equivalents, and restricted cash	**283**	105
Cash, cash equivalents, and restricted cash at beginning of year	**1,718**	942
Cash, cash equivalents, and restricted cash at end of period	**$ 2,001**	$ 1,047
Cash paid during the year:		
Interest	**$ 1**	$ 1
Income taxes	**$ 32**	$ 4
Non-cash investing activities:		
Cash paid for amounts included in measurement of lease liabilities	**$ 179**	$ 108
Right-of-use assets obtained in exchange for operating lease obligations	**$ 114**	$ 72

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Basis of Presentation

The accompanying condensed consolidated financial statements contained in this report are unaudited. In the opinion of management, the condensed consolidated financial statements include all normal, recurring adjustments necessary for a fair presentation of the results for the interim periods presented. As used in these Notes to the Unaudited Condensed Consolidated Financial Statements the terms “Foot Locker,” “Company,” “we,” “our,” and “us” refer to Foot Locker, Inc. and its consolidated subsidiaries.

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires us to make estimates and assumptions that affect the amounts reported in the accompanying Unaudited Condensed Consolidated Financial Statements and these Notes and related disclosures. Actual results may differ from those estimates. The results of operations for any interim period are not necessarily indicative of the results expected for the year. The results of operations for the period ended May 1, 2021 are not necessarily indicative of the results to be expected for the full fiscal year due to the continued uncertainty of general economic conditions that may affect us for the remainder of 2021. Specifically, the ongoing pandemic (“COVID-19”) including the dissemination and adoption of COVID-19 vaccines and their effectiveness against COVID-19 and its evolving strains, some of which may be more transmissible or virulent than the initial strain or additional widespread resurgences in COVID-19 infections are significant uncertainties. COVID-19, as well as port delays, may affect our sales, traffic to our stores, our distribution capabilities, and distribution capabilities of our suppliers.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in our Form 10-K for the year ended January 30, 2021, as filed with the U.S. Securities and Exchange Commission on March 25, 2021.

There were no significant changes to the policies disclosed in Note 1, *Summary of Significant Accounting Policies* of our Annual Report on Form 10-K for the year ended January 30, 2021.

Recent Accounting Pronouncements

Recently issued accounting pronouncements did not, or are not believed by management to, have a material effect on our present or future consolidated financial statements.

2. Revenue

The table below presents sales disaggregated based upon sales channel. Sales are attributable to the channel in which the sales transaction is initiated.

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Sales by Channel		
Stores	**$ 1,620**	$ 814
Direct-to-customers	**533**	362
Total sales	**$ 2,153**	$ 1,176

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Sales disaggregated based upon geographic area is presented in the table below. Sales are attributable to the geographic area in which the sales transaction is fulfilled.

	Thirteen weeks ended	
($ in millions)	May 1, 2021	May 2, 2020
Sales by Geography		
United States	**$ 1,713**	$ 911
International	**440**	265
Total sales	**$ 2,153**	$ 1,176

Contract Liabilities

We sell gift cards, which do not have expiration dates. Revenue from gift card sales is recorded when the gift cards are redeemed by customers. Breakage income is recognized as revenue in proportion to the pattern of rights exercised by the customer. The table below presents the activity of our gift card liability balance:

($ in millions)	May 1, 2021	May 2, 2020
Gift card liability at beginning of year	**$ 41**	$ 35
Redemptions	**(56)**	(15)
Breakage recognized in sales	**(4)**	(1)
Activations	**62**	14
Foreign currency fluctuations	**—**	(1)
Gift card liability	**$ 43**	$ 32

We elected not to disclose the information about remaining performance obligations since the amount of gift cards redeemed after 12 months is not significant.

3. Segment Information

We have integrated all available shopping channels including stores, websites, apps, social channels, and catalogs. Store sales are primarily fulfilled from the store's inventory but may also be shipped from any of our distribution centers or from a different store location if an item is not available at the original store. Direct-to-customer orders are generally shipped to our customers through our distribution centers but may also be shipped from any store or a combination of our distribution centers and stores depending on the availability of particular items.

We evaluate performance based on several factors, primarily the banner's financial results, referred to as division profit. Division profit reflects income before income taxes, impairment and other charges, corporate expense, non-operating income, and net interest (expense) income.

($ in millions)		Thirteen weeks ended May 1, 2021		May 2, 2020
Sales	**$**	**2,153**	$	1,176
Operating Results				
Division (loss) profit		**315**		(79)
Less: Impairment and other charges (1)		**4**		16
Less: Corporate expense (2)		**29**		10
Income (loss) from operations		**282**		(105)
Interest expense, net		**(2)**		(1)
Other income, net		**4**		1
Income (loss) before income taxes	**$**	**284**	$	(105)

(1) During the thirteen weeks ended May 1, 2021, we recorded pre-tax charges as detailed in Note 4, *Impairment and Other Charges*.

(2) Corporate expense consists of unallocated selling, general and administrative expenses, as well as depreciation and amortization related to our corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses, and other items.

4. Impairment and Other Charges

($ in millions)		Thirteen weeks ended May 1, 2021		May 2, 2020
Impairment of investments	**$**	**2**	$	—
Reorganization costs		**2**		—
Impairment of long-lived assets and right-of-use assets		**—**		15
Pension litigation related charges		**—**		1
Total impairment and other charges	**$**	**4**	$	16

During the first quarter of 2021, we recorded an impairment charge of $2 million related to the underperformance of one of our minority investments. Additionally, in connection with the reorganization of certain support functions, we recorded severance charges of $2 million.

In May 2020, we made the strategic decision to close our Runners Point business. Certain Runners Point stores converted to other banners and approximately 40 Runners Point and Sidestep stores were closed. Also we conducted an impairment review for certain underperforming stores operating in Europe. We evaluated the long-lived assets, including the right-of-use assets, of 70 stores and recorded non-cash charges of $15 million to write down store fixtures, leasehold improvements, and right-of-use assets.

The Company and the Company's U.S. pension plan were involved in litigation related to the conversion of the plan to a cash balance plan. The court entered its final judgment in 2018, which required the plan to be reformed as directed by the court order. We recorded charges of $1 million for the thirteen weeks ended May 2, 2020 related to administrative expenses in connection with the reformation.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Cash, Cash Equivalents, and Restricted Cash

The table below provides a reconciliation of cash and cash equivalents, as reported on our Condensed Consolidated Balance Sheets, to cash, cash equivalents, and restricted cash, as reported on our Condensed Consolidated Statements of Cash Flows:

($ in millions)	May 1, 2021	May 2, 2020
Cash and cash equivalents	$ 1,963	$ 1,012
Restricted cash included in other current assets	8	7
Restricted cash included in other non-current assets	30	28
Cash, cash equivalents, and restricted cash	$ 2,001	$ 1,047

Amounts included in restricted cash primarily relate to amounts held in escrow in connection with various leasing arrangements in Europe and deposits held in insurance trusts to satisfy the requirement to collateralize part of the self-insured workers' compensation and liability claims.

