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 July 29, 2023

OR

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

For the transition period from __________ to __________.

Commission File Number 001-36107

BURLINGTON STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware **(State or Other Jurisdiction of Incorporation or Organization)**	**80-0895227** **(I.R.S. Employer Identification No.)**
2006 Route 130 North **Burlington, New Jersey** **(Address of Principal Executive Offices)**	**08016** **(Zip Code)**

Registrant's Telephone Number, Including Area Code: (609) 387-7800

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common stock	BURL	New York Stock Exchange

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

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

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

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

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

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

The registrant had 64,850,028 shares of common stock outstanding as of July 29, 2023.

BURLINGTON STORES, INC.

INDEX

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

BURLINGTON STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(All amounts in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
REVENUES:				
Net sales	$ 2,170,445	$ 1,983,889	$ 4,303,239	$ 3,909,532
Other revenue	4,362	4,052	8,524	8,101
Total revenue	2,174,807	1,987,941	4,311,763	3,917,633
COSTS AND EXPENSES:				
Cost of sales	1,266,210	1,211,268	2,497,856	2,348,214
Selling, general and administrative expenses	775,285	685,504	1,530,913	1,365,831
Costs related to debt amendments	97	—	97	—
Depreciation and amortization	73,133	67,970	143,662	134,274
Impairment charges - long-lived assets	4,709	4,415	5,552	6,958
Other income - net	(6,165)	(12,608)	(15,163)	(16,005)
Loss on extinguishment of debt	—	—	24,644	14,657
Interest expense	19,545	15,435	38,890	30,041
Total costs and expenses	2,132,814	1,971,984	4,226,451	3,883,970
Income before income tax expense	41,993	15,957	85,312	33,663
Income tax expense	11,101	3,991	21,672	5,524
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Net income per common share:				
Common stock - basic	$ 0.48	$ 0.18	$ 0.98	$ 0.43
Common stock - diluted	$ 0.47	$ 0.18	$ 0.98	$ 0.42
Weighted average number of common shares:				
Common stock - basic	64,895	65,803	64,925	66,042
Common stock - diluted	65,039	65,962	65,141	66,304

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(All amounts in thousands)

	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Other comprehensive income, net of tax:				
Interest rate derivative contracts:				
Net unrealized gain (loss) arising during the period	8,465	(6,769)	9,412	13,291
Net reclassification into earnings during the period	(1,179)	2,079	(2,006)	4,921
Other comprehensive income (loss), net of tax	7,286	(4,690)	7,406	18,212
Total comprehensive income	$ 38,178	$ 7,276	$ 71,046	$ 46,351

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(All amounts in thousands, except share and per share data)

	July 29, 2023	January 28, 2023	July 30, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	$ 520,974	$ 872,623	$ 454,985
Restricted cash and cash equivalents	—	6,582	6,582
Accounts receivable—net	80,742	71,091	70,858
Merchandise inventories	1,161,523	1,181,982	1,266,696
Assets held for disposal	5,120	19,823	1,933
Prepaid and other current assets	148,711	131,691	135,049
Total current assets	1,917,070	2,283,792	1,936,103
Property and equipment—net	1,699,469	1,668,005	1,609,302
Operating lease assets	2,925,595	2,945,932	2,831,932
Tradenames	238,000	238,000	238,000
Goodwill	47,064	47,064	47,064
Deferred tax assets	2,925	3,205	3,689
Other assets	85,415	83,599	67,271
Total assets	$ 6,915,538	$ 7,269,597	$ 6,733,361
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 773,494	$ 955,793	$ 800,742
Current operating lease liabilities	400,266	401,111	375,294
Other current liabilities	456,075	541,413	418,427
Current maturities of long term debt	13,867	13,634	14,587
Total current liabilities	1,643,702	1,911,951	1,609,050
Long term debt	1,347,727	1,462,072	1,472,197
Long term operating lease liabilities	2,801,058	2,825,292	2,724,053
Other liabilities	70,771	69,386	69,563
Deferred tax liabilities	226,421	205,991	224,621
Commitments and contingencies (Note 11)			
Stockholders’ equity:			
Preferred stock, $0.0001 par value: authorized: 50,000,000 shares; no shares issued and outstanding	—	—	—
Common stock, $0.0001 par value:			
Authorized: 500,000,000 shares			
Issued: 82,326,476 shares, 82,037,994 shares and 81,907,528 shares, respectively			
Outstanding: 64,850,028 shares, 65,019,713 shares and 65,546,467 shares, respectively	8	8	7
Additional paid-in-capital	2,064,048	2,015,625	1,967,383
Accumulated earnings	708,055	644,415	442,432
Accumulated other comprehensive income	36,154	28,748	13,771
Treasury stock, at cost	(1,982,406)	(1,893,891)	(1,789,716)
Total stockholders' equity	825,859	794,905	633,877
Total liabilities and stockholders' equity	$ 6,915,538	$ 7,269,597	$ 6,733,361

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(All amounts in thousands)

	Six Months Ended	
	July 29, 2023	July 30, 2022
OPERATING ACTIVITIES		
Net income	$ 63,640	$ 28,139
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	143,662	134,274
Impairment charges—long-lived assets	5,552	6,958
Amortization of deferred financing costs	1,620	1,835
Accretion of long term debt instruments	471	476
Deferred income taxes	18,001	(1,804)
Loss on extinguishment of debt	24,644	14,657
Non-cash stock compensation expense	36,147	33,878
Non-cash lease expense	(2,993)	(343)
Cash received from landlord allowances	4,540	9,116
Changes in assets and liabilities:		
Accounts receivable	(9,774)	(16,908)
Merchandise inventories	20,460	(245,687)
Prepaid and other current assets	(17,020)	235,468
Accounts payable	(183,775)	(283,861)
Other current liabilities	(72,833)	(71,405)
Other long term assets and long term liabilities	1,368	(287)
Other operating activities	(3,884)	2,632
Net cash provided by (used in) operating activities	29,826	(152,862)
INVESTING ACTIVITIES		
Cash paid for property and equipment	(184,752)	(208,776)
Lease acquisition costs	(6,737)	(943)
Proceeds from sale of property and equipment and assets held for sale	13,831	23,324
Net cash used in investing activities	(177,658)	(186,395)
FINANCING ACTIVITIES		
Principal payments on long term debt—Term B-6 Loans	(4,807)	(4,807)
Principal payment on long term debt—Convertible Notes	(133,724)	(78,236)
Purchase of treasury shares	(88,056)	(212,721)
Proceeds from stock option exercises	12,276	5,952
Other financing activities	3,912	(7,037)
Net cash used in financing activities	(210,399)	(296,849)
Decrease in cash, cash equivalents, restricted cash and restricted cash equivalents	(358,231)	(636,106)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	879,205	1,097,673
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 520,974	$ 461,567
Supplemental disclosure of cash flow information:		
Interest paid	$ 44,969	$ 23,082
Income tax payments (refund) - net	$ 63,574	$ (236,496)
Non-cash investing and financing activities:		
Accrued purchases of property and equipment	$ 54,503	$ 63,132

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
July 29, 2023
(Unaudited)

1. Summary of Significant Accounting Policies

Basis of Presentation

As of July 29, 2023, Burlington Stores, Inc., a Delaware corporation (collectively with its subsidiaries, the Company), through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 939 retail stores.

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Stores, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (Fiscal 2022 10-K). The balance sheet at January 28, 2023 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2022 10-K. Because the Company’s business is seasonal in nature, the operating results for the three and six month periods ended July 29, 2023 are not necessarily indicative of results for the fiscal year.

Accounting policies followed by the Company are described in Note 1, “Summary of Significant Accounting Policies,” included in Part II, Item 8 of the Fiscal 2022 10-K.

Fiscal Year

The Company defines its fiscal year as the 52- or 53-week period ending on the Saturday closest to January 31. Fiscal 2023 is defined as the 53-week year ending February 3, 2024 and Fiscal 2022 is defined as the 52-week year ended January 28, 2023. The first and second quarters of Fiscal 2023 and Fiscal 2022 each consist of 13 weeks.

Recently Adopted Accounting Standards

There were no new accounting standards that had a material impact on the Company’s Condensed Consolidated Financial Statements and notes thereto during the three and six month periods ended July 29, 2023, and there were no new accounting standards or pronouncements that were issued but not yet effective as of July 29, 2023 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

2. Stockholders' Equity

Activity for the three and six month periods ended July 29, 2023 and July 30, 2022 in the Company's stockholders' equity is summarized below:

	(in thousands, except share data)							
	Common Stock		**Additional Paid-in**	**Accumulated**	**Accumulated Other Comprehensive**	**Treasury Stock**		
	Shares	**Amount**	**Capital**	**Earnings**	**(Loss) Income**	**Shares**	**Amount**	**Total**
Balance at January 28, 2023	82,037,994	$ 8	$ 2,015,625	$ 644,415	$ 28,748	(17,018,281)	$ (1,893,891)	$ 794,905
Net income	—	—	—	32,748	—	—	—	32,748
Stock options exercised	90,971	—	10,764	—	—	—	—	10,764
Shares used for tax withholding	—	—	—	—	—	(9,457)	(1,962)	(1,962)
Shares purchased as part of publicly announced program, inclusive of $0.4 million related to excise tax	—	—	—	—	—	(245,414)	(51,823)	(51,823)
Vesting of restricted shares	28,536	—	—	—	—	—	—	—
Stock based compensation	—	—	16,722	—	—	—	—	16,722
Unrealized gains on interest rate derivative contracts, net of related taxes of $0.3 million	—	—	—	—	947	—	—	947
Amount reclassified from accumulated other comprehensive income into earnings, net of related taxes of $0.3 million	—	—	—	—	(827)	—	—	(827)
Balance at April 29, 2023	82,157,501	$ 8	$ 2,043,111	$ 677,163	$ 28,868	(17,273,152)	$ (1,947,676)	$ 801,474
Net income	—	—	—	30,892	—	—	—	30,892
Stock options exercised	15,236	—	1,512	—	—	—	—	1,512
Shares used for tax withholding	—	—	—	—	—	(48,938)	(8,626)	(8,626)
Shares purchased as part of publicly announced program, inclusive of $0.1 million related to excise tax	—	—	—	—	—	(154,358)	(26,104)	(26,104)
Vesting of restricted shares	153,739	—	—	—	—	—	—	—
Stock based compensation	—	—	19,425	—	—	—	—	19,425
Unrealized gains on interest rate derivative contracts, net of related taxes of $3.1 million	—	—	—	—	8,465	—	—	8,465
Amount reclassified from accumulated other comprehensive income into earnings, net of related taxes of $0.4 million	—	—	—	—	(1,179)	—	—	(1,179)
Balance at July 29, 2023	82,326,476	$ 8	$ 2,064,048	$ 708,055	$ 36,154	(17,476,448)	$ (1,982,406)	$ 825,859

	(in thousands, except share data)							
	Common Stock		Additional Paid-in	Accumulated (Deficit)	Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Earnings	Loss	Shares	Amount	Total
Balance at January 29, 2022	81,677,315	$ 7	$ 1,927,554	$ 414,292	$ (4,441)	(15,185,760)	$ (1,576,995)	$ 760,417
Net income	—	—	—	16,174	—	—	—	16,174
Stock options exercised	41,673	—	4,721	—	—	—	—	4,721
Shares used for tax withholding	—	—	—	—	—	(30,090)	(5,673)	(5,673)
Shares purchased as part of publicly announced program	—	—	—	—	—	(512,905)	(99,090)	(99,090)
Vesting of restricted shares, net of forfeitures of 199 restricted shares	81,832	—	—	—	—	—	—	—
Stock based compensation	—	—	16,705	—	—	—	—	16,705
Unrealized gains on interest rate derivative contracts, net of related taxes of $7.4 million	—	—	—	—	20,060	—	—	20,060
Amount reclassified from accumulated other comprehensive income into earnings, net of related taxes of $1.1 million	—	—	—	—	2,842	—	—	2,842
Balance at April 30, 2022	81,800,820	$ 7	$ 1,948,980	$ 430,466	$ 18,461	(15,728,755)	$ (1,681,758)	$ 716,156
Net income	—	—	—	11,966	—	—	—	11,966
Stock options exercised	23,088	—	1,230	—	—	—	—	1,230
Shares used for tax withholding	—	—	—	—	—	(34,028)	(6,923)	(6,923)
Shares purchased as part of publicly announced program	—	—	—	—	—	(598,278)	(101,035)	(101,035)
Vesting of restricted shares	83,620	—	—	—	—	—	—	—
Stock based compensation	—	—	17,173	—	—	—	—	17,173
Unrealized losses on interest rate derivative contracts, net of related taxes of $2.6 million	—	—	—	—	(6,769)	—	—	(6,769)
Amount reclassified from accumulated other comprehensive loss into earnings, net of related taxes of $0.8 million	—	—	—	—	2,079	—	—	2,079
Balance at July 30, 2022	81,907,528	$ 7	$ 1,967,383	$ 442,432	$ 13,771	(16,361,061)	$ (1,789,716)	$ 633,877

3. Lease Commitments

The Company’s leases primarily consist of stores, distribution facilities and office space under operating and finance leases that will expire principally during the next 30 years. The leases typically include renewal options at five-year intervals and escalation clauses. Lease renewals are only included in the lease liability to the extent that they are reasonably assured of being exercised. The Company’s leases typically provide for contingent rentals based on a percentage of gross sales. Contingent rentals are not included in the lease liability, and they are recognized as variable lease cost when incurred.

