

HHGREGG, INC.

FORM 10-Q (Quarterly Report)

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Address	4151 EAST 96TH STREET INDIANAPOLIS, IN 46240
Telephone	317-848-8710
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Industry	Retail (Technology)
Sector	Services
Fiscal Year	03/31

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2011

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 001-33600



hhgregg, Inc.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

20-8819207
(I.R.S. Employer
Identification No.)

4151 East 96th Street
Indianapolis, IN
(Address of principal executive offices)

46240
(Zip Code)

(317) 848-8710
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

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 (§ 232.405 of this chapter) 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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of hhgregg, Inc.'s common stock outstanding as of February 2, 2012 was 37,241,283.

HHGREGG, INC. AND SUBSIDIARIES

**Report on Form 10-Q
For the Quarter Ended December 31, 2011**

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Part I. Financial Information**ITEM 1. Condensed Consolidated Financial Statements****HHGREGG, INC. AND SUBSIDIARIES**
Condensed Consolidated Statements of Income
(Unaudited)

	Three Months Ended		Nine Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
	(In thousands, except share and per share data)			
Net sales	\$ 829,546	\$ 653,731	\$ 1,879,603	\$ 1,570,632
Cost of goods sold	603,640	460,190	1,346,705	1,100,371
Gross profit	225,906	193,541	532,898	470,261
Selling, general and administrative expenses	140,609	118,110	371,529	325,159
Net advertising expense	39,488	22,939	90,148	66,795
Depreciation and amortization expense	8,765	6,944	24,236	19,337
Income from operations	37,044	45,548	46,985	58,970
Other expense (income):				
Interest expense	881	1,288	1,964	3,739
Interest income	(1)	(5)	(5)	(19)
Total other expense	880	1,283	1,959	3,720
Income before income taxes	36,164	44,265	45,026	55,250
Income tax expense	13,686	17,352	17,283	21,677
Net income	\$ 22,478	\$ 26,913	\$ 27,743	\$ 33,573
Net income per share				
Basic	\$ 0.60	\$ 0.68	\$ 0.73	\$ 0.85
Diluted	\$ 0.60	\$ 0.66	\$ 0.72	\$ 0.83
Weighted average shares outstanding-basic	37,154,446	39,583,521	38,167,304	39,289,391
Weighted average shares outstanding-diluted	37,603,767	40,495,966	38,522,707	40,380,370

See accompanying notes to condensed consolidated financial statements.

HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(Unaudited)

	<u>December 31,</u> <u>2011</u>	<u>March 31,</u> <u>2011</u>
(In thousands, except share data)		
Assets		
Current assets:		
Cash and cash equivalents	\$ 5,351	\$ 72,794
Accounts receivable—trade, less allowances of \$97 and \$134, respectively	31,627	8,931
Accounts receivable—other	31,744	19,806
Merchandise inventories, net	415,901	212,008
Prepaid expenses and other current assets	5,257	11,062
Deferred income taxes	8,203	5,606
Total current assets	<u>498,083</u>	<u>330,207</u>
Net property and equipment	207,971	162,781
Deferred financing costs, net	2,822	3,232
Deferred income taxes	40,180	52,385
Other assets	1,219	1,040
Total long-term assets	<u>252,192</u>	<u>219,438</u>
Total assets	<u>\$ 750,275</u>	<u>\$ 549,645</u>
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 214,093	\$ 94,363
Line of credit	28,145	—
Customer deposits	32,234	21,791
Accrued liabilities	72,751	49,191
Total current liabilities	<u>347,223</u>	<u>165,345</u>
Long-term liabilities:		
Other long-term liabilities	86,883	67,714
Total long-term liabilities	<u>86,883</u>	<u>67,714</u>
Total liabilities	<u>434,106</u>	<u>233,059</u>
Stockholders' equity:		
Preferred stock, par value \$.0001; 10,000,000 shares authorized; no shares issued and outstanding as of December 31, 2011 and March 31, 2011, respectively	—	—
Common stock, par value \$.0001; 150,000,000 shares authorized; 39,955,572 and 39,724,737 shares issued; and 37,241,283 and 39,724,737 outstanding as of December 31, 2011 and March 31, 2011, respectively	4	4
Additional paid-in capital	275,555	268,715
Retained earnings	75,651	47,908
Common stock held in treasury at cost, 2,714,289 and 0 shares as of December 31, 2011 and March 31, 2011, respectively	(35,000)	—
Total stockholders' equity	<u>316,210</u>	<u>316,627</u>
Note receivable for common stock	(41)	(41)
Total stockholders' equity	<u>316,169</u>	<u>316,586</u>
Total liabilities and stockholders' equity	<u>\$ 750,275</u>	<u>\$ 549,645</u>

See accompanying notes to condensed consolidated financial statements.

HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	December 31,	December 31,
	2011	2010
	(In thousands)	
Cash flows from operating activities:		
Net income	\$ 27,743	\$ 33,573
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	24,236	19,337
Amortization of deferred financing costs	498	904
Stock-based compensation	4,541	3,934
Excess tax benefits from stock-based compensation	(419)	(14,484)
Gain on sales of property and equipment	(195)	(297)
Deferred income taxes	9,608	8,396
Tenant allowances received from landlords	17,097	14,421
Changes in operating assets and liabilities:		
Accounts receivable—trade	(22,696)	(8,781)
Accounts receivable—other	(11,938)	(6,238)
Merchandise inventories	(203,893)	(162,012)
Income tax receivable	—	11,268
Prepaid expenses and other assets	5,626	4,318
Accounts payable	94,207	36,898
Customer deposits	10,443	3,389
Accrued liabilities	23,979	11,959
Other long-term liabilities	2,265	(26)
Net cash used in operating activities	<u>(18,898)</u>	<u>(43,441)</u>
Cash flows from investing activities:		
Purchases of property and equipment	(74,996)	(49,006)
Proceeds from sales of property and equipment	4	120
Net cash used in investing activities	<u>(74,992)</u>	<u>(48,886)</u>
Cash flows from financing activities:		
Purchases of treasury stock	(35,000)	—
Proceeds from exercise of stock options	1,880	4,748
Excess tax benefits from stock-based compensation	419	14,484
Net settlement of shares—payment of withholding tax	—	(11,122)
Net increase (decrease) in bank overdrafts	31,091	(1,446)
Net borrowings on line of credit	28,145	—
Payments on notes payable	—	(681)
Payment of financing costs	(88)	—
Other, net	—	43
Net cash provided by financing activities	<u>26,447</u>	<u>6,026</u>
Net decrease in cash and cash equivalents	<u>(67,443)</u>	<u>(86,301)</u>
Cash and cash equivalents		
Beginning of period	72,794	157,837
End of period	<u>\$ 5,351</u>	<u>\$ 71,536</u>
Supplemental disclosure of cash flow information:		
Interest paid	\$ 445	\$ 2,710
Income taxes paid	\$ 5,542	\$ 1,653
Capital expenditures included in accounts payable	\$ 1,013	\$ 1,914

See accompanying notes to condensed consolidated financial statements.