6. Goodwill

We review goodwill for impairment annually during the first quarter of each fiscal year, or more frequently if impairment indicators arise. The review of impairment consists of either using a qualitative approach to determine whether it is more likely than not that the fair value of the assets is less than their respective carrying values or a one-step quantitative impairment test.

The results of the first quarter analysis did not result in an impairment since the fair value of each reporting unit exceeded its carrying value.

7. Other Intangible Assets, net

The components of finite-lived intangible assets and intangible assets not subject to amortization are as follows:

	May 1, 2021			May 2, 2020		
($ in millions)	Gross value	Accum. amort.	Net value	Gross value	Accum. amort.	Net value
Amortized intangible assets: (1)						
Lease acquisition costs	$ 119	$ (115)	$ 4	$ 113	$ (106)	$ 7
Trademarks / trade names	20	(17)	3	20	(16)	4
	$ 139	$ (132)	$ 7	$ 133	$ (122)	$ 11
Indefinite life intangible assets: (1)						
Trademarks / trade names			$ 9			$ 8
Other intangible assets, net			$ 16			$ 19

(1) The change in the ending balances also reflects the effect of foreign currency fluctuations due primarily to movements of the euro in relation to the U.S. dollar.

The annual review of intangible assets with indefinite lives performed during the first quarter of 2021 did not result in the recognition of impairment.

Amortization expense recorded is as follows:

	Thirteen weeks ended	
($ in millions)	May 1, 2021	May 2, 2020
Amortization expense	**$ 1**	$ 1

Estimated future amortization expense for finite-life intangible assets is as follows:

($ in millions)	
Remainder of 2021	$ 2
2022	2
2023	1
2024	1
2025	1

8. Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss ("AOCL"), net of tax, is comprised of the following:

($ in millions)	May 1, 2021	May 2, 2020	January 30, 2021
Foreign currency translation adjustments	**$ (60)**	$ (120)	$ (64)
Cash flow hedges	**(1)**	—	(1)
Unrecognized pension cost and postretirement benefit	**(265)**	(284)	(266)
	$ (326)	$ (404)	$ (331)

The changes in AOCL for the thirteen weeks ended May 1, 2021 were as follows:

($ in millions)	Foreign Currency Translation Adjustments	Cash Flow Hedges	Items Related to Pension and Postretirement Benefits	Total
Balance as of January 30, 2021	$ (64)	$ (1)	$ (266)	$ (331)
OCI before reclassification	4	—	(1)	3
Amortization of pension actuarial loss, net of tax	—	—	2	2
Other comprehensive income	4	—	1	5
Balance as of May 1, 2021	**$ (60)**	**$ (1)**	**$ (265)**	**$ (326)**

Reclassifications from AOCL for the thirteen weeks ended May 1, 2021 were as follows:

($ in millions)	
Amortization of actuarial loss:	
Pension benefits	**$ 3**
Income tax benefit	**(1)**
Total, net of tax	**$ 2**

9. Fair Value Measurements

Our financial assets are recorded at fair value, using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value. The three levels of inputs used to measure fair value are categorized as follows:

Level 1 – Quoted prices for identical instruments in active markets.

Level 2 – Observable inputs other than quoted prices included within Level 1, including quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs or significant value-drivers are observable in active markets.

Level 3 – Model-derived valuations in which one or more significant inputs or significant value-drivers are unobservable.

The fair value of the auction rate security, classified as available-for-sale, is determined by using quoted prices for similar instruments in active markets and accordingly is classified as a Level 2 instrument.

Our derivative financial instruments are valued using market-based inputs to valuation models. These valuation models require a variety of inputs, including contractual terms, market prices, yield curves, and measures of volatility and, therefore, are classified as Level 2 instruments.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

($ in millions)	**As of May 1, 2021**			**As of May 2, 2020**		
	Level 1	**Level 2**	**Level 3**	Level 1	Level 2	Level 3
Assets						
Available-for-sale security	—	7	—	—	6	—
Foreign exchange forward contracts	—	2	—	—	2	—
Total Assets	**$ —**	**$ 9**	**$ —**	$ —	$ 8	$ —
Liabilities						
Foreign exchange forward contracts	—	4	—	—	2	—
Total Liabilities	**$ —**	**$ 4**	**$ —**	$ —	$ 2	$ —

There were no transfers into or out of Level 1, Level 2, or Level 3 assets and liabilities for any of the periods presented.

Assets and Liabilities Measured at Fair Value on a Nonrecurring Basis

Assets and liabilities recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant and equipment, operating lease right-of-use assets, goodwill, other intangible assets, and minority investments that are not accounted for under the equity method of accounting. These assets are measured using Level 3 inputs, if determined to be impaired.

Minority investments measured using the fair value measurement alternative had a carrying value of $323 million and $142 million as of May 1, 2021 and May 2, 2020, respectively. During the first quarter of 2021, we recorded a non-cash charge of $2 million related to the write-down of one of our minority investments, resulting in $13 million of cumulative impairments.

Long-Term Debt

The fair value of long-term debt is determined by using model-derived valuations in which all significant inputs or significant value drivers are observable in active markets and, therefore, are classified as Level 2. The carrying value and estimated fair value of long-term debt were as follows:

($ in millions)	May 1, 2021	May 2, 2020
Carrying value	**$ 99**	$ 121
Fair value	**$ 104**	$ 121

The carrying values of cash and cash equivalents, and other current receivables and payables approximate their fair value.

10. Earnings Per Share

We account for earnings per share ("EPS") using the treasury stock method. Basic EPS is computed by dividing net income (loss) for the period by the weighted-average number of common shares outstanding at the end of the period. Diluted earnings per share reflects the weighted-average number of common shares outstanding during the period used in the basic EPS computation plus dilutive common stock equivalents. The computation of diluted earnings per share does not assume conversion, exercise, or contingent issuance of securities that would have an anti-dilutive effect on EPS.

The computation of basic and diluted EPS is as follows:

	Thirteen weeks ended	
(in millions, except per share data)	May 1, 2021	May 2, 2020
Net income (loss)	**$ 202**	$ (110)
Weighted-average common shares outstanding	**103.6**	104.3
Dilutive effect of potential common shares	**1.4**	—
Weighted-average common shares outstanding assuming dilution	**105.0**	104.3
Earnings (loss) per share - basic	**$ 1.95**	$ (1.06)
Earnings (loss) per share - diluted	**$ 1.93**	$ (1.06)
Anti-dilutive share-based awards excluded from diluted calculation	**1.7**	2.7

Performance stock units related to our long-term incentive programs of 0.8 million and 0.5 million have been excluded from diluted weighted-average shares for the periods ended May 1, 2021 and May 2, 2020, respectively. The issuance of these shares are contingent on our performance metrics as compared to the pre-established performance goals, which have not been achieved.