The following is a schedule of the Company’s future lease payments:

	(in thousands)	
Fiscal Year	**Operating Leases**	**Finance Leases**
2023 (remainder)	$ 268,243	$ 2,969
2024	567,575	5,733
2025	534,014	3,604
2026	494,390	3,640
2027	453,052	3,640
2028	404,145	3,447
Thereafter	1,193,134	20,787
Total future minimum lease payments	3,914,553	43,820
Amount representing interest	(713,229)	(12,325)
Total lease liabilities	3,201,324	31,495
Less: current portion of lease liabilities	(400,266)	(4,253)
Total long term lease liabilities	$ 2,801,058	$ 27,242
Weighted average discount rate	5.2%	6.0%
Weighted average remaining lease term (years)	7.9	11.8

The above schedule excludes approximately $446.8 million for 78 stores that the Company has committed to open or relocate but has not yet taken possession of the space. Subsequent to the end of the second quarter, the Company committed to a total of $206.6

million relating to 40 additional store leases acquired from Bed Bath & Beyond. The discount rates used in valuing the Company's leases are not readily determinable, and are based on the Company's incremental borrowing rate on a fully collateralized basis.

The following is a schedule of net lease costs for the periods indicated:

	(in thousands)			
	Three Months Ended		**Six Months Ended**	
	July 29, 2023	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**
Finance lease cost:				
Amortization of finance lease asset (a)	$ 877	$ 1,140	$ 1,753	$ 2,281
Interest on lease liabilities (b)	475	697	971	1,419
Operating lease cost (c)	140,852	128,646	279,802	254,334
Variable lease cost (c)	55,878	51,578	109,949	100,549
Total lease cost	198,082	182,061	392,475	358,583
Less all rental income (d)	(1,442)	(1,140)	(2,840)	(2,688)
Total net rent expense (e)	$ 196,640	$ 180,921	$ 389,635	$ 355,895

(a) Included in the line item "Depreciation and amortization" in the Company's Condensed Consolidated Statements of Income.
(b) Included in the line item "Interest expense" in the Company's Condensed Consolidated Statements of Income.
(c) Includes real estate taxes, common area maintenance, insurance and percentage rent. Included in the line item "Selling, general and administrative expenses" in the Company's Condensed Consolidated Statements of Income.
(d) Included in the line item "Other revenue" in the Company's Condensed Consolidated Statements of Income.
(e) Excludes an immaterial amount of short-term lease cost.

Supplemental cash flow disclosures related to leases are as follows:

	(in thousands)	
	Six Months Ended	
	July 29, 2023	**July 30, 2022**
Cash paid for amounts included in the measurement of lease liabilities:		
Cash payments arising from operating lease liabilities (a)	$ 282,825	$ 255,235
Cash payments for the principal portion of finance lease liabilities (b)	$ 1,952	$ 2,316
Cash payments for the interest portion of finance lease liabilities (a)	$ 971	$ 1,419
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	$ 188,878	$ 392,612

(a) Included within operating activities in the Company's Condensed Consolidated Statements of Cash Flows.
(b) Included within financing activities in the Company's Condensed Consolidated Statements of Cash Flows.

4. Long Term Debt

Long term debt consists of:

	(in thousands)		
	July 29, 2023	**January 28, 2023**	**July 30, 2022**
Senior secured term loan facility (Term B-6 Loans), adjusted SOFR (with a floor of 0.00%) plus 2.00%, matures on June 24, 2028	$ 937,676	$ 942,012	$ 946,345
Convertible senior notes, 2.25%, matures on April 15, 2025	397,375	507,687	507,687
ABL senior secured revolving facility, SOFR plus spread based on average outstanding balance, matures on December 22, 2026	—	—	—
Finance lease obligations	31,495	33,447	41,629
Unamortized deferred financing costs	(4,952)	(7,440)	(8,877)
Total debt	1,361,594	1,475,706	1,486,784
Less: current maturities	(13,867)	(13,634)	(14,587)
Long term debt, net of current maturities	$ 1,347,727	$ 1,462,072	$ 1,472,197

Term Loan Facility

The Term Loan Facility is collateralized by a first lien on the Company's favorable leases, real estate and property & equipment and a second lien on the Company's inventory and receivables. On May 11, 2023, the Company amended the Term Loan Credit Agreement to, effective as of June 30, 2023, change one of the reference interest rates for borrowings under the Term Loan Facility from the Term Loan Adjusted LIBOR Rate to the Adjusted Term SOFR Rate (as defined in the Term Loan Credit Agreement). The Adjusted Term SOFR Rate includes a credit spread adjustment of 0.11% for an interest period of one-month's duration, 0.26% for an interest period of three-months' duration and 0.43% for an interest period of six-months' duration, with a floor of 0.00%. In connection with the execution of this amendment, the Company incurred fees of $0.1 million, primarily related to legal fees, which were recorded in the line item "Costs related to debt amendments" in the Company's Condensed Consolidated Statement of Income.

Interest rates for the Term Loan Facility are based on: (i) for SOFR rate loans, a rate per annum equal to the Adjusted Term SOFR Rate for the applicable interest period, plus an applicable margin; and (ii) for prime rate loans, a rate per annum equal to the highest of (a) the variable annual rate of interest then announced by JPMorgan Chase Bank, N.A. at its head office as its "prime rate," (b) the federal reserve bank of New York rate in effect on such date plus 0.50% per annum, and (c) the Adjusted Term SOFR Rate for the applicable class of term loans for one-month plus 1.00%, plus, in each case, an applicable margin.

At July 29, 2023 and July 30, 2022, the interest rate related to the Term Loan Facility was 7.4% and 4.4%, respectively.

Convertible Notes

On April 16, 2020, the Company issued $805.0 million of its 2.25% Convertible Senior Notes due 2025 (Convertible Notes). The Convertible Notes are general unsecured obligations of the Company. The Convertible Notes bear interest at a rate of 2.25% per year, payable semi-annually in cash, in arrears, on April 15 and October 15 of each year, beginning on October 15, 2020. The Convertible Notes will mature on April 15, 2025, unless earlier converted, redeemed or repurchased.

During the first quarter of Fiscal 2022, the Company entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $64.6 million in aggregate principal amount of Convertible Notes held by them for $78.2 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $14.7 million.

During the first quarter of Fiscal 2023, the Company entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $110.3 million in aggregate principal amount of Convertible Notes held by them for $133.3 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $24.6 million.

Prior to the close of business on the business day immediately preceding January 15, 2025, the Convertible Notes will be convertible at the option of the holders only upon the occurrence of certain events and during certain periods. Thereafter, the Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Convertible Notes have an initial conversion rate of 4.5418 shares per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $220.18 per share of the Company's common stock), subject to adjustment if certain events occur. The initial conversion price represents a conversion premium of approximately 32.50% over $166.17 per share, the last reported sale price of the Company's common stock on April 13, 2020 (the pricing date of the offering) on the New York Stock Exchange. During the first quarter of Fiscal 2021, the Company made an irrevocable settlement election for any conversions of the Convertible Notes. Upon conversion, the Company will pay cash for the principal amount. For any excess above principal, the Company will deliver shares of its common stock. The Company was not permitted to redeem the Convertible Notes prior to April 15, 2023. From and after April 15, 2023, the Company is able to redeem for cash all or any portion of the Convertible Notes, at its option, if the last reported sale price of the Company's common stock is equal to or greater than 130% of the conversion price for a specified period of time, at a redemption price equal to 100% of the principal aggregate amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

Holders of the Convertible Notes may require the Company to repurchase their Convertible Notes upon the occurrence of certain events that constitute a fundamental change under the indenture governing the Convertible Notes at a purchase price equal to 100% of the principal amount thereof, plus accrued and unpaid interest to, but excluding, the date of repurchase. In connection with certain corporate events or if the Company issues a notice of redemption, it will, under certain circumstances, increase the conversion rate for holders who elect to convert their Convertible Notes in connection with such corporate event or during the relevant redemption period for such Convertible Notes. The effective interest rate is 2.8%.

ABL Line of Credit

On July 20, 2022, BCFWC entered into a Fourth Amendment to the Second Amended and Restated Credit Agreement (the Amendment). The Amendment increased the aggregate principal amount of the commitments of its current asset-based lending facility (the ABL Line of Credit) from $650.0 million to $900.0 million and replaced the LIBOR-based interest rate benchmark provisions with interest rate benchmark provisions based on a term secured overnight financing rate (SOFR) or a daily SOFR rate (in the case of daily SOFR, available for borrowings up to $100 million, or up to the full amount of the commitments if the term SOFR rate is not available). The applicable SOFR rate includes a credit spread adjustment of 0.10%.

On June 26, 2023, BCFWC entered into a Fifth Amendment to the Second Amended and Restated Credit Agreement, which increased the sublimit for letters of credit thereunder from $150 million to $250 million. The letter of credit sublimit will automatically be reduced to (i) $237.5 million on April 1, 2024, (ii) $225 million on July 1, 2024, (iii) $212.5 million on October 1, 2024, and (iv) $200 million on January 1, 2025. BCFWC and the agent may extend the foregoing dates under clauses (i) through (iii), as long as the sublimit is reduced to $200 million no later than January 1, 2025.

At July 29, 2023, the Company had $818.7 million available under the ABL Line of Credit. There were no borrowings under the ABL Line of Credit during the three and six month periods ended July 29, 2023.

At July 30, 2022, the Company had $842.5 million available under the ABL Line of Credit. There were no borrowings under the ABL Line of Credit during the three and six month periods ended July 30, 2022.

5. Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with ASC 815, “Derivatives and Hedging” (ASC 815). As required by ASC 815, the Company records all derivatives on the balance sheet at fair value and adjusts to market on a quarterly basis. In addition, to comply with the provisions of ASC 820, “Fair Value Measurements” (ASC 820), credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees. In accordance with ASC 820, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. There is no impact of netting, because the Company has only one derivative. The Company classifies its derivative valuations in Level 2 of the fair value hierarchy.

On December 17, 2018, the Company entered into an interest rate swap, which hedged $450 million of the variable rate exposure under the Term Loan Facility at a rate of 2.72%. On June 24, 2021, the Company terminated this previous interest rate swap, and entered into a new interest rate swap, which hedges $450 million of the variable rate exposure on the Term Loan Facility at a blended rate of 2.19%, and is designated as a cash flow hedge.

During the second quarter of Fiscal 2023, the Company amended its interest rate swap to be based on SOFR rather than LIBOR, which resulted in an updated swap rate of 2.16%. This amendment was covered under the guidance in ASC 848 and did not impact the hedge accounting relationship.

The amount of loss deferred for the previous interest rate swap was $26.9 million. The Company is amortizing this amount from accumulated other comprehensive loss into interest expense over the original life of the previous interest rate swap, which had an original maturity date of December 29, 2023. The new interest rate swap had a liability fair value at inception of $26.9 million. The Company will accrete this amount into accumulated other comprehensive loss as a benefit to interest expense over the life of the new interest rate swap, which has a maturity date of June 24, 2028.

Cash Flow Hedges of Interest Rate Risk

The Company’s objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish these objectives, the Company primarily uses interest rate swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

As of July 29, 2023, the Company had the following outstanding interest rate derivative that was designated as a cash flow hedge of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Aggregate Principal Amount	Interest Swap Rate	Maturity Date
Interest rate swap contract	One	$450.0 million	2.16%	June 24, 2028

Tabular Disclosure

The table below presents the fair value of the Company's derivative financial instruments on a gross basis as well as their classification on the Company's Condensed Consolidated Balance Sheets:

	(in thousands)					
	Fair Values of Derivative Instruments					
	July 29, 2023		January 28, 2023		July 30, 2022	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swap contracts	Other assets	$ 36,134	Other assets	$ 29,152	Other assets	$ 11,290

The following table presents the unrealized gains and losses deferred to accumulated other comprehensive loss resulting from the Company's derivative financial instruments for each of the reporting periods.

	(in thousands)			
	Three Months Ended		Six Months Ended	
Interest Rate Derivatives:	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Unrealized gains (losses), before taxes	$ 11,560	$ (9,345)	$ 12,853	$ 18,146
Income tax (expense) benefit	(3,095)	2,576	(3,441)	(4,855)
Unrealized gains (losses), net of taxes	$ 8,465	$ (6,769)	$ 9,412	$ 13,291

The following table presents information about the reclassification of gains and losses from accumulated other comprehensive income into earnings related to the Company's derivative instruments for each of the reporting periods.

	(in thousands)			
	Three Months Ended		Six Months Ended	
Component of Earnings:	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Interest (benefit) expense	$ (1,610)	$ 2,847	$ (2,739)	$ 6,739
Income tax expense (benefit)	431	(768)	733	(1,818)
Net reclassification into earnings	$ (1,179)	$ 2,079	$ (2,006)	$ 4,921

The Company estimates that approximately $12.9 million will be reclassified from accumulated other comprehensive income as a reduction to interest expense during the next twelve months.