HHGREGG, INC. AND SUBSIDIARIES
Condensed Consolidated Statement of Stockholders' Equity
Nine Months Ended December 31, 2011
(Dollars in thousands)

	Common Shares	Preferred Stock	Common Stock	Additional Paid in Capital	Retained Earnings	Note Receivable For Common Stock	Common Stock Held in Treasury	Total Stockholders' Equity
Balance at March 31, 2011	39,724,737	\$ —	\$ 4	\$268,715	\$47,908	\$ (41)	\$ —	\$ 316,586
Net income					27,743			27,743
Exercise of stock options	230,835	—	—	1,880	—	—	—	1,880
Excess tax benefits from stock-based compensation	—	—	—	419	—	—	—	419
Stock-based compensation expense	—	—	—	4,541	—	—	—	4,541
Repurchase of common stock	(2,714,289)	—	—	—	—	—	(35,000)	(35,000)
Balance at December 31, 2011	<u>37,241,283</u>	<u>\$ —</u>	<u>\$ 4</u>	<u>\$275,555</u>	<u>\$75,651</u>	<u>\$ (41)</u>	<u>\$(35,000)</u>	<u>\$ 316,169</u>

See accompanying notes to condensed consolidated financial statements.

HHGREGG, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
(Unaudited)

(1) Summary of Significant Accounting Policies

Description of Business

hhgregg, Inc. (the “Company” or “hhgregg”) is a specialty retailer of consumer electronics, home appliances and related services operating under the name hhgregg™. As of December 31, 2011, the Company had 208 stores located in Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Mississippi, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia. The Company operates in one reportable segment.

Interim Financial Information

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (the “SEC”). In the opinion of the Company’s management, these unaudited condensed consolidated financial statements reflect all necessary adjustments, which are of a normal recurring nature, for a fair presentation of such data. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) have been condensed or omitted pursuant to such SEC rules and regulations. The accompanying unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements of hhgregg and the notes thereto for the fiscal year ended March 31, 2011, included in the Company’s Annual Report on Form 10-K filed with the SEC on May 26, 2011. The consolidated results of operations, financial position and cash flows for interim periods are not necessarily indicative of those to be expected for a full year. Further, the Company has made a number of estimates and assumptions relating to the assets and liabilities and the reporting of sales and expenses to prepare these unaudited condensed consolidated financial statements in conformity with GAAP. Actual results could differ from those estimates.

Principles of Consolidation

The unaudited condensed consolidated financial statements include the accounts of hhgregg and its wholly-owned subsidiary, Gregg Appliances, Inc. (“Gregg Appliances”). Gregg Appliances has a wholly-owned subsidiary, HHG Distributing LLC (“HHG Distributing”), which has no assets or operations.

(2) Fair Value Measurements

The carrying amounts of cash and cash equivalents, accounts receivable—trade, accounts receivable—other, accounts payable and customer deposits approximate fair value because of the short maturity of these instruments. The carrying amount of the Company’s line of credit approximates fair value as the interest rate is market based.

(3) Derivative Instruments

The Company only enters into derivative contracts that it intends to designate as a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability (cash flow hedge). For all hedging relationships, the Company formally documents the hedging relationship and its risk-management objective and strategy for undertaking the hedge, the hedging instrument, the hedged item, the nature of the risk being hedged, how the hedging instrument’s effectiveness in offsetting the hedged risk will be assessed prospectively and retrospectively, and a description of the method of measuring ineffectiveness. The Company also formally assesses, both at the hedge’s inception and on an ongoing basis, whether the derivatives that are used in hedging transactions are highly effective in offsetting cash flows of hedged items.

Cash Flow Hedges

During October 2009, the Company entered into an interest-rate related derivative instrument to manage its exposure on \$75 million of its senior secured term loan B (the “Term B Facility”), with an expiration date of October 2011. This interest rate swap agreement was terminated on March 29, 2011 in connection with the repayment of the Term B Facility. There were no derivative instruments outstanding during the nine months ended December 31, 2011.

Changes in the fair value of interest rate swaps designated as hedging instruments that effectively offset the variability of cash flows associated with variable-rate, long-term debt obligations are reported in accumulated other comprehensive income. These amounts subsequently are reclassified into interest expense as a yield adjustment of the hedged interest payments in the same period in which the related interest affects earnings. The ineffective portion of the change in fair value of a derivative instrument that qualifies as a cash-flow hedge is reported currently in earnings.

For the three and nine months ended December 31, 2010, the hedge was considered effective and \$0.4 million and \$1.1 million, respectively, were recorded into interest expense for recognized losses on the cash flow hedge. There were no cash flow hedges discontinued prior to their original maturity date in the nine months ended December 31, 2010.

(4) Property and Equipment

Property and equipment consisted of the following at December 31, 2011 and March 31, 2011 (in thousands):

	December 31,	March 31,
	2011	2011
Machinery and equipment	\$ 23,075	\$ 19,047
Office furniture and equipment	140,804	119,639
Vehicles	3,106	3,125
Signs	16,583	13,427
Leasehold improvements	148,264	100,457
Construction in progress	10,437	18,140
	<u>342,269</u>	<u>273,835</u>
Less accumulated depreciation and amortization	(134,298)	(111,054)
Net property and equipment	<u>\$ 207,971</u>	<u>\$ 162,781</u>

(5) Net Income per Share

Net income per basic share is calculated based on the weighted-average number of outstanding common shares. Net income per diluted share is calculated based on the weighted-average number of outstanding common shares plus the effect of potential dilutive common shares. When the Company reports net income, the calculation of net income per diluted share excludes shares underlying outstanding stock options with exercise prices that exceed the average market price of the Company's common stock for the period and certain options and restricted stock units with unrecognized compensation cost, as the effect would be antidilutive. Potential dilutive common shares are composed of shares of common stock issuable upon the exercise of stock options and restricted stock units. The following table presents net income per basic and diluted share for the three and nine months ended December 31, 2011 and 2010 (in thousands, except share and per share amounts):

	Three Months Ended		Nine Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net income (A)	\$ 22,478	\$ 26,913	\$ 27,743	\$ 33,573
Weighted average outstanding shares of common stock (B)	37,154,446	39,583,521	38,167,304	39,289,391
Dilutive effect of employee stock options	449,321	912,445	355,403	1,090,979
Common stock and potential dilutive common shares (C)	37,603,767	40,495,966	38,522,707	40,380,370
Net income per share:				
Basic (A/B)	\$ 0.60	\$ 0.68	\$ 0.73	\$ 0.85
Diluted (A/C)	\$ 0.60	\$ 0.66	\$ 0.72	\$ 0.83

Antidilutive shares not included in the net income per diluted share calculation for the three months ended December 31, 2011 and 2010 were 2,113,159 and 802,500, respectively. Antidilutive shares not included in the net income per diluted share calculation for the nine months ended December 31, 2011 and 2010 were 2,556,725 and 802,500, respectively.

