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, 2017

OR

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

Commission File Number 000-51315

CITI TRENDS, INC.
(Exact name of registrant as specified in its charter)

DELAWARE (State or other jurisdiction of incorporation or organization)	**52-2150697** (I.R.S. Employer Identification No.)
104 Coleman Boulevard **Savannah, Georgia** (Address of principal executive offices)	**31408** (Zip Code)

Registrant's telephone number, including area code **(912) 236-1561**

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post 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 ☐ (Do not check if a smaller reporting company)

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 ☒

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of May 15, 2017
Common Stock, $.01 par value	14,939,817 shares

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PART I - FINANCIAL INFORMATION

Item 1. Financial Statements.

Citi Trends, Inc.

Condensed Consolidated Balance Sheets
April 29, 2017 and January 28, 2017
(Unaudited)
(in thousands, except share data)

	April 29, 2017	January 28, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 73,037	$ 49,253
Short-term investment securities	34,189	38,026
Inventory	124,533	134,649
Prepaid and other current assets	13,853	13,749
Income tax receivable	—	1,635
Total current assets	245,612	237,312
Property and equipment, net of accumulated depreciation of $216,622 and $212,742 as of April 29, 2017 and January 28, 2017, respectively	61,152	59,280
Long-term investment securities	25,914	26,691
Deferred tax asset	7,037	8,506
Other assets	716	725
Total assets	$ 340,431	$ 332,514
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 71,465	$ 75,433
Accrued expenses	17,093	15,584
Accrued compensation	10,437	8,921
Income tax payable	976	—
Layaway deposits	1,171	471
Total current liabilities	101,142	100,409
Other long-term liabilities	8,260	8,514
Total liabilities	109,402	108,923
Stockholders' equity:		
Common stock, $0.01 par value. Authorized 32,000,000 shares; 15,773,872 shares issued as of April 29, 2017 and 15,732,339 shares issued as of January 28, 2017; 14,940,684 shares outstanding as of April 29, 2017 and 14,899,151 shares outstanding as of January 28, 2017	156	155
Paid in capital	89,464	90,036
Retained earnings	156,594	148,585
Treasury stock, at cost; 833,188 shares held as of April 29, 2017 and January 28, 2017	(15,185)	(15,185)
Total stockholders' equity	231,029	223,591
Commitments and contingencies (note 10)		
Total liabilities and stockholders' equity	$ 340,431	$ 332,514

See accompanying notes to the condensed consolidated financial statements (unaudited).

Citi Trends, Inc.
Condensed Consolidated Statements of Income
Thirteen Weeks Ended April 29, 2017 and April 30, 2016
(Unaudited)
(in thousands, except per share data)

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net sales	$ 199,955	$ 193,672
Cost of sales (exclusive of depreciation shown separately below)	(122,390)	(117,809)
Selling, general and administrative expenses	(60,487)	(58,331)
Depreciation	(4,298)	(4,444)
Asset impairment	—	(221)
Income from operations	12,780	12,867
Interest income	186	127
Interest expense	(37)	(40)
Income before income taxes	12,929	12,954
Income tax expense	(4,039)	(4,217)
Net income	$ 8,890	$ 8,737
Basic net income per common share	$ 0.60	$ 0.60
Diluted net income per common share	$ 0.60	$ 0.60
Weighted average number of shares outstanding		
Basic	14,719	14,594
Diluted	14,780	14,603
Cash dividends declared per share	$ 0.06	$ 0.06

See accompanying notes to the condensed consolidated financial statements (unaudited).

Citi Trends, Inc.

Condensed Consolidated Statements of Cash Flows
Thirteen Weeks Ended April 29, 2017 and April 30, 2016
(Unaudited)
(in thousands)

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Operating activities:		
Net income	$ 8,890	$ 8,737
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	4,298	4,444
Asset impairment	—	221
Loss on disposal of property and equipment	—	39
Deferred income taxes	1,469	1,468
Noncash stock-based compensation expense	317	1,040
Excess tax benefits from stock-based payment arrangements	—	(192)
Changes in assets and liabilities:		
Inventory	10,116	13,690
Prepaid and other current assets	(104)	(1,335)
Other assets	9	2
Accounts payable	(4,022)	(7,437)
Accrued expenses and other long-term liabilities	(103)	(1,579)
Accrued compensation	1,516	(2,041)
Income tax receivable/payable	2,573	2,708
Layaway deposits	700	800
Net cash provided by operating activities	25,659	20,565
Investing activities:		
Sales/redemptions of investment securities	16,640	7,209
Purchases of investment securities	(12,026)	(8,190)
Purchases of property and equipment	(4,758)	(3,461)
Net cash used in investing activities	(144)	(4,442)
Financing activities:		
Excess tax benefits from stock-based payment arrangements	—	192
Cash used to settle withholding taxes on the vesting of nonvested restricted stock	(850)	(1,528)
Dividends paid to stockholders	(881)	(871)
Net cash used in financing activities	(1,731)	(2,207)
Net increase in cash and cash equivalents	23,784	13,916
Cash and cash equivalents:		
Beginning of period	49,253	39,116
End of period	$ 73,037	$ 53,032
Supplemental disclosures of cash flow information:		
Cash paid for interest	$ 31	$ 31
Cash (refunds) payments of income taxes	$ (3)	$ 41
Supplemental disclosures of noncash investing activities:		
Accrual for purchases of property and equipment	$ 1,412	$ 427

See accompanying notes to the condensed consolidated financial statements (unaudited).

Citi Trends, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
April 29, 2017

1. Basis of Presentation

Citi Trends, Inc. and its subsidiary (the "Company") operate as an off-price retailer of urban fashion apparel and accessories for the entire family. As of April 29, 2017, the Company operated 538 stores in 31 states.

The condensed consolidated balance sheet as of April 29, 2017 and the condensed consolidated statements of income and cash flows for the thirteen week periods ended April 29, 2017 and April 30, 2016 have been prepared by the Company without audit. The condensed consolidated balance sheet as of January 28, 2017 has been derived from the audited financial statements as of that date, but does not include all required year-end disclosures. In the opinion of management, such statements include all adjustments considered necessary to present fairly the Company's financial position as of April 29, 2017 and January 28, 2017, and its results of operations and cash flows for all periods presented. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended January 28, 2017.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by U.S. GAAP for complete financial statements. Operating results for the thirteen weeks ended April 29, 2017 are not necessarily indicative of the results that may be expected for the fiscal year ending February 3, 2018.