11. Pension

The components of net periodic pension benefit expense are presented in the table below. Service cost is recognized as part of SG&A expense, while the other components are recognized as part of Other income, net.

($ in millions)	Thirteen weeks ended May 1, 2021	Thirteen weeks ended May 2, 2020
Service cost	$ 4	$ 4
Interest cost	4	5
Expected return on plan assets	(9)	(9)
Amortization of net loss	3	3
Net benefit expense	$ 2	$ 3

12. Share-Based Compensation

Total compensation expense, included in SG&A, and the associated tax benefits recognized related to our share-based compensation plans, were as follows:

($ in millions)	Thirteen weeks ended May 1, 2021	Thirteen weeks ended May 2, 2020
Options and shares purchased under the stock purchase plan	$ 2	$ 2
Restricted stock units and performance stock units	6	1
Total share-based compensation expense	$ 8	$ 3
Tax benefit recognized	$ 1	$ —

Valuation Model and Assumptions

We use the Black-Scholes option-pricing model to estimate the fair value of share-based awards. The Black-Scholes option-pricing model incorporates various and subjective assumptions, including expected term and expected volatility.

The table below shows assumptions used to compute share-based compensation expense for awards granted during the thirteen weeks ended May 1, 2021 and May 2, 2020:

	Stock Option Plans		Stock Purchase Plan	
	May 1, 2021	May 2, 2020	May 1, 2021	May 2, 2020
Weighted-average risk free rate of interest	0.9 %	0.6 %	0.2 %	2.2 %
Expected volatility	47 %	42 %	48 %	48 %
Weighted-average expected award life (in years)	5.5	5.5	1.0	1.0
Dividend yield	1.5 %	4.9 %	5.6 %	3.8 %
Weighted-average fair value	$ 20.22	$ 5.03	$ 6.35	$ 11.91

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The information in the table below provides activity under our stock option plans for the thirteen weeks ended May 1, 2021:

	Number of Shares	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price
	(in thousands)	(in years)	(per share)
Options outstanding at the beginning of the year	3,540		$ 47.17
Granted	183		53.82
Exercised	(125)		31.93
Expired or cancelled	(102)		55.05
Options outstanding at May 1, 2021	3,496	5.6	$ 47.83
Options exercisable at May 1, 2021	2,680	4.5	$ 52.49
Options available for future grant at May 1, 2021	5,455		

The total fair value of options vested during the thirteen weeks ended May 1, 2021 and May 2, 2020 was $4 million and $5 million, respectively. The cash received and related tax benefits realized from option exercises during the thirteen weeks ended May 1, 2021 was $4 million and $1 million, respectively.

The total intrinsic value of options exercised (the difference between the market price of our common stock on the exercise date and the price paid by the optionee to exercise the option) is presented below:

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Exercised	**$ 3**	$ —

The aggregate intrinsic value for stock options outstanding, and outstanding and exercisable (the difference between our closing stock price on the last trading day of the period and the exercise price of the options, multiplied by the number of in-the-money stock options) is presented below:

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Outstanding	**$ 48**	$ 3
Outstanding and exercisable	**$ 27**	$ 1

As of May 1, 2021, there was $5 million of total unrecognized compensation cost related to nonvested stock options which is expected to be recognized over a remaining weighted-average period of 1.8 years.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The table below summarizes information about stock options outstanding and exercisable at May 1, 2021:

	Options Outstanding				Options Exercisable		
Range of Exercise Prices	**Number Outstanding**	**Weighted-Average Remaining Contractual Life**	**Weighted-Average Exercise Price**		**Number Exercisable**	**Weighted-Average Exercise Price**	
	(in thousands, except prices per share and contractual life)						
$21.60 - $34.24	1,130	6.6	$	24.34	581	$	26.91
$34.75 - $52.13	540	4.7		44.46	532		44.47
$52.82 - $79.23	1,826	5.2		63.35	1,567		64.68
	3,496	5.6	$	47.83	2,680	$	52.49

Restricted Stock Units and Performance Stock Units

Restricted stock units ("RSU") are awarded to certain officers, key employees of the Company, and nonemployee directors. Additionally, performance stock units ("PSU") are awarded to certain officers and key employees. Each RSU and PSU award represents the right to receive one share of our common stock provided that the applicable performance and vesting conditions are satisfied.

Generally, RSU awards fully vest after the passage of time, typically three years for employees and one year for nonemployee directors, provided there is continued service with the Company until the vesting date, subject to the terms of the award. PSU awards are earned only after the attainment of performance goals in connection with the relevant performance period and vest after an additional one-year period. No dividends are paid or accumulated on any RSU or PSU awards. Compensation expense is recognized using the market value at the date of grant and is amortized over the vesting period.

RSU and PSU activity for the thirteen weeks ended May 1, 2021 is summarized as follows:

		Number of Shares	**Weighted-Average Remaining Contractual Life**		**Weighted-Average Grant Date Fair Value**
		(in thousands)	(in years)		(per share)
Nonvested at beginning of year		1,348		$	38.48
Granted		414			54.01
Vested		(468)			44.98
Performance adjustment (1)		186			
Forfeited		(16)			29.88
Nonvested at May 1, 2021		1,464	2.2	$	42.57
Aggregate value ($ in millions)	$	62			

(1) This represents adjustments made to PSUs and reflect changes in estimates based upon our current performance against predefined financial targets.

The total value of awards that vested during the thirteen weeks ended May 1, 2021 and May 2, 2020 was $21 million and $4 million, respectively. As of May 1, 2021, there was $40 million of total unrecognized compensation cost related to nonvested awards.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

13. Legal Proceedings

Legal proceedings pending against the Company or its consolidated subsidiaries consist of ordinary, routine litigation, including administrative proceedings, incidental to the business of the Company or businesses that have been sold or discontinued by the Company in past years. These legal proceedings include commercial, intellectual property, customer, environmental, and employment-related claims.

We do not believe that the outcome of any such legal proceedings pending against the Company or its consolidated subsidiaries, as described above, would have a material adverse effect on our consolidated financial position, liquidity, or results of operations, taken as a whole, based upon current knowledge and taking into consideration current accruals. Litigation is inherently unpredictable. Judgments could be rendered or settlements made that could adversely affect the Company's operating results or cash flows in a particular period.