(6) Inventories

Net merchandise inventories consisted of the following at December 31, 2011 and March 31, 2011 (in thousands):

	December 31, 2011	March 31, 2011
Video	\$ 178,342	\$ 78,578
Appliances	129,531	77,369
Home Office	55,469	14,844
Other	52,559	41,217
	<u>\$ 415,901</u>	<u>\$ 212,008</u>

(7) Debt

A summary of debt at December 31, 2011 and March 31, 2011 is as follows (in thousands):

	December 31, 2011	March 31, 2011
Revolving Credit Facility	\$ 28,145	\$ —

On March 29, 2011, Gregg Appliances entered into an Amended and Restated Loan and Security Agreement (the "Amended Facility"). The Amended Facility increased the maximum credit available from \$125 million to \$300 million, subject to borrowing base availability, and extended the term of the facility to March 29, 2016. In connection with the Amended Facility, the Company recorded a pre-tax loss related to the early extinguishment of debt of \$0.3 million during the fourth quarter of fiscal 2011, which was primarily due to the write off of capitalized debt issuance costs.

Interest on borrowings (other than Eurodollar rate borrowings) is payable monthly at a fluctuating rate based on the bank's prime rate or LIBOR plus an applicable margin. Interest on Eurodollar rate borrowings is payable on the last day of each "interest period" applicable to such borrowing or on the three month anniversary of the beginning of such "interest period" for interest periods greater than three months. The unused line rate is determined based on the amount of the daily average of the outstanding borrowings for the immediately preceding calendar quarter period (the "Daily Average"). For a Daily Average greater than or equal to 50% of the defined borrowing base, the unused line rate is 0.375%. For a Daily Average less than 50% of the defined borrowing base, the unused line rate is 0.50%. The Amended Facility is guaranteed by Gregg Appliances' wholly-owned subsidiary, HHG Distributing, which has no assets or operations. The guarantee is full and unconditional and Gregg Appliances has no other subsidiaries.

Pursuant to the Amended Facility, the borrowing base was modified to equal the sum of (i) the lesser of (a) 90% of the net orderly liquidation value of all eligible inventory of Gregg Appliances or (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. The Amended Facility required payment to the lenders of a commitment fee of approximately \$1.1 million during the fourth quarter of fiscal 2011.

Under the Amended Facility, Gregg Appliances is not required to comply with any financial maintenance covenant unless "excess availability" is less than the greater of (i) 10.0% of the lesser of (A) the defined borrowing base or (B) the defined maximum credit or (ii) \$15.0 million until September 30, 2012 and \$20.0 million thereafter, during the continuance of which event Gregg Appliances is subject to compliance with a fixed charge coverage ratio of 1.0 to 1.0.

Pursuant to the Amended Facility, if Gregg Appliances has "excess availability" of less than 12.5% of the lesser of (A) the defined borrowing base or (B) the defined maximum credit, it may, in certain circumstances more specifically described in the Amended Facility, become subject to cash dominion control.

The Amended Facility places limitations on the ability of Gregg Appliances to, among other things, incur debt, create other liens on its assets, make investments, sell assets, pay dividends, undertake transactions with affiliates, enter into merger transactions, enter into unrelated businesses, open collateral locations outside of the United States, or enter into consignment assignments or floor plan financing arrangements. The Amended Facility also contains various customary representations and warranties, financial and collateral reporting requirements and other affirmative and negative covenants. Gregg Appliances was in compliance with the restrictions and covenants in the Amended Facility at December 31, 2011.

As of December 31, 2011 under the Amended Facility, Gregg Appliances had \$28.1 million of cash borrowings outstanding and \$5.2 million of letters of credit outstanding which expire through December 31, 2012. As of December 31, 2011, the total borrowing availability under the Amended Facility was \$254.5 million. The interest rate based on the bank's prime rate as of December 31, 2011 was 4.25%.

As of March 31, 2011 under the Amended Facility, Gregg Appliances had no borrowings outstanding and \$4.8 million of letters of credit outstanding, which expired by December 31, 2011. The interest rate based on the bank's prime rate as of March 31, 2011 was 4.5%.

(8) Stock-based Compensation

Stock Options. The following table summarizes the activity under the Company's Stock Option Plans for the nine months ended December 31, 2011:

	Number of Options	Weighted Average
	Outstanding	Exercise Price per Share
Outstanding at March 31, 2011	3,393,068	\$ 15.20
Granted	731,400	14.05
Exercised	(230,835)	8.14
Canceled	(66,329)	21.63
Expired	(5,334)	19.42
Outstanding at December 31, 2011	3,821,970	\$ 15.29

During the nine months ended December 31, 2011, the Company granted options for 731,400 shares of common stock under the 2007 Equity Incentive Plan to certain employees and directors of the Company. The options vest in equal amounts over a three-year period beginning on the first anniversary of the date of grant and expire seven years from the date of the grant. The fair value of each option grant is estimated on the date of grant and is amortized on a straight-line basis over the vesting period.

The weighted-average estimated fair value of options granted to employees and directors under the 2007 Equity Incentive Plan was \$6.15 during the nine months ended December 31, 2011, using the Black-Scholes model with the following weighted average assumptions:

Risk-free interest rate	0.78% -1.62 %
Dividend yield	—
Expected volatility	52.2%
Expected life of the options (years)	4.5
Forfeitures	3.00%

Time Vested Restricted Stock Units. During the nine months ended December 31, 2011, the Company granted 81,300 time vested restricted stock units (“RSUs”) under the 2007 Equity Incentive Plan to certain employees and directors of the Company. The time vested RSUs vest three years from the date of grant. Upon vesting, the outstanding number of time vested RSUs will be converted into shares of common stock. Time vested RSUs are forfeited if they have not vested before the employment of the holder terminates for any reason other than death or total permanent disability or certain other circumstances as described in the agreement. Upon death or disability, the holder is entitled to receive a fractional portion of the award based upon the period of time lapsed between the date of grant of the time vested RSU and the termination of employment. The fair value of time vested RSU awards is based on the Company’s stock price at the close of market on the date of grant. The weighted average grant date fair value for the time vested RSUs issued during the nine months ended December 31, 2011 was \$14.18.

