

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 August 3, 2019

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)

2006 Route 130 North  
Burlington, New Jersey  
(Address of Principal Executive Offices)

80-0895227  
(I.R.S. Employer  
Identification No.)

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	<input checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-Accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 66,270,608 shares of common stock outstanding as of August 3, 2019.

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**BURLINGTON STORES, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(Unaudited)**

(All amounts in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<b>REVENUES:</b>				
Net sales	\$ 1,656,363	\$ 1,498,633	\$ 3,284,910	\$ 3,017,079
Other revenue	5,659	6,109	11,306	12,371
<b>Total revenue</b>	<b>1,662,022</b>	<b>1,504,742</b>	<b>3,296,216</b>	<b>3,029,450</b>
<b>COSTS AND EXPENSES:</b>				
Cost of sales	970,421	877,474	1,931,739	1,770,156
Selling, general and administrative expenses	531,843	479,077	1,049,221	947,424
Costs related to debt amendments	7	79	(375)	79
Depreciation and amortization	52,261	56,923	102,902	107,432
Other income - net	(1,663)	(4,022)	(3,754)	(5,372)
Loss on extinguishment of debt	—	1,361	—	1,361
Interest expense	13,435	14,581	26,805	29,103
<b>Total costs and expenses</b>	<b>1,566,304</b>	<b>1,425,473</b>	<b>3,106,538</b>	<b>2,850,183</b>
<b>Income before income tax expense</b>	<b>95,718</b>	<b>79,269</b>	<b>189,678</b>	<b>179,267</b>
Income tax expense	11,151	8,312	27,346	25,723
<b>Net income</b>	<b>\$ 84,567</b>	<b>\$ 70,957</b>	<b>\$ 162,332</b>	<b>\$ 153,544</b>
<b>Net income per common share:</b>				
Common stock - basic	\$ 1.28	\$ 1.06	\$ 2.46	\$ 2.29
Common stock - diluted	\$ 1.26	\$ 1.03	\$ 2.40	\$ 2.23
<b>Weighted average number of common shares:</b>				
Common stock - basic	65,918	66,890	66,011	66,937
Common stock - diluted	67,274	68,769	67,502	68,870

See Notes to Condensed Consolidated Financial Statements.

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

	<u>Three Months Ended</u>		<u>Six Months Ended</u>	
	<u>August 3, 2019</u>	<u>August 4, 2018</u>	<u>August 3, 2019</u>	<u>August 4, 2018</u>
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Other comprehensive (loss) income, net of tax:				
Interest rate cap contracts:				
Net unrealized (losses) gains arising during the period	(10,222)	(14)	(13,494)	972
Reclassification into earnings during the period	150	360	(35)	1,017
Other comprehensive (loss) income, net of tax	(10,072)	346	(13,529)	1,989
<b>Total comprehensive income</b>	<u>\$ 74,495</u>	<u>\$ 71,303</u>	<u>\$ 148,803</u>	<u>\$ 155,533</u>

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)

	August 3, 2019	February 2, 2019	August 4, 2018
<b>ASSETS</b>			
<b>Current assets:</b>			
Cash and cash equivalents	\$ 97,207	\$ 112,274	\$ 89,585
Restricted cash and cash equivalents	21,882	21,882	21,882
Accounts receivable—net	98,201	58,752	71,026
Merchandise inventories	823,787	954,183	843,926
Prepaid and other current assets	144,832	124,809	147,574
<b>Total current assets</b>	<u>1,185,909</u>	<u>1,271,900</u>	<u>1,173,993</u>
Property and equipment—net	1,317,562	1,253,705	1,178,989
Operating lease assets	2,160,828	—	—
Tradenames	238,000	238,000	238,000
Favorable leases—net	829	164,324	178,448
Goodwill	47,064	47,064	47,064
Deferred tax assets	4,125	4,361	6,496
Other assets	92,120	99,818	107,631
<b>Total assets</b>	<u>\$ 5,046,437</u>	<u>\$ 3,079,172</u>	<u>\$ 2,930,621</u>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
<b>Current liabilities:</b>			
Accounts payable	\$ 690,597	\$ 848,561	\$ 761,658
Current operating lease liabilities	277,411	—	—
Other current liabilities	344,584	396,257	355,676
Current maturities of long term debt	3,176	2,924	2,755
<b>Total current liabilities</b>	<u>1,315,768</u>	<u>1,247,742</u>	<u>1,120,089</u>
Long term debt	1,079,775	983,643	1,155,671
Long term operating lease liabilities	2,069,613	—	—
Other liabilities	94,601	346,298	320,343
Deferred tax liabilities	171,543	178,779	181,225
Commitments and contingencies (Note 13)			
<b>Stockholders' equity:</b>			
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: 79,605,368 shares, 79,224,669 shares and 78,950,536 shares, respectively;			
Outstanding: 66,270,608 shares, 67,145,097 shares and 67,550,710 shares, respectively	7	7	7
Additional paid-in-capital	1,545,185	1,508,996	1,485,418
Accumulated deficit	(97,987)	(260,919)	(522,120)
Accumulated other comprehensive (loss) income	(17,142)	(3,613)	102
Treasury stock, at cost	(1,114,926)	(921,761)	(810,114)
<b>Total stockholders' equity</b>	<u>315,137</u>	<u>322,710</u>	<u>153,293</u>
<b>Total liabilities and stockholders' equity</b>	<u>\$ 5,046,437</u>	<u>\$ 3,079,172</u>	<u>\$ 2,930,621</u>

See Notes to Condensed Consolidated Financial Statements.

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

	Six Months Ended	
	August 3, 2019	August 4, 2018
<b>OPERATING ACTIVITIES</b>		
Net income	\$ 162,332	\$ 153,544
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	102,902	107,432
Amortization of deferred financing costs	641	929
Accretion of long term debt instruments	406	383
Deferred income taxes	(1,817)	1,434
Non-cash loss on extinguishment of debt	—	1,361
Non-cash stock compensation expense	20,974	16,749
Non-cash lease expense	7,318	—
Non-cash rent	—	(12,663)
Cash received from landlord allowances	23,427	14,477
Changes in assets and liabilities:		
Accounts receivable	(22,754)	(6,497)
Merchandise inventories	129,890	(91,363)
Prepaid and other current assets	(21,729)	(27,374)
Accounts payable	(158,675)	25,180
Other current liabilities	(16,189)	(27,417)
Other long term assets and long term liabilities	1,829	7,921
Other operating activities	868	2,211
<b>Net cash provided by operating activities</b>	<b>229,423</b>	<b>166,307</b>
<b>INVESTING ACTIVITIES</b>		
Cash paid for property and equipment	(163,480)	(121,966)
Lease acquisition costs	(459)	(8,543)
Proceeds from insurance recoveries related to property and equipment	—	2,147
Other investing activities	(44)	3,178
<b>Net cash (used in) investing activities</b>	<b>(163,983)</b>	<b>(125,184)</b>
<b>FINANCING ACTIVITIES</b>		
Proceeds from long term debt—ABL Line of Credit	1,053,500	694,100
Principal payments on long term debt—ABL Line of Credit	(956,600)	(523,800)
Principal payments on long term debt—Term B-5 Loans	—	(152,808)
Purchase of treasury shares	(193,165)	(117,227)
Proceeds from stock option exercises	15,216	11,464
Other financing activities	542	(2,471)
<b>Net cash (used in) financing activities</b>	<b>(80,507)</b>	<b>(90,742)</b>
(Decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	(15,067)	(49,619)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	134,156	161,086
<b>Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period</b>	<b>\$ 119,089</b>	<b>\$ 111,467</b>
<b>Supplemental disclosure of cash flow information:</b>		
Interest paid	\$ 25,461	\$ 27,380
Income tax payments - net	\$ 70,628	\$ 53,588
<b>Non-cash investing activities:</b>		
Accrued purchases of property and equipment	\$ 47,754	\$ 43,159
Acquisition of finance leases	\$ -	\$ 13,538

See Notes to Condensed Consolidated Financial Statements.

**BURLINGTON STORES, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**August 3, 2019**  
**(Unaudited)**

**1. Summary of Significant Accounting Policies**

***Basis of Presentation***

As of August 3, 2019, Burlington Stores, Inc., a Delaware corporation (collectively with its subsidiaries, the Company), through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), has expanded its store base to 691 retail stores, inclusive of an internet store.

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 February 2, 2019 (Fiscal 2018 10-K). The balance sheet at February 2, 2019 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2018 10-K. Because the Company's business is seasonal in nature, the operating results for the three and six month periods ended August 3, 2019 are not necessarily indicative of results for the fiscal year.

Accounting policies followed by the Company are described in Note 1 to the Fiscal 2018 10-K, "Summary of Significant Accounting Policies."

***Fiscal Year***

The Company defines its fiscal year as the 52- or 53-week period ending on the Saturday closest to January 31. The current fiscal year ending February 1, 2020 (Fiscal 2019) and the prior fiscal year ended February 2, 2019 (Fiscal 2018) both consist of 52 weeks.

***Adopted Accounting Standards***

***Leases***

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, "Leases" (ASU 2016-02). The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. The Company adopted this ASU as of the beginning of Fiscal 2019.

The Company applied the changes from the new guidance at the adoption date and recognized a cumulative effect adjustment to retained earnings in the period of adoption, as allowed under ASU 2018-11, "Leases: Targeted Improvements." The Company did not adjust prior periods. The Company made an accounting policy election not to capitalize leases with an initial term of twelve months or less. The Company elected the transition package of practical expedients, which allows the Company to carry forward for its existing leases: i) the historical lease classification as either operating or capital; ii) assessment of whether any expired or existing contracts are or contain leases; and iii) capitalization of initial direct costs. Additionally, the Company elected the practical expedients to not separate lease and non-lease components for both its real estate and non-real estate leases, to not assess whether existing or expired land easements contain a lease, and to employ hindsight when determining lease terms for existing leases on the date of adoption.

