

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: April 29, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 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	FL	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 May 26, 2023: 93,923,900

FOOT LOCKER, INC.

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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.” Statements may be forward looking even in the absence of these particular words.

Examples of forward-looking statements include, but are not limited to, statements regarding our financial position, business strategy, and other plans and objectives for our future operations, and generation of free cash flow. These forward-looking statements are based on our current expectations and beliefs concerning future developments and their potential effect on us. The forward-looking statements contained herein are largely based on our expectations for the future, which reflect certain estimates and assumptions made by our management. These estimates and assumptions reflect our best judgment based on currently known market conditions, operating trends, and other factors. Although we believe such estimates and assumptions to be reasonable, they are inherently uncertain and involve a number of risks and uncertainties that are beyond our control. As such, management’s assumptions about future events may prove to be inaccurate.

We do not intend to publicly update or revise any forward-looking statements as a result of new information, future events, changes in circumstances, or otherwise. These cautionary statements qualify all forward-looking statements attributable to us, or persons acting on our behalf. Management cautions you that the forward-looking statements contained herein are not guarantees of future performance, and we cannot assure you that such statements will be realized or that the events and circumstances they describe will occur. Factors that could cause actual results to differ materially from those anticipated or implied in the forward-looking statements herein include, but are not limited to, a change in the relationship with any of our key suppliers, including access to premium products, volume discounts, cooperative advertising, markdown allowances, or the ability to cancel orders and return merchandise; our ability to fund our planned capital investments; a recession, volatility in the financial markets, and other global economic factors; our ability to access the credit markets at competitive terms; difficulties in appropriately allocating capital and resources among our strategic opportunities; our ability to realize the expected benefits from acquisitions; business opportunities and expansion; investments; expenses; dividends; share repurchases; cash management; liquidity; cash flow from operations; borrowing capacity under our credit facility; repatriation of cash to the United States; supply chain issues; labor shortages and wage pressures; expectations regarding increased wages; inflation; consumer spending levels; the effect of governmental assistance programs; expectations regarding increasing global taxes; the effect of increased government regulation, compliance, and changes in law; the effect of the adverse outcome of any material litigation against us or judicial decisions that affect us or our industry generally; the effects of weather; climate change; ESG risks; increased competition; geopolitical events; the financial effect of accounting regulations and critical accounting policies; credit risk relating to the risk of loss as a result of non-performance by our counterparties; and any other factors set forth in the section entitled “Risk Factors” of our most recent Annual Report on Form 10-K.

All written and oral forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement. 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. 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 for a discussion of certain risks relating to our business and any investment in our securities. Given these risks and uncertainties, you should not rely on forward-looking statements as predictions 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)	April 29, 2023	April 30, 2022	January 28, 2023*
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 313	\$ 551	\$ 536
Merchandise inventories	1,758	1,401	1,643
Other current assets	326	281	342
	2,397	2,233	2,521
Property and equipment, net	901	899	920
Operating lease right-of-use assets	2,331	2,566	2,443
Deferred taxes	94	79	90
Goodwill	781	783	785
Other intangible assets, net	421	441	426
Minority investments	629	759	630
Other assets	89	118	92
	\$ 7,643	\$ 7,878	\$ 7,907
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 474	\$ 565	\$ 492
Accrued and other liabilities	447	428	568
Current portion of debt and obligations under finance leases	6	6	6
Current portion of lease obligations	533	557	544
	1,460	1,556	1,610
Long-term debt and obligations under finance leases	445	450	446
Long-term lease obligations	2,132	2,323	2,230
Other liabilities	323	334	328
Total liabilities	4,360	4,663	4,614
Commitments and contingencies			
Shareholders' equity:			
Common stock and paid-in capital: 94,175,714; 99,233,112; and 93,396,901 shares issued, respectively	766	779	760
Retained earnings	2,923	2,995	2,925
Accumulated other comprehensive loss	(396)	(384)	(392)
Less: Treasury stock at cost: 260,870; 4,731,931; and 1,489 shares, respectively	(10)	(178)	—
Noncontrolling interest	—	3	—
Total shareholders' equity	3,283	3,215	3,293
	\$ 7,643	\$ 7,878	\$ 7,907

* The balance sheet at January 28, 2023 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 28, 2023.

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)

(\$ in millions, except per share amounts)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Sales	\$ 1,927	\$ 2,175
Licensing revenue	4	3
Total revenue	1,931	2,178
Cost of sales	1,349	1,435
Selling, general and administrative expenses	431	463
Depreciation and amortization	51	54
Impairment and other	39	6
Income from operations	61	220
Interest expense, net	(1)	(5)
Other income / (expense), net	(3)	(25)
Income before income taxes	57	190
Income tax expense	21	58
Net income	36	132
Net loss attributable to noncontrolling interests	—	1
Net income attributable to Foot Locker, Inc.	\$ 36	\$ 133
Basic earnings per share	\$ 0.39	\$ 1.38
Weighted-average shares outstanding	93.7	96.1
Diluted earnings per share	\$ 0.38	\$ 1.37
Weighted-average shares outstanding, assuming dilution	95.1	97.2

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (Unaudited)