6. Fair Value Measurements

The Company accounts for fair value measurements in accordance with ASC 820, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price), and classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Pricing inputs that are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the assets and liabilities.

The inputs into the determination of fair value require significant management judgment or estimation.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments.

Refer to Note 5, “Derivative Instruments and Hedging Activities,” for further discussion regarding the fair value of the Company’s interest rate swap contract.

Financial Assets

The fair values of the Company’s financial assets and the hierarchy of the level of inputs as of July 29, 2023, January 28, 2023 and July 30, 2022 are summarized below:

	(in thousands) Fair Value Measurements at		
	July 29, 2023	**January 28, 2023**	**July 30, 2022**
Level 1			
Cash equivalents (including restricted cash equivalents)	$ 206,373	$ 548,986	$ 92,015

Long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy of ASC 820. The fair value of the Company’s long-lived assets is calculated using a discounted cash-flow model that used level 3 inputs. In calculating future cash flows, the Company makes estimates regarding future operating results and market rent rates, based on its experience and knowledge of market factors in which the retail location is located.

Impairment charges on long-lived assets were $2.3 million during the second quarter of Fiscal 2023, related to declines in revenue and operating results for eight stores, as well as lease asset impairment of $2.4 million related to one of those stores. Impairment charges on long-lived assets were $4.4 million during the second quarter of Fiscal 2022, related to declines in revenue and operating results for two stores.

Impairment charges on long-lived assets were $2.9 million during the six months ended July 29, 2023, related to declines in revenue and operating results for ten stores, as well as lease asset impairment of $2.6 million related to three of those stores. Impairment charges on long-lived assets were $7.0 million during the six months ended July 30, 2022, related to declines in revenue and operating results for two stores, one owned store sold below net carrying value, and unrecoverable fixed assets at two relocating stores. During the six months ended July 29, 2023 and the six months ended July 30, 2022, the assets impaired had a remaining carrying value after impairments of $75.9 million and $32.5 million , respectively.

Financial Liabilities

The fair values of the Company’s financial liabilities are summarized below:

	(in thousands) **July 29, 2023**		**January 28, 2023**		**July 30, 2022**	
	Principal Amount	**Fair Value**	**Principal Amount**	**Fair Value**	**Principal Amount**	**Fair Value**
Term B-6 Loans	$ 942,187	$ 939,831	$ 946,994	$ 938,708	$ 951,801	$ 925,626
Convertible Notes	397,375	429,860	507,687	619,409	507,687	523,136
ABL Line of Credit (a)	—	—	—	—	—	—
Total debt (b)	$ 1,339,562	$ 1,369,691	$ 1,454,681	$ 1,558,117	$ 1,459,488	$ 1,448,762

(a) To the extent the Company has any outstanding borrowings under the ABL Line of Credit, the fair value would approximate its reported value, because the interest rate is variable and reflects current market rates, due to its short term nature.

(b) The table above excludes finance lease obligations, debt discount and deferred debt costs.

The fair values presented herein are based on pertinent information available to management as of the respective period end dates. The estimated fair values of the Company’s debt are classified as Level 2 in the fair value hierarchy, and are based on current market quotes received from inactive markets.

7. Income Taxes

Income tax expense was $11.1 million during the second quarter of Fiscal 2023 compared with $4.0 million during the second quarter of Fiscal 2022. The effective tax rate for the second quarter of Fiscal 2023 was 26.4% compared with 25.0% during the second quarter of Fiscal 2022. The increase in income tax expense and tax rate is due to higher pre-tax income and higher tax expense from stock based compensation, respectively.

Income tax expense was $21.7 million during the first half of Fiscal 2023 compared with $5.5 million during the first half of Fiscal 2022. The effective tax rate for the first half of Fiscal 2023 was 25.4% compared with 16.4% during the first half of Fiscal 2023. The increase in income tax expense and tax rate is due to higher pre-tax income and higher tax expense from stock based compensation, respectively.

Net deferred taxes are as follows:

	(in thousands)		
	July 29, 2023	January 28, 2023	July 30, 2022
Deferred tax asset	$ 2,925	$ 3,205	$ 3,689
Deferred tax liability	226,421	205,991	224,621
Net deferred tax liability	$ 223,496	$ 202,786	$ 220,932

Net deferred tax assets relate to Puerto Rico deferred balances that have a future net benefit for tax purposes. Net deferred tax liabilities primarily relate to intangible assets and depreciation expense where the Company has a future obligation for tax purposes.

As of July 29, 2023, the Company had a deferred tax asset related to net operating losses of $8.9 million, inclusive of $8.6 million related to state net operating losses that expire at various dates between 2024 and 2041, as well as $0.3 million related to Puerto Rico net operating losses that will expire in 2025.

As of July 29, 2023, the Company had a deferred tax asset related to tax credit carry-forwards of $13.1 million, inclusive of $12.7 million of state tax credit carry-forwards, which will begin to expire in 2024, and $0.4 million of deferred tax assets recorded for Puerto Rico alternative minimum tax credits that have an indefinite life.

As of July 29, 2023, January 28, 2023 and July 30, 2022, valuation allowances amounted to $13.8 million, $13.1 million and $10.2 million, respectively, related to state and Puerto Rico net operating losses and state tax credit carry-forwards. The Company believes that it is more likely than not that this portion of state and Puerto Rico net operating losses and state tax credit carry-forwards will not be realized.

8. Capital Stock

Treasury Stock

The Company accounts for treasury stock under the cost method.

Shares Used to Satisfy Tax Withholding

During the six month period ended July 29, 2023, the Company acquired 58,395 shares of common stock from employees for approximately $10.6 million to satisfy their minimum statutory tax withholdings related to the vesting of restricted stock and restricted stock unit awards, which was recorded in the line item “Treasury stock, at cost” on the Company’s Condensed Consolidated Balance Sheets, and the line item “Purchase of treasury shares” on the Company’s Condensed Consolidated Statements of Cash Flows.

Share Repurchase Program

On February 16, 2022, the Company's Board of Directors authorized the repurchase of up to $500 million of common stock, which is authorized to be executed through February 2024.

During the six month period ended July 29, 2023, the Company repurchased 399,772 shares of common stock for $77.5 million under these repurchase programs, which was recorded in the line item “Treasury stock, at cost” on the Company’s Condensed Consolidated Balance Sheets, and the line item “Purchase of treasury shares” on the Company’s Condensed Consolidated Statements of Cash Flows. As of July 29, 2023, the Company had $269.9 million remaining under its share repurchase authorization.

On August 15, 2023, the Company's Board of Directors authorized the repurchase of up to an additional $500 million of common stock, which is authorized to be executed through August 2025.

9. Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted-average number of common shares outstanding. Diluted net income per share is calculated by dividing net income by the weighted-average number of common shares and potentially dilutive securities outstanding during the period using the treasury stock method for the Company’s stock option, restricted stock and restricted stock unit awards, and the if-converted method for the Convertible Notes. The following table presents the computation of basic and diluted net income per share:

	(in thousands, except per share data)			
	Three Months Ended		**Six Months Ended**	
	July 29, 2023	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**
Basic net income per share				
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Weighted average number of common shares – basic	64,895	65,803	64,925	66,042
Net income per common share – basic	$ 0.48	$ 0.18	$ 0.98	$ 0.43
Diluted net income per share				
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Shares for basic and diluted net income per share:				
Weighted average number of common shares – basic	64,895	65,803	64,925	66,042
Assumed exercise of stock options and vesting of restricted stock	144	159	216	262
Assumed conversion of convertible debt	—	—	—	—
Weighted average number of common shares – diluted	65,039	65,962	65,141	66,304
Net income per common share – diluted	$ 0.47	$ 0.18	$ 0.98	$ 0.42

Approximately 1,821,000 and 1,282,000 shares of the Company's stock-based compensation grants were excluded from diluted net income per share for the three and six month periods ended July 29, 2023, respectively, since their effect was anti-dilutive.

Approximately 1,340,000 and 950,000 shares related to the Company's stock-based compensation grants were excluded from diluted net income per share for the three and six month periods ended July 30, 2022, respectively, since their effect was anti-dilutive.

During the three and six months ended July 29, 2023, respectively, shares of common stock issuable upon conversion of the Convertible Notes have been excluded from the computation of diluted earnings per share as the effect would be anti-dilutive, since the conversion price of $220.18 exceeded the average market price of the Company's common stock during the periods.

10. Stock Based Compensation

As of July 29, 2023, there were 5,178,607 shares of common stock available for issuance under the Company's 2022 Omnibus Incentive Plan.

Non-cash stock compensation expense is as follows:

	(in thousands)			
	Three Months Ended		**Six Months Ended**	
Type of Non-Cash Stock Compensation	**July 29, 2023**	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**
Restricted stock and restricted stock unit grants (a)	$ 11,178	$ 10,292	$ 20,544	$ 18,784
Stock option grants (a)	4,996	5,293	9,198	10,292
Performance stock unit grants (a)	3,251	1,588	6,405	4,802
Total (b)	$ 19,425	$ 17,173	$ 36,147	$ 33,878

(a) Included in the line item "Selling, general and administrative expenses" in the Company's Condensed Consolidated Statements of Income.

(b) The amounts presented in the table above exclude taxes. For the three and six month periods ended July 29, 2023, the tax benefit related to the Company's non-cash stock compensation was approximately $3.6 million and $6.9 million, respectively. For the three and six month periods ended July 30, 2022, the tax benefit related to the Company's non-cash stock compensation was approximately $3.0 million and $6.2 million, respectively.

Stock Options

Stock option transactions during the six month period ended July 29, 2023 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding, January 28, 2023	1,218,101	$ 193.31
Options granted	357,115	186.32
Options exercised (a)	(106,207)	115.58
Options forfeited	(34,867)	224.03
Options outstanding, July 29, 2023	1,434,142	$ 196.58

(a) Options exercised during the six month period ended July 29, 2023 had a total intrinsic value of $9.2 million.

The following table summarizes information about the stock options vested and expected to vest during the contractual term of such options as of July 29, 2023:

	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in millions)
Options vested and expected to vest	1,434,142	7.5	$ 196.58	$ 13.1
Options exercisable	710,215	5.9	$ 187.41	$ 11.5

The fair value of each stock option granted during the six month period ended July 29, 2023 was estimated using the Black Scholes option pricing model using the following assumptions on a weighted average basis:

	Six Months Ended July 29, 2023
Risk-free interest rate	3.5%
Expected volatility	41.8%
Expected life (years)	4.0
Contractual life (years)	10.0
Expected dividend yield	0%
Grant date fair value of options issued	$ 69.30

The expected dividend yield was based on the Company's expectation of not paying dividends in the near term. To evaluate its volatility factor, the Company uses the historical volatility of its stock price over the expected life of the options. The risk free interest rate was based on the U.S. Treasury rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued. The expected life of the options was estimated using historical exercise rates.

Restricted Stock

Restricted stock transactions during the six month period ended July 29, 2023 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested awards outstanding, January 28, 2023	477,441	$ 222.90
Awards granted	281,693	185.92
Awards vested (a)	(156,600)	211.70
Awards forfeited	(18,837)	228.31
Non-vested awards outstanding, July 29, 2023	583,697	$ 207.88

(a) Restricted stock awards vested during the six month period ended July 29, 2023 had a total intrinsic value of $27.7 million.

The fair value of each share of restricted stock granted during the six month period ended July 29, 2023 was based upon the closing price of the Company's common stock on the grant date.

Performance Stock Units

The Company grants performance-based restricted stock units to its senior executives. Vesting of the performance stock units granted in Fiscal 2020 and Fiscal 2021 is based on continued service and the achievement of pre-established adjusted EBIT margin expansion and sales compounded annual growth rate (CAGR) goals (each weighted equally) over a three-year performance period. Vesting of the performance stock units granted in Fiscal 2022 and Fiscal 2023 are based on continued service and the achievement of pre-established adjusted net income per share growth over a three-year performance period. Based on the Company's achievement of these goals, each award may be earned up to 200% of the target award. In the event that actual performance is below threshold, no award will be made. Compensation costs recognized on the performance stock units are adjusted, as applicable, for performance above or below the target specified in the award.

Performance stock unit transactions during the six month period ended July 29, 2023 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested awards outstanding, January 28, 2023	196,300	$ 226.05
Awards granted	111,791	186.78
Awards vested (a)	(26,116)	179.46
Awards forfeited	(47,961)	196.08
Non-vested awards outstanding, July 29, 2023	234,014	$ 218.64

(a) Performance-based stock awards vested during the six month period ended July 29, 2023 had a total intrinsic value of $5.5 million.

11. Commitments and Contingencies

Legal

In the course of business, the Company is party to class or collective actions alleging violations of federal and state wage and hour and other labor statutes, representative claims under the California Private Attorneys' General Act and various other lawsuits and regulatory proceedings from time to time including, among others, commercial, product, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties. While no assurance can be given as to the ultimate outcome of these matters, the Company believes that the final resolution of these actions will not have a material adverse effect on the Company's results of operations, financial position, liquidity or capital resources.