The following contains references to fiscal years 2017 and 2016, which represent fiscal years ending or ended on February 3, 2018 and January 28, 2017, respectively. Fiscal 2017 has a 53-week accounting period and fiscal 2016 had a 52-week accounting period.

2. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and use assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

The most significant estimates made by management include those used in the valuation of inventory, property and equipment, self-insurance liabilities, leases and income taxes. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based on such periodic evaluations.

3. Cash and Cash Equivalents/Concentration of Credit Risk

For purposes of the condensed consolidated balance sheets and condensed consolidated statements of cash flows, the Company considers all highly liquid investments with maturities at date of purchase of three months or less to be cash equivalents. Financial instruments that potentially subject the Company to a concentration of credit risk consist principally of cash and cash equivalents. The Company places its cash and cash equivalents in what it believes to be high credit quality banks and institutional money market funds. The Company maintains cash accounts that exceed federally insured limits.

4. Earnings per Share

Basic earnings per common share amounts are calculated using the weighted average number of common shares outstanding for the period. Diluted earnings per common share amounts are calculated using the weighted average number of common shares outstanding plus the additional dilution for all potentially dilutive securities, such as nonvested restricted stock and stock options. During loss periods, diluted loss per share amounts are based on the weighted average number of common shares outstanding, because the inclusion of common stock equivalents would be antidilutive.

The dilutive effect of stock-based compensation arrangements is accounted for using the treasury stock method. This method assumes that the proceeds the Company receives from the exercise of stock options are used to repurchase common shares in the market. The Company includes as assumed proceeds the amount of compensation cost attributed to future services and not yet recognized, and the amount of tax benefits, if any, that would be credited to additional paid-in capital assuming exercise of outstanding options and vesting of nonvested restricted stock. For the thirteen weeks ended April 29, 2017 and April 30, 2016, there were 0 and 10,000 stock options, respectively, and 145,000 and 291,000 shares of nonvested restricted stock, respectively, excluded from the calculation of diluted earnings per share because of antidilution.

The following table provides a reconciliation of the average number of common shares outstanding used to calculate basic earnings per share to the number of common shares and common stock equivalents outstanding used in calculating diluted earnings per share for the thirteen week periods ended April 29, 2017 and April 30, 2016:

	Thirteen Weeks Ended	
	April 29, 2017	**April 30, 2016**
Average number of common shares outstanding	14,719,130	14,594,180
Incremental shares from assumed exercises of stock options	—	—
Incremental shares from assumed vesting of nonvested restricted stock	60,800	9,197
Average number of common shares and common stock equivalents outstanding	14,779,930	14,603,377

5. Fair Value Measurement

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal or most advantageous market at the measurement date. Fair value is established according to a hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for assets or liabilities. The fair value hierarchy gives the highest priority to Level 1 inputs.

Level 2: Observable prices that are based on inputs not quoted on active markets, but corroborated by market data.

Level 3: Unobservable inputs are used when little or no market data is available. Level 3 inputs are given the lowest priority in the fair value hierarchy.

As of April 29, 2017, the Company's investment securities are classified as held-to-maturity since the Company has the intent and ability to hold the investments to maturity. Such securities are carried at amortized cost plus accrued interest and consist of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Obligations of the U.S. Treasury and U.S. government agencies (Level 1)	$ 10,395	$ —	$ (16)	$ 10,379
Obligations of states and municipalities (Level 2)	8,705	1	(1)	8,705
Bank certificates of deposit (Level 2)	15,089	—	—	15,089
	$ 34,189	$ 1	$ (17)	$ 34,173
Long-term:				
Obligations of the U. S. Treasury (Level 1)	$ 14,968	$ 1	$ (50)	$ 14,919
Bank certificates of deposit (Level 2)	10,946	—	—	10,946
	$ 25,914	$ 1	$ (50)	$ 25,865

The amortized cost and fair market value of investment securities as of April 29, 2017 by contractual maturity are as follows (in thousands):

	Amortized Cost	Fair Market Value
Mature in one year or less	$ 34,189	$ 34,173
Mature after one year through five years	25,914	25,865
	$ 60,103	$ 60,038

As of January 28, 2017, the Company's investment securities were classified as held-to-maturity and consisted of the following (in thousands):

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Market Value
Short-term:				
Obligations of the U. S. Treasury (Level 1)	$ 9,995	$ 1	$ —	$ 9,996
Obligations of states and municipalities (Level 2)	14,816	2	(1)	14,817
Bank certificates of deposit (Level 2)	13,215	—	—	13,215
	$ 38,026	$ 3	$ (1)	$ 38,028
Long-term:				
Obligations of the U. S. Treasury (Level 1)	$ 15,011	$ —	$ (51)	$ 14,960
Bank certificates of deposit (Level 2)	11,680	—	—	11,680
	$ 26,691	$ —	$ (51)	$ 26,640

The amortized cost and fair market value of investment securities as of January 28, 2017 by contractual maturity were as follows (in thousands):

	Amortized Cost	Fair Market Value
Mature in one year or less	$ 38,026	$ 38,028
Mature after one year through five years	26,691	26,640
	$ 64,717	$ 64,668

There were no changes among the levels in the thirteen weeks ended April 29, 2017.

Fair market values of Level 2 investments are determined by management with the assistance of a third party pricing service. Because quoted prices in active markets for identical assets are not available, these prices are determined by the third party pricing service using observable market information such as quotes from less active markets and quoted prices of similar securities.

6. Impairment of Long-Lived Assets

If facts and circumstances indicate that a long-lived asset may be impaired, the carrying value is reviewed. If this review indicates that the carrying value of the asset will not be recovered as determined based on projected undiscounted cash flows related to the asset over its remaining life, the carrying value of the asset is reduced to its estimated fair value. There was no non-cash impairment expense related to leasehold improvements and fixtures and equipment at underperforming stores in the thirteen week period ended April 29, 2017. Impairment expense totaled $0.2 million in the thirteen week period ended April 30, 2016.