Performance-Based Restricted Stock Units. The Company awarded performance-based RSUs to certain officers of the Company during the nine months ended December 31, 2011. Under these awards, a number of performance-based RSUs will be granted to each participant based upon the attainment of the applicable bonus targets as approved by the Company’s Compensation Committee. Performance-based RSUs are earned shortly after the end of the performance measurement period and vest three years after grant date. If a participant is not employed by the Company on the date the performance-based RSUs vest, the performance-based RSUs are forfeited, except in the case of death or total permanent disability or certain other circumstances as described in the agreement. Upon death or disability, the holder is entitled to receive a fractional portion of the award based upon the period of time lapsed between the date of grant of the performance-based RSU and the termination of employment if the applicable performance target was achieved. Additionally, to the extent performance conditions are not met, performance-based RSUs are forfeited.

During the nine months ended December 31, 2011, the Company granted 76,440 performance-based RSUs. The fair value of performance-based RSUs is based on the Company’s stock price at the close of market on the date of grant and the probability that the established bonus targets will be achieved. The weighted average grant date fair value for the performance-based RSUs outstanding for the nine months ended December 31, 2011 was \$14.14.

(9) Comprehensive Income

Comprehensive income is computed as net income plus certain other items that are recorded directly to stockholders' equity. In addition to net income, comprehensive income for the three and nine months ended December 31, 2010 included the changes in fair value of the Company's interest rate swap, net of tax. Comprehensive income for the three and nine months ended December 31, 2011 and 2010 is calculated as follows:

<i>(in thousands)</i>	Three Months Ended		Nine Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net income, as reported	\$ 22,478	26,913	27,743	33,573
Reclassification adjustment for loss reclassified into interest expense, net of tax	—	225	—	660
Unrealized gain on hedge arrangements, net of tax	—	(9)	—	(381)
Comprehensive income	<u>\$ 22,478</u>	<u>\$ 27,129</u>	<u>27,743</u>	<u>33,852</u>

(10) Stockholders' Equity

The Company filed a universal shelf registration statement which was declared effective on July 14, 2009, registering \$200 million principal amount of its securities which may be sold by hhgregg under such registration statement at any time. Each of Gregg Appliances and HHG Distributing were additional registrants to the shelf registration statement because each may guaranty any debt securities that are issued by hhgregg under the shelf registration statement. Gregg Appliances and HHG Distributing are exempt from reporting under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), pursuant to Rule 12h-5 under the Exchange Act as: (i) hhgregg has no independent assets or operations; (ii) any guarantees of the subsidiary guarantors of debt securities issued under the shelf registration statement are full and unconditional and joint and several; and (iii) there are no subsidiaries of hhgregg other than Gregg Appliances and HHG Distributing.

(11) Share Repurchase Program

On May 19, 2011, the Company's Board of Directors authorized a share repurchase program allowing it to repurchase up to \$50 million of its common stock. The share repurchase program allows the Company to purchase its common stock on the open market or in privately negotiated transactions in accordance with applicable laws and regulations, and expires on May 19, 2012. During the nine months ended December 31, 2011, the Company repurchased 2,714,289 shares of its common stock at an aggregate cost of \$35.0 million, or an average price of \$12.89 per share. As of December 31, 2011, the Company had \$15.0 million remaining under the \$50 million share repurchase program. The repurchased shares are classified as treasury stock within stockholders' equity in the accompanying condensed consolidated balance sheet.

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") is designed to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in five sections:

- Overview
- Critical Accounting Policies
- Results of Operations
- Liquidity and Capital Resources
- Contractual Obligations

Our MD&A should be read in conjunction with the unaudited condensed consolidated financial statements and accompanying notes contained herein and the Consolidated Financial Statements for the fiscal year ended March 31, 2011, included in our latest Annual Report on Form 10-K, as filed with the SEC on May 26, 2011, and other publicly available information.

Overview

hhgregg, Inc. is a specialty retailer of consumer electronics, home appliances, and related services operating under the name hhgregg™. As of December 31, 2011, we operated 208 stores in Alabama, Delaware, Florida, Georgia, Illinois, Indiana, Kentucky, Maryland, Mississippi, New Jersey, North Carolina, Ohio, Pennsylvania, South Carolina, Tennessee and Virginia. Unless otherwise indicated, "hhgregg" refers solely to hhgregg, Inc., "Gregg Appliances" refers solely to Gregg Appliances, Inc. and "we," "us" and "our" refers to hhgregg, Inc. and its subsidiaries, including Gregg Appliances. References to fiscal years in this report relate to the respective 12 month period ended March 31. Our 2012 fiscal year is the 12 month period ending on March 31, 2012.

Throughout our MD&A, we refer to comparable store sales. Comparable store sales is comprised of net sales at stores in operation for at least 14 full months, including remodeled and relocated stores, as well as net sales for our e-commerce site. The method of calculating comparable store sales varies across the retail industry, and our method of calculating comparable store sales may not be the same as other retailers' methods.

This overview section is divided into four sub-sections discussing our operating strategy and performance, store development strategy, business strategy and core philosophies and seasonality.

Operating Strategy and Performance. We focus the majority of our floor space, advertising expense and distribution infrastructure on the marketing, delivery and installation of a wide selection of premium video and appliance products. We display over 100 models of flat panel televisions and 350 major appliances in our stores with an especially broad assortment of models in the middle- to upper-end of product price ranges. Video and appliance sales comprised 76% and 80% of our net sales mix for the three months ended December 31, 2011 and 2010, respectively, and 79% and 82% of our net sales mix for the nine months ended December 31, 2011 and 2010, respectively.

We strive to differentiate ourselves through our customer purchase experience starting with a highly-trained, consultative commissioned sales force which educates our customers on the features and benefits of our products, followed by rapid product delivery and installation, and ending with helpful post-sales support services. We carefully monitor our competition to ensure that our prices are competitive in the market place. Our experience has been that informed customers often choose to buy a more heavily-featured product once they understand the applicability and benefits of its features. Heavily-featured products typically carry higher average selling prices and higher margins than less-featured, entry-level price point products.