Letters of Credit

The Company had letters of credit arrangements with various banks in the aggregate amount of $56.4 million, $51.1 million and $57.5 million as of July 29, 2023, January 28, 2023 and July 30, 2022, respectively. Among these arrangements, as of July 29, 2023, January 28, 2023 and July 30, 2022, the Company had letters of credit outstanding in the amount of $50.4 million, $47.4 million and $47.8 million, respectively, guaranteeing performance under various lease agreements, insurance contracts, and utility agreements. In addition, the Company had outstanding letters of credit arrangements in the amounts of $6.0 million, $3.7 million and $9.7 million at July 29, 2023, January 28, 2023 and July 30, 2022, respectively, related to certain merchandising agreements. Based on the terms of the agreement governing the ABL Line of Credit, the Company had the ability to enter into letters of credit up to $193.6 million, $98.9 million and $92.5 million as of July 29, 2023, January 28, 2023 and July 30, 2022, respectively.

Purchase Commitments

The Company had $1,301.2 million of purchase commitments related to goods that were not received as of July 29, 2023.

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

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this report and the Consolidated Financial Statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (Fiscal 2022 10-K).

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations and intentions. Our actual results or other events may differ materially from those anticipated in these forward-looking statements due to various factors, including those discussed under the section of this Item 2 entitled "Safe Harbor Statement."

Executive Summary

Introduction

We are a nationally recognized off-price retailer of high-quality, branded merchandise at everyday low prices. We opened our first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, we have expanded our store base to 939 stores as of July 29, 2023 in 46 states and Puerto Rico. We have diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise at up to 60% off other retailers' prices, including: women's ready-to-wear apparel, menswear, youth apparel, baby, beauty, footwear, accessories, home, toys, gifts and coats. We sell a broad selection of desirable, first-quality, current-brand, labeled merchandise acquired directly from nationally-recognized manufacturers and other suppliers.

Fiscal Year

Fiscal 2023 is defined as the 53-week year ending February 3, 2024. Fiscal 2022 is defined as the 52-week year ended January 28, 2023.

Store Openings, Closings, and Relocations

During the six month period ended July 29, 2023, we opened 22 new stores, inclusive of five relocations, and permanently closed five stores, exclusive of the aforementioned relocations, bringing our store count as of July 29, 2023 to 939 stores.

Ongoing Initiatives for Fiscal 2023

We continue to focus on a number of ongoing initiatives aimed at increasing our overall profitability. These initiatives include, but are not limited to:

- **Driving Comparable Store Sales Growth.**

We strive to increase comparable store sales through the following initiatives:

  - *More Effectively Chasing the Sales Trend.* We plan sales using conservative comparable store sales growth, holding and controlling liquidity, closely analyzing the sales trend by business, and remaining ready to chase that trend. We believe that these actions will also allow us to take more advantage of great opportunistic buys.
  - *Operating with Leaner Inventories.* We are planning to carry less inventory in our stores going forward compared to historical levels, which we believe should result in the customer finding a higher mix of fresh receipts and great merchandise values. We believe that this should drive faster turns and lower markdowns, while simultaneously improving our customers' shopping experience.
  - *Investment in Merchandising Capabilities.* We plan to continue investing in training and coaching, improved tools and reporting, incremental headcount, especially in growing or under-developed businesses, and other forms of

merchant support. We believe that these investments should improve our ability to strengthen vendor relationships, source great merchandise buys, more accurately assess value, and better forecast and chase the sales trend.

- *Enhancing Existing Categories and Introducing New Categories.* We have opportunities to expand our offerings in certain existing categories, such as ladies' apparel, beauty, and home merchandise, and maintain the flexibility to introduce new categories as we expand our merchandising capabilities.

- **Expanding and Enhancing Our Retail Store Base.**

We intend to expand and enhance our retail store base through the following initiatives:

- *Adhering to a Market Focused and Financially Disciplined Real Estate Strategy.* We have grown our store base consistently since our founding in 1972, developing more than 99% of our stores organically. We believe there is significant opportunity to expand our retail store base in the United States. As a result of our smaller store prototype, we have identified numerous market opportunities that we believe will allow us to operate 2,000 stores over the long term.
- *Maintaining Focus on Unit Economics and Returns.* We have adopted a market-focused approach to new store openings in more productive retail locations, with a specific focus on maximizing sales while achieving attractive unit economics and returns. Additionally, as we continue to execute our smaller store prototype, we believe we can reduce occupancy and operating expenses.
- *Enhancing the Store Experience.* We continue to invest in select store relocations and downsizes to improve the customer experience, taking into consideration the age, size, sales, and location of a store. Relocations provide an opportunity, upon lease expirations, to right-size our stores, improve our competitive positioning, incorporate our new prototype store designs and reduce occupancy costs. Downsizes provide an opportunity to right-size our stores, within our existing space, improve co-tenancy, incorporate our new store designs and reduce occupancy costs.

- **Enhancing Operating Margins.**

We intend to increase our operating margins through the following initiatives:

- *Improving Operational Flexibility.* Our store and supply chain teams must continue to respond to the sales chase, enhancing their ability at flexing up and down based on trends, and allowing us to maximize leverage on sales.
- *Optimizing Markdowns.* We believe that our markdown system allows us to maximize sales and gross margin dollars based on forward-looking sales forecasts, sell-through targets and exit dates. Additionally, as we plan to carry less inventory in our stores compared to historical levels, we expect to drive faster turns, which should reduce the amount of markdowns taken compared to historical levels.
- *Enhancing Purchasing Power.* We believe that increasing our store footprint and expanding our east and west coast buying offices provides us with the opportunity to capture incremental buying opportunities and realize economies of scale in our merchandising and non-merchandising purchasing activities.
- *Challenging Expenses to Drive Operating Leverage.* We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, by more conservatively planning our comparable store sales growth, we are forcing even tighter expense control throughout all areas of our business. We believe that this should put us in a strong position to drive operating leverage on any sales ahead of the plan. Additionally, we plan to continue challenging the processes and operating norms throughout the organization with the belief that this will lead to incremental efficiency improvements and savings.

Uncertainties and Challenges

As we strive to increase profitability, there are uncertainties and challenges that we face that could have a material impact on our revenues or income. Some of these uncertainties and challenges are summarized below. For a further discussion, please refer to the description under the heading "Risk Factors" in the Fiscal 2022 10-K.

General Economic Conditions. There remains a high level of uncertainty in the current macroeconomic and geopolitical environments, and prolonged inflationary pressures continue to negatively impact the discretionary spending of the low-income shopper, our core customer. In addition to inflation, consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing global economic conditions, the costs of basic necessities and other goods, levels of employment, salaries and wage rates, prevailing interest rates, reductions in government benefits and lower tax refunds, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns are generally influenced by consumers' disposable income, credit availability and debt levels.

A broad, protracted slowdown or downturn in the U.S. economy, an extended period of high unemployment or inflation rates, an uncertain domestic or global economic outlook or a financial crisis could adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. Consumer confidence is also affected by the domestic and international political situation. Our financial condition and operations could be impacted by changes in government regulations in areas including, but not limited to, taxes and healthcare. Ongoing international trade and tariff negotiations could have a direct impact on our income and an indirect impact on consumer prices. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the U.S., or public health issues such as pandemics or epidemics, could lead to a decrease in spending by consumers. In addition, natural disasters, public health issues, industrial accidents and acts of war in various parts of the world, such as the current war in Ukraine, could have the effect of disrupting supplies and raising prices globally which, in turn, may have adverse effects on the world and U.S. economies and lead to a downturn in consumer confidence and spending.

We closely monitor our net sales, gross margin and expenses. We have performed scenario planning such that if our net sales decline for an extended period of time, we have identified variable costs that could be reduced to partially mitigate the impact of these declines. If we were to experience adverse economic trends and/or if our efforts to counteract the impacts of these trends are not sufficiently effective, there could be a negative impact on our financial performance and position in future fiscal periods.

Seasonality of Sales and Weather Conditions. Our business, like that of most retailers, is subject to seasonal influences. In the second half of the year, which includes the back-to-school and holiday seasons, we generally realize a higher level of sales and net income.

Weather continues to be a contributing factor to the sale of our merchandise. Generally, our sales are higher if the weather is cold during the Fall and warm during the early Spring. Sales of cold weather clothing are increased by early cold weather during the Fall, while sales of warm weather clothing are improved by early warm weather conditions in the Spring. Although we have diversified our product offerings, we believe traffic to our stores is still driven, in part, by weather patterns.

Competition and Margin Pressure. We believe that in order to remain competitive with retailers, including off-price retailers and discount stores, we must continue to offer brand-name merchandise at a discount to prices offered by other retailers as well as an assortment of merchandise that is appealing to our customers.

The U.S. retail apparel and home furnishings markets are highly fragmented and competitive. We compete for business with department stores, off-price retailers, internet retailers, specialty stores, discount stores, wholesale clubs, and outlet stores as well as with certain traditional, full-price retail chains that have developed off-price concepts. At various times throughout the year, traditional full-price department store chains and specialty shops offer brand-name merchandise at substantial markdowns, which can result in prices approximating those offered by us at our Burlington Stores. We anticipate that competition will increase in the future. Therefore, we will continue to look for ways to differentiate our stores from those of our competitors.

The U.S. retail industry continues to face increased pressure on margins as overall challenging retail conditions have led consumers to be more value conscious. Additionally, lower-to-moderate income shoppers continue to face economic pressure due to higher cost of living. Our strategy to chase the sales trend allows us the flexibility to purchase less pre-season merchandise with the balance purchased in-season and opportunistically. It also provides us with the flexibility to shift purchases between suppliers and categories. This enables us to obtain better terms with our suppliers, which we expect to help offset any rising costs of goods.

We have also experienced inflationary pressure in our supply chain and with respect to raw materials and finished goods, as well as in occupancy and other operating costs. There can be no assurance that we will be able to offset inflationary pressure in the future by increasing prices or through other means, or that our business will not be negatively affected by continued inflation in the future.

Key Performance and Non-GAAP Measures

We consider numerous factors in assessing our performance. Key performance and non-GAAP measures used by management include net income, Adjusted Net Income, Adjusted EBITDA, Adjusted EBIT, comparable store sales, gross margin, inventory, store payroll and liquidity.

Net income. We earned net income of $30.9 million during the three month period ended July 29, 2023 compared with net income of $12.0 million during the three month period ended July 30, 2022. We earned net income of $63.6 million during the six month period ended July 29, 2023 compared with a net income of $28.1 million during the six month period ended July 30, 2022.This increase was primarily driven by higher sales, as well as increased gross margin rate. Refer to the section below entitled “Results of Operations” for further explanation.

Adjusted Net Income, Adjusted EBITDA and Adjusted EBIT: Adjusted Net Income, Adjusted EBITDA and Adjusted EBIT are non-GAAP financial measures of our performance.

We define Adjusted Net Income as net income, exclusive of the following items, if applicable: (i) net favorable lease costs; (ii) loss on extinguishment of debt; (iii) costs related to debt amendments; (iv) impairment charges; (v) amounts related to certain litigation matters; and (vi) other unusual, non-recurring or extraordinary expenses, losses, charges or gains, all of which are tax effected to arrive at Adjusted Net Income.

We define Adjusted EBITDA as net income, exclusive of the following items, if applicable: (i) interest expense; (ii) interest income; (iii) loss on extinguishment of debt; (iv) costs related to debt amendments; (v) income tax expense; (vi) depreciation and amortization; (vii) net favorable lease costs; (viii) impairment charges; (ix) amounts related to certain litigation matters; and (x) other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

We define Adjusted EBIT as net income, exclusive of the following items, if applicable: (i) interest expense; (ii) interest income; (iii) loss on extinguishment of debt; (iv) costs related to debt amendments; (v) income tax expense; (vi) impairment charges; (vii) net favorable lease costs; (viii) amounts related to certain litigation matters; and (ix) other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

We present Adjusted Net Income, Adjusted EBITDA and Adjusted EBIT because we believe they are useful supplemental measures in evaluating the performance of our business and provide greater transparency into our results of operations. In particular, we believe that excluding certain items that may vary substantially in frequency and magnitude from what we consider to be our core operating results are useful supplemental measures that assist investors and management in evaluating our ability to generate earnings and leverage sales, and to more readily compare core operating results between past and future periods.

We believe that these non-GAAP measures provide investors helpful information with respect to our operations and financial condition. Other companies in the retail industry may calculate these non-GAAP measures differently such that our calculation may not be directly comparable.

Adjusted Net Income has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP. Among other limitations, Adjusted Net Income does not reflect the following items, net of their tax effect:

- net favorable lease costs;
- losses on extinguishment of debt;
- costs related to debt amendments;
- impairment charges on long-lived assets;
- amounts charged for certain litigation matters; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended July 29, 2023, Adjusted Net Income increased $15.9 million to $38.9 million and increased $34.9 million to $93.9 million, respectively, compared to the same periods in the prior year. These increases were primarily driven by higher sales, as well as increased gross margin rate. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net income to Adjusted Net Income for the three and six months ended July 29, 2023 compared with the three and six months ended July 30, 2022:

	(unaudited) (in thousands)			
	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Reconciliation of net income to Adjusted Net Income:				
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Net favorable lease costs (a)	3,979	4,769	8,042	9,471
Loss on extinguishment of debt (b)	—	—	24,644	14,657
Costs related to debt amendments (c)	97	—	97	—
Impairment charges - long-lived assets	4,709	4,415	5,552	6,958
Litigation matters (d)	1,500	5,500	1,500	10,500
Tax effect (e)	(2,305)	(3,702)	(9,605)	(10,719)
Adjusted Net Income	$ 38,872	$ 22,948	$ 93,870	$ 59,006

(a) Net favorable lease costs represent the non-cash expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the April 13, 2006 Bain Capital acquisition of Burlington Coat Factory Warehouse Corporation (the Merger Transaction). These expenses are recorded in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Income.