7. Revolving Line of Credit

On October 27, 2011, the Company entered into a five-year, $50 million credit facility with Bank of America. The facility was amended on August 18, 2015, extending the maturity date to August 18, 2020. The amended facility provides a $50 million credit commitment and a $25 million uncommitted "accordion" feature that under certain circumstances could allow the Company to increase the size of the facility to $75 million. Borrowings, if any, under the facility will bear interest (a) for LIBOR Rate Loans, at LIBOR plus either 1.25% or 1.5%, or (b) for Base Rate Loans, at a rate equal to the highest of (i) the prime rate plus either 0.25% or 0.5%, (ii) the Federal Funds Rate plus either 0.75% or 1.0%, or (iii) LIBOR plus either 1.25% or 1.5%, based in any such case on the average daily availability for borrowings under the facility. The facility continues to be secured by the Company's inventory, accounts receivable and related assets, but not its real estate, fixtures and equipment, and it contains one financial covenant, a fixed charge coverage ratio, which is applicable and tested only in certain circumstances. The facility has an unused commitment fee of 0.25% and permits the payment of cash dividends subject to certain limitations, including a requirement that there were no borrowings outstanding in the 30 days prior to the dividend payment and no borrowings are expected in the 30 days subsequent to the payment. The Company has had no borrowings under the credit facility.

8. Income Taxes

Income taxes are accounted for under the asset and liability method. Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. In assessing the realizability of deferred tax assets, management considers whether it is more likely than not that some portion or all of the deferred tax assets will not be realized.

ASC 740-270, *Income Taxes – Interim Reporting*, requires companies to calculate income taxes by applying their estimated full-year tax rate in each interim period unless the estimated full-year tax rate is not reliably predictable. For the thirteen weeks ended April 29, 2017 and April 30, 2016, the Company utilized this annual effective tax rate method to calculate income taxes.

9. Other Long-Term Liabilities

The components of other long-term liabilities as of April 29, 2017 and January 28, 2017 are as follows (in thousands):

	April 29, 2017	January 28, 2017
Deferred rent	$ 1,932	$ 1,810
Tenant improvement allowances	4,244	4,554
Other	2,084	2,150
	$ 8,260	$ 8,514

10. Commitments and Contingencies

The Company from time to time is involved in various legal proceedings incidental to the conduct of its business, including claims by customers, employees or former employees. Once it becomes probable that the Company will incur costs in connection with a legal proceeding and such costs can be reasonably estimated, it establishes appropriate reserves. While legal proceedings are subject to uncertainties and the outcome of any such matter is not predictable, the Company is not aware of any legal proceedings pending or threatened against it that it expects to have a material adverse effect on its financial condition, results of operations or liquidity.

11. Stock Repurchase Program and Cash Dividends

Repurchases of Common Stock
On April 10, 2017, the Company's Board of Directors approved a program that authorized the purchase of up to $25.0 million in shares of the Company's common stock. There were no repurchases during the quarter ended April 29, 2017.

Dividends
On February 7, 2017, the Company's Board of Directors declared a dividend of $0.06 per common share, which was paid on March 14, 2017 to stockholders of record as of February 28, 2017. On May 17, 2017, the Company's Board of Directors declared a dividend of $0.08 per common share payable on June 13, 2017 to stockholders of record as of May 30, 2017. Any determination to declare and pay cash dividends for future quarters will be made by the Board of Directors.

12. Recent Accounting Pronouncements

Recently Adopted
In July 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2015-11, Inventory (Topic 330): Simplifying the Measurement of Inventory ("ASU 2015-11"). ASU 2015-11 requires entities to measure inventory at the lower of cost or net realizable value, simplifying the current requirement that inventories be measured at the lower of cost or market. The ASU will not apply to inventories that are measured using the last-in, first-out method or retail inventory method. The guidance is effective prospectively for annual periods, and interim periods within those annual periods, beginning after December 15, 2016. The Company adopted ASU 2015-11 in the first quarter of fiscal 2017. As the majority of the Company's inventory is accounted for under the retail inventory method, the adoption of this guidance did not have a material impact on the Company's consolidated balance sheet, results of operations or cash flows.

In March 2016, the FASB issued ASU No. 2016-09, Compensation — Stock Compensation: Improvements to Employee Share-Based Payment Accounting ("ASU 2016-09"). The new guidance changes how companies account for certain aspects of share-based payments to employees. Under previous accounting guidance, tax benefits and certain tax deficiencies arising from the vesting of share-based payments were recorded in additional paid-in-capital. The new guidance requires such benefits or deficiencies to be recognized as components of income tax expense in the statement of operations with the impact of such tax benefits or deficiencies to be combined with the "Deferred taxes" line in operating activities in the statement of cash flows. The ASU also allows election of an accounting policy whereby forfeitures of share-based payment awards are recognized as they occur, or alternatively, are accounted for on a prospective basis utilizing an estimate of expected forfeitures. Entities are required to apply the new guidance prospectively. The new standard is effective for fiscal years beginning after December 15, 2016. The Company adopted ASU 2016-09 in the first quarter of fiscal 2017, and, as a result, combined the impact of excess tax benefits from share-based payments with deferred taxes in the Consolidated Statement of Cash Flows and elected to recognize the impact of forfeitures as they occur. These impacts on the Company's consolidated balance sheet, results of operations and cash flows were immaterial.

Not Yet Adopted
In May 2014 the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09"). The guidance requires an entity to recognize revenue on contracts with customers relating to the transfer of promised goods or services in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To achieve this, an entity is required to identify the contract with a customer; identify the separate performance obligations in the contract; determine the transaction price; allocate the transaction price to the separate performance obligations in the contract; and recognize revenue when (or as) the entity satisfies each performance obligation. In August of 2015, the FASB issued ASU 2015-14 which defers the effective date of ASU 2014-09 to annual reporting periods beginning after December 15, 2017 and interim periods in the year of adoption. The Company may use either a full retrospective or modified retrospective approach to adopt these ASUs. The Company is planning to adopt ASU 2014-09 in fiscal 2018 beginning February 4, 2018. The Company is currently evaluating these ASUs including which transition approach to use, however, the Company does not expect adoption to have a material impact on its consolidated balance sheet, results of operations or cash flows. Additionally, the Company does not anticipate any significant changes to business processes, controls or systems as a result of adopting the new standard.

In February 2016, the FASB issued ASU No. 2016-02, Leases ("ASU 2016–02") which replaces the existing guidance in ASC 840, Leases. The new standard establishes a right-of-use model that requires a lessee to record a right-of-use asset and a lease liability on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. The guidance is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years, and requires retrospective application. The Company will adopt ASU 2016-02 in fiscal 2019. The Company is currently in the process of evaluating the new lease guidance to determine the ultimate impact, however, the Company is party to 538 leases for individual retail locations with an average remaining contractual rent period of 3.1 years, and therefore has determined that the adoption of the new lease standard will have a significant impact on the Company's consolidated financial statements.