As a result of this standard, the Company has recognized approximately \$2.2 billion of additional right-of-use assets and approximately \$2.3 billion of additional lease liabilities (current and long-term combined) on its Condensed Consolidated Balance Sheet as of August 3, 2019. The right-of-use lease liability for operating leases is based on the net present value of future minimum lease payments. The right-of-use asset for operating leases is based on the lease liability adjusted for the reclassification of certain balance sheet amounts such as favorable leases, the long term portion of straight line rent liability, purchased lease rights and landlord allowances. In addition, the Company also recorded an approximate \$0.6 million cumulative-effect adjustment to retained earnings,

related to a deferred gain on a previous sale-leaseback transaction that was being recognized into the line item “Other income” over a 13 year period.

Adoption of this standard also resulted in a change in the timing of certain expense recognition, primarily related to net favorable lease cost, as well as a reclassification of favorable lease cost from “Depreciation and amortization” to “Selling, general and administrative expenses” on the Company’s Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. This guidance did not have a material impact on the Company’s liquidity. Refer to Note 3, “Lease Commitments,” for further detail of the Company’s future minimum lease payments.

### ***Pending Accounting Standards***

#### *Intangible Assets*

On January 26, 2017, the FASB issued ASU 2017-04, “Intangibles—Goodwill and Other: Simplifying the Test for Goodwill Impairment,” which aims to simplify the subsequent measurement of goodwill by eliminating Step 2 from the goodwill impairment test. Under the new guidance, goodwill impairment will be measured as the amount by which the carrying value exceeds the fair value. The loss recognized should not exceed the total amount of goodwill allocated to the reporting unit. The new guidance will be effective for annual reporting periods beginning after December 15, 2019, including interim periods. This ASU will be effective for the Company as of the beginning of the fiscal year ending January 30, 2021 (Fiscal 2020). Early adoption is permitted for annual or interim goodwill impairment tests performed on testing dates after January 1, 2017. The Company does not anticipate that the new guidance will have a significant impact on its consolidated financial statements.

In August 2018, the FASB issued ASU 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software: Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” This ASU requires that implementation costs incurred in a hosting arrangement that is a service contract be assessed in accordance with the existing guidance in Subtopic 350-40, “Internal-Use Software.” Accordingly, costs incurred during the preliminary project stage must be expensed as incurred, while costs incurred during the application development stage must be capitalized. Capitalized implementation costs associated with a hosting arrangement that is a service contract must be expensed over the term of the hosting arrangement. Additionally, the new guidance requires that the expense of these capitalized costs be presented in the same line item in the statement of income as the fees associated with the hosting element of the arrangement. The new guidance will be effective for annual reporting periods beginning after December 15, 2019, including interim periods. This ASU will be effective for the Company as of the beginning of Fiscal 2020. Early adoption is permitted for annual or interim periods. While the Company is still in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto, it does not anticipate that the new guidance will have a significant impact on its consolidated financial statements.

There were no other new accounting standards that had a material impact on the Company’s Condensed Consolidated Financial Statements during the three and six month periods ended August 3, 2019, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of August 3, 2019 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 August 3, 2019 and August 4, 2018 in the Company's stockholders' equity are summarized below:

	<i>(in thousands, except share data)</i>							<b>Total</b>
	<b>Common Stock</b>		<b>Additional Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Loss</b>	<b>Treasury Stock</b>		
	<b>Shares</b>	<b>Amount</b>				<b>Shares</b>	<b>Amount</b>	
<b>Balance at February 2, 2019</b>	79,224,669	\$ 7	\$ 1,508,996	\$ (260,919)	\$ (3,613)	(12,079,572)	\$ (921,761)	\$ 322,710
Net income	—	—	—	77,765	—	—	—	77,765
Stock options exercised	110,493	—	1,821	—	—	—	—	1,821
Shares used for tax withholding	—	—	—	—	—	(45,447)	(7,538)	(7,538)
Shares purchased as part of publicly announced programs	—	—	—	—	—	(841,460)	(122,780)	(122,780)
Forfeiture of restricted shares, net of issuance of 1,759 restricted shares	(2,585)	—	—	—	—	—	—	—
Stock based compensation	—	—	9,427	—	—	—	—	9,427
Unrealized losses on interest rate cap contracts, net of related tax benefit of \$1.3 million	—	—	—	—	(3,272)	—	—	(3,272)
Amount reclassified into earnings, net of related taxes of \$0.1 million	—	—	—	—	(185)	—	—	(185)
Cumulative-effect adjustment	—	—	—	600	—	—	—	600
<b>Balance at May 4, 2019</b>	79,332,577	\$ 7	\$ 1,520,244	\$ (182,554)	\$ (7,070)	(12,966,479)	\$ (1,052,079)	\$ 278,548
Net income	—	—	—	84,567	—	—	—	84,567
Stock options exercised	280,955	—	13,394	—	—	—	—	13,394
Shares used for tax withholding	—	—	—	—	—	(67,539)	(11,521)	(11,521)
Shares purchased as part of publicly announced programs	—	—	—	—	—	(300,742)	(51,326)	(51,326)
Forfeiture of restricted shares	(8,164)	—	—	—	—	—	—	—
Stock based compensation	—	—	11,547	—	—	—	—	11,547
Unrealized losses on interest rate cap contracts, net of related tax benefit of \$3.9 million	—	—	—	—	(10,222)	—	—	(10,222)
Amount reclassified into earnings, net of related taxes of \$0.1 million	—	—	—	—	150	—	—	150
<b>Balance at August 3, 2019</b>	<u>79,605,368</u>	<u>\$ 7</u>	<u>\$ 1,545,185</u>	<u>\$ (97,987)</u>	<u>\$ (17,142)</u>	<u>(13,334,760)</u>	<u>\$ (1,114,926)</u>	<u>\$ 315,137</u>

(in thousands, except share data)

	Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive (Loss) Income	Treasury Stock		Total
	Shares	Amount				Shares	Amount	
<b>Balance at February 3, 2018</b>	78,421,947	\$ 7	\$ 1,457,205	\$ (675,664)	\$ (1,887)	(10,550,222)	\$ (692,887)	\$ 86,774
Net income	—	—	—	82,588	—	—	—	82,588
Stock options exercised	150,502	—	3,498	—	—	—	—	3,498
Shares used for tax withholding	—	—	—	—	—	(47,132)	(6,376)	(6,376)
Shares purchased as part of publicly announced programs	—	—	—	—	—	(488,468)	(63,878)	(63,878)
Issuance of restricted shares, net of forfeitures of 3,318 restricted shares	125,780	—	—	—	—	—	—	—
Stock based compensation	—	—	7,023	—	—	—	—	7,023
Unrealized gains on interest rate cap contracts, net of related taxes of \$0.4 million	—	—	—	—	986	—	—	986
Amount reclassified into earnings, net of related taxes of \$0.3 million	—	—	—	—	657	—	—	657
<b>Balance at May 5, 2018 (a)</b>	78,698,229	\$ 7	\$ 1,467,726	\$ (593,077)	\$ (244)	(11,085,822)	\$ (763,141)	\$ 111,271
Net income	—	—	—	70,957	—	—	—	70,957
Stock options exercised	245,854	—	7,966	—	—	—	—	7,966
Shares used for tax withholding	—	—	—	—	—	(3,208)	(410)	(410)
Shares purchased as part of publicly announced programs	—	—	—	—	—	(310,796)	(46,563)	(46,563)
Issuance of restricted shares, net of forfeitures of 5,579 restricted shares	6,453	—	—	—	—	—	—	—
Stock based compensation	—	—	9,726	—	—	—	—	9,726
Unrealized gains on interest rate cap contracts, net of related taxes of less than \$0.1 million	—	—	—	—	(14)	—	—	(14)
Amount reclassified into earnings, net of related taxes of \$0.1 million	—	—	—	—	360	—	—	360
<b>Balance at August 4, 2018 (a)</b>	78,950,536	\$ 7	\$ 1,485,418	\$ (522,120)	\$ 102	(11,399,826)	\$ (810,114)	\$ 153,293

(a) Amounts may not foot due to rounding.

### 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:

Fiscal Year	<i>(in thousands)</i>	
	Operating Leases	Finance Leases
2019 (remainder)	\$ 200,861	\$ 2,741
2020	391,700	5,634
2021	370,278	5,646
2022	353,565	5,773
2023	331,688	5,849
2024	292,481	5,677
Thereafter	1,029,604	10,716
Total future minimum lease payments	2,970,177	42,036
Amount representing interest	(623,153)	(10,495)
Total lease liabilities	2,347,024	31,541
Less: current portion of lease liabilities	(277,411)	(3,176)
Total long term lease liabilities	\$ 2,069,613	\$ 28,365
Weighted average discount rate	5.5%	8.3%
Weighted average remaining lease term (years)	8.5	7.7

The above schedule excludes approximately \$550.5 million for 80 stores that the Company has committed to open or relocate but has not yet taken possession of the space. 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:

	<i>(in thousands)</i>	
	Three Months Ended August 3, 2019	Six Months Ended August 3, 2019
Finance lease cost:		
Amortization of finance lease asset (a)	\$ 972	\$ 1,945
Interest on lease liabilities (b)	641	1,296
Operating lease cost (c)	101,504	202,428
Variable lease cost (c)	1,663	3,021
Total lease cost	104,780	208,690
Less all rental income(d)	(1,233)	(2,473)
Total net rent expense (e)	\$ 103,547	\$ 206,217

- (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) 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:

	<i>(in thousands)</i>
	Six Months Ended August 3, 2019
Cash paid for amounts included in the measurement of lease liabilities:	
Cash payments arising from operating lease liabilities (a)	\$ 198,287
Cash payments for the principal portion of finance lease liabilities (b)	\$ 1,407
Cash payments for the interest portion of finance lease liabilities (a)	\$ 1,296
Supplemental non-cash information:	
Operating lease liabilities arising from obtaining right-of-use assets	\$ 273,030

- (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.

The following is a schedule of net rent expense for the periods indicated under Accounting Standards Codification (ASC) 840, "Leases." Prior periods have not been adjusted for adoption of ASU 2016-02:

	(in thousands)	
	Three Months Ended August 4, 2018	Six Months Ended August 4, 2018
Rent expense:		
Minimum rental payments	\$ 90,296	\$ 178,384
Contingent rental payments	1,296	2,467
Straight-line rent expense	1,685	4,422
Lease incentives amortization	(8,271)	(17,222)
Total rent expense(a)	85,006	168,051
Less all rental income(b)	(1,674)	(3,528)
Total net rent expense	<u>\$ 83,332</u>	<u>\$ 164,523</u>

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

(b) Included in the line item "Other revenue" in the Company's Condensed Consolidated Statements of Income.