(b) Amounts relate to the partial repurchases of the Convertible Senior Notes due 2025 (Convertible Notes) in the first quarters of Fiscal 2023 and Fiscal 2022.

(c) Relates to the Term Loan Credit Agreement amendment in the second quarter of Fiscal 2023 changing from Adjusted LIBOR Rate to the Adjusted Term SOFR Rate.

(d) Represents amounts charged for certain litigation matters.

(e) Tax effect is calculated based on the effective tax rates (before discrete items) for the respective periods, adjusted for the tax effect for the impact of items (a) through (d).

Adjusted EBITDA has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP. Among other limitations, Adjusted EBITDA does not reflect:

- interest expense on our debt;
- interest income;
- net favorable lease costs;
- losses on the extinguishment of debt;
- costs related to debt amendments;
- amounts charged for certain litigation matters;
- cash requirements for replacement of assets. Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will likely have to be replaced in the future;
- impairment charges on long-lived assets;
- income tax expense; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended July 29, 2023, Adjusted EBITDA increased $30.3 million to $140.8 million and increased $62.1 million to $298.1 million, respectively, compared to the same periods in the prior year. These increases were primarily driven by higher sales, as well as increased gross margin rate. Refer to the section below entitled "Results of Operations" for further explanation.

The following table shows our reconciliation of net income to Adjusted EBITDA for the three and six months ended July 29, 2023 compared with the three and six months ended July 30, 2022:

	(unaudited)			
	(in thousands)			
	Three Months Ended		**Six Months Ended**	
	July 29, 2023	**July 30, 2022**	**July 29, 2023**	**July 30, 2022**
Reconciliation of net income to Adjusted EBITDA:				
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Interest expense	19,545	15,435	38,890	30,041
Interest income	(4,115)	(3,463)	(9,573)	(3,582)
Net favorable lease costs (a)	3,979	4,769	8,042	9,471
Loss on extinguishment of debt (b)	—	—	24,644	14,657
Costs related to debt amendments (c)	97	—	97	—
Impairment charges - long-lived assets	4,709	4,415	5,552	6,958
Litigation matters (d)	1,500	5,500	1,500	10,500
Depreciation and amortization	73,133	67,970	143,662	134,274
Income tax expense	11,101	3,991	21,672	5,524
Adjusted EBITDA	$ 140,841	$ 110,583	$ 298,126	$ 235,982

(a) Net favorable lease costs represent the non-cash expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the Merger Transaction. These expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Income.

(b) Amounts relate to the partial repurchases of the Convertible Notes in the first quarters of Fiscal 2023 and Fiscal 2022.

(c) Relates to the Term Loan Credit Agreement amendment in the second quarter of Fiscal 2023 changing from Adjusted LIBOR Rate to the Adjusted Term SOFR Rate.

(d) Represents amounts charged for certain litigation matters.

Adjusted EBIT has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP. Among other limitations, Adjusted EBIT does not reflect:

- interest expense on our debt;
- interest income;
- net favorable lease costs;
- losses on the extinguishment of debt;
- costs related to debt amendments;
- impairment charges on long-lived assets;
- amounts charged for certain litigation matters;
- income tax expense; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended July 29, 2023, Adjusted EBIT increased $25.1 million to $67.7 million and increased $52.8 million to $154.5 million, respectively, compared to the same periods in the prior year. These increases were primarily driven by higher sales, as well as increased gross margin rate. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net income to Adjusted EBIT for the three and six months ended July 29, 2023 compared with the three and six months ended July 30, 2022:

	(unaudited)			
	(in thousands)			
	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Reconciliation of net income to Adjusted EBIT:				
Net income	$ 30,892	$ 11,966	$ 63,640	$ 28,139
Interest expense	19,545	15,435	38,890	30,041
Interest income	(4,115)	(3,463)	(9,573)	(3,582)
Net favorable lease costs (a)	3,979	4,769	8,042	9,471
Loss on extinguishment of debt (b)	—	—	24,644	14,657
Costs related to debt amendments (c)	97	—	97	—
Impairment charges - long-lived assets	4,709	4,415	5,552	6,958
Litigation matters (d)	1,500	5,500	1,500	10,500
Income tax expense	11,101	3,991	21,672	5,524
Adjusted EBIT	$ 67,708	$ 42,613	$ 154,464	$ 101,708

(a) Net favorable lease costs represent the non-cash expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the Merger Transaction. These expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Income.

(b) Amounts relate to the partial repurchases of the Convertible Notes in the first quarters of Fiscal 2023 and Fiscal 2022.

(c) Relates to the Term Loan Credit Agreement amendment in the second quarter of Fiscal 2023 changing from Adjusted LIBOR Rate to the Adjusted Term SOFR Rate.

(d) Represents amounts charged for certain litigation matters.

Comparable Store Sales. Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of a prior year. The method of calculating comparable store sales varies across the retail industry. As a result, our definition of comparable store sales may differ from other retailers.

We define comparable store sales as merchandise sales of those stores commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. If a store is closed for seven or more days during a month, our policy is to remove that store from our calculation of comparable stores sales for any such month, as well as during the month(s) of their grand re-opening activities. The change in our comparable store sales was as follows:

	Three Months Ended	Six Months Ended
July 29, 2023	4%	4%
July 30, 2022	-17%	-17%

Various factors affect comparable store sales, including, but not limited to, weather conditions, current economic conditions, the timing of our releases of new merchandise and promotional events, the general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, competition, and the success of marketing programs.

Gross Margin. Gross margin is the difference between net sales and the cost of sales. Our cost of sales and gross margin may not be comparable to those of other entities, since some entities may include all of the costs related to their buying and distribution functions, certain store-related costs and other costs, in cost of sales. We include certain of these costs in the line items “Selling, general and administrative expenses” and “Depreciation and amortization” in our Condensed Consolidated Statements of Income. We include in our “Cost of sales” line item all costs of merchandise (net of purchase discounts and certain vendor allowances), inbound freight, distribution center outbound freight and certain merchandise acquisition costs, primarily commissions and import fees.

Gross margin as a percentage of net sales increased to 41.7% during the three month period ended July 29, 2023, compared with 38.9% during three month period ended July 30, 2022, driven primarily by decreased freight costs and increased merchandise margins. Product sourcing costs, which are included in selling, general and administrative expenses, increased approximately 50 basis points as a percentage of net sales.

Gross margin as a percentage of net sales increased to 42.0% during the six months ended July 29, 2023, compared with 39.9% during six months ended July 30, 2022, driven primarily by decreased freight costs and increased merchandise margins. Product sourcing costs, which are included in selling, general and administrative expenses, increased approximately 60 basis points as a percentage of net sales.

Inventory. Inventory at July 29, 2023 decreased to $1,161.5 million compared with $1,266.7 million at July 30, 2022. The decrease was attributable primarily to decreased reserve inventory, partially offset by 62 net new stores opened since the end of the second quarter of Fiscal 2022.

Reserve inventory includes all inventory that is being stored for release either later in the season, or in a subsequent season. We intend to use our reserve merchandise to effectively chase sales trends.

Inventory at January 28, 2023 was $1,182.0 million. The decrease in inventory from January 28, 2023 is primarily driven by decreased reserve inventory, partially offset by 12 net new stores opened since the end of Fiscal 2022.

In order to better serve our customers and maximize sales, we continue to refine our merchandising mix and inventory levels within our stores. By appropriately managing our inventories, we believe we will be better able to deliver a continual flow of fresh merchandise to our customers.

Store Payroll as a Percentage of Net Sales. Store payroll as a percentage of net sales measures our ability to manage our payroll in accordance with increases or decreases in net sales. The method of calculating store payroll varies across the retail industry. As a result, our store payroll as a percentage of net sales may differ from other retailers. We define store payroll as regular and overtime payroll for all store personnel as well as regional and territory personnel, exclusive of payroll charges related to corporate and warehouse employees. Store payroll as a percentage of net sales was 8.3% and 8.2% during the three and six month periods ended July 29, 2023, respectively, compared with 8.2% and 8.1% during the three and six month periods ended July 30, 2022, respectively.

Liquidity. Liquidity measures our ability to generate cash. Management measures liquidity through cash flow, which is the measure of cash generated from or used in operating, financing, and investing activities. Cash and cash equivalents, including restricted cash and cash equivalents, decreased $358.2 million during the six months ended July 29, 2023, compared with a decrease of $636.1 million during the six months ended July 30, 2022. Refer to the section below entitled “Liquidity and Capital Resources” for further explanation.

Results of Operations

The following table sets forth certain items in the Condensed Consolidated Statements of Income as a percentage of net sales for the three and six months ended July 29, 2023 and the three and six months ended July 30, 2022.

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	July 29, 2023	July 30, 2022	July 29, 2023	July 30, 2022
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Other revenue	0.2	0.2	0.2	0.2
Total revenue	100.2	100.2	100.2	100.2
Cost of sales	58.3	61.1	58.0	60.1
Selling, general and administrative expenses	35.7	34.6	35.6	34.9
Costs related to debt amendments	0.0	—	0.0	—
Depreciation and amortization	3.4	3.4	3.3	3.4
Impairment charges - long-lived assets	0.2	0.2	0.1	0.2
Other income - net	(0.3)	(0.6)	(0.3)	(0.4)
Loss on extinguishment of debt	—	—	0.6	0.4
Interest expense	0.9	0.8	0.9	0.8
Total costs and expenses	98.2	99.5	98.2	99.4
Income before income tax expense	2.0	0.7	2.0	0.8
Income tax expense	0.5	0.2	0.5	0.1
Net income	1.5 %	0.5 %	1.5 %	0.7 %

Three Month Period Ended July 29, 2023 Compared With the Three Month Period Ended July 30, 2022

Net sales

Net sales improved approximately $186.6 million, or 9.4%, to $2,170.4 million during the second quarter of Fiscal 2023, primarily driven by an increase of 4% in comparable stores sales during the second quarter of Fiscal 2023, as well as the net sales of 62 net new stores since the end of the second quarter of Fiscal 2022.

Cost of sales

Cost of sales as a percentage of net sales decreased to 58.3% during the second quarter of Fiscal 2023, compared to 61.1% during the second quarter of Fiscal 2022. This decrease was primarily driven by decreased freight and increased merchandise margins. On a dollar basis, cost of sales increased $54.9 million, or 4.5%, primarily driven by our overall increase in sales. Product sourcing costs, which are included in selling, general and administrative expenses, increased approximately 50 basis points as a percentage of net sales.

Selling, general and administrative expenses

The following table details selling, general and administrative expenses for the three month period ended July 29, 2023 compared with the three month period ended July 30, 2022. Prior year amounts have been reclassified to conform to the current period presentation.

	(in millions) Three Months Ended					
	July 29, 2023	Percentage of Net Sales	July 30, 2022	Percentage of Net Sales	$ Variance	% Change
Store related costs	$ 462.0	21.3 %	$ 418.2	21.0 %	$ 43.8	10.5 %
Product sourcing costs	182.9	8.4	156.8	7.9	26.1	16.6
Corporate costs	89.1	4.1	79.0	4.0	10.1	12.8
Marketing and strategy costs	12.4	0.6	6.7	0.3	5.7	85.1
Other selling, general and administrative expenses	28.9	1.3	24.8	1.4	4.1	16.5
Selling, general and administrative expenses	$ 775.3	35.7 %	$ 685.5	34.6 %	$ 89.8	13.1 %

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by increased product sourcing costs, store related costs, and marketing costs. On a dollar basis, the increase in selling, general and administrative expenses was primarily driven by increases in product sourcing costs, occupancy costs, and store payroll costs.

During the first half of Fiscal 2023, we acquired 22 store leases directly from Bed Bath & Beyond. We started paying rent immediately upon acquisition of these stores even though the stores will not open for several months. This transaction resulted in $2.4 million of selling, general and administrative expenses during the second quarter of Fiscal 2023.

Depreciation and amortization

Depreciation and amortization expense amounted to $73.1 million during the second quarter of Fiscal 2023 compared with $68.0 million during the second quarter of Fiscal 2022. The increase in depreciation and amortization expense was primarily driven by capital expenditures related to our supply chain, as well as new and non-comparable stores.

Impairment charges – long-lived assets

Impairment charges on long-lived assets were $4.7 million during the second quarter of Fiscal 2023, related to unrecoverable fixed assets at eight underperforming stores and unrecoverable lease assets at one of those stores. Impairment charges on long-lived assets were $4.4 million during the second quarter of Fiscal 2022, related to unrecoverable fixed assets at two underperforming stores.

The recoverability assessment related to these store-level assets requires various judgments and estimates, including estimates related to future revenues, gross margin rates, store expenses and other assumptions. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current market conditions. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store. Refer to Note 6, “Fair Value Measurements,” for further discussion regarding impairment charges.