14. Subsequent Events

On May 19, 2021, we entered into an amendment to the 2020 Credit Agreement ("Amended Credit Agreement"). The amendment provides for, among other things, (i) reducing the interest rates and commitment fees applicable to the loans and commitments, respectively, as described below, and (ii) reducing the "floor" applicable. The amendment provides that the interest rate applicable to loans drawn under the credit facility will be equal to, at our option, either a base rate, determined by reference to the federal funds rate, plus a margin of 0.25 percent to 0.75 percent per annum, or a Eurodollar rate, determined by reference to LIBOR, plus a margin of 1.25 percent to 1.75 percent per annum, in each case, depending on availability under the Amended Credit Agreement. In addition, we will pay a commitment fee of 0.25 percent per annum on the unused portion of the commitments under the Amended Credit Agreement.

On May 21, 2021 we announced plans, in partnership with our suppliers, to position our store fleet for the future. As part of this effort, we have decided to convert approximately one third of our Footaction stores into other existing banner concepts over the course of the next 12 to 18 months to focus growth for our core banners. We will close the majority of the remaining Footaction stores as leases expire over the next two years. We believe this strategic decision will position us to better serve our consumers in a post-COVID marketplace. In connection with this decision, we will be performing an impairment review over approximately 60 stores and record charges, if any, during the second quarter of 2021.

One of our minority investments, which is measured using the fair value measurement alternative, received additional funding in late May 2021 at a higher valuation than the investment amount on our balance sheet as of May 1, 2021. This transaction is expected to generate a significant non-cash gain during the second quarter of 2021.

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

Business Overview

Foot Locker, Inc. leads the celebration of sneaker and youth culture around the globe through a portfolio of banners including Foot Locker, Lady Foot Locker, Kids Foot Locker, Champs Sports, Eastbay, Footaction, and Sidestep. Foot Locker, Inc. and its subsidiaries hereafter are referred to as the "Company," "we," "our," or "us." We operate primarily mall-based stores, as well as stores in high-traffic urban retail areas and high streets, in 27 countries including the United States, Canada, Europe, Australia, New Zealand, and Asia. Our purpose is to inspire and empower youth culture around the world, by fueling a shared passion for self-expression and creating unrivaled experiences at the heart of the global sneaker community.

We use our omni-channel capabilities to bridge the digital world and physical stores, including order-in-store, buy online and pickup-in-store, and buy online and ship-from-store, as well as e-commerce. We operate websites and mobile apps aligned with the names of our store banners (including: footlocker.com, kidsfootlocker.com, champssports.com, footaction.com, footlocker.ca, footlocker.eu and related e-commerce sites in the various European countries that we operate, footlocker.com.au, footlocker.nz, sidestep-shoes.de, side-stepshoes.nl, footlocker.hk, footlocker.sg, and footlocker.my). These sites offer some of the largest online product selections and provide a seamless link between e-commerce and physical stores. We also operate the websites for eastbay.com and eastbayteamsales.com.

Store Count

At May 1, 2021, we operated 2,952 stores as compared with 2,998 and 3,113 stores at January 30, 2021 and May 2, 2020, respectively.

Franchise Operations

A total of 131 franchised stores were operating at May 1, 2021, as compared with 127 and 135 stores at January 30, 2021 and May 2, 2020, respectively. Revenue from franchised stores was not significant for any of the periods presented. These stores are not included in the operating store count above.

COVID-19 Update

In March 2020, the World Health Organization designated COVID-19 a pandemic. COVID-19 had a significant effect on overall economic conditions in the various geographic areas in which we have operations. Our top priority is to protect our team members and their families, our customers, and our operations. We have made best efforts to comply with all precautionary measures as directed by health authorities and local, state, and national governments.

Beginning in March 2020 and through the remainder of the first quarter of 2020, we temporarily closed substantially all of our retail store locations in response to governmental orders related to the COVID-19 outbreak. As of the end of the first quarter of 2020, approximately 100 stores were open. We were subsequently able to gradually reopen store locations under applicable regulations. Throughout 2020, the pandemic and the shelter in place orders negatively affected customer traffic into the stores that were operating, and certain stores required additional closures during the remainder of the year. For the first quarter of this year, we operated approximately 83 percent of the possible operating days, as compared with 48 percent in the first quarter of 2020. Our operations in Europe and Canada continued to experience significant temporary closures throughout the first quarter of 2021. Our distribution centers have been operating relatively unaffected during this time. In order mitigate the effects of the temporary closures, we have been operating in-store fulfillment activities.

Given the dynamic nature of these circumstances, the duration of business disruption, and reduced customer traffic in our stores, the related financial effect cannot be reasonably estimated at this time but may materially affect our business for the remainder of 2021.

Reconciliation of Non-GAAP Measures

In addition to reporting our financial results in accordance with U.S. generally accepted accounting principles (“GAAP”), we report certain financial results that differ from what is reported under GAAP. We have presented certain financial measures identified as non-GAAP, such as sales changes excluding foreign currency fluctuations, adjusted income before income taxes, adjusted net income, and adjusted diluted earnings per share.

We present certain amounts as excluding the effects of foreign currency fluctuations, which are also considered non-GAAP measures. Where amounts are expressed as excluding the effects of foreign currency fluctuations, such changes are determined by translating all amounts in both years using the prior-year average foreign exchange rates. Presenting amounts on a constant currency basis is useful to investors because it enables them to better understand the changes in our business that are not related to currency movements.

These non-GAAP measures are presented because we believe they assist investors in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core business or affect comparability. In addition, these non-GAAP measures are useful in assessing our progress in achieving our long-term financial objectives. We estimate the tax effect of all non-GAAP adjustments by applying a marginal tax rate to each of the respective items. The income tax items represent the discrete amount that affected the period. The non-GAAP financial information is provided in addition to, and not as an alternative to, our reported results prepared in accordance with GAAP. Presented below is a reconciliation of GAAP and non-GAAP results for the thirteen weeks ended May 1, 2021 and May 2, 2020.