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Net income attributable to Foot Locker, Inc.	\$ 36	\$ 133
Other comprehensive income (loss), net of income tax		
<i>Foreign currency translation adjustment:</i>		
Translation adjustment arising during the period, net of income tax (benefit)/expense of \$- and \$(1), respectively	(7)	(44)
<i>Hedges contracts:</i>		
Change in fair value of derivatives, net of income tax benefit of \$-, and \$-, respectively	1	1
<i>Pension and postretirement adjustments:</i>		
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	2	2
Comprehensive income	\$ 32	\$ 92

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY (Unaudited)

Thirteen weeks ended (shares in thousands, \$ 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 28, 2023	93,397	\$ 760	(1)	\$ —	\$ 2,925	\$ (392)	\$ —	\$ 3,293
Restricted stock issued	628							—
Issued under director and stock plans	151	4						4
Share-based compensation expense		2						2
Shares of common stock used to satisfy tax withholding obligations			(260)	(10)				(10)
Net income					36			36
Cash dividends on common stock (\$0.40 per share)					(38)			(38)
Translation adjustment, net of tax						(7)		(7)
Change in cash flow hedges, net of tax						1		1
Pension and postretirement adjustments, net of tax						2		2
Balance at April 29, 2023	94,176	\$ 766	(261)	\$ (10)	\$ 2,923	\$ (396)	\$ —	\$ 3,283

Thirteen weeks ended (shares in thousands, \$ 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 29, 2022	99,071	\$ 770	(2,050)	\$ (88)	\$ 2,900	\$ (343)	\$ 4	\$ 3,243
Restricted stock issued	88							—
Issued under director and stock plans	74	2						2
Share-based compensation expense		7						7
Shares of common stock used to satisfy tax withholding obligations			(32)	(1)				(1)
Share repurchases			(2,650)	(89)				(89)
Net income					133		(1)	132
Cash dividends on common stock (\$0.40 per share)					(38)			(38)
Translation adjustment, net of tax						(44)		(44)
Change in hedges, net of tax						1		1
Pension and postretirement adjustments, net of tax						2		2
Balance at April 30, 2022	99,233	\$ 779	(4,732)	\$ (178)	\$ 2,995	\$ (384)	\$ 3	\$ 3,215

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	
	April 29, 2023	April 30, 2022
From operating activities:		
Net income	\$ 36	\$ 132
Adjustments to reconcile net income to net cash from operating activities:		
Non-cash impairment and other	18	3
Fair value adjustments to minority investments	—	25
Depreciation and amortization	51	54
Deferred income taxes	(4)	3
Share-based compensation expense	2	7
Change in assets and liabilities:		
Merchandise inventories	(117)	(150)
Accounts payable	(16)	(25)
Accrued and other liabilities	(87)	(80)
Other, net	(1)	10
Net cash used in operating activities	(118)	(21)
From investing activities:		
Capital expenditures	(59)	(95)
Purchase of business, net of cash acquired	—	(7)
Minority investments	—	(3)
Net cash used in investing activities	(59)	(105)
From financing activities:		
Dividends paid on common stock	(38)	(38)
Purchase of treasury shares	—	(89)
Payment of obligations under finance leases	(2)	(2)
Shares of common stock repurchased to satisfy tax withholding obligations	(10)	(1)
Proceeds from exercise of stock options	4	2
Net cash used in financing activities	(46)	(128)
Effect of exchange rate fluctuations on cash, cash equivalents, and restricted cash	—	(1)
Net change in cash, cash equivalents, and restricted cash	(223)	(255)
Cash, cash equivalents, and restricted cash at beginning of year	582	850
Cash, cash equivalents, and restricted cash at end of period	\$ 359	\$ 595
Supplemental information:		
Interest paid	\$ 8	\$ 8
Income taxes paid	23	18
Cash paid for amounts included in measurement of operating lease liabilities	170	174
Cash paid for amounts included in measurement of finance lease liabilities	2	2
Right-of-use assets obtained in exchange for operating lease obligations	34	138

See Accompanying Notes to the Unaudited Condensed Consolidated Financial Statements.

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Summary of Significant Accounting Policies

Business

Foot Locker, Inc., together with its consolidated subsidiaries (“Foot Locker,” “Company,” “we,” “our,” and “us”), is a leading footwear and apparel retailer. We have integrated all available shopping channels including stores, websites, apps, and social channels. 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 availability of particular items. We operate in North America, Europe, and Asia Pacific, representing our operating segments. We aggregate these operating segments into one reportable segment based upon their shared customer base and similar economic characteristics.

Basis of Presentation

The accompanying interim Unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (“U.S. GAAP”) and the rules and regulations of the Securities and Exchange Commission. Accordingly, they do not include all of the information and notes required by U.S. GAAP for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. The results of operations for any interim period are not necessarily indicative of the results expected for the year. Additionally, the results of operations for the period ended April 29, 2023 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 the year. Fiscal year 2023 will include the 53-week period that ends on February 3, 2024.

The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the Notes to Consolidated Financial Statements contained in our 2022 Form 10-K. Certain reclassifications have been made to prior period financial statements to conform to the current period presentation. In 2023, we separately present licensing revenue as a component of total revenue in the Condensed Consolidated Statements of Operations, as previously licensing revenue was presented within other income / (expense), net.