For fiscal 2012, we have implemented several initiatives designed to better position our business to drive additional traffic and increase sales in our comparable store base. The first initiative is to grow our appliance market share. We restructured our in-store management team to include an appliance sales manager and a dedicated consumer electronics

manager in lieu of a sales manager and an operations manager. The appliance manager will focus on the appliance and bedding categories, increasing management focus and ensuring a superior customer purchase experience. We expect to continue our increased marketing efforts in the appliance category with more appliance specific marketing messaging. Additionally, we will begin offering “white glove” installation services, which will enhance our delivery and installation capabilities, and we will shift more appliance inventory from central warehouse facilities to store locations to accommodate our customers’ needs in the appliance product category.

Our second initiative is the development of our home office category. This category previously included computers and tablets, and was expanded to include mobile phones in the second quarter of fiscal 2012. This development of our mobile phone business included the integration of all of the Verizon Cellular Connection kiosks located within each of our stores into our internal operations. The transition took place on August 28, 2011. In addition to mobile phones, we will continue to expand our assortment of computers, tablets, peripherals and computer service offerings.

Our third initiative for fiscal 2012 is the launch of our redesigned website. During the second quarter of fiscal 2012, we launched our new website which offers an updated look and feel, in addition to significant functionality enhancements. This increased functionality includes options to buy our products online and pick up in store and the ability to ship products bought online directly to consumers from store locations. Our new website design is also expected to provide an enhanced purchase experience for our online customers, allowing them to interact directly with sales associates in our stores.

We also launched a new advertising campaign, “We Help,” which focuses on our commitment to educating consumers and helping them to complete their purchase experience with the right product at a great price. This campaign seeks to increase brand awareness among consumers and set us apart from our competitors.

Store Development Strategy. Over the past several years, we have adhered closely to a development strategy of adding stores to metropolitan markets in clusters to achieve rapid market share penetration and more efficiently leverage our distribution network, advertising and regional management costs. Our expansion plans include looking for new markets where we believe there is significant underlying demand for stores, typically in areas that have historically demonstrated above-average economic growth, strong household incomes and growth in new housing starts and/or remodeling activity. Our markets typically include most or all of our major competitors. We plan to continue to follow our approach of building store density in each major market and distribution area, which in the past has helped us to improve our market share and realize operating efficiencies.

During the past twelve months, we opened a net total of 35 new stores, all of which were opened in new markets, including Chicago, Illinois; Miami, Florida and Pittsburgh, Pennsylvania. During the past twelve months, we also opened an eleventh local distribution center in Pembroke Park, Florida and a fifth regional distribution center in Aurora, Illinois to support our growth plans.

We expect to open between 20 and 25 new stores during fiscal 2013. The growth will be predominantly surrounding our new regional distribution center in Aurora, Illinois. New markets for fiscal 2013 will include St. Louis, Missouri; Milwaukee, Wisconsin and other locations in Illinois.

Business Strategy and Core Philosophies. Our business strategy is focused around offering our customers a superior customer purchase experience. From the time the customers walk in the door, they experience a well-designed, customer-friendly store. Our stores are brightly lit and have clearly distinguished departments that allow our customers to find what they are looking for. We greet and assist our customers with our highly trained consultative sales force, who educate the customers about the different product features.

Our products are rich in features and innovations and are ever-changing. We believe that customers find it helpful to have someone explain the features and benefits of a product. We believe this assistance allows them the opportunity to buy the product that most closely matches their needs. We follow up on the customer purchase experience by offering same-day delivery on many of our products and a high quality, in-home installation service.

While many of our product offerings are considered essential items by our customers, other products and certain features are viewed as discretionary purchases. As a result, our results of operations are susceptible to a challenging macro-economic environment. Factors such as changes in consumer confidence, unemployment, consumer credit

availability and the condition of the housing market have negatively impacted our core product categories and added volatility to our overall business. As consumers show a more cautious approach to purchases of discretionary items, customer traffic and spending patterns continue to be difficult to predict.

The consumer electronics industry depends on new products to drive sales and profitability. Innovative, heavily-featured products are typically introduced at relatively high price points. Over time, price points are gradually reduced to drive consumption. Accordingly, there has been price compression in flat panel televisions for equivalent screen sizes over the past few years. According to the NPD Group, the prices of flat panel televisions in the industry have fallen more than 50% since January 2008. As with similar product life cycles for console televisions, DVD players and large-screen projection televisions, we have responded to this risk by shifting our sales mix to focus on newer, higher-margin televisions that feature 3-D and IPTV technology, with an increased focus on selection and larger screen sizes. In addition to declining average selling prices, promotional activity within the video category has resulted in a reduction in the gross profit margin rate for the category. Management expects the gross year over year profit rate pressure to continue through the end of the fiscal year in the video category. In addition to our shift in television sales mix, we have also added an increased selection of computers and tablets to our product assortment, and placed a focus on the development of our home office category. However, lower than expected demand and pricing pressures could result in price points for higher featured items declining more quickly, and to a greater extent, than we have historically experienced. In addition to declining average selling prices, promotional activity within the consumer electronics industry could result in a reduction in the gross profit margin rate for these product categories.

Retail appliance sales are highly correlated to the housing industry and housing turnover. As more people purchase existing homes in the market, appliance sales tend to trend upward. Conversely, when demand in the housing market declines, appliance sales traffic is also negatively impacted. The appliance industry has benefited greatly from increased innovation in energy efficient products. While these energy efficient products typically carry a higher average selling price than traditional products, they save the consumer significant dollars in annual energy savings. Average unit selling prices of major appliances are not expected to change dramatically in the foreseeable future.

Seasonality. Our business is seasonal, with a higher portion of net sales and operating profit realized during the quarter that ends December 31 due to the overall demand for consumer electronics during the holiday shopping season. Appliance revenue is impacted by seasonal weather patterns but is less seasonal than our consumer electronics business and helps to offset the seasonality of our overall business.

Critical Accounting Policies

We describe our critical accounting policies and estimates in “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the fiscal year ended March 31, 2011 in our latest Annual Report on Form 10-K filed with the SEC on May 26, 2011. There have been no significant changes in our critical accounting policies and estimates since the end of fiscal 2011.