As previously disclosed in the Company's Fiscal 2018 Form 10-K and under the previous lease accounting standard, future minimum lease payments due under non-cancelable operating leases as of February 2, 2019 would have been as follows:

Fiscal Year	(in thousands)	
	Operating Leases	Capital Leases
2019	\$ 383,877	\$ 5,414
2020	405,370	5,120
2021	387,140	5,597
2022	369,068	5,725
2023	346,175	6,291
Thereafter	1,475,301	15,849
Total minimum lease payments	3,366,931	43,996
Amount representing interest	—	(11,290)
Total future minimum lease payments	<u>\$ 3,366,931</u>	<u>\$ 32,706</u>

The above schedule included \$278.9 million related to options to extend lease terms that were reasonably assured of being exercised and \$622.4 million of minimum lease payments for 76 stores that the Company had committed to open or relocate.

#### 4. Long Term Debt

Long term debt consists of:

	(in thousands)		
	August 3, 2019	February 2, 2019	August 4, 2018
\$1,200,000 senior secured term loan facility (Term B-5 Loans), LIBOR (with a floor of 0.00%) plus 2.00%, matures on November 17, 2024 (a)	\$ 957,099	\$ 956,693	\$ 957,179
\$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, matures on June 29, 2023	96,900	—	170,300
Finance lease obligations	31,541	32,706	34,058
Unamortized deferred financing costs	(2,589)	(2,832)	(3,111)
Total debt	1,082,951	986,567	1,158,426
Less: current maturities	(3,176)	(2,924)	(2,755)
Long term debt, net of current maturities	<u>\$ 1,079,775</u>	<u>\$ 983,643</u>	<u>\$ 1,155,671</u>

(a) Prior to November 2, 2018, the interest rate on the Term B-5 Loans was LIBOR (with a floor of 0.75%) plus 2.50%.

#### Term Loan Facility

At August 3, 2019 and August 4, 2018, the Company's interest rate related to its senior secured term loan facility (the Term Loan Facility) was 4.3% and 4.6%, respectively.

## ABL Line of Credit

At August 3, 2019, the Company had \$428.6 million available under the ABL senior secured revolving facility (the ABL Line of Credit). The maximum borrowings under the facility during the three and six month periods ended August 3, 2019 amounted to \$245.0 million and \$255.0 million, respectively. Average borrowings during the three and six month periods ended August 3, 2019 amounted to \$146.0 million and \$146.7 million, respectively, at average interest rates of 3.7% in both periods.

At August 4, 2018, the Company had \$367.9 million available under the ABL Line of Credit. The maximum borrowings under the facility during the three and six month periods ended August 4, 2018 amounted to \$255.0 million for both periods. Average borrowings during the three and six month periods ended August 4, 2018 amounted to \$115.0 million and \$71.8 million, respectively, at an average interest rate of 3.3% in both periods.

### 5. Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815, "Derivatives and Hedging" (Topic No. 815). As required by Topic No. 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 Topic No. 820, "Fair Value Measurements" (Topic No. 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 Topic No. 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.

Although the Company has determined that the majority of the inputs used to value its derivatives fall within Level 2 of the fair value hierarchy, the credit valuation adjustments associated with its derivatives utilize Level 3 inputs, such as estimates of current credit spreads to evaluate the likelihood of default by the Company and its counterparties. However, as of August 3, 2019, the Company has assessed the significance of the impact of the credit valuation adjustments on the overall valuation of its derivative positions and has determined that it is not significant. As a result, the Company classifies its derivative valuations in Level 2 of the fair value hierarchy.

#### 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 caps and interest rate swaps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract. 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 August 3, 2019, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

<b>Interest Rate Derivative</b>	<b>Number of Instruments</b>	<b>Notional Aggregate Principal Amount</b>	<b>Interest Cap/Swap Rate</b>	<b>Maturity Date</b>
Interest rate swap contract	One	\$ 450.0 million	2.72%	December 29, 2023

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:

Derivatives Designated as Hedging Instruments	<i>(in thousands)</i>					
	Fair Values of Derivative Instruments					
	August 3, 2019		February 2, 2019		August 4, 2018	
Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	
Interest rate cap contracts	N/A	N/A	Prepaid and other current assets	\$ 2,213	Prepaid and other current assets	\$ 5,065
Interest rate swap contract	Other liabilities	\$ 23,703	Other liabilities	\$ 5,239	N/A	N/A

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

Interest Rate Derivatives:	<i>(in thousands)</i>					
	Three Months Ended				Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Unrealized (losses) gains, before taxes	\$ (14,133)	\$ (20)	\$ (18,656)	\$ 1,344		
Income tax benefit (expense)	3,911	6	5,162	(372)		
Unrealized (losses) gains, net of taxes	\$ (10,222)	\$ (14)	\$ (13,494)	\$ 972		

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

Component of Earnings:	<i>(in thousands)</i>					
	Three Months Ended				Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Interest expense	\$ 200	\$ 498	\$ (56)	\$ 1,406		
Income tax expense	(50)	(138)	21	(389)		
Net income	\$ 150	\$ 360	\$ (35)	\$ 1,017		

The Company estimates that approximately \$4.3 million will be reclassified from accumulated other comprehensive loss into interest expense during the next twelve months.

## 6. Accumulated Other Comprehensive Income (Loss)

Amounts included in accumulated other comprehensive income (loss) are recorded net of the related income tax effects. The following table details the changes in accumulated other comprehensive income (loss):

	<i>(in thousands)</i>
	Derivative Instruments
Balance at February 2, 2019	\$ (3,613)
Unrealized losses, net of related tax benefit of \$5.2 million	(13,494)
Amount reclassified into earnings, net of related taxes of less than \$0.1 million	(35)
Balance at August 3, 2019	\$ (17,142)

## 7. Fair Value Measurements

The Company accounts for fair value measurements in accordance with Topic No. 820, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. Topic No. 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 August 3, 2019, February 2, 2019 and August 4, 2018 are summarized below:

	<i>(in thousands)</i>		
	Fair Value Measurements at		
	August 3, 2019	February 2, 2019	August 4, 2018
Level 1			
Cash equivalents (including restricted cash)	\$ 22,527	\$ 22,416	\$ 22,437

### Financial Liabilities

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

	<i>(in thousands)</i>					
	August 3, 2019		February 2, 2019		August 4, 2018	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Term B-5 Loans	\$ 957,099	\$ 959,791	\$ 956,693	\$ 947,126	\$ 957,179	\$ 958,974
ABL Line of Credit	96,900	96,900	—	—	170,300	170,300
Total debt (a)	<u>\$ 1,053,999</u>	<u>\$ 1,056,691</u>	<u>\$ 956,693</u>	<u>\$ 947,126</u>	<u>\$ 1,127,479</u>	<u>\$ 1,129,274</u>

(a) Finance lease obligations are excluded from the table above.

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.

## 8. Income Taxes

Net deferred taxes are as follows:

	<i>(in thousands)</i>		
	August 3, 2019	February 2, 2019	August 4, 2018
	Deferred tax asset	\$ 4,125	\$ 4,361
Deferred tax liability	171,543	178,779	181,225
Net deferred tax liability	<u>\$ 167,418</u>	<u>\$ 174,418</u>	<u>\$ 174,729</u>

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 August 3, 2019, the Company has a deferred tax asset related to net operating losses of \$10.2 million, inclusive of \$9.4 million related to state net operating losses that expire at various dates between 2019 and 2038, as well as \$0.8 million related to Puerto Rico net operating losses that will expire between 2024 and 2025.

As of August 3, 2019, the Company has a deferred tax asset related to tax credit carry-forwards of \$6.2 million, inclusive of \$4.6 million of state tax credit carry-forwards, which will begin to expire in 2022, as well as \$1.6 million of deferred tax assets recorded for Puerto Rico alternative minimum tax credits that have an indefinite life.

As of August 3, 2019, February 2, 2019 and August 4, 2018, valuation allowances amounted to \$9.2 million, \$10.3 million and \$8.4 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.

## **9. Capital Stock**

### *Treasury Stock*

The Company accounts for treasury stock under the cost method.

During the six month period ended August 3, 2019, the Company acquired 112,986 shares of common stock from employees for approximately \$19.1 million to satisfy their minimum statutory tax withholdings related to the vesting of restricted stock awards, which was recorded in the line item "Treasury stock" 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 August 15, 2018, the Company's Board of Directors authorized the repurchase of up to \$300 million of common stock, which is authorized to be executed through August 2020. This repurchase program is funded using the Company's available cash and borrowings under the ABL Line of Credit.

During the six month period ended August 3, 2019, the Company repurchased 1,142,202 shares of its common stock for \$174.1 million, inclusive of commissions, under its share repurchase program, which was recorded in the line item "Treasury stock" 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 August 3, 2019, the Company had \$124.3 million remaining under its share repurchase authorization.

During the third quarter of Fiscal 2019, the Company's Board of directors authorized the repurchase of up to an additional \$400 million of common stock, which is authorized to be executed through August 2021.



## 10. 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. The following table presents the computation of basic and diluted net income per share:

	<i>(in thousands, except per share data)</i>			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<i>Basic net income per share</i>				
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Weighted average number of common shares – basic	65,918	66,890	66,011	66,937
Net income per common share – basic	\$ 1.28	\$ 1.06	\$ 2.46	\$ 2.29
<i>Diluted net income per share</i>				
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Shares for basic and diluted net income per share:				
Weighted average number of common shares – basic	65,918	66,890	66,011	66,937
Assumed exercise of stock options and vesting of restricted stock	1,356	1,879	1,491	1,933
Weighted average number of common shares – diluted	67,274	68,769	67,502	68,870
Net income per common share – diluted	\$ 1.26	\$ 1.03	\$ 2.40	\$ 2.23

Approximately 600,000 and 500,000 shares were excluded from diluted net income per share for the three and six month periods ended August 3, 2019, respectively, since their effect was anti-dilutive.

Approximately 500,000 and 360,000 shares were excluded from diluted net income per share for the three and six month periods ended August 4, 2018, respectively, since their effect was anti-dilutive.