There were no significant changes to the policies disclosed in Note 1, *Summary of Significant Accounting Policies* of our 2022 Form 10-K.

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 by sales channel, as well as licensing revenue earned from our various franchised arrangements. Sales are attributable to the channel in which the sales transaction is initiated.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Sales by Channel		
Stores	\$ 1,613	\$ 1,776
Direct-to-customers	314	399
Total sales	1,927	2,175
Licensing revenue	4	3
Total revenue	\$ 1,931	\$ 2,178

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

2. Revenue (continued)

Revenue is attributed to the country in which the transaction is fulfilled, and revenue by geographic area is presented in the following table.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Revenue by Geography		
United States	\$ 1,287	\$ 1,544
International	644	634
Total revenue	\$ 1,931	\$ 2,178

Sales by banner and operating segment are presented in the following table.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Foot Locker	\$ 744	\$ 807
Champs Sports	328	454
Kids Foot Locker	167	180
WSS	150	138
Other (1)	—	53
North America	1,389	1,632
Foot Locker	379	377
Sidestep	14	24
EMEA	393	401
Foot Locker	98	93
atmos	47	49
Asia Pacific	145	142
Total sales	\$ 1,927	\$ 2,175

(1) Other includes sales from banners that we no longer operate and primarily represented Eastbay in the prior-year period.

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)	April 29, 2023	April 30, 2022
Gift card liability at beginning of year	\$ 36	\$ 46
Redemptions	(61)	(65)
Breakage recognized in sales	(4)	(4)
Activations	56	60
Gift card liability	\$ 27	\$ 37

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

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

3. Segment Information

Foot Locker operates one reportable segment. Division profit reflects income before income taxes, impairment and other, corporate expense, other income / (expense), net, and net interest expense.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Division profit	\$ 104	\$ 263
Less: Impairment and other ⁽¹⁾	39	6
Less: Corporate expense ⁽²⁾	4	37
Income from operations	61	220
Interest expense, net	(1)	(5)
Other income / (expense), net ⁽³⁾	(3)	(25)
Income before income taxes	\$ 57	\$ 190

(1) See Note 4, *Impairment and Other Charges* for further detail.

(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.

(3) See Note 5, *Other Income / (Expense), net*.

4. Impairment and Other

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Transformation consulting	\$ 19	\$ —
Impairment of long-lived assets and right-of-use assets	18	3
Reorganization costs	2	—
Acquisition and integration costs	—	2
Other	—	1
Total impairment and other	\$ 39	\$ 6

For the thirteen weeks ended April 29, 2023, we incurred \$19 million of transformation consulting expense. We recorded impairment charges of \$18 million, primarily accelerated tenancy charges on right-of-use assets for the closures of the Sidestep banner and certain Foot Locker Asia stores. Additionally, we recorded reorganization costs of \$2 million related to the announced closure of a North American distribution center and costs associated with the closure of the Sidestep banner and certain Foot Locker Asia stores.

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

5. Other Income / (Expense), net

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Pension and postretirement net benefit expense, excluding service cost	\$ (2)	\$ —
Share of losses related to minority investments	(1)	—
Minority investment in Retailors, Ltd.	—	(25)
Total other income / (expense), net	\$ (3)	\$ (25)

6. 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)	April 29, 2023	April 30, 2022
Cash and cash equivalents	\$ 313	\$ 551
Restricted cash included in other current assets	13	8
Restricted cash included in other non-current assets	33	36
Cash, cash equivalents, and restricted cash	\$ 359	\$ 595

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.

7. Accumulated Other Comprehensive Loss

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

(\$ in millions)	April 29, 2023	April 30, 2022	January 28, 2023
Foreign currency translation adjustments	\$ (155)	\$ (151)	\$ (148)
Hedge contracts	(2)	1	(3)
Unrecognized pension cost and postretirement benefit	(239)	(234)	(241)
	\$ (396)	\$ (384)	\$ (392)

The changes in AOCL for the thirteen weeks ended April 29, 2023 were as follows:

(\$ in millions)	Foreign Currency Translation Adjustments	Hedge Contracts	Items Related to Pension and Postretirement Benefits	Total
Balance as of January 28, 2023	\$ (148)	(3)	(241)	\$ (392)
OCI before reclassification	(7)	3	—	(4)
Reclassification of hedges, net of tax	—	(2)	—	(2)
Amortization of pension actuarial loss, net of tax	—	—	2	2
Other comprehensive income	(7)	1	2	(4)
Balance as of April 29, 2023	\$ (155)	\$ (2)	\$ (239)	\$ (396)

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

7. Accumulated Other Comprehensive Loss (continued)

Reclassifications from AOCL for the thirteen weeks ended April 29, 2023 were as follows:

(\$ in millions)	
Reclassification of hedge loss:	
Cross-currency swap	\$ (2)
Income tax	—
Reclassification of hedges, net of tax	\$ (2)
Amortization of actuarial loss:	
Pension benefits	\$ 3
Income tax benefit	(1)
Amortization of actuarial loss, net of tax	\$ 2
Total, net of tax	\$ —

8. Fair Value Measurements

Our financial assets and liabilities are recorded at fair value, using a three-level fair value hierarchy that prioritizes the inputs used to measure fair value.