	Thirteen weeks ended	
($ in millions, except per share amounts)	**May 1, 2021**	**May 2, 2020**
Pre-tax income:		
Income (loss) before income taxes	**$ 284**	$ (105)
Pre-tax amounts excluded from GAAP:		
Impairment and other charges	**4**	16
Adjusted income (loss) before income taxes (non-GAAP)	**$ 288**	$ (89)
After-tax income:		
Net income (loss)	**$ 202**	$ (110)
After-tax adjustments excluded from GAAP:		
Impairment and other charges, net of income tax benefit of $1 and $3, respectively	**3**	13
Tax charge related to revaluation of certain intellectual property rights	**—**	27
Adjusted net income (loss) (non-GAAP)	**$ 205**	$ (70)
Earnings per share:		
Diluted earnings (loss) per share	**$ 1.93**	$ (1.06)
Diluted EPS amounts excluded from GAAP:		
Impairment and other charges	**0.03**	0.13
Tax charge related to revaluation of certain intellectual property rights	**—**	0.26
Adjusted diluted earnings (loss) per share (non-GAAP)	**$ 1.96**	$ (0.67)

During the thirteen weeks ended May 1, 2021 and May 2, 2020, we recorded pre-tax charges of $4 million and $16 million, respectively, classified as Impairment and Other Charges. See the *Impairment and Other Charges* section for further information. Related to the non-GAAP adjustments for income taxes, during the first quarter of 2020 we recorded a $27 million tax charge related to the revaluation of certain intellectual property rights, pursuant to a non-U.S. advance pricing agreement.

Segment Reporting

We have determined that we have three operating segments, North America, EMEA, and Asia Pacific. Our North America operating segment includes the results of the following banners operating in the U.S. and Canada: Foot Locker, Kids Foot Locker, Lady Foot Locker, Champs Sports, and Footaction, including each of their related e-commerce businesses, as well as our Eastbay business that includes internet, catalog, and team sales. Our EMEA operating segment includes the results of the following banners operating in Europe: Foot Locker, Sidestep, and Kids Foot Locker, including each of their related e-commerce businesses. Our Asia Pacific operating segment includes the results of Foot Locker and Kids Foot Locker and the related e-commerce businesses operating in Australia, New Zealand, and Asia. We have further aggregated these operating segments into one reportable segment based upon their shared customer base and similar economic characteristics.

Results of Operations

We evaluate performance based on several factors, primarily the banner's financial results, referred to as division profit. Division profit reflects income before income taxes, impairment and other charges, corporate expenses, non-operating income, and net interest (expense) income. The table below summarizes our results:

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Sales	**$ 2,153**	$ 1,176
Operating Results		
Division profit (loss)	**315**	(79)
Less: Impairment and other charges (1)	**4**	16
Less: Corporate expense (2)	**29**	10
Income (loss) from operations	**282**	(105)
Interest expense, net	**(2)**	(1)
Other income, net (3)	**4**	1
Income (loss) before income taxes	**$ 284**	$ (105)

(1) See the *Impairment and Other Charges* section for further information.

(2) Corporate expense consists of unallocated selling, general and administrative expenses as well as depreciation and amortization related to the Company's corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses, and other items.

(3) Other income includes non-operating items, franchise royalty income, changes in fair value of minority interests measured using the fair value measurement alternative, changes in the market value of our available-for-sale security, our share of earnings or losses related to our equity method investments, and net benefit expense related to our pension and postretirement programs excluding the service cost component. See the *Other income, net* section for further information.

Sales

All references to comparable-store sales for a given period relate to sales of stores that were open at the period-end and had been open for more than one year. The computation of consolidated comparable sales also includes our direct-to-customers channel. Stores opened or closed during the period are not included in the comparable-store base; however, stores closed temporarily for relocation or remodeling are included. Stores that were temporarily closed due to the COVID-19 pandemic are also included in the computation of comparable-store sales. Computations exclude the effect of foreign currency fluctuations.

The information shown below represents certain sales metrics by sales channel:

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Stores		
Sales	**$ 1,620**	$ 814
$ Change	**$ 806**	(944)
% Change	**99.0 %**	(53.7)%
% of total sales	**75.2 %**	69.2 %
Comparable sales increase (decrease)	**97.4 %**	(53.4)%
Direct-to-customers		
Sales	**$ 533**	$ 362
$ Change	**$ 171**	42
% Change	**47.2 %**	13.1 %
% of total sales	**24.8 %**	30.8 %
Comparable sales increase	**43.0 %**	14.3 %

For the thirteen weeks ended May 1, 2021, total sales increased by $977 million, or 83.1 percent, to $2,153 million, as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, total sales increased by 79.4 percent for the thirteen weeks ended May 1, 2021 as compared with the corresponding prior-year period. These comparisons were significantly affected by the closures necessitated by the COVID-19 pandemic, most of the stores were closed during the first quarter of 2020. Our stores were only open for 48 percent of the operating days last year as compared with 83 percent this year. By geography, our European and Canadian operations continued to be negatively affected by the required closures during the current year. Europe and Canada were open for 39 percent and 75 percent of the total available operating days, respectively. While sales increased significantly compared with the prior-year period, we also exceeded the sales of the first quarter of 2019. As compared to the first quarter of 2019, total sales increased 3.6 percent, and 2.4 percent excluding the effect of foreign exchange rate fluctuations.

Total comparable sales represented an increase of 80.3 percent for the quarter. Our stores and direct-to-customers channels generated significant increases, which was a result of the temporary closure of our stores across all of our banners around the world during the first quarter of 2020. Our significant improvement also reflected increased consumer demand for exciting and new product offerings and the effect of government stimulus. We continue to leverage our technology platforms to improve the digital experience.

For the combined channels, all of our operating segments (North America, EMEA, and Asia Pacific) generated significant sales increases as compared to the first quarter of last year, which was negatively affected by the temporary store closures necessitated by the pandemic. Both EMEA and Canada generated significant increases despite the continued temporary store closures required in the first quarter this year. Our North American operating segment’s sales strength was across all banners and was led by Champs Sports, with an increase of over 100 percent. Within EMEA, our Sidestep and Foot Locker banners were negatively affected by the ongoing temporary closures in Germany. Asia Pacific, our smallest operating segment, also experienced an increase of over 100 percent.

From a product perspective for the combined channels, the increase was across all families of business - footwear, apparel, and accessories. All wearer segments within the footwear category experienced increases, with the largest increases coming from sales of men's and children's basketball footwear styles. Apparel sales benefited from increases in sales of men's and kid's apparel. The continued athleisure and fitness trend, coupled with exciting product offerings from our suppliers, drove the significant increase in sales as compared with last year.

Gross Margin

	Thirteen weeks ended	
	May 1, 2021	**May 2, 2020**
Gross margin rate	**34.8 %**	23.0 %
Basis point increase (decrease) in the gross margin rate	**1,180**	(1,020)
Components of the change-		
Merchandise margin rate improvement (decline)	**250**	(170)
Lower (higher) occupancy and buyers' compensation expense rate	**930**	(850)

Gross margin is calculated as sales minus cost of sales. Cost of sales includes: the cost of merchandise, freight, distribution costs including related depreciation expense, shipping and handling, occupancy and buyers' compensation. Occupancy costs include rent (including fixed common area maintenance charges and other fixed non-lease components), real estate taxes, general maintenance, and utilities.