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

Forward-Looking Statements

Except for specific historical information, many of the matters discussed in this Form 10-Q may express or imply projections of revenues or expenditures, statements of plans and objectives for future operations, growth or initiatives, statements of future economic performance, or statements regarding the outcome or impact of pending or threatened litigation. These, and similar statements, are forward-looking statements concerning matters that involve risks, uncertainties and other factors that may cause the actual performance of the Company to differ materially from those expressed or implied by these statements. All forward-looking information should be evaluated in the context of these risks, uncertainties and other factors. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate,” “objective,” “forecast,” “goal,” “intend,” “could,” “will likely result,” or “will continue” and similar words and expressions generally identify forward-looking statements, although not all forward-looking statements contain such language. The Company believes the assumptions underlying these forward-looking statements are reasonable; however, any of the assumptions could be inaccurate, and therefore, actual results may differ materially from those projected in the forward-looking statements.

The factors that may result in actual results differing from such forward-looking information include, but are not limited to: transportation and distribution delays or interruptions; changes in freight rates; the Company’s ability to negotiate effectively the cost and purchase of merchandise; inventory risks due to shifts in market demand; the Company’s ability to gauge fashion trends and changing consumer preferences; changes in consumer spending on apparel; changes in product mix; interruptions in suppliers’ businesses; a deterioration in general economic conditions caused by acts of war or terrorism or other factors; temporary changes in demand due to weather patterns; seasonality of the Company’s business; delays associated with building, opening and operating new stores; delays associated with building, opening or expanding new or existing distribution centers; and other factors described in the section titled “Item 1A. Risk Factors” and elsewhere in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 and in Part II, “Item 1A. Risk Factors” and elsewhere in the Company’s Quarterly Reports on Form 10-Q and any amendments thereto and in the other documents the Company files with the SEC, including reports on Form 8-K.

Readers are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date of this Form 10-Q. Except as may be required by law, the Company undertakes no obligation to update or revise publicly any forward-looking statements contained herein to reflect events or circumstances occurring after the date of this Form 10-Q or to reflect the occurrence of unanticipated events. Readers are advised, however, to read any further disclosures the Company may make on related subjects in its public disclosures or documents filed with the SEC, including reports on Form 8-K.

Overview

We are an off-price retailer of urban fashion apparel and accessories for the entire family. Our merchandise offerings are designed to appeal to the fashion preferences of value-conscious consumers, particularly African-Americans. We operated 538 stores in both urban and rural markets in 31 states as of April 29, 2017.

Accounting Periods

The following discussion contains references to fiscal years 2017 and 2016, which represent fiscal years ending or ended on February 3, 2018 and January 28, 2017, respectively. Fiscal 2017 has a 53-week accounting period and fiscal 2016 had a 52-week accounting period. This discussion and analysis should be read with the unaudited condensed consolidated financial statements and the notes thereto.

Results of Operations

The following discussion of the Company’s financial performance is based on the unaudited condensed consolidated financial statements set forth herein. The nature of the Company’s business is seasonal. Historically, sales in the first and fourth quarters have been higher than sales achieved in the second and third quarters of the fiscal year. Expenses and, to a greater extent, operating income, vary by quarter. Results of a period shorter than a full year may not be indicative of results expected for the entire year. Furthermore, the seasonal nature of the Company's business may affect comparisons between periods.

Key Operating Statistics

We measure performance using key operating statistics. One of the main performance measures we use is comparable store sales growth. We define a comparable store as a store that has been opened for an entire fiscal year. Therefore, a store will not be considered a comparable store until its 13th month of operation at the earliest or until its 24th month at the latest. As an example, stores opened in fiscal 2016 and fiscal 2017 are not considered comparable stores in fiscal 2017. Relocated and expanded stores are included in the comparable store sales results. We also use other operating statistics, most notably average sales per store, to measure our performance. As we typically occupy existing space in established shopping centers rather than sites built specifically for our stores, store square footage (and therefore sales per square foot) varies by store. We focus on overall store sales volume as the critical driver of profitability.

In addition to sales, we measure cost of sales as a percentage of sales and store operating expenses, with a particular focus on labor, as a percentage of sales. These results translate into store level contribution, which we use to evaluate overall performance of each individual store. Finally, we monitor corporate expenses against budgeted amounts. All of the statistics discussed above are critical components of earnings before interest, taxes, depreciation and amortization ("EBITDA") and Adjusted EBITDA (comprised of EBITDA, as adjusted for non-cash asset impairment expense and expenses related to our proxy contest), which are considered our most important operating statistics. We believe that excluding proxy contest expenses from our financial results reflects operating results that are more indicative of our ongoing operating performance while improving comparability to prior periods, and as such, provides an enhanced understanding of our past financial performance and prospects for the future.

Although non-GAAP measures such as EBITDA and Adjusted EBITDA provide useful information on an operating cash flow basis, they are limited measures in that they exclude the impact of cash requirements for capital expenditures, income taxes and interest expense. Therefore, EBITDA and Adjusted EBITDA should be used as supplements to results of operations and cash flows as reported under U.S. GAAP and should not be used as a singular measure of operating performance or as a substitute for U.S. GAAP results. Furthermore, such non-GAAP measures may not be comparable to similarly titled measures of other companies.

Provided below is a reconciliation of net income to EBITDA and to Adjusted EBITDA for the thirteen week periods ended April 29, 2017 and April 30, 2016 (in thousands):

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net income	$ 8,890	$ 8,737
Plus:		
Interest expense	37	40
Income tax expense	4,039	4,217
Depreciation	4,298	4,444
Less:		
Interest income	(186)	(127)
EBITDA	17,078	17,311
Asset impairment	—	221
Proxy contest expenses	1,590	—
Adjusted EBITDA	$ 18,668	$ 17,532

Thirteen Weeks Ended April 29, 2017 and April 30, 2016

Net Sales. Net sales increased $6.3 million, or 3.2%, to $200.0 million in the thirteen weeks ended April 29, 2017 from $193.7 million in the thirteen weeks ended April 30, 2016. The increase in sales was due to the opening of 19 new stores since last year's first quarter and a 1.0% increase in comparable store sales, partially offset by the impact of closing seven stores since last year's first quarter. The increase in comparable store sales was reflected in an increase of more than 2% in the number of customer transactions, along with an increase in the average number of items per transaction of approximately 1%, partially offset by an average unit sale that declined by 2%. Comparable store sales changes by major merchandise class were as follows in the first quarter of 2017: Home +26%; Men's +4%; Accessories +2%; Ladies' +0%; Children's -6%.