Assets and Liabilities Measured at Fair Value on a Recurring Basis

(\$ in millions)	As of April 29, 2023			As of April 30, 2022		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
Assets						
Minority investment in common stock	\$ —	\$ —	\$ —	\$ 120	\$ —	\$ —
Available-for-sale security	—	6	—	—	6	—
Foreign exchange forward contracts	—	—	—	—	2	—
Total assets	\$ —	\$ 6	\$ —	\$ 120	\$ 8	\$ —
Liabilities						
Contingent consideration	\$ —	\$ —	\$ 4	\$ —	\$ —	\$ 35
Foreign exchange forward contracts	—	1	—	—	—	—
Total liabilities	\$ —	\$ 1	\$ 4	\$ —	\$ —	\$ 35

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

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)	April 29, 2023		April 30, 2022	
Carrying value (1)	\$	395	\$	394
Fair value	\$	339	\$	332

(1) The carrying value of debt as of April 29, 2023 and April 30, 2022 included \$5 million and \$6 million of issuer's discount and costs, respectively.

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

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

9. Earnings Per Share

We account for earnings per share ("EPS") using the treasury stock method. Basic EPS is computed by dividing net income 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:

(in millions, except per share data)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Net income attributable to Foot Locker, Inc.	\$ 36	\$ 133
Weighted-average common shares outstanding	93.7	96.1
Dilutive effect of potential common shares	1.4	1.1
Weighted-average common shares outstanding assuming dilution	95.1	97.2
Earnings per share - basic	\$ 0.39	\$ 1.38
Earnings per share - diluted	\$ 0.38	\$ 1.37
Anti-dilutive share-based awards excluded from diluted calculation	2.3	2.5

Performance stock units related to our long-term incentive programs of 0.9 million been excluded from diluted weighted-average shares for each of the periods ended April 29, 2023 and April 30, 2022. The issuance of these shares is contingent on our performance metrics as compared to the pre-established performance goals, which have not been achieved.

10. 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 / (expense), net.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Service cost	\$ 1	\$ 4
Interest cost	6	5
Expected return on plan assets	(7)	(8)
Amortization of net loss	3	2
Net benefit expense	\$ 3	\$ 3

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. 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	
	April 29, 2023	April 30, 2022
Options and employee stock purchase plan	\$ 1	\$ 1
Restricted stock units and performance stock units	1	6
Total share-based compensation expense	\$ 2	\$ 7
Tax benefit recognized	\$ —	\$ 1

Valuation Model and Assumptions

We use the Black-Scholes option-pricing model to estimate the fair value of options and the stock purchase plan. 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 April 29, 2023 and April 30, 2022.

	Stock Option Plans		Stock Purchase Plan	
	April 29, 2023	April 30, 2022	April 29, 2023	April 30, 2022
Weighted-average risk free rate of interest	3.5%	2.3%	2.2%	0.1%
Expected volatility	49%	50%	40%	40%
Weighted-average expected award life (in years)	5.4	5.5	1.0	1.0
Dividend yield	3.6%	3.9%	3.7%	1.8%
Weighted-average fair value	\$ 14.09	\$ 10.42	\$ 7.16	\$ 29.46

The information in the table below provides activity under our stock option plans for the thirteen weeks ended April 29, 2023.

	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	3,256		\$ 47.85
Granted	294		39.08
Exercised	(151)		24.60
Expired or cancelled	(148)		36.71
Options outstanding at April 29, 2023	3,251	3.8	\$ 48.64
Options exercisable at April 29, 2023	2,783	2.9	\$ 50.48
Shares available for future grant at April 29, 2023 under the 2007 Stock Incentive Plan	888		
Shares available for future grant at April 29, 2023 under the employment inducement award plan ⁽¹⁾	409		

⁽¹⁾ On August 24, 2022, the Company granted options and other awards to its new President and Chief Executive Officer, Mary N. Dillon. These awards were granted outside of the 2007 Stock Incentive Plan as employment inducement awards and do not require shareholder approval under the rules of the New York Stock Exchange or otherwise. Shares available for future grant under this plan are reserved for the sole purpose to issue shares pursuant to her employment inducement awards.

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Share-Based Compensation (continued)

The total fair value of options vested thirteen weeks ended April 29, 2023 and April 30, 2022 was \$4 million for both periods. The cash received from option exercises during the thirteen weeks ended April 29, 2023 was \$4 million, and the related tax benefits realized from option exercises were not significant. The cash received from option exercises during the thirteen weeks ended April 30, 2022 was \$2 million, and the related tax benefits realized from option exercises were not significant.

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:

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
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:

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Outstanding	\$ 15	\$ 6
Outstanding and exercisable	\$ 13	\$ 4

As of April 29, 2023, 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.