Other income - net

Other income - net decreased $6.4 million to $6.2 million during the second quarter of Fiscal 2023, compared to the same period in the prior year. The decrease was primarily driven by the gain on sale of real estate related assets as well as insurance claims in Fiscal 2022 that did not repeat in Fiscal 2023.

Interest expense

Interest expense increased $4.1 million during the second quarter of Fiscal 2023 to $19.5 million, compared to the same period in the prior year. The increase was driven by a higher interest rate on the unhedged portion of the term loan, partially offset by the partial repurchase of the Convertible Notes in the first quarter of Fiscal 2023.

The average interest rates and average balances related to our variable rate debt for the second quarter of Fiscal 2023 compared with the second quarter of Fiscal 2022, are summarized in the table below:

	Three Months Ended	
	July 29, 2023	**July 30, 2022**
Average balance – ABL Line of Credit (in millions)	$ —	$ —
Average interest rate – ABL Line of Credit	—	—
Average balance – Term Loan Facility (in millions) (a)	$ 943.8	$ 953.4
Average interest rate – Term Loan Facility	7.1%	3.2%

(a) Excludes original issue discount.

Income tax expense

Income tax expense was $11.1 million during the second quarter of Fiscal 2023 compared with income tax expense of $4.0 million during the second quarter of Fiscal 2022. The effective tax rate for the second quarter of Fiscal 2023 was 26.4% compared with 25.0% during the second quarter of Fiscal 2022. The increase in income tax expense and tax rate was due to higher pre-tax income and higher tax expense from stock based compensation, respectively.

At the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. Use of this methodology during the second quarter of Fiscal 2023 resulted in an annual effective income tax rate of approximately 29% (before discrete items) as our best estimate.

Net income

We earned net income of $30.9 million for the second quarter of Fiscal 2023 compared with $12.0 million for the second quarter of Fiscal 2022. This increase was primarily driven by higher sales, as well as increased gross margin rate. Net income for the second quarter of Fiscal 2023 included $1.8 million of expense, net of income taxes, related to recently acquired leases from Bed Bath & Beyond, included in the line item “Selling, general and administrative expenses” in the Company’s Condensed Consolidated Statements of Income.

Six Month Period Ended July 29, 2023 Compared With the Six Month Period Ended July 30, 2022

Net sales

Net sales improved approximately $393.7 million, or 10.1%, to $4,303.2 million during the first half of Fiscal 2023, primarily driven by an increase of 4% in comparable stores sales during the first half of Fiscal 2023, as well as the net sales of 62 net new stores since the end of the second quarter of Fiscal 2022.

Cost of sales

Cost of sales as a percentage of net sales decreased to 58.0% during the first half of Fiscal 2023, compared to 60.1% during the first half of Fiscal 2022. This decrease was primarily driven by decreased freight costs and higher merchandise margins. On a dollar basis, cost of sales increased $149.6 million, or 6.4%, primarily driven by our overall increase in sales. Product sourcing costs, which are included in selling, general and administrative expenses, increased approximately 60 basis points as a percentage of net sales.

Selling, general and administrative expenses

The following table details selling, general and administrative expenses for the six month period ended July 29, 2023 compared with the six month period ended July 30, 2022. Prior year amounts have been reclassified to conform to the current period presentation.

	(in millions)					
	Six Months Ended					
	July 29, 2023	Percentage of Net Sales	July 30, 2022	Percentage of Net Sales	$ Variance	% Change
Store related costs	$ 908.2	21.1 %	$ 825.9	21.1 %	$ 82.3	10.0 %
Product sourcing costs	369.8	8.6	313.6	8.0	56.2	17.9
Corporate costs	169.9	3.9	157.0	4.0	12.9	8.2
Marketing and strategy costs	26.8	0.6	20.7	0.5	6.1	29.5
Other selling, general and administrative expenses	56.2	1.4	48.6	1.3	7.6	15.6
Selling, general and administrative expenses	$ 1,530.9	35.6 %	$ 1,365.8	34.9 %	$ 165.1	12.1 %

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by increased product sourcing costs. On a dollar basis, the increase in selling, general and administrative expenses was primarily driven by increases in product sourcing costs, occupancy costs, and store payroll costs.

During the first half of Fiscal 2023, we acquired 22 store leases directly from Bed Bath & Beyond. We started paying rent immediately upon acquisition of these stores even though the stores will not open for several months. This transaction resulted in $2.7 million of selling, general and administrative expenses during the first half of Fiscal 2023.

Depreciation and amortization

Depreciation and amortization expense amounted to $143.7 million during the first half of Fiscal 2023 compared with $134.3 million during the first half of Fiscal 2022. The increase in depreciation and amortization expense was primarily driven by capital expenditures related to our supply chain, as well as new and non-comparable stores.

Impairment charges – long-lived assets

Impairment charges on long-lived assets were $5.6 million during the first half of Fiscal 2023, related to unrecoverable fixed assets at ten underperforming stores and unrecoverable lease assets at three of those stores. Impairment charges on long-lived assets were $7.0 million during the first half of Fiscal 2022, related to declines in revenue and operating results for two stores, one owned store sold below net carrying value, and unrecoverable fixed assets at two relocating stores.

The recoverability assessment related to these store-level assets requires various judgments and estimates, including estimates related to future revenues, gross margin rates, store expenses and other assumptions. We base these estimates upon our past and expected future performance. We believe our estimates are appropriate in light of current market conditions. However, future impairment charges could be required if we do not achieve our current revenue or cash flow projections for each store. Refer to Note 6, “Fair Value Measurements,” for further discussion regarding impairment charges.

Loss on Extinguishment of Debt

During the first half of Fiscal 2023, we entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $110.3 million in aggregate principal amount of Convertible Notes held by them for $133.3 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $24.6 million.

During the first half of Fiscal 2022, we entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $64.6 million in aggregate principal amount of Convertible Notes held by them for $78.2 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $14.7 million.

Interest expense

Interest expense increased $8.8 million during the first half of Fiscal 2023 to $38.9 million, compared to the same period in the prior year. The increase was driven by a higher interest rate on the unhedged portion of the term loan, partially offset by the partial repurchase of the Convertible Notes in the first quarter of Fiscal 2023.

The average interest rates and average balances related to our variable rate debt for the first half of Fiscal 2023 compared with the first half of Fiscal 2022, are summarized in the table below:

	Six Months Ended	
	July 29, 2023	July 30, 2022
Average balance – ABL Line of Credit (in millions)	$ —	$ —
Average interest rate – ABL Line of Credit	—	—
Average balance – Term Loan Facility (in millions) (a)	$ 945.0	$ 954.6
Average interest rate – Term Loan Facility	6.9%	2.7%

(a) Excludes original issue discount.

Income tax expense

Income tax expense was $21.7 million during the first half of Fiscal 2023 compared with income tax expense of $5.5 million during the first half of Fiscal 2022. The effective tax rate for the first half of Fiscal 2023 was 25.4% compared with 16.4% during the first half of Fiscal 2022. The increase in income tax expense and tax rate was due to higher pre-tax income and higher tax expense from stock based compensation, respectively.

At the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. Use of this methodology during the first half of Fiscal 2023 resulted in an annual effective income tax rate of approximately 29% (before discrete items) as our best estimate.

Net income

We earned net income of $63.6 million for the first half of Fiscal 2023 compared with $28.1 million for the first half of Fiscal 2022. This increase was primarily driven by higher sales, as well as increased gross margin rate. Net income for the first half of Fiscal 2023 included $2.0 million of expense, net of income taxes, related to recently acquired leases from Bed Bath & Beyond, included in the line item “Selling, general and administrative expenses” in the Company’s Condensed Consolidated Statements of Income.

Liquidity and Capital Resources

Our ability to satisfy interest payment and future principal payment obligations on our outstanding debt will depend largely on our future performance which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we do not have sufficient cash flow to service interest payment and future principal payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed on terms similar to our current financing agreements, or at all.

We believe that cash generated from operations, along with our existing cash and our ABL Line of Credit, will be sufficient to fund our expected cash flow requirements and planned capital expenditures for at least the next twelve months as well as the foreseeable future. However, there can be no assurance that we would be able to offset declines in our comparable store sales with savings initiatives in the event that the economy declines.

As market conditions warrant, we may, from time to time, repurchase our outstanding debt securities in the open market, in privately negotiated transactions, by tender offer, by exchange transaction or otherwise. Such repurchases, if any, will depend on prevailing market conditions, our liquidity and other factors and may be commenced or suspended at any time. The amounts involved and total consideration paid may be material.

Cash Flow for the Six Month Period Ended July 29, 2023 Compared With the Six Month Period Ended July 30, 2022

We used $358.2 million of cash during the six month period ended July 29, 2023 compared with a use of $636.1 million during the six month period ended July 30, 2022.

Net cash provided by operating activities amounted to $29.8 million during the six month period ended July 29, 2023, compared with net cash used of $152.9 million during the six month period ended July 30, 2022. The increase in our operating cash flows was primarily driven by improved sales and gross margin as well as the impact of changes in working capital.

Net cash used in investing activities was $177.7 million during the six month period ended July 29, 2023 compared with $186.4 million during the six month period ended July 30, 2022. This change was primarily the result of a decrease in capital expenditures related to our stores (new stores, remodels and other store expenditures).

Net cash used in financing activities was $210.4 million during the six month period ended July 29, 2023 compared with $296.8 million during the six month period ended July 30, 2022. This change was primarily driven by less repurchases of shares of our common stock under our share repurchase program in Fiscal 2023, partially offset by increased debt repayments.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. We had working capital at July 29, 2023 of $273.4 million compared with $320.5 million at July 30, 2022. The decrease in working capital was primarily due to decreased inventory, partially offset by an increased cash balance. We had working capital at January 28, 2023 of $365.3 million.

Capital Expenditures

For the six month period ended July 29, 2023, cash spend for capital expenditures, net of $4.5 million of landlord allowances, amounted to $186.9 million.

We estimate that we will spend approximately $560 million, net of approximately $15 million of landlord allowances, in capital expenditures during Fiscal 2023, including approximately $285 million, net of the previously mentioned landlord allowances, for store expenditures (new stores, remodels and other store expenditures). In addition, we estimate that we will spend approximately $95 million to support our supply chain initiatives, with the remaining capital used to support our information technology and other business initiatives.

Share Repurchase Program

On February 16, 2022, our Board of Directors authorized the repurchase of up to $500 million of common stock, which is authorized to be executed through February 2024.

During the first half of Fiscal 2023, we repurchased 399,772 shares of common stock for $77.5 million under these repurchase programs. As of July 29, 2023, we had $269.9 million remaining under our share repurchase authorization.

On August 15, 2023, our Board of Directors authorized the repurchase of up to an additional $500 million of common stock, which is authorized to be executed through August 2025.

We are authorized to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions under our repurchase program. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. Our share repurchase program may be suspended, modified or discontinued at any time, and we have no obligation to repurchase any amount of our common stock under the program.

Dividends

We currently do, and intend to continue to, retain all available funds and any future earnings to fund all of the Company's capital expenditures, business initiatives, and to support any potential opportunistic capital structure initiatives. Therefore, at this time, we do not anticipate paying cash dividends in the near term. Our ability to pay dividends on our common stock will be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions under the terms of current and any future agreements governing our indebtedness. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to compliance with covenants in our current and future agreements governing our indebtedness, and will depend upon our results of operations, financial condition, capital requirements and other factors that our Board of Directors deems relevant.

In addition, since we are a holding company, substantially all of the assets shown on our Condensed Consolidated Balance Sheets are held by our subsidiaries. Accordingly, our earnings, cash flow and ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

Operational Growth

During the six month period ended July 29, 2023, we opened 22 new stores, inclusive of five relocations, and closed five stores, exclusive of the aforementioned relocations, bringing our store count as of July 29, 2023 to 939 stores. During Fiscal 2023, we plan to open 70-80 net new stores.

Debt and Hedging

As of July 29, 2023, our obligations, inclusive of original issue discount, include $937.7 million under our Term Loan Facility, $397.4 million of Convertible Notes and no outstanding borrowings on our ABL Line of Credit. Our debt obligations also include $31.5 million of finance lease obligations as of July 29, 2023.

Term Loan Facility

On May 11, 2023, we amended the Term Loan Credit Agreement to, effective as of July 1, 2023, change one of the reference interest rates for borrowings under the Term Loan Facility from the Term Loan Adjusted LIBOR Rate to the Adjusted Term SOFR Rate (as defined in the Term Loan Credit Agreement). The Adjusted Term SOFR Rate includes a credit spread adjustment of 0.11% for an interest period of one-month's duration, 0.26% for an interest period of three-months' duration and 0.43% for an interest period of six-months' duration, with a floor of 0.00%.

At July 29, 2023, our borrowing rate related to the Term Loan Facility was 7.4%.

ABL Line of Credit

On June 26, 2023, we entered into an amendment to the credit agreement governing our ABL Line of Credit, which increased the sublimit for letters of credit thereunder from $150 million to $250 million. The letter of credit sublimit will automatically be reduced to (i) $237.5 million on April 1, 2024, (ii) $225 million on July 1, 2024, (iii) $212.5 million on October 1, 2024, and (iv) $200 million on January 1, 2025. BCFWC and the agent may extend the foregoing dates under clauses (i) through (iii), as long as the sublimit is reduced to $200 million no later than January 1, 2025.