Results of Operations

Operating Performance. The following table presents selected unaudited condensed consolidated financial data (dollars in thousands, except per share amounts):

(unaudited)	Three Months Ended		Nine Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net sales	\$ 829,546	\$ 653,731	\$ 1,879,603	\$ 1,570,632
Net sales % increase	26.9%	30.6%	19.7%	40.6%
Comparable store sales % increase (decrease) ⁽¹⁾	3.9%	(6.2)%	(1.2)%	(1.4)%
Gross profit as a % of net sales	27.2%	29.6%	28.4%	29.9%
SG&A as a % of net sales	17.0%	18.1%	19.8%	20.7%
Net advertising expense as a % of net sales	4.8%	3.5%	4.8%	4.3%
Depreciation and amortization expense as a % of net sales	1.1%	1.1%	1.3%	1.2%
Income from operations as a % of net sales	4.5%	7.0%	2.5%	3.8%
Net interest expense as a % of net sales	0.1%	0.2%	0.1%	0.2%
Net income	\$ 22,478	\$ 26,913	\$ 27,743	\$ 33,573
Net income per diluted share	\$ 0.60	\$ 0.66	\$ 0.72	\$ 0.83
Weighted average shares outstanding - diluted	37,603,767	40,495,966	38,522,707	40,380,370
Number of stores open at the end of period	208	173		

⁽¹⁾ Comprised of net sales at stores in operation for at least 14 full months, including remodeled and relocated stores, as well as net sales for our e-commerce site.

Net income was \$22.5 million, or \$0.60 per diluted share, for the three month period ended December 31, 2011, compared with net income of \$26.9 million, or \$0.66 per diluted share, for the comparable prior year period. For the nine month period ended December 31, 2011, net income was \$27.7 million, or \$0.72 per diluted share, compared with net income of \$33.6 million, or \$0.83 per diluted share for the comparable prior year period. The decrease in net income for the three month period ended December 31, 2011 was largely due to the decrease in gross profit margin as a percentage of net sales and an increase in net advertising expense as a percentage of net sales, partially offset by an increase in net sales due to the net addition of 35 stores during the past 12 months, a comparable store sales increase of 3.9% and a decrease in SG&A as a percentage of net sales. The decrease in net income for the nine month period ended December 31, 2011 was the result of a comparable store sales decrease of 1.2% and a decrease in gross profit margin as a percentage of net sales, partially offset by an increase in net sales due to the net addition of 35 stores during the past 12 months and a decrease in SG&A as a percentage of net sales.

Net sales for the three and nine months ended December 31, 2011 increased 26.9% and 19.7%, respectively, to \$829.5 million and \$1.9 billion, respectively, compared to the comparable prior year periods. The increase in net sales for the three months ended December 31, 2011 was attributable to the net addition of 35 stores during the past 12 months and a comparable store sales increase of 3.9%. The increase in net sales for the nine months ended December 31, 2011 was attributable to the net addition of 35 stores during the past 12 months, partially offset by a comparable store sales decrease of 1.2%.

Net sales mix and comparable store sales percentage changes by product category for the three and nine months ended December 31, 2011 and 2010 were as follows:

	Net Sales Mix Summary				Comparable Store Sales Summary			
	Three Months Ended December 31,		Nine Months Ended December 31,		Three Months Ended December 31,		Nine Months Ended December 31,	
	2011	2010	2011	2010	2011	2010	2011	2010
Video	46%	50%	43%	46%	(4.8)%	(5.9)%	(8.1)%	(1.7)%
Appliances	30%	30%	36%	36%	6.8%	(5.7)%	0.9%	1.6%
Home Office ⁽¹⁾	11%	6%	9%	5%	91.4%	31.7%	61.1%	20.0%
Other ⁽²⁾	13%	14%	12%	13%	(7.1)%	(17.1)%	(8.3)%	(14.0)%
Total	100%	100%	100%	100%	3.9%	(6.2)%	(1.2)%	(1.4)%

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- (1) Primarily consists of computers, mobile phones and tablets.
 - (2) Primarily consists of audio, furniture and accessories, mattresses and personal electronics.

The increase in comparable store sales for the three month period was driven by increases in all major appliance categories and the home office category, modestly offset by declines in the video and other categories. The appliance category saw both increased demand as well as an increase in average selling prices driven largely by our initiatives to grow market share and outpace the marketplace in comparable store sales growth. The home office category was led by increased demand in notebooks and the offering of tablet computers and mobile phones. The video category comparable store sales decline was driven by a mid single digit decrease in average selling prices offset by increased unit demand. The decrease in comparable store sales for the other category was primarily a result of double digit comparable store sales decreases in camcorders and small electronics, partially offset by strong double digit growth in the mattress category.

Three Months Ended December 31, 2011 Compared to Three Months Ended December 31, 2010

Gross profit margin, expressed as gross profit as a percentage of net sales, decreased approximately 237 basis points for the three months ended December 31, 2011 to 27.2% from 29.6% for the comparable prior year period. The decrease was largely due to a decrease in gross profit margin in the video category, which was primarily the result of our increased promotional activity during the period. Management expects the gross profit pressure to continue through the end of the fiscal year in the video category. The home office category, which carries a gross profit margin lower than our company average, increased as an overall percentage of our net sales mix. This increase as a percentage of net sales mix also resulted in a decrease in our gross profit margin percentage. Increased expense due to sales promotional activity during the quarter also drove modest declines in gross profit margin across other major product categories.

SG&A expense, as a percentage of net sales, decreased approximately 112 basis points for the three month period ended December 31, 2011 compared to the prior year period. The decrease in SG&A as a percentage of sales was largely a result of sales leverage on occupancy cost and wage expense due to the comparable store sales increase and strong performance from the new stores that opened during fiscal 2012.

Net advertising expense, as a percentage of net sales, increased approximately 125 basis points during the three months ended December 31, 2011 compared to the prior year period. The increase as a percentage of net sales was driven largely by increased promotions to drive market share and launch our mobile department.

Our effective income tax rate for the three months ended December 31, 2011 decreased to 37.8% from 39.2% in the comparable prior year period. The decrease in the effective income tax rate is primarily the result of federal income tax credits recognized under the Hiring Incentives to Restore Employment Act of 2010.

Nine Months Ended December 31, 2011 Compared to Nine Months Ended December 31, 2010

Gross profit margin, expressed as gross profit as a percentage of net sales, decreased approximately 159 basis points for the nine month period ended December 31, 2011 to 28.4% from 29.9% for the comparable prior year period. The decrease was largely due to a decrease in gross profit margin in the video category, which was primarily the result of our increased promotional activity during the period. Management expects the gross profit pressure to continue through the end of the fiscal year in the video category. The home office category, which carries a gross profit margin lower than our company average, increased as an overall percentage of our net sales mix. This increase as a percentage of net sales mix also resulted in a decrease in our gross profit margin percentage.