The table below summarizes information about stock options outstanding and exercisable at April 29, 2023

Range of Exercise Prices	Options Outstanding			Options Exercisable	
	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 - \$36.51	855	5.2	\$ 25.40	708	\$ 23.82
\$38.94 - \$48.98	743	5.2	42.58	439	45.00
\$53.61 - \$58.94	482	3.3	56.73	465	56.84
\$62.02 - \$72.83	1,171	2.1	66.14	1,171	66.14
	3,251	3.8	\$ 48.64	2,783	\$ 50.48

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 officers and certain key employees in connection with our long-term incentive program. Each RSU and PSU represents the right to receive one share of our common stock provided that the applicable performance and vesting conditions are satisfied. PSU awards granted in 2022 and 2023 also include a performance objective based on our relative total shareholder return over the performance period to a pre-determined peer group, assuming the reinvestment of dividends. The fair value of these awards is determined using a Monte Carlo simulation as of the date of the grant and share-based compensation expense will not be adjusted should the target awards vary from actual awards.

FOOT LOCKER, INC.

NOTES TO THE UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

11. Share-Based Compensation (continued)

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 over the vesting period.

RSU and PSU activity for the thirteen weeks ended April 29, 2023 is summarized as follows:

	Number of Shares (in thousands)	Weighted- Average Remaining Contractual Life (in years)	Weighted- Average Grant Date Fair Value (per share)
Nonvested at beginning of year	1,992		\$ 37.58
Granted	741		39.69
Vested	(628)		34.12
Performance adjustment ⁽¹⁾	(600)		
Forfeited	(99)		39.79
Nonvested at April 29, 2023	1,406	1.8	\$ 40.80
Aggregate value (\$ in millions)	\$ 57		

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

The total value of RSU and PSU awards that vested during the thirteen weeks ended April 29, 2023 and April 30, 2022 was \$21 million and \$5 million, respectively. As of April 29, 2023, there was \$35 million of total unrecognized compensation cost related to nonvested awards.

12. 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. Additionally, the Company is a defendant in two purported class actions alleging wage/hour and wage statement violations in California.

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.

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

Foot Locker, Inc. is a leading footwear and apparel retailer that unlocks the "inner sneakerhead" in all of us. We have a strong history of sneaker authority that sparks discovery and ignites the power of sneaker culture through our portfolio of brands, including Foot Locker, Kids Foot Locker, Champs Sports, WSS, and atmos.

Ensuring that our customers can engage with us in the most convenient manner for them whether in our stores, on our website, or on our mobile application, is a high priority for us. 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 brand names of our store banners. These sites offer some of the largest online product selections and provide a seamless link between e-commerce and physical stores.

Store Count

At April 29, 2023, we operated 2,692 stores as compared with 2,714 and 2,815 stores at January 28, 2023 and April 30, 2022, respectively.

Franchise Operations

A total of 163 franchised stores were operating at April 29, 2023, as compared with 159 and 148 stores at January 28, 2023 and April 30, 2022, respectively, operating in the Middle East and Asia. These stores are not included in the operating store count above.

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.

The table below summarizes our results for the period.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Sales	\$ 1,927	\$ 2,175
Licensing revenue	4	3
Total revenue	1,931	2,178
Operating Results		
Division profit	104	263
Less: Impairment and other (1)	39	6
Less: Corporate expense (2)	4	37
Income from operations	61	220
Interest expense, net	(1)	(5)
Other income / (expense), net (3)	(3)	(25)
Income before income taxes	\$ 57	\$ 190

(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 / (expense), net includes non-operating items, changes in fair value of minority interests measured at fair value or 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 / (expense), net* section for further information.

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 item. The income tax items represent the discrete amount that affected the period.

The non-GAAP financial information is provided in addition, and not as an alternative, to our reported results prepared in accordance with GAAP. Presented below is a reconciliation of GAAP and non-GAAP.

(\$ in millions, except per share amounts)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Pre-tax income:		
Income before income taxes	\$ 57	\$ 190
Pre-tax amounts excluded from GAAP:		
Impairment and other	39	6
Other income / expense, net	1	24
Adjusted income before income taxes (non-GAAP)	\$ 97	\$ 220
After-tax income:		
Net income attributable to Foot Locker, Inc.	\$ 36	\$ 133
After-tax adjustments excluded from GAAP:		
Impairment and other, net of income tax benefit of \$6, and \$2 million, respectively	33	4
Other income / expense, net of income tax benefit/(expense) of \$-, and \$6 million, respectively	1	18
Tax reserves benefit	(4)	—
Adjusted net income (non-GAAP)	\$ 66	\$ 155
Earnings per share:		
Diluted earnings per share	\$ 0.38	\$ 1.37
Diluted EPS amounts excluded from GAAP:		
Impairment and other	0.36	0.05
Other income / expense, net	—	0.18
Tax reserves benefit	(0.04)	—
Adjusted diluted earnings per share (non-GAAP)	\$ 0.70	\$ 1.60

During the thirteen weeks ended April 29, 2023, we recorded pre-tax charges of \$39 million and \$6 million, respectively, classified as Impairment and Other. See the *Impairment and Other Charges* section for further information.

The adjustments made to other income / (expense), net reflected gains or losses associated with our minority investments. See the *Other Income / (Expense), net* section for further information.

During the thirteen weeks ended April 29, 2023, we recorded a \$4 million benefit related to an income tax reserves release from a statute of limitations expiration.