The gross margin rate improved to 34.8 percent for the thirteen weeks ended May 1, 2021, as compared with corresponding prior-year period, reflecting a higher merchandise margin rate since we were significantly less promotional than a year ago, coupled with leverage on the relatively fixed costs. Comparing the gross margin rate to the first quarter of 2019, gross margin improved by 160 basis point reflecting an 80-basis point improvement in the merchandise margin rate and an 80 basis point improvement on occupancy and buyers' compensation rate.

The occupancy rate for the first quarter was positively affected by the increase in sales and COVID-19 related rent abatements. Due to completed lease negotiations, we were able to record $5 million of rent savings due to rent abatements during the thirteen weeks ended May 1, 2021. We record rent abatements in rent expense when the negotiations are completed and the leases are modified.

Selling, General and Administrative Expenses (SG&A)

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
SG&A	**$ 418**	$ 316
$ Change	**$ 102**	
% Change	**32.3 %**	
SG&A as a percentage of sales	**19.4 %**	26.9 %

SG&A increased by $102 million, or $89 million excluding the effect of foreign currency fluctuations, for the thirteen weeks ended May 1, 2021 as compared with the corresponding prior-year period. As a percentage of sales, SG&A decreased by 750 basis points for the thirteen weeks ended May 1, 2021 driven by higher sales in the quarter as sales in the prior year were significantly affected by the closures necessitated by COVID-19.

SG&A for the thirteen weeks ended May 1, 2021 and May 2, 2020 included payroll subsidies from local governments of $10 million and $40 million, respectively. The higher amount related to the prior year credit reflected the fact that we continued to pay our employees throughout most of the first quarter despite the temporary store closures. The thirteen weeks ended May 1, 2021 included incremental expense of $2 million for personal protective equipment compared with an insignificant cost in the corresponding prior-year period. SG&A expense in the current year reflected higher incentive compensation expense of $20 million reflecting our strong performance. Excluding the above-mentioned items and the effect of foreign currency fluctuations, SG&A increased by $37 million or 11 percent representing variable expenses associated with higher sales.

Depreciation and Amortization

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Depreciation and amortization	**$ 45**	$ 44
$ Change	**$ 1**	
% Change	**2.3 %**	

Depreciation and amortization expense increased by $1 million for the thirteen weeks ended May 1, 2021, as compared with the corresponding prior-year periods. Excluding the effect of foreign currency fluctuations, depreciation and amortization was essentially unchanged as compared with the prior year.

Impairment and Other Charges

During the first quarter of 2021, we recorded an impairment charge of $2 million related to the underperformance of one of our minority investments. Additionally, we recorded a charge of $2 million, which was primarily related to severance in connection with the reorganization of certain support functions.

In May 2020, we made the strategic decision to close our Runners Point business. Certain Runners Point stores converted to other banners and approximately 40 Runners Point and Sidestep stores were closed. We also conducted an impairment review for certain underperforming stores operating in Europe. We evaluated the long-lived assets, including the right-of-use assets, of 70 stores and recorded non-cash charges of $15 million to write down store fixtures, leasehold improvements, and right-of-use assets.

The Company and the Company's U.S. pension plan were involved in litigation related to the conversion of the plan to a cash balance plan. The court entered its final judgment in 2018, which required the plan to be reformed as directed by the court order. We recorded charges of $1 million for the thirteen weeks ended May 2, 2020 related to administrative expenses in connection with the reformation.

Corporate Expense

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Corporate expense	**$ 29**	$ 10
$ Change	**$ 19**	

Corporate expense consists of unallocated general and administrative expenses as well as depreciation and amortization related to our corporate headquarters, centrally managed departments, unallocated insurance and benefit programs, certain foreign exchange transaction gains and losses, and other items. Depreciation and amortization included in corporate expense was $7 million and $5 million for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively.

The allocation of corporate expense to the operating divisions is adjusted annually based upon an internal study; accordingly, the allocation increased by $5 million in 2021, thus reducing corporate expense. Excluding the corporate allocation change, corporate expense increased by $24 million as compared with the prior-year period. This increase was primarily due to higher incentive compensation expense.

Operating Results

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Division profit (loss)	**$ 315**	$ (79)
Division profit (loss) margin	**14.6 %**	(6.7)%

Division profit margin as a percentage of sales increased to 14.6 percent of sales for the thirteen weeks ended May 1, 2021, with both sales channels generating significant improvements in both gross margin and expense leverage. The results for prior year were negatively affected by the pandemic.

Interest Expense, Net

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Interest expense	**$ (3)**	$ (3)
Interest income	**1**	2
Interest expense, net	**$ (2)**	$ (1)

We recorded $2 million of net interest expense for the thirteen weeks ended May 1, 2021, as compared with net interest expense of $1 million for the corresponding prior-year period. Net interest expense increased due to a reduction in interest income, primarily as a result of lower average interest rates on our cash and cash equivalents.

Other Income, Net

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Other income, net	**$ 4**	$ 1

Other income includes non-operating items, including franchise royalty income, changes in fair value of minority interests measured using the fair value measurement alternative, changes in the market value of our available-for-sale security, our share of earnings or losses related to our equity method investments, and net benefit expense related to our pension and postretirement programs excluding the service cost component.

The change in other income primarily represented higher franchise income and an improvement in our market value of our available-for-sale security.

Income Taxes

	Thirteen weeks ended	
($ in millions)	May 1, 2021	May 2, 2020
Provision for income taxes	**$ 82**	$ 5
Effective tax rate	**28.8 %**	(4.9)%

Our current year interim provision for income taxes was measured using an estimated annual effective tax rate, which represented a blend of federal, state, and foreign taxes and included the effect of certain nondeductible items as well as changes in our mix of domestic and foreign earnings or losses, adjusted for discrete items that occur within the periods presented.

For the first quarter of 2020, in accordance with the authoritative guidance, we used a discrete effective tax rate method to calculate income taxes because small changes in the estimated level and mix of annual income or loss by jurisdiction would have resulted in significant changes in the estimated annual effective tax rate making the historical method unreliable.

We regularly assess the adequacy of our provisions for income tax contingencies in accordance with applicable authoritative guidance on accounting for income taxes. As a result, we may adjust the reserves for unrecognized tax benefits considering new facts and developments, such as changes to interpretations of relevant tax law, assessments from taxing authorities, settlements with taxing authorities, and lapses of statutes of limitation. The changes in tax reserves were not significant for any of the periods presented.

During the thirteen weeks ended May 1, 2021, we recorded $1 million excess tax benefits from stock-based compensation.