SG&A expense, as a percentage of net sales, decreased approximately 94 basis points for the nine month period ended December 31, 2011, compared to the prior year period. The decrease in SG&A as a percentage of sales was largely a result of sales leverage on occupancy cost and wage expense, in addition to strong performance from the new stores that opened during the period.

Net advertising expense, as a percentage of net sales, increased approximately 54 basis points during the nine months ended December 31, 2011, compared to the prior year period. The increase as a percentage of net sales was driven largely by the sales deleverage of our comparable store sales decrease and increased promotions to drive market share and launch our mobile department.

Our effective income tax rate for the nine months ended December 31, 2011 decreased to 38.4% from 39.2% in the comparable prior year period. The decrease in the effective income tax rate is primarily the result of federal income tax credits recognized under the Hiring Incentives to Restore Employment Act of 2010.

Liquidity and Capital Resources

The following table presents a summary on a consolidated basis of our net cash (used in) provided by operating, investing and financing activities (dollars are in thousands):

	December 31, 2011	December 31, 2010
Net cash used in operating activities	\$ (18,898)	\$ (43,441)
Net cash used in investing activities	(74,992)	(48,886)
Net cash provided by financing activities	26,447	6,026

Our liquidity requirements arise primarily from our need to fund working capital requirements and capital expenditures. We make capital expenditures principally to fund our expansion strategy, which includes, among other things, investments in new stores and new distribution facilities, remodeling and relocation of existing stores, as well as information technology and other infrastructure-related projects that support our expansion.

We planned to open 35 new stores in addition to one regional distribution center and one local distribution center during fiscal 2012, all of which have been opened as of December 31, 2011. We plan to continue to invest in our infrastructure, including management information systems and distribution capabilities, as well as incur capital remodeling and improvement costs. We expect net capital expenditures, including tenant allowances from landlords, for store openings and relocations to range between \$65 million and \$70 million. Capital expenditures for fiscal 2012 will be funded through cash and cash equivalents, borrowings under our revolving credit facility and tenant allowances from landlords.

Cash Used in Operating Activities. Cash used in operating activities primarily consists of net income as adjusted for increases or decreases in working capital and non-cash depreciation and amortization. Cash used in operating activities was \$18.9 million and \$43.4 million for the nine months ended December 31, 2011 and 2010, respectively. The decrease in cash used in operating activities is primarily due the change in excess tax benefits from stock-based compensation, our net investment in merchandise inventories (merchandise inventories less accounts payable) and the net change in our other current operating assets and liabilities, partially offset by the change in income tax receivable. The change in cash flows related to excess tax benefits from stock-based compensation was the result of stock option exercises. The net change in other current operating assets and liabilities was primarily a result of differences in timing of customer sales and vendor payments.

Cash Used In Investing Activities. Cash used in investing activities was \$75.0 million and \$48.9 million for the nine months ended December 31, 2011 and 2010, respectively. The increase in cash used in investing activities is due to the difference in timing of purchases of property and equipment associated with the opening of new stores. In the nine months ended December 31, 2011, we opened 35 new stores, one regional distribution center and one local distribution center, and incurred the related costs during the same time period. In the nine months ended December 31, 2010, we opened 42 new stores, however we incurred a portion of their construction costs in the quarter ended March 31, 2010.

Cash Provided by Financing Activities. Cash provided by financing activities was \$26.5 million for the nine months ended December 31, 2011 compared to \$6.0 million for the nine months ended December 31, 2010. The increase is primarily due to net borrowings on our line of credit, a net increase in bank overdrafts and prior year payments of withholding tax as a result of the net settlement of options which was not repeated in fiscal 2012. These increases were partially offset by \$35.0 million in repurchases of treasury stock in the first nine months of fiscal 2012 and a decrease in excess tax benefits from stock-based compensation.

Revolving Credit Facility. On March 29, 2011, Gregg Appliances entered into an Amended and Restated Loan and Security Agreement (the "Amended Facility"). The Amended Facility increased the maximum credit available from \$125 million to \$300 million, subject to borrowing base availability, and extended the term of the facility to March 29, 2016.

Interest on borrowings (other than Eurodollar rate borrowings) is payable monthly at a fluctuating rate based on the bank's prime rate or LIBOR plus an applicable margin. Interest on Eurodollar rate borrowings is payable on the last day of each "interest period" applicable to such borrowing or on the three month anniversary of the beginning of such "interest period" for interest periods greater than three months. The unused line rate is determined based on the amount of the daily average of the outstanding borrowings for the immediately preceding calendar quarter period (the "Daily Average"). For a Daily Average greater than or equal to 50% of the defined borrowing base, the unused line rate is 0.375%. For a Daily Average less than 50% of the defined borrowing base, the unused line rate is 0.50%. The Amended Facility is guaranteed by Gregg Appliances' wholly-owned subsidiary, HHG Distributing, which has no assets or operations. The guarantee is full and unconditional and Gregg Appliances has no other subsidiaries.

Pursuant to the Amended Facility, the borrowing base was modified to equal the sum of (i) the lesser of (a) 90% of the net orderly liquidation value of all eligible inventory of Gregg Appliances or (b) 75% of the net book value of such eligible inventory and (ii) 90% of all commercial and credit card receivables of Gregg Appliances, in each case subject to customary reserves and eligibility criteria. The Amended Facility required payment to the lenders of a commitment fee of approximately \$1.1 million during the fourth quarter of fiscal 2011.

Under the Amended Facility, Gregg Appliances is not required to comply with any financial maintenance covenant unless "excess availability" is less than the greater of (i) 10.0% of the lesser of (A) the defined borrowing base or (B) the defined maximum credit or (ii) \$15.0 million until September 30, 2012 and \$20.0 million thereafter, during the continuance of which event Gregg Appliances is subject to compliance with a fixed charge coverage ratio of 1.0 to 1.0.

Pursuant to the Amended Facility, if Gregg Appliances has "excess availability" of less than 12.5% of the lesser of (A) the defined borrowing base or (B) the defined maximum credit, it may, in certain circumstances more specifically described in the Amended Facility, become subject to cash dominion control.

The Amended Facility places limitations on the ability of Gregg Appliances to, among other things, incur debt, create other liens on its assets, make investments, sell assets, pay dividends, undertake transactions with affiliates, enter into merger transactions, enter into unrelated businesses, open collateral locations outside of the United States, or enter into consignment assignments or floor plan financing arrangements. The Amended Facility also contains various customary representations and warranties, financial and collateral reporting requirements and other affirmative and negative covenants. Gregg Appliances was in compliance with the restrictions and covenants in the Amended Facility at December 31, 2011.