Segment Reporting and Results of Operations

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, Champs Sports, Kids Foot Locker, and WSS, including each of their related e-commerce businesses. 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 the Foot Locker banner and its related e-commerce business operating in Australia, New Zealand, and Asia, as well as atmos, which operates primarily in Asia. We have further aggregated these operating segments into one reportable segment based upon their shared customer base and similar economic characteristics.

As reported in our Annual Report on Form 10-K, we announced the closure of the Sidestep banner and the wind down of our stores operating in Hong Kong and Macau. We currently expect to wind down the majority of operations by the end of the second quarter. Additionally during the second quarter, we will be transitioning our Singapore and Malaysian business to a licensed store model.

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. Computations exclude the effect of foreign currency fluctuations.

Sales from acquired businesses that include inventory are included in the computation of comparable-store sales after the 15th month of operations. Accordingly, WSS comparable-store sales are included in the first quarter of 2023, while sales from the atmos banner only include two months in the computation of comparable-store sales.

For the thirteen weeks ended April 29, 2023, total sales decreased by \$248 million, or 11.4%, to \$1,927 million, as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, total sales decreased by \$217 million, or 10.0%, for the thirteen weeks ended April 29, 2023. The information shown below represents certain sales metrics by sales channel.

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Store sales	\$ 1,613	\$ 1,776
\$ Change	(163)	
% Change	(9.2)%	
% of total sales	83.7%	81.7%
Comparable sales (decrease) / increase	(7.4)%	7.9%
Direct-to-customers sales	\$ 314	\$ 399
\$ Change	(85)	
% Change	(21.3)%	
% of total sales	16.3%	18.3%
Comparable sales decrease	(16.8)%	(29.0)%
Total sales	\$ 1,927	\$ 2,175
\$ Change	(248)	
% Change	(11.4)%	
Comparable sales decrease	(9.1)%	(1.9)%

The information shown below represents certain combined stores and direct-to-customers sales metrics for the thirteen weeks ended April 29, 2023 as compared with the corresponding prior-year period.

	Thirteen weeks ended	
	Constant Currencies	Comparable Sales
Foot Locker	(7.2)%	(5.5)%
Champs Sports	(27.3)%	(24.6)%
Kids Foot Locker	(7.2)%	(7.7)%
WSS	8.7%	(3.4)%
Other	n.m.	n.m.
North America	(14.5)%	(12.8)%
Foot Locker	3.7%	2.1%
Sidestep	(41.7)%	(37.8)%
EMEA	1.0%	(0.1)%
Foot Locker	12.9%	11.2%
atmos	6.1%	2.7%
Asia Pacific	10.6%	8.9%
Total Foot Locker, Inc.	(10.0)%	(9.1)%

Comparable sales decreased both in our stores and in our direct-to-customer channels this quarter due to changing vendor mix, coupled with macroeconomic headwinds, including inflation and lower income tax refunds in the United States. In addition, North America sales were negatively affected by the closure of Eastbay business, which ceased operating in late 2022. Eastbay's sales primarily represent the other category in the above table, and excluding those sales the decline would have been 11.6% on a constant currency basis. Additionally, we are repositioning the Champs Sports banner to serve the active athlete, which is resulting in expected comparable sales declines due to the transition. Within EMEA, sales for the Foot Locker banners increased, led by our operations in Italy, Spain, and France as tourism has increased as compared with last year. Within Asia Pacific, sales for the Foot Locker banner increased across many of the regions that we operate, led by Australia, New Zealand, and South Korea. As previously announced, we are in the process of closing our operations in Hong Kong and Macau and converting our business in Singapore and Malaysia to a licensing arrangement. Our sales from our atmos banner increased by 2.7% on a comparable basis, this banner was affected negatively by the lack of certain key styles from Adidas that were available in the marketplace last year.

From a product perspective for the combined channels, the sales decline in the quarter was across all categories of footwear, apparel and accessories.

Gross Margin

	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Gross margin rate	30.0%	34.0%
Basis point decrease in the gross margin rate	(400)	
Components of the change:		
Merchandise margin rate decline	(250)	
Occupancy and buyers' compensation expense rate	(150)	

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 decreased to 30.0% for the thirteen weeks ended April 29, 2023, as compared with the corresponding prior-year period, reflecting a 250-basis point decrease in the merchandise margin rate, and a 150-basis point deleverage in the occupancy and buyers' compensation rate. The decline in merchandise margin rate reflected higher markdowns versus last year, higher costs of merchandise and increased shrink. The deleverage in the occupancy and buyers' compensation rate was primarily related to the fixed nature of these costs coupled with the decline in sales.

Selling, General and Administrative Expenses (SG&A)

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
SG&A	\$ 431	\$ 463
\$ Change	\$ (32)	
% Change	(6.9)%	
SG&A as a percentage of sales	22.4%	21.3%

SG&A decreased by \$32 million, or \$25 million excluding the effect of foreign currency fluctuations, for the thirteen weeks ended April 29, 2023, as compared with the corresponding prior-year period. As a percentage of sales, SG&A increased by 110 basis points for the thirteen weeks ended April 29, 2023, driven primarily by deleverage from the decline in sales, coupled with pressures from inflation and investments in store wages. Partially offsetting these increases was lower incentive compensation due to the Company's underperformance relative to targets and savings from our cost optimization program.