The tax rate for the prior-year period was negatively affected by a $27 million tax charge related to the revaluation of certain intellectual property rights pursuant to a non-U.S. advance pricing agreement. In addition, we recognized a $2 million tax benefit for the reversal of a withholding tax accrual that was no longer required.

Excluding the above-mentioned discrete items, the effective tax rates for the thirteen weeks ended May 1, 2021 increased, as compared with the corresponding prior-year period, primarily due to the change in the mix of domestic and foreign earnings and losses.

We currently expect our full-year tax rate to approximate 29 percent excluding the effect of any nonrecurring items that may occur. The actual tax rate will vary depending on the level and mix of income earned in the various jurisdictions.

Liquidity and Capital Resources

Liquidity

Our primary source of liquidity has been cash flow from operations, while the principal uses of cash have been to fund inventory and other working capital requirements; finance capital expenditures related to store openings, store remodelings, internet and mobile sites, information systems, and other support facilities; make retirement plan contributions, quarterly dividend payments, and interest payments; and fund other cash requirements to support the development of our short-term and long-term operating strategies. We generally finance real estate with operating leases. We believe our cash, cash equivalents, future cash flow from operations, and amounts available under our credit agreement will be adequate to fund these requirements.

The Company may also repurchase its common stock or seek to retire or purchase outstanding debt through open market purchases, privately negotiated transactions, or otherwise. Share repurchases and retirement of debt, if any, will depend on prevailing market conditions, liquidity requirements, contractual restrictions, strategic considerations, and other factors. The amounts involved may be material. As of May 1, 2021, approximately $797 million remained available under our current $1.2 billion share repurchase program.

In January 2022, we will repay the $98 million principal outstanding of our 8.5 percent debentures.

Any material adverse change in customer demand, fashion trends, competitive market forces, or customer acceptance of our merchandise mix, retail locations and websites, uncertainties related to the effect of competitive products and pricing, our reliance on a few key suppliers for a significant portion of our merchandise purchases and risks associated with global product sourcing, economic conditions worldwide, the effects of currency fluctuations, continued uncertainties caused by the COVID-19 pandemic, as well as other factors listed under the headings “Disclosure Regarding Forward-Looking Statements,” and “Risk Factors” could affect our ability to continue to fund our needs from business operations.

Operating Activities

	Thirteen weeks ended	
($ in millions)	**May 1, 2021**	**May 2, 2020**
Net cash provided by (used in) operating activities	**$ 398**	$ (116)
$ Change	**$ 514**	

Operating activities reflects net income (loss) adjusted for non-cash items and working capital changes. Adjustments to net income (loss) for non-cash items include gains, impairment charges, other charges, depreciation and amortization, deferred income taxes, and share-based compensation expense.

The increase in cash provided by operating activities, as compared with the same period last year, reflected higher accounts payable and accrued and other liabilities, as well as higher net income. As of May 1, 2021, we have withheld approximately $32 million of lease and lease-related payments as we continue to negotiate rent deferrals or abatements with our landlords for the period that our stores were closed due to the COVID-19 pandemic.

During the fourth quarter of 2020, we were notified by our property insurance carrier that it had approved a $10 million partial settlement on our claim for losses sustained in connection with the social unrest of 2020. The cash received during the first quarter of 2021 from this partial settlement was classified in the statement of cash flows on the basis of the related insurance coverage. Accordingly, $8 million was related to inventory and was therefore classified in operating activities. The balance of $2 million was related to losses sustained on our property and equipment and was classified in investing activities. We are continuing to work with our insurers to determine the remaining amount of our covered losses under our property insurance policies. Additional insurance recoveries will be recorded in the period in which we conclude our settlement discussions with our insurance providers.

Investing Activities

($ in millions)	Thirteen weeks ended May 1, 2021	May 2, 2020
Net cash (used in) investing activities	**$ (54)**	$ (58)
$ Change	**$ 4**	

For the thirteen weeks ended May 1, 2021, capital expenditures decreased by $1 million to $51 million, as compared with the corresponding prior-year period. Our full-year capital spending is expected to be $275 million. The revised forecast includes $180 million related to the remodeling or relocation of approximately 120 existing stores and the opening of approximately 160 new stores, as well as $95 million for the development of information systems, websites, and infrastructure, including supply chain initiatives. The capital expenditures forecast includes the anticipated costs related to the conversion of the Footaction stores to our other banners, although the timing of these expenditures is being evaluated. Cash used in investing activities for the first quarter included $8 million in minority investments as compared with $6 million spent in the corresponding prior-year period.

In connection with the shutdown of the Runners Point banner completed last year, during the first quarter of 2021 we sold the former headquarters resulting in proceeds of $3 million.

As noted above, related to our insurance claim from the social unrest in 2020, we recorded proceeds of $2 million related to property and equipment loss.

Financing Activities

($ in millions)	Thirteen weeks ended May 1, 2021	May 2, 2020
Net cash (used in) provided by financing activities	**$ (61)**	$ 288
$ Change	**$ (349)**	

Cash used in financing activities consisted primarily of our return to shareholders initiatives, including our share repurchase program and cash dividends, as follows:

($ in millions)	Thirteen weeks ended May 1, 2021	May 2, 2020
Share repurchases	**$ 34**	$ —
Dividends paid on common stock	**21**	42
Total returned to shareholders	$ **55**	$ 42

During the thirteen weeks ended May 1, 2021, we repurchased 620,544 shares of common stock for $34 million under our share repurchase program. We also declared and paid dividends representing quarterly rates of $0.20 and $0.40 per share for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively.

We paid $10 million to satisfy tax withholding obligations relating to the vesting of share-based equity awards during the thirteen weeks ended May 1, 2021. Partially offsetting this amount were proceeds received from the issuance of common stock in connection with employee stock programs of $4 million.

In the first quarter of 2020, we borrowed $330 million of our then-existing revolving credit facility, which was repaid in full during the second quarter of 2020.

Critical Accounting Policies and Estimates

There have been no significant changes to our critical accounting policies and estimates from the information provided in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” included in the Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Recent Accounting Pronouncements

Descriptions of the recently issued and adopted accounting principles are included in Item 1. “Financial Statements” in Note 1, *Summary of Significant Accounting Policies*, to the Condensed Consolidated Financial Statements.

Item 4. Controls and Procedures

During the quarter, the Company’s management performed an evaluation, under the supervision and with the participation of the Company’s Chief Executive Officer (“CEO”) and Chief Financial Officer (“CFO”), of the effectiveness of the design and operation of the Company’s disclosure controls and procedures (as that term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)). Based on that evaluation, the Company’s CEO and CFO concluded that the Company’s disclosure controls and procedures were effective to ensure that information relating to the Company that is required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC rules and forms, and is accumulated and communicated to management, including the CEO and CFO, as appropriate to allow timely decisions regarding required disclosure.