Store opening and closing activity resulted in a net increase of $4.4 million, while the 1.0% comparable store sales increase totaled $1.9 million.

Cost of sales (exclusive of depreciation). Cost of sales (exclusive of depreciation) increased $4.6 million, or 3.9%, to $122.4 million in the first quarter of 2017 from $117.8 million in last year's first quarter. Cost of sales as a percentage of sales increased to 61.2% in the first quarter of 2017 from 60.8% in last year's first quarter, due primarily to a 30 basis points increase in freight costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses increased $2.2 million, or 3.7%, to $60.5 million in the first quarter of 2017 from $58.3 million in last year's first quarter due primarily to $1.6 million of expenses incurred in connection with a proxy contest, together with the impact on expenses of opening 19 new stores since last year's first quarter and normal inflationary pressure on expenses such as rent and payroll. As a percentage of sales, selling, general and administrative expenses increased to 30.3% in the first quarter of fiscal 2017 from 30.1% in the first quarter of 2016.

Depreciation. Depreciation expense decreased $0.1 million, or 3.3%, to $4.3 million in the first quarter of 2017 from $4.4 million in the first quarter of 2016.

Asset Impairment. There was no impairment charge for property and equipment at underperforming stores recorded in the first quarter of 2017, while impairment charges totaled $0.2 million in the first quarter of 2016.

Income Tax Expense. Income tax expense decreased $0.2 million, or 4.2%, to $4.0 million in this year's first quarter from $4.2 million in the first quarter of 2016 due to a decrease in the effective income tax rate to 31.2% from 32.6%.

Net Income. Net income increased 1.8% to $8.9 million in the first quarter of 2017 from $8.7 million in the first quarter of 2016 due to the factors discussed above.

Liquidity and Capital Resources

Our cash requirements are primarily for working capital, opening of new stores, remodeling of our existing stores and the improvement of our distribution infrastructure and information systems. In addition, on April 10, 2017, the Company announced that its board of directors had approved an expansion of its capital return program to include a share repurchase program of up to $25 million and a 33.3% increase in its quarterly cash dividend, from $0.06 to $0.08 per share. In recent years, we have met these cash requirements using cash flow from operations and short-term trade credit. We expect to be able to meet future cash requirements with cash flow from operations, short-term trade credit, existing balances of cash and investment securities and, if necessary, borrowings under our revolving credit facility.

Current Financial Condition. As of April 29, 2017, we had total cash and cash equivalents of $73.0 million compared to $49.3 million as of January 28, 2017. Additionally, we had $34.2 million and $25.9 million of short-term and long-term investment securities, respectively, as of April 29, 2017, compared with $38.0 million and $26.7 million, respectively, as of January 28, 2017. These securities are comprised of bank certificates of deposit and obligations of the U.S. Treasury, U.S. government agencies, states and municipalities. Inventory represented 36.6% of our total assets as of April 29, 2017, compared to 40.5% as of January 28, 2017. Management's ability to manage our inventory can have a significant impact on our cash flows from operations during a given interim period or fiscal year. In addition, inventory purchases can be seasonal in nature, such as the purchase of warm-weather or Christmas-related merchandise.

Cash Flows From Operating Activities. Net cash provided by operating activities was $25.7 million in the thirteen weeks ended April 29, 2017 compared to $20.6 million in the same period of 2016. Sources of cash provided during the first quarter of 2017 included net income adjusted for noncash expenses such as depreciation, asset impairment, loss on disposal of property and equipment, deferred income taxes and stock-based compensation expense, totaling $15.0 million (compared to $15.9 million in the first quarter of fiscal 2016). Other significant sources of cash in the first quarter of 2017 were (1) a $10.1 million decrease in inventory (compared to a $13.7 million decrease in the first quarter of fiscal 2016) due to apparel retail seasonality which typically results in having more inventory at the beginning of the spring selling season than at the end, (2) a $2.6 million change in the income tax receivable/payable (compared to a $2.7 million change in the first quarter of fiscal 2016) due to income tax expense being accrued on first quarter pretax income while no estimated tax payments were due during the quarter, and (3) a $1.5 million increase in accrued compensation (compared to a $2.0 million decrease in the first quarter of fiscal 2016) as our balance sheet as of the end of the first quarter of fiscal 2017 included accrued payroll for two weeks, while our 2016 year-end balance sheet included accrued payroll for only one week due to the timing of our bi-weekly payroll. The only significant use of cash from operating activities was a $4.0 million decrease in accounts payable (compared to a $7.4 million decrease in the first quarter of fiscal 2016) due to the decline in inventory discussed above.

Cash Flows From Investing Activities. Cash used in investing activities was $0.1 million in the first quarter of 2017 and $4.4 million in the first quarter of fiscal 2016. Cash used for purchases of property and equipment totaled approximately $4.7 million and $3.5 million in the first quarter of 2017 and 2016, respectively. Sales/redemptions of investment securities, net of purchases, provided cash of $4.6 million in the first quarter of 2017 and used cash of $0.9 million in the first quarter of 2016.

Cash Flows From Financing Activities. Cash used in financing activities was $1.7 million and $2.2 million in the first quarter of 2017 and 2016, respectively.

Cash Requirements

Our principal sources of liquidity consist of: (i) cash and cash equivalents (which equaled $73.0 million as of April 29, 2017); (ii) short-term and long-term investment securities (which equaled $34.2 million and $25.9 million, respectively, as of April 29, 2017); (iii) short-term trade credit; (iv) cash generated from operations on an ongoing basis as we sell our merchandise inventory; and (v) a $50 million revolving credit facility (under which we have no borrowings outstanding). Trade credit represents a significant source of financing for inventory purchases and arises from customary payment terms and trade practices with our vendors. Historically, our principal liquidity requirements have been for working capital and capital expenditure needs.

We believe that our existing sources of liquidity will be sufficient to fund our operations and anticipated capital expenditures for at least the next 12 months.

Recent Accounting Pronouncements

See discussion of Recent Accounting Pronouncements in Note 12 to the condensed consolidated financial statements included in Part I, Item 1 of this report.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. There have been no material changes to the Critical Accounting Policies outlined in the Company's Annual Report on Form 10-K for the year ended January 28, 2017.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in our market risk during the thirteen weeks ended April 29, 2017 compared to the disclosures in Part II, Item 7A of our Annual Report on Form 10-K for the year ended January 28, 2017.