Depreciation and Amortization

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Depreciation and amortization	\$ 51	\$ 54
\$ Change	\$ (3)	
% Change	(5.6)%	

Depreciation and amortization expense decreased by \$3 million for the thirteen weeks ended April 29, 2023, as compared with the corresponding prior-year period. Excluding the effect of foreign currency fluctuations, depreciation and amortization decreased by \$2 million for the thirteen weeks ended April 29, 2023, primarily related to operating fewer stores and the effect from impairments recorded in the prior year.

Impairment and Other Charges

During the first quarter of 2023, we incurred \$19 million of transformation consulting expense, \$18 million of impairment charges related to accelerated tenancy charges on right-of-use assets for the closures of the Sidestep banner and certain Foot Locker Asia stores, and \$2 million of reorganization costs related to the closure of a North American Distribution center and costs associated with the closure of the Sidestep banner and certain Foot Locker Asia stores. In the corresponding prior-year period, we recorded impairment charges of \$3 million related to long-lived assets and right-of-use assets as well as accelerated tenancy charges, \$2 million of acquisition and integration costs related to WSS and atmos acquisitions, and \$1 million of other expenses.

Corporate Expense

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Corporate expense	\$ 4	\$ 37
\$ Change	\$ (33)	

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.

Corporate expense decreased by \$33 million for the thirteen weeks ended April 29, 2023, as compared with the corresponding prior-year period. Depreciation and amortization included in corporate expense was \$9 million for each of the thirteen weeks ended April 29, 2023 and April 30, 2022. Corporate expense decreased primarily due to an increase in the allocation of corporate expense to the banners in 2023 and lower incentive compensation, partially offset by our ongoing investments in information technology.

Operating Results

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Division profit	\$ 104	\$ 263
Division profit margin	5.4%	12.1%

Division profit margin as a percentage of sales decreased to 5.4% for the thirteen weeks ended April 29, 2023, with both sales channels experiencing declines in sales and gross margin and deleveraging expenses.

Interest Expense, Net

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Interest expense	\$ (5)	\$ (6)
Interest income	4	1
Interest (expense) income, net	\$ (1)	\$ (5)

We recorded \$1 million of net interest expense for the thirteen weeks ended April 29, 2023, as compared with net interest expense of \$5 million for the corresponding prior-year period. Interest expense decreased primarily due to an increase in interest income earned on our cash and cash equivalents related to higher interest rates and income from our cross-currency swap.

Other Income / (Expense), Net

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Other income / (expense), net	\$ (3)	\$ (25)

This caption includes non-operating items, including changes in fair value of minority investments measured at fair value or 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 thirteen weeks ended April 29, 2023 reflected expense of \$2 million related to our pension and postretirement programs, and a \$1 million loss on our equity method investments. Other income / (expense) for the corresponding prior-year period primarily represented a decrease in the fair value of our former investment in Retailors, Ltd. resulting in a non-cash loss of \$25 million.

Income Taxes

(\$ in millions)	Thirteen weeks ended			
	April 29, 2023		April 30, 2022	
Provision for income taxes	\$	21	\$	58
Effective tax rate		36.3%		30.3%

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 occurred within the periods presented.

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.

During the thirteen weeks ended April 29, 2023, we recorded a \$4 million reserve release from a statute of limitations expiration on our foreign income taxes. Excluding this item, and other insignificant reserve releases due to settlements of international tax examinations, the effective tax rate for the current year period increased, as compared with the corresponding prior-year period, primarily due to the decline in income before tax and a change in geographic mix of earnings.

Liquidity and Capital ResourcesLiquidity

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, including strategic investments.

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 April 29, 2023, approximately \$1,103 million remained available under our current \$1.2 billion share repurchase program.

Our full-year capital spending is expected to be \$275 million. The forecast includes \$210 million related to the remodeling or relocation of approximately 170 existing stores and the opening of approximately 90 new stores, including 25 WSS stores. Additionally, we expect to spend \$65 million for the development of information systems, websites, and infrastructure, including supply chain initiatives. We also expect to spend an additional \$30 million in software-as-a-service contracts related to our technology initiatives.

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, 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

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Net cash used in operating activities	\$ (118)	\$ (21)
\$ Change	\$ (97)	

Operating activities reflects net income adjusted for non-cash items and working capital changes. Adjustments to net income for non-cash items include impairment charges, other charges, fair value adjustments to minority investments, depreciation and amortization, deferred income taxes, and share-based compensation expense.

The decrease in cash from operating activities reflected lower net income, partially offset by timing of merchandise purchases and payments of accounts payable and accrued and other liabilities, as compared with the same period last year. The prior-year merchandise purchases were affected by the supply chain disruptions that occurred in the preceding year.

Investing Activities

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Net cash used in investing activities	\$ (59)	\$ (105)
\$ Change	\$ 46	

The change in investing activities primarily reflected lower capital expenditures in the current year, as compared with the prior-year period, as several large projects related to 2021 were paid in the first quarter of 2022.

For the thirteen weeks ended April 29, 2023, capital expenditures decreased by \$36 million to \$59 million, as compared with the corresponding prior-year period.