At July 29, 2023, we had $818.7 million available under the ABL Line of Credit. There were no borrowings on the ABL Line of Credit during the six month period ended July 29, 2023.

Convertible Notes

On April 16, 2020, we issued $805.0 million of Convertible Notes. The Convertible Notes have an initial conversion rate of 4.5418 shares per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $220.18 per share of the Company's common stock), subject to adjustment if certain events occur.

The Convertible Notes are general unsecured obligations of the Company. The Convertible Notes bear interest at a rate of 2.25% per year, payable semi-annually in cash, in arrears on April 15 and October 15 of each year, beginning on October 15, 2020. The Convertible Notes will mature on April 15, 2025, unless earlier converted, redeemed or repurchased.

During the first quarter of Fiscal 2022, we entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $64.6 million in aggregate principal amount of Convertible Notes held by them for $78.2 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $14.7 million.

During the first quarter of Fiscal 2023, we entered into separate, privately negotiated exchange agreements with certain holders of the Convertible Notes. Under the terms of the exchange agreements, the holders exchanged $110.3 million in aggregate principal amount of Convertible Notes held by them for $133.3 million in cash. These exchanges resulted in aggregate pre-tax debt extinguishment charges of $24.6 million.

Hedging

On June 24, 2021, we terminated our previous interest rate swap and entered into a new interest rate swap. The new interest rate swap, which hedges $450 million of variable rate exposure under our Term Loan Facility, is designated as a cash flow hedge and expires on June 24, 2028. Refer to Note 5, "Derivative Instruments and Hedging Activities," for further discussion regarding our derivative transactions.

Certain Information Concerning Contractual Obligations

We had $1,301.2 million of purchase commitments related to goods that were not received as of July 29, 2023, and had $3,914.6 million of future minimum lease payments under operating leases as of July 29, 2023. Additionally, during the first quarter of Fiscal 2023, we repurchased $110.3 million in aggregate principal amount of the Convertible Notes. See Note 4, "Long Term Debt" for additional information related to our debt transactions. There were no other significant changes regarding our obligations to make future payments under current contracts from those included in our Fiscal 2022 10-K.

Critical Accounting Policies and Estimates

Our Condensed Financial Statements have been prepared in accordance with GAAP. We believe there are several accounting policies that are critical to understanding our historical and future performance as these policies affect the reported amounts of revenues and other significant areas that involve management's judgments and estimates. The preparation of our Consolidated Financial Statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the Consolidated Financial Statements; and (iii) the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, inventories, long-lived assets, intangible assets, goodwill, insurance reserves and income taxes. Historical experience and various other factors that are believed to be reasonable under the circumstances form the basis for making estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods. A critical accounting estimate meets two criteria: (1) it requires assumptions about highly uncertain matters and (2) there would be a material effect on the Consolidated Financial Statements from either using a different, although reasonable, amount within the range of the estimate in the current period or from reasonably likely period-to-period changes in the estimate.

Our critical accounting policies and estimates are consistent with those disclosed in Note 1, "Summary of Significant Accounting Policies," to the audited Consolidated Financial Statements, included in Part II, Item 8 of the Fiscal 2022 10-K.

Safe Harbor Statement

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Such statements may include, but are not limited to, future impacts of current macroeconomic conditions, proposed store openings and closings, proposed capital expenditures, ongoing strategic initiatives and the intended results of those initiatives, future performance or results, the effect of the adoption of recent accounting pronouncements on our consolidated financial position, results of operations and cash flows, and the outcome of contingencies such as legal proceedings. Our forward-looking statements are subject to risks and uncertainties. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual events or results to differ materially from those we expected include: general economic conditions, such as inflation, and the domestic and international political situation and the related impact on consumer confidence and spending; the impact of the COVID-19 pandemic and actions taken to slow its spread and the related impacts on economic activity, financial markets, labor markets and the global supply chain; competitive factors, including pricing and promotional activities of major competitors and an increase in competition within the markets in which we compete; seasonal fluctuations in our net sales, operating income and inventory levels; the reduction in traffic to, or the closing of, the other destination retailers in the shopping areas where our stores are located; our ability to identify changing consumer preferences and demand; unseasonable weather conditions caused by climate change or otherwise adversely impacting demand; natural and man-made disasters, including fire, snow and ice storms, flood, hail, hurricanes and earthquakes; our ability to successfully implement one or more of our strategic initiatives and growth plans; our ability to execute our opportunistic buying and inventory management process; the availability of desirable store locations on suitable terms; the availability, selection and purchasing of attractive merchandise on favorable terms; our ability to attract, train and retain quality employees and temporary personnel in appropriate numbers; labor costs and our ability to manage a large workforce; the solvency of parties with whom we do business and their willingness to perform their obligations to us; import risks, including tax and trade policies, tariffs and government regulations; domestic and international events affecting the delivery of merchandise to our stores; unforeseen cyber-related problems or attacks; payment-related risks; our ability to effectively generate sufficient levels of customer awareness and traffic through our advertising and marketing programs; damage to our corporate reputation or brand; issues with merchandise safety and shrinkage; lack of or insufficient insurance coverage; the impact of current and future laws and the interpretation of such laws; the impact of increasingly rigorous privacy and data security regulations; any unforeseen material loss or casualty or the existence of adverse litigation; use of social media in violation of applicable laws and regulations; our substantial level of indebtedness and related debt-service obligations; consequences of the failure to comply with covenants in our debt agreements; possible conversion of our 2.25% Convertible Notes due 2025; the availability of adequate financing; and other risks discussed from time to time in our filings with the Securities and Exchange Commission (SEC), including those under the heading “Risk Factors” in the Fiscal 2022 10-K.

Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law, even if experience or future changes make it clear that any projected results expressed or implied in such statements will not be realized. If we do update one or more forward-looking statements, no inference should be made that we will make additional updates with respect to those or other forward-looking statements.

Recent Accounting Pronouncements

Refer to Note 1, “Summary of Significant Accounting Policies,” to our Condensed Consolidated Financial Statements in Part I, Item 1 for a discussion of recent accounting pronouncements and their impact on our Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There were no material changes to our quantitative and qualitative disclosures about market risk from those included in the Fiscal 2022 10-K.

Item 4. Controls and Procedures.

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Exchange Act, as of the last day of the fiscal period covered by this report, July 29, 2023. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of July 29, 2023.

During the quarter ended July 29, 2023, there were no changes in our internal control over financial reporting 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.

In the course of business, the Company is party to class or collective actions alleging violations of federal and state wage and hour and other labor statutes, representative claims under the California Private Attorneys’ General Act and various other lawsuits and regulatory proceedings from time to time including, among others, commercial, product, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties. Refer to Note 11, "Commitments and Contingencies," to our Condensed Consolidated Financial Statements for further detail.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Fiscal 2022 10-K.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information regarding our purchases of common stock during the three fiscal months ended July 29, 2023:

Month	Total Number of Shares Purchased	Average Price Paid Per Share(1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
April 30, 2023 through May 27, 2023	67,259	$ 177.07	67,259	$ 283,985
May 28, 2023 through July 1, 2023	24,620	$ 154.51	24,620	$ 280,181
July 2, 2023 through July 29, 2023	62,479	$ 165.23	62,479	$ 269,857
Total	154,358		154,358	

(1) Includes commissions for the shares repurchased under our publicly announced share repurchase programs.

(2) On February 16, 2022, our Board of Directors authorized the repurchase of up to $500 million of common stock, which is authorized to be executed through February 2024. As of July 29, 2023, we had $269.9 million remaining under this share repurchase authorization. On August 15, 2023, the Company's Board of Directors authorized the repurchase of up to an additional $500 million of common stock, which is authorized to be executed through August 2025. For a further discussion of our share repurchase programs, see “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Repurchase Programs.”

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

During the three-month period ended July 29, 2023, no director or officer of the Company adopted, modified or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408 of Regulation S-K.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form	Filing Date
10.1†	Fifth Amendment to Second Amended and Restated Credit Agreement, dated as of June 26, 2023, by and among Burlington Coat Factory Warehouse Corporation, as lead borrower, the other borrowers party thereto, the facility guarantors party thereto, each lender party thereto, and Bank of America, N.A., as administrative agent and collateral agent.		
31.1†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
31.2†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
101.INS†	Inline XBRL Instance Document – the instance document does not appear in Interactive Data File, because its XBRL tags are embedded within the Inline XBRL document.		
101.SCH†	Inline XBRL Taxonomy Extension Schema Document		
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document		
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document		
104†	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)		

† Filed or furnished herewith.

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.

BURLINGTON STORES, INC.

/s/ Michael O'Sullivan

Michael O'Sullivan
Chief Executive Officer
(Principal Executive Officer)

/s/ Kristin Wolfe

Kristin Wolfe
Chief Financial Officer
(Principal Financial Officer)

Date: August 24, 2023

FIFTH AMENDMENT TO
SECOND AMENDED AND RESTATED CREDIT AGREEMENT

FIFTH AMENDMENT TO SECOND AMENDED AND RESTATED CREDIT AGREEMENT (this "Amendment") dated as of June 26, 2023 by and among

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION, a Florida corporation (the "Lead Borrower"),

the Borrowers party hereto (together with the Lead Borrower, the "Borrowers"),

the Facility Guarantors party hereto (the "Facility Guarantors", and together with the Borrowers, individually, a "Loan Party", and collectively, the "Loan Parties"),

the Lenders party hereto, and

BANK OF AMERICA, N.A., as Administrative Agent and Collateral Agent;

in consideration of the mutual covenants herein contained and benefits to be derived herefrom.

W I T N E S S E T H:

WHEREAS, the Loan Parties, the Lenders, the Administrative Agent and the Collateral Agent, among others, have entered into a certain Second Amended and Restated Credit Agreement dated as of September 2, 2011 (as amended, supplemented or otherwise modified from time to time prior to the effectiveness of this Amendment, the "Credit Agreement"); and

WHEREAS, the Lead Borrower has requested, among other things, an increase in the Letter of Credit Sublimit in an amount equal to $100,000,000, such that the Letter of Credit Sublimit after giving effect to this Amendment will be $250,000,000; and

WHEREAS, the Loan Parties, the Required Lenders, the Issuing Banks, the Administrative Agent and the Collateral Agent have agreed to amend the Credit Agreement as set forth herein.

NOW THEREFORE, in consideration of the mutual promises and agreements herein contained, the parties hereto hereby agree as follows:

1. Capitalized Terms. All capitalized terms not otherwise defined herein shall have the same meaning as in the Credit Agreement, as amended by this Amendment (the "Amended Credit Agreement").

2. Representations and Warranties. Each Loan Party hereby represents and warrants that immediately after giving effect to this Amendment, (i) no Default or Event of Default exists under the Amended Credit Agreement or under any other Loan Document, and (ii) all representations and warranties contained in the Amended Credit Agreement and in the other Loan Documents are true and correct in all material respects (except in the case of any representation and warranty qualified by "materiality" or "Material Adverse Effect",

which is true and correct in all respects) as of the date hereof, except to the extent that such representations and warranties specifically refer to an earlier date, in which case they are true and correct in all material respects (except in the case of any representation and warranty qualified by "materiality" or "Material Adverse Effect", which is true and correct in all respects) as of such earlier date.

3. Amendments to Credit Agreement.

a. Section 1.01 of the Credit Agreement is hereby amended by adding the following definitions in the proper alphabetical order:

"Fifth Amendment" means that certain Fifth Amendment to Second Amended and Restated Credit Agreement dated as of June 26, 2023 by and among the Loan Parties party thereto, the Issuing Banks and the Agents.

"Fifth Amendment Effective Date" shall have the meaning set forth in the Fifth Amendment.

b. Section 1.01 of the Credit Agreement is hereby amended by amending and restating the definition of "Letter of Credit Sublimit" as follows:

"Letter of Credit Sublimit" means, from and after the Fifth Amendment Effective Date, $250,000,000, as such amount may be increased or reduced in accordance with the provisions of this Agreement. From and after (i) April 1, 2024 until (but excluding) July 1, 2024, the Letter of Credit Sublimit will be automatically reduced to $237,500,000, (ii) July 1, 2024 until (but excluding) October 1, 2024, the Letter of Credit Sublimit will be automatically reduced to $225,000,000, (iii) October 1, 2024 until (but excluding) January 1, 2025, the Letter of Credit Sublimit will be automatically reduced to $212,500,000, and (iv) January 1, 2025 the Letter of Credit Sublimit will be automatically reduced to $200,000,000; provided that the dates in clauses (i) through (iii) above (but not, for the avoidance of doubt, clause (iv)) may be extended as agreed between the Administrative Agent and the Lead Borrower; provided further that in connection with any such extension of any of the dates in clauses (i) through (iii) above, the Administrative Agent shall provide prompt notice to the Lenders thereof. Without limiting the foregoing, any Issuing Bank may enter into an agreement with the Administrative Agent and the Lead Borrower regarding an individual sublimit with respect to Letters of Credit issued by such Issuing Bank.