We are currently migrating our e-commerce order management system. All North American e-commerce apps and certain European countries were live on the new system as of May 1, 2021. In connection with this implementation and resulting business process changes, we may make changes to the design and operation of our internal control over financial reporting.

During the quarter ended May 1, 2021, there were no changes in the Company’s internal control over financial reporting, other than the implementation of the new e-commerce order management system (as defined in Rules 13a-15(f) of the Exchange Act), that materially affected or are reasonably likely to affect the Company’s internal control over financial reporting.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

Information regarding the Company’s legal proceedings is contained in the *Legal Proceedings* note under Item 1. “Financial Statements” in Part I.

Item 1A. Risk Factors

In addition to the other information discussed in this report, the factors described in Part I, Item 1A. “Risk Factors” in our 2020 Annual Report on Form 10-K filed with the SEC on March 25, 2021 should be considered as they could materially affect our business, financial condition, or future results.

There have not been any significant changes with respect to the risks described in our 2020 Form 10-K.

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

The table below provides information with respect to shares of the Company's common stock for the thirteen weeks ended May 1, 2021:

Date Purchased	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Program (2)	Dollar Value of Shares that may yet be Purchased Under the Program (2)
January 31 to February 27, 2021	—	$ —	—	$ 830,547,018
February 28 to April 3, 2021	580,611	53.41	392,716	809,884,743
April 4 to May 1, 2021	231,814	56.40	227,828	797,046,348
	812,425	$ 54.26	620,544	

(1) These columns reflect shares acquired in satisfaction of the tax withholding obligations of holders of restricted stock unit awards, which vested during the quarter. The calculation of the average price paid per share includes all fees, commissions, and other costs associated with the repurchase of such shares.

(2) The current $1.2 billion share repurchase program extends through January 2022.

Item 6. Exhibits

Exhibit No.	Description
10.1	Amendment No. 2 to Credit Agreement, dated as of May 19, 2021, among Foot Locker, Inc., a New York corporation, the guarantors party thereto, the lenders party thereto, and Wells Fargo, National Association, as administrative agent, letter of credit issuer, and swing line lender (incorporated by reference to Exhibit 10.1 to the Form 8-K filed by Foot Locker, Inc. on May 20, 2021).
15*	Accountants' Acknowledgement.
31.1*	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
99*	Report of Independent Registered Public Accounting Firm.
101.INS*	Inline XBRL Instance Document.
101.SCH*	Inline XBRL Taxonomy Extension Schema.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase.
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase.
104*	Cover Page Interactive Data File (embedded within the Inline XBRL datafile).

* Filed herewith.
** Furnished herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Company has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: June 9, 2021	FOOT LOCKER, INC.
	/s/ Andrew E. Page
	ANDREW E. PAGE
	Executive Vice President and Chief Financial Officer

ACCOUNTANT'S ACKNOWLEDGEMENT

The Board of Directors of
Foot Locker, Inc.:

We acknowledge our awareness of the use therein of our report dated June 9, 2021 related to our review of interim financial information in the following Registration Statements:

- Form S-8 No. 33-10783
- Form S-8 No. 33-91888
- Form S-8 No. 33-91886
- Form S-8 No. 33-97832
- Form S-8 No. 333-07215
- Form S-8 No. 333-21131
- Form S-8 No. 333-62425
- Form S-8 No. 333-33120
- Form S-8 No. 333-41056
- Form S-8 No. 333-41058
- Form S-8 No. 333-74688
- Form S-8 No. 333-99829
- Form S-8 No. 333-111222
- Form S-8 No. 333-121515
- Form S-8 No. 333-144044
- Form S-8 No. 333-149803
- Form S-3 No. 33-43334
- Form S-3 No. 33-86300
- Form S-3 No. 333-64930
- Form S-8 No. 333-167066
- Form S-8 No. 333-171523
- Form S-8 No. 333-190680
- Form S-8 No. 333-196899

Pursuant to Rule 436 under the Securities Act of 1933 (the Act), such report is not considered part of a registration statement prepared or certified by an independent registered public accounting firm, or a report prepared or certified by an independent registered public accounting firm within the meaning of Sections 7 and 11 of the Act.

/s/ KPMG LLP
New York, New York
June 9, 2021

Exhibit 31.1

CERTIFICATION

I, Richard A. Johnson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the "Registrant");

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the Audit Committee of the Registrant's Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

June 9, 2021

/s/ Richard A. Johnson
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Andrew E. Page, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Foot Locker, Inc. (the “Registrant”);

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) evaluated the effectiveness of the Registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) disclosed in this report any change in the Registrant’s internal control over financial reporting that occurred during the Registrant’s most recent fiscal quarter (the Registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant’s internal control over financial reporting; and

5. The Registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant’s auditors and the Audit Committee of the Registrant’s Board of Directors (or persons performing the equivalent functions):

   a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant’s ability to record, process, summarize and report financial information; and

   b) any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant’s internal control over financial reporting.

June 9, 2021

/s/ Andrew E. Page
Chief Financial Officer

Exhibit 32

FOOT LOCKER, INC.

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

In connection with the Quarterly Report on Form 10-Q of Foot Locker, Inc. (the “Registrant”) for the quarterly period ended May 1, 2021, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), Richard A. Johnson, as Chief Executive Officer of the Registrant and Andrew E. Page, as Chief Financial Officer of the Registrant, each hereby certifies, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Dated: June 9, 2021

/s/ Richard A. Johnson
Richard A. Johnson
Chief Executive Officer

/s/ Andrew E. Page
Andrew E. Page
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. § 1350 and is not being filed as part of the Report or as a separate disclosure document. Such certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the company specifically incorporates it by reference.

Exhibit 99

Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors
Foot Locker, Inc.:

Results of Review of Interim Financial Information

We have reviewed the condensed consolidated balance sheets of Foot Locker, Inc. and subsidiaries (the Company) as of May 1, 2021 and May 2, 2020, the related condensed consolidated statements of operations, comprehensive income (loss), and changes in shareholders' equity for the thirteen week periods ended May 1, 2021 and May 2, 2020, the related condensed consolidated statements of cash flows for the thirteen week periods ended May 1, 2021 and May 2, 2020, and the related notes (collectively, the consolidated interim financial information). Based on our reviews, we are not aware of any material modifications that should be made to the consolidated interim financial information for it to be in conformity with U.S. generally accepted accounting principles.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 30, 2021, and the related consolidated statements of operations, comprehensive income, changes in shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated March 25, 2021, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 2021, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

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

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

/s/ KPMG LLP
New York, New York
June 9, 2021