## 11. Stock-Based Compensation

As of August 3, 2019, there were 3,513,348 shares of common stock available for issuance under the Company's 2013 Omnibus Incentive Plan.

Non-cash stock compensation expense is as follows:

Type of Non-Cash Stock Compensation	<i>(in thousands)</i>			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Restricted stock grants (a)	\$ 5,591	\$ 5,090	\$ 10,543	\$ 9,074
Stock option grants (a)	4,767	4,636	9,184	7,675
Performance stock grants (a)	1,189	—	1,247	—
Total (b)	\$ 11,547	\$ 9,726	\$ 20,974	\$ 16,749

- (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 August 3, 2019, the tax benefit related to the Company's non-cash stock compensation was approximately \$2.9 million and \$5.2 million, respectively. For the three and six month periods ended August 4, 2018, the tax benefit related to the Company's non-cash stock compensation was approximately \$2.4 million and \$4.1 million, respectively.

## Stock Options

Stock option transactions during the six month period ended August 3, 2019 are summarized as follows:

	Number of Shares	Weighted Average Exercise Price Per Share
Options outstanding, February 2, 2019	2,337,316	\$ 64.48
Options granted	223,409	169.60
Options exercised (a)	(391,448)	38.87
Options forfeited	(35,557)	102.08
Options outstanding, August 3, 2019	<u>2,133,720</u>	<u>\$ 79.56</u>

(a) Options exercised during the six month period ended August 3, 2019 had a total intrinsic value of \$47.5 million.

The following table summarizes information about the stock options vested and expected to vest during the contractual term of such options as of August 3, 2019:

	Options	Weighted Average Remaining Contractual Life (Years)	Weighted Average Exercise Price	Aggregate Intrinsic Value (in millions)
Vested and expected to vest	2,133,720	6.9	\$ 79.56	\$ 207.5

The fair value of each stock option granted during the six month period ended August 3, 2019 was estimated using the Black Scholes option pricing model using the following assumptions:

	Six Months Ended August 3, 2019
Risk-free interest rate	2.41% - 3.00%
Expected volatility	32% - 34%
Expected life (years)	5.69 - 6.25
Contractual life (years)	10.0
Expected dividend yield	0.0%
Weighted average grant date fair value of options issued	\$ 63.60

The expected dividend yield was based on the Company's expectation of not paying dividends in the near term. Since the Company completed its initial public offering in October 2013, it does not have sufficient history as a publicly traded company to evaluate its volatility factor. As such, the expected stock price volatility is based upon the historical volatility of the stock price over the expected life of the options of peer companies that are publicly traded. 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. For grants issued during the six month period ended August 3, 2019, the expected life of the options was calculated using the simplified method. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. This methodology was utilized due to the relatively short length of time the Company's common stock has been publicly traded.

## Restricted Stock

Prior to May 1, 2019, the Company granted shares of restricted stock. Grants made on and after May 1, 2019 are in the form of restricted stock units. Restricted stock transactions during the six month period ended August 3, 2019 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested awards outstanding, February 2, 2019	666,842	\$ 81.93
Awards granted	119,824	168.81
Awards vested (a)	(301,626)	66.76
Awards forfeited	(15,228)	114.31
Non-vested awards outstanding, August 3, 2019	<u>469,812</u>	<u>112.77</u>

(a) Restricted stock awards vested during the six month period ended August 3, 2019 had a total intrinsic value of \$50.7 million.

The fair value of each share of restricted stock granted during Fiscal 2019 was based upon the closing price of the Company's common stock on the grant date.

## Performance Share Units

Beginning in Fiscal 2019, the Company granted performance share units to its senior executives. Vesting of these performance share units is based on pre-established EBIT margin expansion and sales CAGR goals (each weighted equally) over a three-year performance period. Based on the Company's achievement of these goals, each award may range from 50% (at threshold performance) to no more than 200% of the target award. In the event that actual performance is below threshold, no award will be made. In addition to the performance conditions, each performance share unit cliff vests at the end of a three-year service period.

Performance share unit transactions during the six month period ended August 3, 2019 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested units outstanding, February 2, 2019	—	\$ —
Units granted	75,640	170.08
Awards forfeited	(707)	170.08
Non-vested units outstanding, August 3, 2019	<u>74,933</u>	<u>170.08</u>

## 12. Other Liabilities

As of August 3, 2019, the line item "Other liabilities" on the Company's Condensed Consolidated Balance Sheet primarily consists of the long term portion of self-insurance reserves and tax liabilities associated with the uncertain tax positions recognized by the Company in accordance with ASC Topic No. 740, "Income Taxes." As of February 2, 2019 and August 4, 2018, the line item "Other liabilities" on the Company's Condensed Consolidated Balance Sheets primarily consists of deferred lease incentives, the excess of straight-line rent expense over actual rental payments, the long term portion of self-insurance reserves and tax liabilities associated with uncertain tax positions.

Deferred lease incentives are funds received or receivable from landlords used primarily to offset costs incurred for leasehold improvements and fixturing of new and remodeled stores. These deferred lease incentives are amortized over the expected lease term including rent holiday periods and option periods, where the exercise of the option can be reasonably assured. Amortization of deferred lease incentives is included in the line item "Selling, general and administrative expenses" on the Company's Condensed Consolidated Statements of Income. At February 2, 2019 and August 4, 2018, deferred lease incentives included in the line item "Other liabilities" were \$216.2 million and \$199.1 million, respectively. As a result of adoption of ASC 2016-02, deferred lease incentives are included in the line item "Operating lease assets" on the Company's Condensed Consolidated Balance Sheet as of August 3, 2019. Refer to Note 3, "Lease Commitments," for further detail of the Company's lease liabilities.

### **13. Commitments and Contingencies**

#### *Legal*

The Company establishes accruals relating to legal claims in connection with litigation to which the Company is party from time to time in the ordinary course of business. Like many retailers, the Company has been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection and other statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, 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. To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. The Company's assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. 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 letter of credit arrangements with various banks in the aggregate amount of \$74.5 million, \$56.7 million and \$60.0 million as of August 3, 2019, February 2, 2019 and August 4, 2018, respectively. Among these arrangements, as of August 3, 2019, February 2, 2019 and August 4, 2018, the Company had letters of credit in the amount of \$50.9 million, \$48.9 million and \$44.4 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. In addition, the Company had outstanding letters of credit agreements in the amounts of \$23.6 million, \$7.8 million and \$15.6 million at August 3, 2019, February 2, 2019 and August 4, 2018, 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 \$428.6 million, \$543.3 million and \$367.9 million as of August 3, 2019, February 2, 2019 and August 4, 2018, respectively.

#### *Purchase Commitments*

The Company had \$1,173.5 million of purchase commitments related to goods that were not received as of August 3, 2019.

#### *Death Benefits*

In November 2005, the Company entered into agreements with three of the Company's former executives whereby upon each of their deaths the Company will pay \$1.0 million to each respective designated beneficiary.

### **14. Related Parties**

The brother-in-law of one of the Company's Executive Vice Presidents is an independent sales representative of one of the Company's suppliers of merchandise inventory. This relationship predated the commencement of the Executive Vice President's employment with the Company. The Company has determined that the dollar amount of purchases through such supplier represents an insignificant amount of its inventory purchases.

**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 in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

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 and Overview of Operating Results*

We are a nationally recognized off-price retailer of high-quality, branded apparel 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 691 stores as of August 3, 2019, inclusive of an internet store, in 45 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including women’s ready-to-wear apparel, accessories, footwear, menswear, youth apparel, baby, home, coats, beauty, toys and gifts. We sell a broad selection of desirable, first-quality, current-brand, labeled merchandise acquired directly from nationally-recognized manufacturers and other suppliers.

Highlights from the three month period ended August 3, 2019 compared with the three month period ended August 4, 2018 include the following:

- We generated total revenues of \$1,662.0 million compared with \$1,504.7 million.
- Net sales improved \$157.7 million to \$1,656.4 million. Comparable store sales increased 3.8%.
- Gross margin as a percentage of net sales remained consistent at 41.4%. Product sourcing costs, which are included in selling, general and administrative expenses, improved approximately 10 basis points as a percentage of net sales. Product sourcing costs include the costs of processing goods through our supply chain and buying costs.
- Selling, general and administrative expenses as a percentage of net sales increased to 32.1% compared with 32.0%.
- We earned net income of \$84.6 million compared with net income of \$71.0 million.
- Adjusted Net Income (as defined in the section below entitled “Key Performance Measures”) improved \$12.6 million to \$91.4 million.
- Adjusted EBITDA (as defined in the section below entitled “Key Performance Measures”) improved \$18.2 million to \$170.3 million.
- Adjusted EBIT (as defined in the section below entitled “Key Performance Measures”) improved \$13.4 million to \$118.2 million.

Highlights from the six month period ended August 3, 2019 compared with the six month period ended August 4, 2018 include the following:

- We generated total revenues of \$3,296.2 million compared with \$3,029.5 million.
- Net sales improved \$267.8 million to \$3,284.9 million. Comparable store sales increased 1.9%.
- Gross margin as a percentage of net sales decreased to 41.2% compared with 41.3%. Product sourcing costs, which are included in selling, general and administrative expenses, remained flat as a percentage of net sales.
- Selling, general and administrative expenses as a percentage of net sales increased to 31.9% compared with 31.4%.
- We earned net income of \$162.3 million compared with \$153.5 million.
- Adjusted Net Income improved \$11.1 million to \$176.9 million.
- Adjusted EBITDA improved \$21.2 million to \$338.3 million.

- Adjusted EBIT improved \$11.1 million to \$235.6 million.

#### *Fiscal Year*

Fiscal 2019 is defined as the 52-week year ending February 1, 2020. Fiscal 2018 is defined as the 52-week year ending February 2, 2019.

#### *Store Openings, Closings, and Relocations*

During the six month period ended August 3, 2019, we opened 27 new stores, inclusive of seven relocations, and closed four stores, exclusive of the aforementioned relocations, bringing our store count as of August 3, 2019 to 691 stores, inclusive of an internet store.