As of December 31, 2011, Gregg Appliances had \$28.1 million in borrowings outstanding under the Amended Facility and \$5.2 million of letters of credit outstanding, which expire through December 31, 2012. As of December 31, 2011, the total borrowing availability under the Amended Facility was \$254.5 million. The interest rate based on the bank's prime rate as of December 31, 2011 was 4.25%.

As of March 31, 2011, Gregg Appliances had no borrowings outstanding under the Amended Facility and \$4.8 million of letters of credit outstanding, which expired by December 31, 2011. The interest rate based on the bank's prime rate as of March 31, 2011 was 4.5%.

Long Term Liquidity. Anticipated cash flows from operations and funds available from our Amended Facility, together with cash on hand, should provide sufficient funds to finance our operations for the foreseeable future. As a normal part of our business, we consider opportunities to refinance our existing indebtedness, based on market conditions. Although we may refinance all or part of our existing indebtedness in the future, there can be no assurances that we will do so. Changes in our operating plans, lower than anticipated sales, increased expenses, acquisitions or other events may require us to seek additional debt or equity financing. There can be no guarantee that financing will be available on acceptable terms or at all. Additional debt financing, if available, could impose additional cash payment obligations and additional covenants and operating restrictions.

Contractual Obligations

We entered into lease commitments totaling approximately \$62.8 million over their respective lease terms during the nine months ended December 31, 2011. There have been no other significant changes in our contractual obligations since the end of fiscal 2011. See our “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for the fiscal year ended March 31, 2011 in our latest Annual Report on Form 10-K filed with the SEC on May 26, 2011 for additional information regarding our contractual obligations.

Forward-Looking Statements

Some of the statements in this document constitute “forward-looking statements” within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our business’ or our industry’s actual results, levels of activity, performance or achievements to be materially different from those expressed or implied by any forward-looking statements. Such statements include, in particular, statements about our plans, strategies, prospects, changes, outlook and trends in our business and the markets in which we operate under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “could,” “would,” “should,” “expect,” “plan,” “anticipate,” “intend,” “tends,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of those terms or other comparable terminology. These statements are only predictions. Actual events or results may differ materially because of market conditions in our industry or other factors. All of the forward-looking statements are qualified in their entirety by reference to the factors discussed under “Management’s Discussion and Analysis of Financial Condition and Results of Operations” herein, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in our latest Annual Report on Form 10-K filed with the SEC on May 26, 2011 and the Risk Factors set forth in our Annual Report on Form 10-K filed with the SEC on May 26, 2011. The forward-looking statements are made as of the date of this document and we assume no obligation to update the forward-looking statements or to update the reasons why actual results could differ from those projected in the forward-looking statements.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk

In addition to the risks inherent in our operations, we are exposed to certain market risks, including interest rate risk.

Interest Rate Risk

As of December 31, 2011, our debt was comprised of our Amended Facility.

Interest on borrowings under our Amended Facility is payable monthly at a fluctuating rate based on the bank’s prime rate or LIBOR plus an applicable margin. As of December 31, 2011, we had \$28.1 million outstanding on our Amended Facility. A hypothetical 100 basis point increase in the bank’s prime rate would decrease our annual pre-tax income by approximately \$0.3 million.

ITEM 4. Controls and Procedures

Disclosure Controls and Procedures

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed by us in the reports 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 is accumulated and communicated to our management, including our Chief Executive Officer (principal executive officer) and Chief Financial Officer (principal financial officer), to allow timely decisions regarding required disclosure. We have established a Disclosure Committee, consisting of certain members of management, to assist in this evaluation. Our Disclosure Committee meets on a quarterly basis and more often if necessary.

Our management, including our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) promulgated under the Exchange Act), as of December 31, 2011. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that, as of December 31, 2011, our disclosure controls and procedures were effective.

Changes in Internal Control over Financial Reporting

During the fiscal quarter ended December 31, 2011, there was no change in our internal control over financial reporting that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II. Other Information**ITEM 1. Legal Proceedings**

We are engaged in various legal proceedings in the ordinary course of business and have certain unresolved claims pending. The ultimate liability, if any, for the aggregate amounts claimed cannot be determined at this time. However, management believes, based on the examination of these matters and experiences to date, that the ultimate liability, if any, in excess of amounts already provided for in the unaudited condensed consolidated financial statements is not likely to have a material effect on our consolidated financial position, results of operations or cash flows.

ITEM 1A. Risk Factors

There have been no material changes to the risk factors set forth in the section entitled "Risk Factors" in our Annual Report on Form 10-K filed with the SEC on May 26, 2011.

ITEM 6. Exhibits

- 31.1 Certification of the Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification of the Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification of the Chief Executive Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification of the 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 materials from hhgregg, Inc.'s Quarterly Report on Form 10-Q for the quarter ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (1) Condensed Consolidated Statements of Income for the Three and Nine months ended December 31, 2011 and 2010, (2) Condensed Consolidated Balance Sheets as of December 31, 2011 and March 31, 2011, (3) Condensed Consolidated Statement of Stockholders' Equity for the Nine Months Ended December 31, 2011, (4) Condensed Consolidated Statements of Cash Flows for the Nine Months Ended December 31, 2011 and 2010 and (5) Condensed Notes to Consolidated Financial Statements, tagged as blocks of text.
- ** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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.

HHGREGG, INC.

By: /s/ Jeremy J. Aguilar
Jeremy J. Aguilar
Principal Financial Officer

Dated: February 8, 2012

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Dennis L. May, certify that:

1. I have reviewed this quarterly report on Form 10-Q of hhgregg, 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(s) 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.

By: /s/ Dennis L. May

Dennis L. May
President and Chief Executive Officer

Dated: February 8, 2012

**CERTIFICATION PURSUANT TO
RULES 13a-14(a) AND 15d-14(a) UNDER THE SECURITIES
EXCHANGE ACT OF 1934, AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jeremy J. Aguilar, certify that:

1. I have reviewed this quarterly report on Form 10-Q of hhgregg, 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(s) 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.

By: /s/ Jeremy J. Aguilar

Jeremy J. Aguilar
Chief Financial Officer

Dated: February 8, 2012

**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 hhgregg, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Dennis L. May, President and Chief Executive Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Dennis L. May

Dennis L. May
President and Chief Executive Officer

Dated: February 8, 2012

**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 hhgregg, Inc. (the "Company") Quarterly Report on Form 10-Q for the period ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jeremy J. Aguilar, Chief Financial Officer of the Company, certify pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that, to the best of my knowledge:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ Jeremy J. Aguilar

Jeremy J. Aguilar
Chief Financial Officer

Dated: February 8, 2012