4. Conditions to Effectiveness. This Amendment shall become effective on the date (the "Fifth Amendment Effective Date") when each of the following conditions precedent has been fulfilled to the reasonable satisfaction of the Administrative Agent:

a. Amendment. This Amendment shall have been duly executed and delivered by the Loan Parties, the Agents, the Lenders constituting the Required Lenders and the Issuing Banks.

b. Corporate Action. All action on the part of the Loan Parties necessary for the valid execution, delivery and performance by the Loan Parties of this Amendment shall have been duly and effectively taken.

c. Florida Out-of-State Affidavit. The Administrative Agent shall have received a Florida affidavit by each of the Lead Borrower, Burlington Coat Factory of Texas, L.P., a Florida limited partnership and Burlington Coat Factory of Texas, Inc., a Florida corporation (collectively, the "Florida Opinion Parties"), attesting to the out-of-state execution of this Amendment.

d. No Default. Immediately after giving effect to this Amendment, no Default or Event of Default shall have occurred and be continuing.

e. No Material Adverse Effect. No event shall have occurred after January 28, 2023 that could reasonably be expected to have a Material Adverse Effect on the Loan Parties, taken as a whole.

f. Fees and Expenses. (i) The Administrative Agent, the Arrangers and the Lenders shall have received, or substantially concurrently with the effectiveness of this Amendment, will receive, all applicable fees and other amounts due and payable on or prior to the Fifth Amendment Effective Date, and (ii) all Credit Party Expenses incurred by the Agents on or prior to the Fifth Amendment Effective Date, including reasonable and documented attorneys' fees of one counsel, in connection with or relating to this Amendment that have been invoiced at least 3 Business Days prior to the Fifth Amendment Effective Date shall have been, or substantially concurrently with the effectiveness of this Amendment, will be reimbursed or paid.

Without limiting the generality of the provisions of the last paragraph of Section 8.05 of the Amended Credit Agreement, for purposes of determining compliance with the conditions specified in this Section 4, each Lender and Issuing Bank that has signed this Amendment shall be deemed to have consented to, approved or accepted or to be satisfied with, each document or other matter required thereunder to be consented to or approved by or acceptable or satisfactory to a Lender or an Issuing Bank unless the Administrative Agent shall have received written notice from such Lender or Issuing Bank prior to the proposed Fifth Amendment Effective Date specifying its objection thereto.

5. Ratification and Reaffirmation. Each of the Loan Parties hereby ratifies and confirms all of its Obligations to the Agents, the Issuing Banks and the Lenders under the Amended Credit Agreement, and the other Loan Documents, including, without limitation, the Revolving Credit Loans and other Credit Extensions, and each of the Loan Parties hereby affirms its absolute and unconditional promise to pay to the Lenders, the Issuing Banks and the Agents, as applicable, the Revolving Credit Loans, other Credit Extensions, reimbursement obligations and all other amounts due or to become due and payable to the Lenders, the Issuing Banks and the Agents, as applicable, under the Amended Credit

Agreement and the other Loan Documents and it is the intent of the parties hereto that nothing contained herein shall constitute a novation or accord and satisfaction. Each of the Loan Parties hereby acknowledges and confirms that (i) the Obligations will extend to all new obligations of any Loan Party under any amended or new Loan Document as amended by this Amendment) and (ii) the Liens, pledges and security interests granted pursuant to the Security Documents and the other Loan Documents are and continue to be valid, fully perfected and enforceable (subject to (a) applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law and (b) with respect to enforceability against Foreign Subsidiaries or under non-U.S. laws, the effect of non-U.S. laws, rules and regulations as they relate to pledges, if any, of Capital Stock in Foreign Subsidiaries and intercompany Indebtedness owed by Foreign Subsidiaries) first priority Liens on, and security interests in, all right, title and interest of the Loan Parties in the Collateral (to the extent required under the Security Documents), in each case prior and superior in right to any other Person, except for Permitted Encumbrances (x) having priority by operation of Applicable Law, (y) in favor of the agent under the Term Loan Financing Facility on any Term Loan Priority Collateral, or (z) in favor of the agent, trustee or other secured party in respect of any Qualifying Senior Secured Debt or any Qualifying Other Debt on any Qualifying Senior Collateral. Except as expressly amended hereby, each of the Credit Agreement and the other Loan Documents shall continue in full force and effect.

6. Binding Effect; Integration, Etc. The terms and provisions hereof shall be binding upon and inure to the benefit of the parties hereto and their heirs, representatives, successors and assigns. This Amendment and the Amended Credit Agreement shall hereafter be read and construed together as a single document, and all references in the Credit Agreement, any other Loan Document or any agreement or instrument related to the Credit Agreement shall hereafter refer to the Amended Credit Agreement. This Amendment shall constitute a Loan Document.

7. Multiple Counterparts. This Amendment may be executed in multiple counterparts, each of which shall constitute an original and together which shall constitute but one and the same instrument. Delivery of any executed counterpart of a signature page of this Amendment by telecopy or e-mail shall be effective as delivery of a manually executed counterpart of this Amendment.

This Amendment and any document, amendment, approval, consent, information, notice, certificate, request, statement, disclosure or authorization related to this Amendment (each a "Communication"), including Communications required to be in writing, may be in the form of an Electronic Record and may be executed using Electronic Signatures. Each of the Loan Parties agrees that any Electronic Signature on or associated with any Communication shall be valid and binding on each of the Loan Parties to the same extent as a manual, original signature, and that any Communication entered into by Electronic Signature, will constitute the legal, valid and binding obligation of each of the Loan Parties enforceable against such in accordance with the terms thereof to the same extent as if a manually executed original signature was delivered. Any Communication may be executed in as many counterparts as necessary or convenient, including both paper and electronic counterparts, but all such counterparts are one and the same Communication. For the avoidance of doubt, the authorization under this paragraph may include, without limitation, use or acceptance by the Administrative Agent and each of the Credit Parties of a manually signed paper Communication which has been converted into electronic form (such as scanned into PDF format), or an electronically signed Communication converted into another format, for transmission, delivery and/or retention. The Administrative Agent and each of the Credit Parties may, at its option, create one or more copies of any Communication in the form of an imaged Electronic Record ("Electronic Copy"), which shall be deemed created in the ordinary course of the such Person's business, and destroy the original paper document. All Communications in the form of an Electronic Record, including an Electronic Copy, shall be considered an original for all purposes, and shall have the same legal effect, validity and enforceability as a paper record. Notwithstanding anything contained herein to the contrary, the Administrative Agent is under no obligation to accept an Electronic Signature in any form or in any format unless expressly agreed to by the Administrative Agent pursuant to procedures approved by it; provided, further, without limiting the foregoing, (a) to the extent the Administrative Agent has agreed to accept such Electronic Signature, the Administrative Agent and each of the Credit Parties shall be entitled to rely on any such Electronic Signature purportedly given by or on behalf of any Loan Party without further verification and (b) upon the request of the Administrative Agent or any Credit Party, any Electronic Signature shall be promptly followed by such manually executed counterpart. For purposes hereof, "Electronic Record" and "Electronic Signature" shall have the meanings assigned to them, respectively, by 15 USC §7006, as it may be amended from time to time.

8. Governing Law; Jurisdiction; Consent to Service of Process.

a. THIS AMENDMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE STATE OF NEW YORK INCLUDING SECTION 5-1401 OF THE NEW YORK GENERAL OBLIGATIONS LAW, BUT WITHOUT GIVING EFFECT TO OTHER CONFLICTS OF LAWS PRINCIPLES THEREOF.

b. Each Loan Party agrees that any suit for the enforcement of this Amendment may be brought in the courts of the State of New York sitting in the Borough of Manhattan or any federal court sitting therein as the Administrative Agent may elect in its sole discretion and consents to the non-exclusive jurisdiction of such courts. Each party to this Amendment hereby waives any objection which it may now or hereafter have to the venue of any such suit or any such court or that such suit is brought in an inconvenient forum and agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Amendment shall affect any right that any Credit Party may otherwise have to bring any action or proceeding relating to this Amendment against a Loan Party or its properties in the courts of any jurisdiction.

c. Each Loan Party agrees that any action commenced by any Loan Party asserting any claim or counterclaim arising under or in connection with this Amendment shall be brought solely in a court of the State of New York sitting in the Borough of Manhattan or any federal court sitting therein as the Administrative Agent may elect in its sole discretion and consents to the exclusive jurisdiction of such courts with respect to any such action.

d. Each party to this Amendment irrevocably consents to service of process in the manner provided for notices in Section 9.01 of the Amended Credit Agreement. Nothing in this Amendment or any other Loan Document will affect the right of any party to this Amendment to serve process in any other manner permitted by law.

9. **WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY); AND WAIVES DUE DILIGENCE, DEMAND, PRESENTMENT AND PROTEST AND ANY NOTICES THEREOF AS WELL AS NOTICE OF NONPAYMENT. EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVERS, AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.**

[*Signature Pages Follow*]

IN WITNESS WHEREOF, this Amendment has been duly executed and delivered by each of the parties hereto as of the date first above written.

BURLINGTON COAT FACTORY WAREHOUSE CORPORATION,
as Lead Borrower

By: /s/ David Glick
Name: David Glick
Title: Group Senior Vice President of Investor Relations and Treasurer

THE ENTITIES LISTED ON SCHEDULE I HERETO, as Borrowers

By: /s/ David Glick
Name: David Glick
Title: Group Senior Vice President of Investor Relations and Treasurer

THE ENTITIES LISTED ON SCHEDULE II HERETO,
as Facility Guarantors

By: /s/ David Glick
Name: David Glick
Title: Group Senior Vice President of Investor Relations and Treasurer

BANK OF AMERICA, N.A.,
as Administrative Agent, Collateral Agent, a Lender and as an Issuing Bank

By: /s/ Nicholas Balta
Name: Nicholas Balta
Title: Vice President

[Burlington – Signature Page to Fifth Amendment]

WELLS FARGO BANK, NATIONAL ASSOCIATION, as a Lender and an Issuing Bank

By: /s/ Jai Alexander
Name: Jai Alexander
Title: Director

[Burlington – Signature Page to Fifth Amendment]

Truist Bank, as a Lender

By: /s/ Terry B. Snider
Name: Terry B. Snider
Title: Vice President

[Burlington – Signature Page to Fifth Amendment]

U.S. BANK NATIONAL ASSOCIATION, as a Lender

By: /s/ William Patton

Name: William Patton

Title: Senior Vice President

[Burlington – Signature Page to Fifth Amendment]

JPMORGAN CHASE BANK, N.A., as a Lender and an Issuing Bank

By: /s/ James A. Knight
Name: James A. Knight
Title: Executive Director

[Burlington – Signature Page to Fifth Amendment]

PNC BANK, NATIONAL ASSOCIATION, as a Lender and an Issuing Bank

By: /s/ Sari Garrick
Name: Sari Garrick
Title: Senior Vice President

[Burlington – Signature Page to Fifth Amendment]

SCHEDULE I

Borrowers

1. BURLINGTON COAT FACTORY WAREHOUSE CORPORATION, a Florida corporation
2. Burlington Coat Factory of Texas, L.P., a Florida limited partnership
3. Burlington Coat Factory of Kentucky, Inc., a Kentucky corporation
4. BURLINGTON COAT FACTORY WAREHOUSE OF EDGEWATER PARK, INC., a New Jersey corporation
5. Burlington Coat Factory Warehouse of New Jersey, Inc., a New Jersey corporation
6. BURLINGTON COAT FACTORY OF PUERTO RICO, LLC, a Puerto Rico limited liability company
7. BURLINGTON COAT FACTORY WAREHOUSE OF BAYTOWN INC, a Texas corporation
8. Burlington Coat Factory of Pocono Crossing, LLC, a Virginia limited liability company
9. Burlington Distribution Corp., a Delaware corporation
10. Burlington Merchandising Corporation, a Delaware corporation
11. BURLINGTON COAT FACTORY OF TEXAS, INC., a Florida corporation

SCHEDULE II

Facility Guarantors

1. Burlington Coat Factory Holdings, LLC, a Delaware limited liability company

2. Burlington Coat Factory Investments Holdings, Inc., a Delaware corporation

3. BURLINGTON COAT FACTORY REALTY OF EDGEWATER PARK, INC., a New Jersey corporation

4. BURLINGTON COAT FACTORY REALTY OF PINEBROOK, INC., a New Jersey corporation

5. BURLINGTON COAT FACTORY WAREHOUSE OF EDGEWATER PARK URBAN RENEWAL CORP., a New Jersey corporation

6. BCF Florence Urban Renewal, L.L.C., a New Jersey limited liability company

7. BCF Florence Urban Renewal II, LLC, a New Jersey limited liability company

Exhibit 31.1

I, Michael O'Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Burlington Stores, 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: August 24, 2023

/s/ Michael O'Sullivan

Michael O'Sullivan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 31.2

I, Kristin Wolfe, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Burlington Stores, 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: August 24, 2023

/s/ Kristin Wolfe

Kristin Wolfe
Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Burlington Stores, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael O’Sullivan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 24, 2023

/s/ Michael O’Sullivan

Michael O’Sullivan
Chief Executive Officer
(Principal Executive Officer)

Exhibit 32.2

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

In connection with the Quarterly Report of Burlington Stores, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kristin Wolfe, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 24, 2023

/s/ Kristin Wolfe
Kristin Wolfe
Chief Financial Officer
(Principal Financial Officer)