#### *Ongoing Initiatives for Fiscal 2019*

We continue to focus on a number of ongoing initiatives aimed at increasing our overall profitability by improving our comparable store sales trends, increasing total sales growth and reducing expenses. These initiatives include, but are not limited to:

- **Driving Comparable Store Sales Growth.**

We intend to continue to increase comparable store sales through the following initiatives:

- *Continuing to Enhance Execution of the Off-Price Model.* We plan to drive comparable store sales by focusing on product freshness to ensure that we consistently deliver newness to the selling floors. We plan to continue to reduce comparable store inventories, which we believe will result in faster inventory turnover. We maintain our ability to leverage our pack-and-hold program, which is designed to take advantage of terrific buys of either highly desirable branded product or key seasonal merchandise for the next year. While the amount of goods we purchase on pack-and-hold is purely based on the right opportunities in the marketplace, this continues to be a great avenue to source product. We also intend to use our business intelligence systems to identify sell-through rates by product, capitalize on strong performing categories, identify and buy into new fashion trends and opportunistically acquire products in the marketplace.
- *Sharpening Focus on Our Core Female Customer.* We have focused on better serving our core female customer, a brand-conscious fashion enthusiast, aged 25-49, with an average annual household income of \$25,000-\$100,000, by improving our product offering, store merchandising and marketing focus on women's ready-to-wear apparel and accessories to capture incremental sales from our core female customer and become a destination for her across all categories. We believe that these efforts will increase the frequency of her visits and her average spend, further improving the comparable store sales performance in women's categories.
- *Continuing to Improve Our Customer Experience.* We have significantly enhanced the store experience and ease of shopping at all of our stores by implementing a comprehensive program focused on offering more brands and styles and simplifying store navigation. We have accomplished this by utilizing clear way-finding signs and distinct product signage, highlighting key brands and new arrivals, improving organization of the floor space, reducing rack density, facilitating quicker checkouts and delivering better customer service. We have made particular improvements in product size visibility, queuing and fitting rooms. To ensure consistent execution of our customer experience priorities, we have improved our store associate training and reorganized and strengthened our field management organization. Our much improved store experience continues to resonate with our customers. We continue to refine our online customer survey to provide more actionable customer feedback to stores. Stores develop action plans to address clearly identified areas of focus. Store managers have the ability to review immediate feedback from their customers, and react accordingly.
- *Increasing Our Sales Through e-Commerce.* We have been selling to our customers online for more than a decade. We plan to leverage this heritage and continue to utilize e-commerce strategies offering merchandise to our customers while driving incremental traffic to our stores.
- *Enhancing Existing Categories and Introducing New Categories.* We have opportunities to expand the depth and breadth of certain existing categories such as ladies' apparel, children's products, bath and cosmetic merchandise, housewares, décor for the home and beauty as we continue to de-weather our business, and maintain the flexibility to introduce new categories.

- *Private Label Credit Card.* We have piloted a new private label credit card program. The program has been rolled out to all our stores in the Continental United States, with plans to bring the program to our Puerto Rico stores and our e-commerce site. We believe this program has the potential to deepen customer loyalty, inform customer contact strategies, and drive increases in trip frequency and transaction size.

- **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. We have identified numerous market opportunities that we believe will allow us to reach 1,000 stores over the long-term. Our goal is to open approximately 50 net new stores during Fiscal 2019.
- *Maintaining Focus on Unit Economics and Returns.* We have adopted a market focused approach to new store openings with a specific focus on maximizing sales while achieving attractive unit economics and returns. By focusing on opening stores with attractive unit economics, we are able to achieve attractive returns on capital and continue to grow our margins. We believe that as we continue to reduce our comparable store inventory, we will be able to reduce the square footage of our stores while continuing to maintain our broad assortment.
- *Enhancing the Store Experience Through Store Remodels and Relocations.* We continue to invest in store remodels on a store-by-store basis where appropriate, taking into consideration the age, sales and profitability of a store, as well as the potential impact to the customer shopping experience. In our remodeled stores, we have typically incorporated new flooring, painting, lighting and graphics, relocated our fitting rooms to maximize productive selling space, added new departments such as home and accessories and made various other improvements as appropriate by location.

- **Enhancing Operating Margins.**

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

- *Optimize 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. This allows us to optimize markdowns at the style and color level by store cluster.
- *Enhance Purchasing Power.* We believe that increasing our store footprint and expanding our West Coast buying office provides us with the opportunity to capture incremental buying opportunities and realize economies of scale in our merchandising and non-merchandising purchasing activities.
- *Drive Operating Leverage.* We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, we are focused on continuing to improve the efficiency of our corporate and in-store operations.

### **Uncertainties and Challenges**

As we strive to increase profitability through achieving positive comparable store sales and leveraging productivity initiatives focused on improving the in-store experience, more efficient movement of products from the vendors to the selling floors, and modifying our marketing plans to increase our core customer base and increase our share of our current customers' spending, there are uncertainties and challenges that we face as an off-price retailer of apparel and accessories for men, women and children and home furnishings that could have a material impact on our revenues or income.

*Seasonality of Sales and Weather Conditions.* Our sales, like most other retailers, are subject to seasonal influences, with the majority of our sales and net income derived during the second half of the year, which includes the back-to-school and holiday seasons.

Weather continues to be a contributing factor to the sale of our clothing. 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.

*General Economic Conditions.* Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing global economic conditions, inflation, levels of employment, salaries and wage rates, prevailing

interest rates, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels.

A slowdown in the U.S. economy, an uncertain global economic outlook or a credit 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., could lead to a decrease in spending by consumers. In addition, natural disasters, industrial accidents and acts of war in various parts of the world 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, 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.

*Competition and Margin Pressure.* We believe that in order to remain competitive, 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. Our "open to buy" paradigm, under which we purchase both pre-season and in-season merchandise, allows us the flexibility to purchase less pre-season 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.

## **Key Performance Measures**

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

*Net income.* We earned net income of \$84.6 million during the three month period ended August 3, 2019 compared with \$71.0 million during the three month period ended August 4, 2018. We earned net income of \$162.3 million during the six month period ended August 3, 2019 compared with \$153.5 million during the six month period ended August 4, 2018. These improvements were primarily driven by our increased gross margin, partially offset by an increase in selling, general and administrative expenses. 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 cost; (ii) costs related to debt amendments; (iii) loss on extinguishment of debt; (iv) impairment charges; and (v) 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) income tax expense; (v) depreciation and amortization; (vi) impairment charges; (vii) costs related to debt amendments; and (viii) 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) income tax expense; (v) impairment charges; (vi) net favorable lease costs; (vii) costs related to debt amendments; and (viii) 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 in evaluating our ability to generate earnings and leverage sales, and to more readily compare core operating results between past and future periods.

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:

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

During the three and six months ended August 3, 2019, Adjusted Net Income improved \$12.6 million to \$91.4 million and \$11.1 million to \$176.9 million, respectively. These improvements were primarily driven by our improved gross margin, partially offset by an increase in selling, general and administrative expenses. 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 August 3, 2019 compared with the three and six months ended August 4, 2018:

	<i>(unaudited)</i>			
	<i>(in thousands)</i>			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<b>Reconciliation of net income to Adjusted Net Income:</b>				
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Net favorable lease costs (a)	9,205	9,551	19,907	14,876
Costs related to debt amendments (b)	7	79	(375)	79
Loss on extinguishment of debt (c)	—	1,361	—	1,361
Tax effect (d)	(2,333)	(3,078)	(4,931)	(3,998)
<b>Adjusted Net Income</b>	<b>\$ 91,446</b>	<b>\$ 78,870</b>	<b>\$ 176,933</b>	<b>\$ 165,862</b>

- (a) Net favorable lease cost represents 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”). As a result of adoption of Accounting Standards Update (ASU) 2016-02, “Leases” (ASU 2016-02), these expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. These expenses are recorded in the line item “Depreciation and amortization” in our Condensed Consolidated Statement of Income for the three and six months ended August 4, 2018.
- (b) Represents costs incurred in connection with review of refinancing opportunities and the reversal of previously estimated costs related to the repricing of our senior secured term loan facility (the Term Loan Facility) in Fiscal 2018.
- (c) Amounts relate to a \$150.0 million prepayment on the Term Loan Facility, as well as an amendment to our Second Amended and Restated Credit Agreement, dated September 2, 2011 (the ABL Credit Agreement).
- (d) 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 (c).

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;
- losses on the extinguishment of debt;
- costs related to debt amendments;
- 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 August 3, 2019, Adjusted EBITDA improved \$18.2 million to \$170.3 million and \$21.2 million to \$338.3 million, respectively. These improvements were primarily driven by our improved gross margin, partially offset by an increase in selling, general and administrative expenses. 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 August 3, 2019 compared with the three and six months ended August 4, 2018:

	<i>(unaudited)</i>			
	<i>(in thousands)</i>			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<b>Reconciliation of net income to Adjusted EBITDA:</b>				
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Interest expense	13,435	14,581	26,805	29,103
Interest income	(189)	(110)	(393)	(189)
Loss on extinguishment of debt (a)	—	1,361	—	1,361
Costs related to debt amendments (b)	7	79	(375)	79
Depreciation and amortization (c)	61,355	56,923	122,535	107,432
Income tax expense	11,151	8,312	27,346	25,723
<b>Adjusted EBITDA</b>	<b>\$ 170,326</b>	<b>\$ 152,103</b>	<b>\$ 338,250</b>	<b>\$ 317,053</b>

- (a) Amounts relate to a \$150.0 million prepayment on our Term Loan Facility, as well as an amendment to our ABL Credit Agreement.
- (b) Represents costs incurred in connection with review of refinancing opportunities and the reversal of previously estimated costs related to the repricing of our Term Loan Facility in Fiscal 2018.
- (c) Includes \$9.1 million and \$19.6 million, respectively, of favorable lease cost included in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. Net favorable lease cost represents the non-cash expense associated with favorable and unfavorable leases that were recorded as a result of the Merger Transaction. As a result of adoption of ASU 2016-02, these expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. These expenses are recorded in the line item “Depreciation and amortization” in our Condensed Consolidated Statement of Income for the three and six months ended August 4, 2018.