Item 4. Controls and Procedures.

We have carried out an evaluation under the supervision and with the participation of management, including the Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures as of April 29, 2017 pursuant to Rules 13a-15 and 15d-15 of the Exchange Act. Based on that evaluation, the Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer concluded that our disclosure controls and procedures are effective to provide reasonable assurance that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information has been accumulated and communicated to our management, including the officers who certify our financial reports, as appropriate, to allow timely decisions regarding the required disclosures.

Our disclosure controls and procedures are designed to provide reasonable assurance that the controls and procedures will meet their objectives. Management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives.

There were no changes in our internal control over financial reporting that occurred during the fiscal quarter ended April 29, 2017 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II — OTHER INFORMATION

Item 1. Legal Proceedings.

We are from time to time involved in various legal proceedings incidental to the conduct of our business, including claims by customers, employees or former employees. Once it becomes probable that we will incur costs in connection with a legal proceeding and such costs can be reasonably estimated, we establish appropriate reserves. While legal proceedings are subject to uncertainties and the outcome of any such matter is not predictable, we are not aware of any legal proceedings pending or threatened against us that we expect to have a material adverse effect on our financial condition, results of operations or liquidity.

Item 1A. Risk Factors.

There have been no material changes to the Risk Factors described under the section “ITEM 1A. RISK FACTORS” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017.

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

Stock Repurchase Program

On April 10, 2017, the Company’s Board of Directors approved a program that authorized the purchase of up to $25.0 million in shares of the Company’s common stock. The stock repurchase program does not have an expiration date. Repurchases under the stock repurchase program may be made at management’s discretion from time to time on the open market, in privately negotiated transactions or otherwise, and may be made in part under one or more Rule 10b5-1 plans. There were no repurchases during the quarter ended April 29, 2017.

Item 3. Defaults Upon Senior Securities.

Not applicable.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Not applicable.

Item 6. Exhibits.

10.1	Amendment to the Citi Trends, Inc. 2012 Incentive Plan, effective as of February 7, 2017.*
10.2	Form of Restricted Stock Award Agreement for Employees under the Citi Trends, Inc. 2012 Incentive Plan.*
10.3	Form of Restricted Stock Unit Award Agreement for Employees under the Citi Trends, Inc. 2012 Incentive Plan.*
31.1	Certification of Bruce D. Smith, Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer Pursuant to Rule 13a-14(a) of the Securities Exchange Act of 1934, Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.*
32.1	Certification of Bruce D. Smith, Acting Chief Executive Officer, Chief Operating 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	The following financial information from Citi Trends, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 29, 2017, formatted in Extensible Business Reporting Language (XBRL): (i) the Condensed Consolidated Balance Sheets as of April 29, 2017 and January 28, 2017, (ii) the Condensed Consolidated Statements of Income for the thirteen week periods ended April 29, 2017 and April 30, 2016, (iii) the Condensed Consolidated Statements of Cash Flows for the thirteen week periods ended April 29, 2017 and April 30, 2016, and (iv) Notes to the Condensed Consolidated Financial Statements.*

* Included herewith.

† Pursuant to Securities and Exchange Commission Release No. 33-8238, this certification will be treated as "accompanying" this Quarterly Report on Form 10-Q and not "filed" as part of such report for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of Section 18 of the Securities Exchange Act of 1934 and this certification will not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934, except to the extent that the registrant specifically incorporates it by reference.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, and the undersigned also has signed this report in his capacity as the Registrant's Chief Financial Officer (Principal Financial and Accounting Officer).

CITI TRENDS, INC.

Date: May 30, 2017

By:	/s/ Bruce D. Smith
Name:	Bruce D. Smith
Title:	Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer

Exhibit 10.1

AMENDMENT TO THE
CITI TRENDS, INC.
2012 INCENTIVE PLAN

THIS AMENDMENT (this “Amendment”) to the Citi Trends, Inc. 2012 Incentive Plan (the “Plan”), is effective as of February 7, 2017.

The Compensation Committee of the Board of Directors of Citi Trends, Inc. (the “Company”) has determined that it is in the best interests of the Company and its stockholders to amend the Plan to provide that the Company may satisfy any tax withholding requirements relating to awards granted under the Plan by withholding from such awards shares of common stock having a fair market value equal to the maximum individual statutory rate.

1. The Plan is hereby amended by deleting Section 17.2 in its entirety and replacing it with the following:

“17.2. WITHHOLDING. The Company or any Affiliate shall have the authority and the right to deduct or withhold, or require a Participant to remit to the Company or such Affiliate, an amount sufficient to satisfy federal, state, and local taxes (including the Participant’s FICA obligation) required by law to be withheld with respect to any exercise, lapse of restriction or other taxable event arising as a result of the Plan. The obligations of the Company under the Plan will be conditioned on such payment or arrangements and the Company or such Affiliate will, to the extent permitted by law, have the right to deduct any such taxes from any payment of any kind otherwise due to the Participant. Unless otherwise determined by the Committee at the time the Award is granted or thereafter, any such withholding requirement may be satisfied, in whole or in part, by withholding from the Award Shares having a Fair Market Value on the date of withholding equal to the amount required to be withheld in accordance with applicable tax requirements (up to the maximum individual statutory rate in the applicable jurisdiction as may be permitted under then-current accounting principles to qualify for equity classification), all in accordance with such procedures as the Committee establishes. All such elections shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.”

2. Except as expressly amended hereby, the terms of the Plan shall be and remain unchanged and the Plan as amended hereby shall remain in full force and effect.

IN WITNESS WHEREOF, the Company has caused this Amendment to be executed by its duly authorized representative.

CITI TRENDS, INC.

By: /s/ Bruce D. Smith
Its: Chief Operating Officer and Chief Financial Officer

FORM
OF Exhibit 10.2

R E S T R I C T E D S T O C K A W A R D A G R E E M E N T

Non-transferable
G R A N T T O

(“Grantee”)

by Citi Trends, Inc. (the “Company”) of
_____ shares of its common stock, $0.01 par value (the “Shares”)

pursuant to and subject to the provisions of the Citi Trends 2012 Incentive Plan (the “Plan”) and to the terms and conditions set forth on the following page (the “Terms and Conditions”). By accepting the Shares, Grantee shall be deemed to have agreed to the terms and conditions set forth in this Agreement and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

The Shares will vest (become non-forfeitable) as to the percentages of the Shares and on the respective dates specified in the following schedule, provided that Grantee is employed by the Company on such dates:

Vesting Date		Percent of Shares Vested
[*]		[*]%
[*]		[*]%
[*]		[*]%

IN WITNESS WHEREOF, Citi Trends, Inc., acting by and through its duly authorized officers, has caused this Agreement to be duly executed.