Financing Activities

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Net cash used in financing activities	\$ (46)	\$ (128)
\$ Change	\$ 82	

Cash used in financing activities was primarily related to our return to shareholders initiatives as follows:

(\$ in millions)	Thirteen weeks ended	
	April 29, 2023	April 30, 2022
Share repurchases	\$ —	\$ (89)
Dividends paid on common stock	(38)	(38)
Total returned to shareholders	\$ (38)	\$ (127)

During the thirteen weeks ended April 29, 2023, we did not repurchase any shares under our share repurchase program, whereas in the prior year we spent \$89 million to repurchase shares. We declared and paid \$38 million in dividends representing a quarterly rate of \$0.40 per share in both 2023 and 2022. We paid \$10 million and \$1 million during the first quarters of 2023 and 2022, respectively, to satisfy tax withholding obligations related to vesting of share-based equity awards.

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," within the 2022 Form 10-K.

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 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no significant changes in our primary risk exposures or management of market risks from the information provided in Part II, Item 7A, Quantitative and Qualitative Disclosures About Market Risk within the 2022 Form 10-K.

Item 4. Controls and Procedures

Evaluation of Disclosure 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 Interim 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")). The term "disclosure controls and procedures" means controls and other procedures of a company that are designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by a company in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

Based on that evaluation, our CEO and CFO concluded that as of April 29, 2023, our disclosure controls and procedures were not effective due to the un-remediated material weaknesses in internal control over financial reporting related to certain ineffective general information technology controls over logical access and change management at our WSS business, which was previously disclosed in the Company's Annual Report on Form 10-K for the year ended January 28, 2023. For additional information, please refer to Part II - Item 9A. of the Company's Annual Report on Form 10-K for the year ended January 28, 2023.

Remediation

Management is in the process of implementing measures designed to ensure that the control deficiencies contributing to the material weaknesses are remediated, such that these controls are designed, implemented, and operating effectively. The remediation actions include: (i) designing and implementing controls related to deprovisioning, privileged access, and user access reviews, (ii) developing an enhanced risk assessment process to evaluate logical access, and (iii) improving the existing training program associated with control design and implementation. We believe that these actions will remediate the material weaknesses. Management began to implement certain of these remedial steps during the first quarter of 2023. The material weaknesses will not be considered remediated, however, until the applicable controls operate for a sufficient period of time and management has concluded, through testing, that these controls are operating effectively. We expect that the remediation of these material weaknesses will be completed prior to the end of 2023.

Changes in Internal Control Over Financial Reporting

Other than the ongoing remediation efforts described above, there were no changes in our internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act), during the quarter ended April 29, 2023, that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Limitations on Effectiveness of Controls and Procedures

Because of its inherent limitations, management does not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent or detect all error and fraud. Any control system, no matter how well designed and operated, is based upon certain assumptions and can provide only reasonable, not absolute, assurance that its objectives will be met. 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. Further, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected.

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 2022 Annual Report on Form 10-K filed with the SEC on March 27, 2023 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 2022 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 April 29, 2023.

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	Dollar Value of Shares that may yet be Purchased Under the Program
January 29 to February 25, 2023	—	\$ —	—	\$ 1,103,814,042
February 26 to April 1, 2023	239,806	37.99	—	1,103,814,042
April 2 to April 29, 2023	19,575	39.85	—	1,103,814,042
	259,381	\$ 38.13	—	

⁽¹⁾ These columns include shares acquired in satisfaction of the tax withholding obligations of holders of restricted stock unit and performance-based awards, which vested during the quarter.

Item 3. Defaults Upon Senior Securities

Not applicable.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

Not applicable.

Item 6. Exhibits

Exhibit No.	Description
10.1 †	Amendment No. 3 to Credit Agreement, dated as of April 21, 2023, among Foot Locker, Inc., a New York corporation, the guarantors party thereto, the lenders party thereto, and Wells Fargo, National Association, as administrative and collateral agent, letter of credit issuer, and swing line lender (incorporated herein by reference to Exhibit 10.1 to the Current Report on Form 8-K dated April 25, 2023 filed on April 25, 2023).
10.2 †	Foot Locker 2007 Stock Incentive Plan (Amended and Restated as of March 22, 2023) (incorporated herein by reference to Exhibit 10.1 on Form S-8 (Registration No. 333-272007), filed on May 17, 2023 (the "2023 Form S-8")).
10.3 †	2023 Foot Locker Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.2 on the 2023 Form S-8).
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.
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).

† Management contract or compensatory plan or arrangement

* 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 7, 2023

FOOT LOCKER, INC.

/s/ Robert Higginbotham

ROBERT HIGGINBOTHAM

Senior Vice President and Interim Chief Financial Officer

CERTIFICATION

I, Mary N. Dillon, 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 7, 2023

/s/ Mary N. Dillon
Chief Executive Officer

CERTIFICATION

I, Robert Higginbotham, 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 7, 2023

/s/ Robert Higginbotham

Interim Chief Financial Officer

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 April 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), Mary N. Dillon, as Chief Executive Officer of the Registrant and Robert Higginbotham, as Interim 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 7, 2023

/s/ Mary N. Dillon
Mary N. Dillon
Chief Executive Officer

/s/ Robert Higginbotham
Robert Higginbotham
Interim 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.