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;
- losses on the extinguishment of debt;
- costs related to debt amendments;
- favorable lease cost;
- 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 August 3, 2019, Adjusted EBIT improved \$13.4 million to \$118.2 million and \$11.1 million to \$235.6 million, respectively. These improvements were primarily driven by our improved gross margin, partially offset by an increase in selling, general and administrative expenses. 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 August 3, 2019 compared with the three and six months ended August 4, 2018:

	(unaudited)			
	(in thousands)			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
<b>Reconciliation of net income to Adjusted EBIT:</b>				
Net income	\$ 84,567	\$ 70,957	\$ 162,332	\$ 153,544
Interest expense	13,435	14,581	26,805	29,103
Interest income	(189)	(110)	(393)	(189)
Loss on extinguishment of debt (a)	—	1,361	—	1,361
Costs related to debt amendments (b)	7	79	(375)	79
Net favorable lease costs (c)	9,205	9,551	19,907	14,876
Income tax expense	11,151	8,312	27,346	25,723
<b>Adjusted EBIT</b>	<b>\$ 118,176</b>	<b>\$ 104,731</b>	<b>\$ 235,622</b>	<b>\$ 224,497</b>

- (a) Amounts relate to a \$150.0 million prepayment on our Term Loan Facility, as well as an amendment to our ABL Credit Agreement.
- (b) Represents costs incurred in connection with review of refinancing opportunities and the reversal of previously estimated costs related to the repricing of our Term Loan Facility in Fiscal 2018.
- (c) Net favorable lease cost represents the non-cash expense associated with favorable and unfavorable leases that were recorded as a result of the Merger Transaction. As a result of adoption of ASU 2016-02, these expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. These expenses are recorded in the line item “Depreciation and amortization” in our Condensed Consolidated Statement of Income for the three and six months ended August 4, 2018.

**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 the previous 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, including our online store, 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 store sales for any such month, as well as during the month(s) of their grand re-opening activities. The increase in our comparable store sales was as follows:

	Three Months Ended	Six Months Ended
August 3, 2019	3.8%	1.9%
August 4, 2018	2.9%	3.8%

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 remained consistent at 41.4% during the three month period ended August 3, 2019, compared with three month period ended August 4, 2018. Increased merchandise margin was offset by higher freight costs. Product sourcing costs, which are included in selling, general and administrative expenses, improved approximately 10 basis points as a percentage of net sales. Gross margin as a percentage of net sales decreased approximately 10 basis points to 41.2% during the six month period ended August 3, 2019, compared with the six month period ended August 4, 2018, driven primarily by higher freight costs, partially offset by increased merchandise margin. Product sourcing costs, which are included in selling, general and administrative expenses, remained flat as a percentage of net sales.

*Inventory.* Inventory at August 3, 2019 decreased to \$823.8 million compared with \$843.9 million at August 4, 2018. The decrease was primarily related to an approximately 7% decrease in comparable store inventory at the end of the second quarter of Fiscal 2019, as well as a decrease in short stay inventory. These decreases were partially offset by our 40 net new stores opened from August 4, 2018 through August 3, 2019 and our pack-and-hold inventory levels, which were 29% of total inventory at the end of the second quarter of Fiscal 2019 compared to 26% at the end of the second quarter of Fiscal 2018.

Inventory at February 2, 2019 was \$954.2 million. The decrease in inventory is primarily due to our high starting position at February 2, 2019, resulting from the acceleration of receipts in the fourth quarter of Fiscal 2018. This decrease was partially offset by the inventory required for our 16 net new stores opened during the six month period ended August 3, 2019.

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. We continue to move toward more productive inventories by increasing the amount of current inventory as a percent of total inventory.

Inventory turnover and comparable store inventory turnover are performance metrics that indicate how efficiently inventory is bought and sold. They each measure the length of time that we own our inventory.

Inventory turnover is calculated by dividing cost of goods sold by the 13 month average cost value of our inventory for the period being measured. Our inventory turnover rate declined approximately 7% for the second quarter of Fiscal 2019 compared with the second quarter of Fiscal 2018.

Comparable store inventory turnover is calculated by dividing comparable store sales by the average comparable store retail value of inventory for the period being measured. The comparable store retail value of inventories is estimated based on the original sales price of items on hand reduced by retail reductions (which include sales, markdowns, an estimated shortage adjustment and employee discounts) for our comparable stores. The calculation is based on a rolling 13 month average of inventory (at estimated retail value) and the last 12 months' comparable store sales. Our comparable store inventory turnover rate improved approximately 2% during the second quarter of Fiscal 2019 compared with the second quarter of Fiscal 2018.

The difference between inventory turnover and comparable store inventory turnover is primarily the result of the latter not including distribution center and warehouse inventory or inventory at new and non-comparable stores. Inventory held at our warehouses and distribution centers includes merchandise being readied for shipment to our stores and pack-and-hold inventory acquired opportunistically for future store release. The magnitude of pack-and-hold inventory, at any one point in time, is dependent on the buying opportunities identified in the marketplace.

We present inventory turnover, because it demonstrates how effective we are at managing our inventory. We present comparable store inventory turnover as we believe this is a useful supplemental metric in evaluating the effectiveness of our merchandising efforts, as a faster comparable store inventory turnover generally leads to reduced markdowns and more fresh merchandise in our stores.

*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 9.0% and 8.9% during the three and six month periods ended August 3, 2019, respectively, compared with 9.1% and 8.8%, respectively, during the three and six month periods ended August 4, 2018.

*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 \$15.1 million during the six months ended August 3, 2019, compared with a decrease

of \$49.6 million during the six months ended August 4, 2018. 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 August 3, 2019 and the three and six months ended August 4, 2018.

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	August 3, 2019	August 4, 2018	August 3, 2019	August 4, 2018
Net sales	100.0%	100.0%	100.0%	100.0%
Other revenue	0.3	0.4	0.3	0.4
Total revenue	100.3	100.4	100.3	100.4
Cost of sales	58.6	58.6	58.8	58.7
Selling, general and administrative expenses	32.1	32.0	31.9	31.4
Costs related to debt amendments	0.0	0.0	0.0	0.0
Depreciation and amortization	3.1	3.8	3.1	3.6
Other income - net	(0.1)	(0.3)	(0.1)	(0.2)
Loss on extinguishment of debt	—	0.1	—	0.0
Interest expense	0.8	1.0	0.8	1.0
Total costs and expenses	94.5	95.2	94.5	94.5
Income before income tax expense	5.8	5.2	5.8	5.9
Income tax expense	0.7	0.6	0.8	0.9
Net income	5.1%	4.6%	5.0%	5.0%

### Three Month Period Ended August 3, 2019 Compared With the Three Month Period Ended August 4, 2018

#### *Net sales*

Net sales improved approximately \$157.7 million, or 10.5%, to \$1,656.4 million during the second quarter of Fiscal 2019, driven by the following:

- an increase in net sales of \$115.1 million from our new and non-comparable stores, and
- an increase in comparable store sales of \$55.1 million, to \$1,503.0 million; partially offset by
- a \$12.5 million decrease related to the net impact of closed stores and other sales adjustments.

#### *Cost of sales*

Cost of sales as a percentage of net sales remained consistent at 58.6% during the second quarter of Fiscal 2019, driven primarily by increased merchandise margin, which was offset by higher freight costs. Product sourcing costs, which are included in selling, general and administrative expenses, improved approximately 10 basis points as a percentage of net sales. On a dollar basis, cost of sales increased \$92.9 million, or 10.6%, primarily driven by our overall increase in sales.

### ***Selling, general and administrative expenses***

Selling, general and administrative expenses as a percentage of net sales increased approximately 10 basis points for the second quarter of Fiscal 2019. The following table details selling, general and administrative expenses for the three month period ended August 3, 2019 compared with the three month period ended August 4, 2018. Prior year amounts have been reclassified to conform to the current period presentation:

	<i>(in millions)</i>					
	Three Months Ended					
	August 3, 2019	Percentage of Net Sales	August 4, 2018	Percentage of Net Sales	\$ Variance	% Change
Store related costs	\$ 355.5	21.6%	\$ 326.3	21.8%	\$ 29.2	8.9%
Product sourcing costs	82.2	4.9	75.6	5.0	6.6	8.7
Corporate costs	55.4	3.3	49.9	3.3	5.5	11.0
Marketing and strategy costs	9.8	0.6	9.8	0.7	—	0.0
Favorable lease cost	9.1	0.5	—	—	9.1	N/A
Other selling, general and administrative expenses	19.8	1.2	17.5	1.2	2.3	13.1
<b>Selling, general and administrative expenses</b>	<b>\$ 531.8</b>	<b>32.1%</b>	<b>\$ 479.1</b>	<b>32.0%</b>	<b>\$ 52.7</b>	<b>11.0%</b>

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by the reclassification of favorable lease cost from depreciation and amortization expense to selling, general and administrative expense as a result of adopting ASU 2016-02, which resulted in a 50 basis point increase. This increase was partially offset by a 10 basis point improvement in store occupancy costs, a 10 basis point improvement in product sourcing costs, a 10 basis point improvement in store payroll, and a 10 basis point improvement in our national television advertising and direct marketing efforts, as a result of our profit improvement initiatives.

### ***Depreciation and amortization***

Depreciation and amortization expense related to the depreciation of fixed assets amounted to \$52.3 million during the second quarter of Fiscal 2019 compared with \$56.9 million during the second quarter of Fiscal 2018. The decrease was primarily driven by the reclassification of favorable lease cost from depreciation and amortization expense to selling, general and administrative expense as a result of adopting ASU 2016-02, partially offset by our new and non-comparable stores.

### ***Interest expense***

Interest expense improved \$1.1 million to \$13.4 million. The improvement was primarily driven by the \$150 million paydown and repricing of our Term Loan Facility during Fiscal 2018, partially offset by higher average borrowings and a higher average interest rate on our ABL Line of Credit.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the second quarter of Fiscal 2019 compared with the second quarter of Fiscal 2018, are summarized in the table below:

	Three Months Ended	
	August 3, 2019	August 4, 2018
Average interest rate – ABL Line of Credit	3.7%	3.3%
Average interest rate – Term Loan Facility	4.4%	4.5%
Average balance – ABL Line of Credit (in millions)	\$ 146.0	\$ 115.0
Average balance – Term Loan Facility (in millions) (a)	\$ 961.4	\$ 1,027.3

(a) Excludes original issue discount.