CITI TRENDS, INC.

By: ____ Grant Date: _________________

TERMS AND CONDITIONS

1. Restrictions. The Shares are subject to each of the following restrictions. "Restricted Shares" mean those Shares that are subject to the restrictions imposed hereunder which restrictions have not then expired or terminated. Restricted Shares may not be sold, transferred, exchanged, assigned, pledged, hypothecated or otherwise encumbered. If Grantee's employment with the Company or any Subsidiary terminates for any reason, then Grantee shall forfeit all of Grantee's right, title and interest in and to the Restricted Shares as of the date of employment termination, and such Restricted Shares shall revert to the Company immediately following the event of forfeiture. The restrictions imposed under this Section shall apply to all shares of the Company's Stock or other securities issued with respect to Restricted Shares hereunder in connection with any merger, reorganization, consolidation, recapitalization, stock dividend or other change in corporate structure affecting the Stock of the Company

2. Expiration and Termination of Restrictions. The restrictions imposed under Section 1 will expire on the earliest to occur of the following (the period prior to such expiration being referred to herein as the "Restricted Period"):

(a) as to the percentages of the Shares specified on the cover page hereof, on the respective dates specified on the cover page hereof; provided Grantee is then employed by the Company; or

(b) upon Grantee's death or Disability, but only with respect to the number of Shares that would otherwise have vested within the 12 months following the death or Disability based on Grantee's continued employment with the Company; or

(c) upon a Change of Control of the Company.

3. Delivery of Shares. The Shares will be registered in the name of Grantee as of the Grant Date and may be held by the Company during the Restricted Period in certificated or uncertificated form. If a certificate for Restricted Shares is issued during the Restricted Period with respect to such Shares, such certificate shall be registered in the name of Grantee and shall bear a legend in substantially the following form (in addition to any legend required under applicable state securities laws): "This certificate and the shares of stock represented hereby are subject to the terms and conditions (including forfeiture and restrictions against transfer) contained in a Restricted Stock Agreement between the registered owner of the shares represented hereby and Citi Trends, Inc. Release from such terms and conditions shall be made only in accordance with the provisions of such Agreement, copies of which are on file in the offices of Citi Trends, Inc." Stock certificates for the Shares, without the first above legend, shall be delivered to Grantee or Grantee's designee upon request of Grantee after the expiration of the Restricted Period, but delivery may be postponed for such period as may be required for the Company with reasonable diligence to comply, if deemed advisable by the Company, with registration requirements under the Securities Act of 1933, listing requirements under the rules of any stock exchange, and requirements under any other law or regulation applicable to the issuance or transfer of the Shares.

4. Voting Rights. Grantee, as beneficial owner of the Shares, shall have full voting rights with respect to the Shares during and after the Restricted Period.

5. Dividend Rights. Grantee shall accrue cash and non-cash dividends, if any, paid with respect to the Restricted Shares, but the payment of such dividends shall be deferred and held (without interest) by the Company for the account of Grantee until the expiration of the Restricted Period. During the Restricted Period, such dividends shall be subject to the same vesting restrictions imposed under Section 1 as the Restricted Shares to which they relate. Accrued dividends deferred and held pursuant to the foregoing provision shall be paid by the Company to the Grantee promptly upon the expiration of the Restricted Period (and in any event within 30 days of the date of such expiration).

6. No Right of Continued Employment. Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in the employ of the Company.

7. Payment of Taxes.

(a) Upon issuance of the Shares hereunder, Grantee may make an election to be taxed upon such award under Section 83(b) of the Internal Revenue Code. To effect such election, Grantee may file an appropriate election with Internal Revenue Service within thirty (30) days after award of the Shares and otherwise in accordance with applicable Treasury Regulations.

(b) Grantee will, no later than the date as of which any amount related to the Shares first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount, including without limitation the surrender of shares of Stock to the Company. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from the award or any payment of any kind otherwise due to Grantee. Unless otherwise determined by the Committee, the withholding requirement shall be satisfied by withholding Shares having a Fair Market Value on the date of withholding equal to the amount required to be withheld in accordance with applicable tax requirements.

8. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

9. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

10. Severability. If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

11. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Citi Trends, Inc., 104 Coleman Blvd. Savannah, GA 31408, Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

R E S T R I C T E D S T O C K U N I T A W A R D A G R E E M E N T

Exhibit 10.3

Non-transferable Grant to

(“Grantee”)

by Citi Trends, Inc. (the “Company”) of
_______ restricted stock units convertible into shares of its common stock, par value $0.01 per share, as provided herein (the “Units")

pursuant to and subject to the provisions of the Citi Trends 2012 Incentive Plan (the “Plan”) and to the terms and conditions set forth on the following page (the “Terms and Conditions”). By accepting the Units, Grantee shall be deemed to have agreed to the Terms and Conditions set forth in this Agreement and the Plan. Capitalized terms used herein and not otherwise defined shall have the meanings assigned to such terms in the Plan.

Grant Date of Award: [*]

Expiration Date of Award: [*]

The Units shall vest (become non-forfeitable) in accordance with the following schedule:

Vesting Date	Percent of Units Vested
[*]	[*]
[*]	[*]
[*]	[*]
[*]	[*]

IN WITNESS WHEREOF, the Company, acting by and through its duly authorized officers, has caused this Agreement to be duly executed.

CITI TRENDS, INC.

By: ________________________________

TERMS AND CONDITIONS

1. Grant of Units. The Company hereby grants to the Grantee named on page 1 hereof, subject to the restrictions and the terms and conditions set forth in the Plan and in this award agreement (this "Agreement"), the number of restricted stock units indicated on page 1 hereof (the "Units") which represent the right to receive an equal number of shares of the Company's $0.01 par value common stock ("Stock") on the terms set forth in this Agreement.