### ***Income tax expense***

Income tax expense was \$11.2 million during the second quarter of Fiscal 2019 compared with \$8.3 million during the second quarter of Fiscal 2018. The effective tax rate for the second quarter of Fiscal 2019 was 11.6% compared with 10.5% during the second quarter of Fiscal 2018. The lower tax rate in the prior year was primarily related to a one time deferred tax revaluation due to changes in New Jersey tax law enacted during the second quarter of Fiscal 2018.

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 2019 resulted in an annual effective income tax rate of approximately 25% (before discrete items) as our best estimate. This is consistent with the annual effective tax rate for the second quarter of Fiscal 2018 of approximately 25% (before discrete items).

### Net income

We earned net income of \$84.6 million for the second quarter of Fiscal 2019 compared with \$71.0 million for the second quarter of Fiscal 2018. This improvement was primarily driven by our improved gross margin, partially offset by an increase in our selling, general and administrative expenses.

### Six Month Period Ended August 3, 2019 Compared With the Six Month Period Ended August 4, 2018

#### Net sales

Net sales improved approximately \$267.8 million, or 8.9%, to \$3,284.9 million during the six month period ended August 3, 2019, driven primarily by the following:

- an increase in net sales of \$236.6 million from our new and non-comparable stores, and
- an increase in comparable store sales of \$56.2 million, to \$2,967.5 million; partially offset by
- a \$25.0 million decrease related to the net impact of permanently closed stores and other sales adjustments.

#### Cost of sales

Cost of sales as a percentage of net sales increased approximately 10 basis points to 58.8% during the six month period ended August 3, 2019, driven primarily by higher freight costs, partially offset by increased merchandise margin. Product sourcing costs, which are included in selling, general and administrative expenses, remained flat as a percentage of net sales. On a dollar basis, cost of sales increased \$161.6 million, or 9.1%, primarily driven by our overall increase in sales.

#### Selling, general and administrative expenses

Selling, general and administrative expenses as a percentage of net sales increased approximately 50 basis points during the six month period ended August 3, 2019. The following table details selling, general and administrative expenses for the six month period ended August 3, 2019 compared with the six month period ended August 4, 2018. Prior year amounts have been reclassified to conform to the current period presentation:

	(in millions)					
	Six Months Ended					
	August 3, 2019	Percentage of Net Sales	August 4, 2018	Percentage of Net Sales	\$ Variance	% Change
Store related costs	\$ 696.5	21.2%	\$ 637.4	21.1%	\$ 59.1	9.3%
Product sourcing costs	160.7	4.9	147.2	4.9	13.5	9.2
Corporate costs	106.0	3.2	97.7	3.2	8.3	8.5
Marketing and strategy costs	28.5	0.9	30.5	1.0	(2.0)	(6.6)
Favorable lease cost	19.6	0.6	—	—	19.6	N/A
Other selling, general and administrative expenses	37.9	1.1	34.6	1.2	3.3	9.5
<b>Selling, general and administrative expenses</b>	<b>\$ 1,049.2</b>	<b>31.9%</b>	<b>\$ 947.4</b>	<b>31.4%</b>	<b>\$ 101.8</b>	<b>10.7%</b>

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by the reclassification of favorable lease cost from depreciation and amortization expense to selling, general and administrative expense as a result of adopting ASU 2016-02, which resulted in a 60 basis point increase. Additionally, store occupancy costs increased 10 basis points, and store payroll increased 10 basis points. These increases were partially offset by a 20 basis point improvement in our national television advertising and direct marketing efforts, as a result of our profit improvement initiatives. Product sourcing costs remained consistent.

### Costs related to debt amendments

During Fiscal 2018, we recorded total estimated costs related to debt amendments of \$2.5 million, primarily as a result of the repricing of our Term Loan Facility. During the six month period ended August 3, 2019, we reversed \$0.4 million of this estimated expense based on actual expenses incurred.

### Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets amounted to \$102.9 million during the six month period ended August 3, 2019 compared with \$107.4 million during the six month period ended August 4, 2018. The decrease in depreciation and amortization expense was primarily driven by the reclassification of favorable lease cost from depreciation and amortization expense to selling, general and administrative expense as a result of adopting ASU 2016-02, partially offset by our new and non-comparable stores.

### Interest expense

Interest expense improved \$2.3 million to \$26.8 million. The improvement was primarily driven by the \$150 million paydown and repricing of our Term Loan Facility during Fiscal 2018, partially offset by higher average borrowings and a higher average interest rate on our ABL Line of Credit.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the six month period ended August 3, 2019 compared with prior year, are summarized in the table below:

	Six Months Ended	
	August 3, 2019	August 4, 2018
Average interest rate – ABL Line of Credit	3.7%	3.3%
Average interest rate – Term Loan Facility	4.5%	4.3%
Average balance – ABL Line of Credit (in millions)	\$ 146.7	\$ 71.8
Average balance – Term Loan Facility (in millions) (a)	\$ 961.4	\$ 1,070.2

(a) Excludes original issue discount.

### Income tax expense

Income tax expense was \$27.3 million during the six month period ended August 3, 2019 compared with \$25.7 million during the six month period ended August 4, 2018. The effective tax rate for the six month period ended August 3, 2019 was 14.4% compared with 14.3% during the six month period ended August 4, 2018.

### Net income

We earned net income of \$162.3 million during the six month period ended August 3, 2019 compared with \$153.5 million for the six month period ended August 4, 2018. This improvement was primarily driven by our improved gross margin, partially offset by an increase in selling, general and administrative expenses.

### 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.



### ***Cash Flow for the Six Month Period Ended August 3, 2019 Compared With the Six Month Period Ended August 4, 2018***

We used \$15.1 million of cash flow during the six month period ended August 3, 2019 compared with a use of \$49.6 million during the six month period ended August 4, 2018.

Net cash provided by operating activities amounted to \$229.4 million during the six month period ended August 3, 2019 compared with \$166.3 million during the six month period ended August 4, 2018. The increase in our operating cash flows was primarily driven by our improved operating results and changes in working capital.

Net cash used in investing activities was \$164.0 million during the six month period ended August 3, 2019 compared with \$125.2 million during the six month period ended August 4, 2018. This change was primarily the result of an increase in capital expenditures related to a new distribution center and our store expenditures (new stores, remodels, and other store expenditures).

Net cash used in financing activities was \$80.5 million during the six month period ended August 3, 2019 compared with a use of \$90.7 million during the six month period ended August 4, 2018. This change was primarily driven by an increase in the net borrowings on our debt, partially offset by an increase in the value of share repurchases.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. We had a working capital deficit at August 3, 2019 of \$151.7 million compared with working capital of \$32.0 million at August 4, 2018. The decrease in working capital was primarily related to our adoption of ASU 2016-02, which resulted in adding a portion of the new lease liability to current liabilities, as well as a decrease in merchandise inventories. This was partially offset by a decrease in accounts payable and an increase in accounts receivable. We had working capital at February 2, 2019 of \$2.3 million.

#### ***Capital Expenditures***

For the six month period ended August 3, 2019, cash spend for capital expenditures, net of \$23.4 million of landlord allowances, amounted to \$140.5 million. We estimate that we will spend approximately \$310 million, net of approximately \$55 million of landlord allowances, in capital expenditures during Fiscal 2019, including approximately \$155 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 \$60 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 August 15, 2018, our Board of Directors authorized the repurchase of up to \$300 million of common stock, which is authorized to be executed through August 2020. This repurchase program is funded using our available cash and borrowings on our ABL Line of Credit.

During the six month period ended August 3, 2019, we repurchased 1,142,202 shares of our common stock for \$174.1 million, inclusive of commissions, under the share repurchase program. As of August 3, 2019, we had \$124.3 million remaining under our share repurchase authorization.

During the third quarter of Fiscal 2019, our Board of directors authorized the repurchase of up to an additional \$400 million of common stock, which is authorized to be executed through August 2021.

We are authorized to repurchase, from time to time, shares of our outstanding common stock 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 August 3, 2019, we opened 27 new stores, inclusive of seven relocations, and closed four stores, exclusive of the aforementioned relocations, bringing our store count as of August 3, 2019 to 691 stores, inclusive of an internet store. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. During Fiscal 2019, we plan to open approximately 50 net new stores, which includes approximately 75 gross new stores, along with approximately 25 store relocations and closings.

We continue to explore expansion opportunities both within our current market areas and in other regions. We believe that our ability to find satisfactory locations for our stores is essential for the continued growth of our business. The opening of stores generally is contingent upon a number of factors including, but not limited to, the availability of desirable locations with suitable structures and the negotiation of acceptable lease terms. There can be no assurance, however, that we will be able to find suitable locations for new stores or that even if such locations are found and acceptable lease terms are obtained, we will be able to open the number of new stores presently planned. Assuming that appropriate locations are identified, we believe that we will be able to execute our growth strategy without significantly impacting our current stores.

### ***Debt and Hedging***

As of August 3, 2019, our obligations include \$957.1 million, inclusive of original issue discount, under our Term Loan Facility and \$96.9 million of outstanding borrowings on our ABL Facility. Our debt obligations also include \$31.5 million of capital lease obligations as of August 3, 2019.

#### ***Term Loan Facility***

At August 3, 2019, our borrowing rate related to the Term Loan Facility was 4.3%.

#### ***ABL Line of Credit***

At August 3, 2019, we had \$428.6 million available under the ABL Line of Credit. The maximum borrowings under the facility during the six month period ended August 3, 2019 amounted to \$255.0 million. Average borrowings during the six month period ended August 3, 2019 amounted to \$146.7 million at an average interest rate of 3.7%.

#### ***Hedging***

On December 17, 2018, the Company entered into an interest rate swap contract, which was designated as a cash flow hedge. This interest rate swap, which hedges \$450 million of our Term Loan Facility, became effective May 31, 2019 and matures December 29, 2023.

### ***Certain Information Concerning Contractual Obligations***

The Company had \$1,173.5 million of purchase commitments related to goods that were not received as of August 3, 2019. There were no other significant changes regarding our obligations to make future payments under current contracts from those included in our Fiscal 2018 10-K.