2. Vesting of Units. The Units have been credited to a bookkeeping account on behalf of Grantee. The Units will vest and become non-forfeitable prior to the Expiration Date as to the percentages of the Units specified on page 1 hereof, based on attainment of the stock price goals and on the respective dates specified on page 1 hereof, or earlier upon a Change of Control as described in the next paragraph (the "Vesting Date").

Notwithstanding anything herein to the contrary, upon a Change of Control of the Company that qualifies as a "Business Combination" (as defined in Section 2.1(g)(iii) of the Plan) or that otherwise qualifies as a Change in Control under Section 2.1(g)(iii) and results in a distribution of proceeds of the Change in Control transaction to the shareholders of the Company, the Units shall vest based on attainment of the stock price goals specified on page 1 hereof determined based on the value of the stock as established by reference to the Change in Control transaction (as determined by the Committee in good faith), and without the requirement that such stock price goals be maintained for 20 consecutive days.

3. Expiration of Units. The term of the Units will be for a period of three years, expiring on the third anniversary of the Grant Date (the "Expiration Date") Any unvested Units will terminate (and Grantee shall forfeit all right, title and interest in and to such unvested Units) prior to the Expiration Date upon the earliest to occur of the following circumstances:

(a) 30 days after the termination of Grantee's employment for any reason other than (i) by reason of death or Disability, or (ii) by the Company for Cause.

(b) 12 months after the termination of Grantee's employment by reason of death or Disability.

(c) upon termination of Grantee's employment for Cause.

4. Conversion to Stock. Unless the Units expire prior to the Vesting Date as provided in sections 3 above, the Units will be converted on the Vesting Date to actual shares of Stock, and such Shares will be registered on the books of the Company in the name of Grantee (or in street name to Grantee's brokerage account) as of the Vesting Date in uncertificated (book-entry) form unless Grantee requests a stock certificate or certificates for the Shares.

5. Dividend Equivalents. If and when dividends or other distributions are paid with respect to the Stock while the Units are outstanding, the dollar amount or fair market value of such dividends or distributions with respect to the number of shares of Stock then underlying the Units shall be converted into additional Units in Grantee's name, based on the Fair Market Value of the Stock as of the date such dividends or distributions were payable, and such additional Units shall be subject to the same vesting and transfer restrictions and conversion provisions as apply to the Units with respect to which they relate.

6. Restrictions on Transfer. No right or interest of Grantee in the Units may be pledged, hypothecated or otherwise encumbered to or in favor of any party other than the Company or an Affiliate, or be subjected to any lien, obligation or liability of Grantee to any other party other than the Company or an Affiliate. Units are not assignable or transferable by Grantee other than by will or the laws of descent and distribution.

7. Limitation of Rights. The Units do not confer to Grantee or Grantee's beneficiary any rights of a stockholder of the Company unless and until shares of Stock are in fact issued to such person in connection with the Units. Nothing in this Agreement shall interfere with or limit in any way the right of the Company to terminate Grantee's employment at any time, nor confer upon Grantee any right to continue in the employ of the Company.

8. Payment of Taxes. Grantee will, no later than the date as of which any amount related to the Units first becomes includable in Grantee's gross income for federal income tax purposes, pay to the Company, or make other arrangements satisfactory to the Committee regarding payment of, any federal, state and local taxes of any kind required by law to be withheld with respect to such amount. To the extent not prohibited by applicable laws or regulations, Grantee may elect that any such withholding requirement be satisfied, in whole or in part, by having the Company withhold from the Units upon settlement a number of shares of Stock having a Fair Market Value on the date of withholding, equal to the minimum amount (and not any greater amount) required to be withheld for tax purposes, all in accordance with such procedures as the Committee establishes. The obligations of the Company under this Agreement will be conditional on such payment or arrangements, and the Company will, to the extent permitted by law, have the right to deduct any such taxes from the award or any payment of any kind otherwise due to Grantee. Unless otherwise determined by the Committee, the withholding requirement shall be satisfied by withholding Shares having a Fair Market Value on the date of withholding equal to the amount required to be withheld in accordance with applicable tax requirements.

9. Amendment. The Committee may amend, modify or terminate this Certificate without approval of Grantee; provided, however, that such amendment, modification or termination shall not, without Grantee's consent, reduce or diminish the value of this award determined as if it had been fully vested (i.e., as if all restrictions onthe Units hereunder had expired) on the date of such amendment or termination.

10. Plan Controls. The terms contained in the Plan are incorporated into and made a part of this Agreement and this Agreement shall be governed by and construed in accordance with the Plan. In the event of any actual or alleged conflict between the provisions of the Plan and the provisions of this Agreement, the provisions of the Plan shall be controlling and determinative.

11. Successors. This Agreement shall be binding upon any successor of the Company, in accordance with the terms of this Agreement and the Plan.

12. Severability. If any one or more of the provisions contained in this Agreement is invalid, illegal or unenforceable, the other provisions of this Agreement will be construed and enforced as if the invalid, illegal or unenforceable provision had never been included.

13. Notice. Notices and communications under this Agreement must be in writing and either personally delivered or sent by registered or certified United States mail, return receipt requested, postage prepaid. Notices to the Company must be addressed to Citi Trends, Inc., 104 Coleman Blvd. Savannah, GA 31408, Attn: Secretary, or any other address designated by the Company in a written notice to Grantee. Notices to Grantee will be directed to the address of Grantee then currently on file with the Company, or at any other address given by Grantee in a written notice to the Company.

Exhibit 31.1

CERTIFICATION

I, Bruce D. Smith, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q for the period ended April 29, 2017 of Citi Trends, Inc.;

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 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.

Date: May 30, 2017

/s/ Bruce D. Smith
Bruce D. Smith
Acting Chief Executive Officer,
Chief Operating Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

Exhibit 32.1

Certification pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. § 1350, as adopted).

I, Bruce D. Smith, Acting Chief Executive Officer, Chief Operating Officer and Chief Financial Officer of Citi Trends, Inc., certify that:

1. I have reviewed this quarterly report on Form 10-Q of Citi Trends, Inc. for the period ended April 29, 2017;

2. Based on my knowledge, this quarterly report fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934, as amended; and

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

Date: May 30, 2017

/s/ Bruce D. Smith
Bruce D. Smith
Acting Chief Executive Officer,
Chief Operating Officer and Chief Financial Officer
(Principal Executive Officer and Principal Financial Officer)

A signed original of this written statement required by Section 906 has been provided to Citi Trends, Inc. and will be retained by Citi Trends, Inc. and furnished to the Securities and Exchange Commission or its staff upon request.