## Critical Accounting Policies and Estimates

Our Condensed Consolidated 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 Condensed 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 Condensed 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. 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.

### Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standard Update (ASU) 2016-02, "Leases." The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information about leasing arrangements. We adopted this ASU as of the beginning of Fiscal 2019.

We applied the changes from the new guidance at the adoption date and recognized a cumulative effect adjustment to retained earnings in the period of adoption, as allowed under ASU 2018-11, "Leases: Targeted Improvements." We did not adjust prior periods. We made an accounting policy election not to capitalize leases with an initial term of twelve months or less. We elected the transition package of practical expedients, which allows us to carry forward for our existing leases: i) the historical lease classification as either operating or capital; ii) assessment of whether any expired or existing contracts are or contain leases; and iii) capitalization of initial direct costs. Additionally, we elected the practical expedients to not separate lease and non-lease components, to not assess whether existing or expired land easements contain a lease, and to employ hindsight when determining lease terms for existing leases on the date of adoption.

Adoption of this standard also resulted in a change in the timing of certain expense recognition, primarily related to net favorable lease cost, as well as a reclassification of favorable lease cost from "Depreciation and amortization" to "Selling, general and administrative expenses" on our Condensed Consolidated Statement of Income for the three and six months ended August 3, 2019. This guidance did not have a material impact on our liquidity.

Other than the lease accounting policy discussed above, our critical accounting policies and estimates are consistent with those disclosed in Note 1 to the audited Consolidated Financial Statements, "Summary of Significant Accounting Policies," included in our Annual Report on Form 10-K for the fiscal year ended February 2, 2019.

### 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 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Our forward-looking statements are subject to risks and uncertainties. Such statements include, but are not limited to, proposed store openings and closings, proposed capital expenditures, projected financing requirements, proposed developmental projects, projected sales and earnings, our ability to maintain selling margins, and the effect of the adoption of recent accounting pronouncements on our consolidated financial position, results of operations and cash flows. 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 results to differ materially from those estimated by us include: general economic conditions; our ability to successfully implement one or more of our strategic initiatives and growth plans; the availability of desirable store locations on suitable terms; changing consumer preferences and demand; industry trends, including changes in buying, inventory and other business practices; competitive factors, including pricing and promotional activities of major competitors and an increase in competition within the markets in which we compete; the availability, selection and purchasing of attractive merchandise on favorable terms; import risks, including tax and trade policies, tariffs and government regulations; weather patterns, including, among other things, changes in year-over-year temperatures; our future profitability; our ability to control costs and expenses;

unforeseen cyber-related problems or attacks; any unforeseen material loss or casualty; the effect of inflation; regulatory and tax changes; our relationships with employees; the impact of current and future laws and the interpretation of such laws; terrorist attacks, particularly attacks on or within markets in which we operate; natural and man-made disasters, including fire, snow and ice storms, flood, hail, hurricanes and earthquakes; our substantial level of indebtedness and related debt-service obligations; restrictions imposed by covenants in our debt agreements; availability of adequate financing; our dependence on vendors for our merchandise; domestic events affecting the delivery of merchandise to our stores; existence of adverse litigation; and other risks discussed from time to time in our filings with the Securities and Exchange Commission (SEC).

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. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

### **Recent Accounting Pronouncements**

Refer to Note 1 to our Condensed Consolidated Financial Statements, "Summary of Significant Accounting Policies," for a discussion of recent accounting pronouncements and their impact in 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 our Fiscal 2018 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, August 3, 2019. 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 August 3, 2019.

During the quarter ended August 3, 2019, 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.**

Like many retailers, we have been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection and other statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, 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. To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. While no assurance can be given as to the ultimate outcome of these matters, we believe that the final resolution of these actions will not have a material adverse effect on our results of operations, financial position, liquidity or capital resources.

**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 2018 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 August 3, 2019:

<b>Month</b>	<b>Total Number of Shares Purchased(1)</b>	<b>Average Price Paid Per Share(2)</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(3)</b>	<b>Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)</b>
May 5, 2019 through June 1, 2019	38,115	\$ 161.62	37,161	\$ 169,636
June 2, 2019 through July 6, 2019	275,997	\$ 170.24	209,547	\$ 133,996
July 7, 2019 through August 3, 2019	54,169	\$ 179.09	54,034	\$ 124,319
<b>Total</b>	<b>368,281</b>		<b>300,742</b>	

- (1) The number of shares purchased between May 5, 2019 and June 1, 2019, between June 2, 2019 and July 6, 2019 and between July 7, 2019 and August 3, 2019 include 954 shares, 66,450 shares and 135 shares, respectively, which were withheld for tax payments due upon the vesting of employee restricted stock awards, and do not reduce the dollar value that may yet be purchased under our publicly announced share repurchase program.
- (2) Includes commissions for the shares repurchased under our publicly announced share repurchase program.
- (3) On August 15, 2018, our Board of Directors authorized the repurchase of up to \$300 million of common stock, which is authorized to be executed through August 2020. During the third quarter of Fiscal 2019, our Board of Directors authorized the repurchase of up to an additional \$400 million of common stock, which is authorized to be executed through August 2021. For a further discussion of our share repurchase program, see “Part I, Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Repurchase Program.”

**Item 3. Defaults Upon Senior Securities.**

None.

**Item 4. Mine Safety Disclosures.**

Not applicable.

**Item 5. Other Information.**

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description	Incorporated by Reference	
		Form and SEC file No.	Filing Date
10.1†	<a href="#">Form of Restricted Stock Unit Award Notice and Agreement between Burlington Stores, Inc. and Non-Employee Directors pursuant to the Burlington Stores, Inc. 2013 Omnibus Incentive Plan (for grants made from and after May 23, 2019).</a>		
10.2	<a href="#">Chairman Agreement, dated June 14, 2019, by and between Burlington Stores, Inc. and Thomas A. Kingsbury.</a>	Current Report on Form 8-K (File No. 001-36107)	June 17, 2019
31.1†	<a href="#">Certification of Principal Executive 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.</a>		
31.2†	<a href="#">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.</a>		
32.1†	<a href="#">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.</a>		
32.2†	<a href="#">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.</a>		
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.



BURLINGTON STORES, INC.  
2013 OMNIBUS INCENTIVE PLAN

Restricted Stock Unit Award Notice for Non-Employee Directors

**[Name of Holder]**

You have been awarded a restricted stock unit award with respect to shares of common stock of Burlington Stores, Inc., a Delaware corporation (the "Company"), pursuant to the terms and conditions of the Burlington Stores, Inc. 2013 Omnibus Incentive Plan (the "Plan") and the Restricted Stock Unit Award Agreement (together with this Award Notice, the "Agreement"). The Restricted Stock Unit Award Agreement is attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Restricted Stock Units: You have been awarded a restricted stock unit award with respect to [ ] shares of Common Stock, par value \$0.0001 per share ("Common Stock"), subject to adjustment as provided in the Plan.

Grant Date: [ , ]

Vesting Schedule: Except as otherwise provided in the Plan or the Agreement, the Award shall vest on the one-year anniversary of the Grant Date (the "Vesting Date"), if, and only if, you are, and have been, continuously serving as a member of the Board from the date of this Agreement through and including the Vesting Date.

BURLINGTON STORES, INC.

By: \_\_\_\_\_

Name:

Title:

Acknowledgment, Acceptance and Agreement:

I hereby accept the restricted stock units granted to me and acknowledge and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

\_\_\_\_\_  
Holder Name

\_\_\_\_\_  
Signature Date \_\_\_\_\_

\_\_\_\_\_



**BURLINGTON STORES, INC.**  
**2013 OMNIBUS INCENTIVE PLAN**

**RESTRICTED STOCK UNIT AWARD AGREEMENT FOR NON-EMPLOYEE DIRECTORS**

Burlington Stores, Inc., a Delaware corporation (the “Company”), hereby grants to the individual (the “Holder”) named in the award notice attached hereto (the “Award Notice”) as of the date set forth in the Award Notice (the “Grant Date”), pursuant to the provisions of the Burlington Stores, Inc. 2013 Omnibus Incentive Plan (the “Plan”), a restricted stock unit award (the “Award”) with respect to the number of shares of the Company’s Common Stock, par value \$0.0001 per share (“Common Stock”) set forth in the Award Notice, upon and subject to the restrictions, terms and conditions set forth in the Award Notice, the Plan and this agreement (the “Agreement”). Capitalized terms not defined herein shall have the meanings specified in the Plan.

1. Award Subject to Acceptance of Agreement. The Award shall be null and void unless Holder electronically accepts this Agreement within Holder’s stock plan account with the Company’s stock plan administrator according to the procedures then in effect (or, if permitted by the Company, accepts this Agreement by executing the Award Notice in the space provided therefor and returning an original execution copy of the Award Notice to the Company).

2. Rights as a Stockholder. Holder shall not be entitled to any privileges of ownership with respect to the shares of Common Stock subject to the Award unless and until, and only to the extent, such shares become vested pursuant to Section 3 hereof and Holder becomes a stockholder of record with respect to such shares.

3. Restriction Period and Vesting.

3.1. Service-Based Vesting Conditions. Subject to the remainder of this Section 3, the Common Stock shall vest pursuant to the terms of this Agreement and the Plan in accordance with the Vesting Schedule set forth in the Award Notice. The period of time prior to full vesting shall be referred to herein as the “Restriction Period.”

3.2. Termination of Service.

(a) Termination Prior to Expiration of Restriction Period due to Death. If Holder’s service on the Board terminates prior to the end of the Restriction Period by reason of Holder’s death, then 100% of the Award shall vest as of the date of such cessation of service.

(b) Termination Prior to Expiration of Restriction Period due to Retirement. If Holder’s service on the Board terminates prior to the end of the Restriction Period by reason of Holder’s retirement, Holder shall become vested as of the date of such cessation of service on a pro-rated basis, with such proration determined by multiplying the number of shares of Common Stock subject to the Award by a fraction, the numerator of which is the number of days that have occurred since the Grant Date through the date of the Holder’s cessation of service and the denominator of which is the total number of days between the Grant Date and the end of the Restriction Period; provided, however, if the Company’s Annual Meeting of Stockholders (the “Annual Meeting”) occurring following the Grant Date occurs prior to the expiration of the Restriction Period and the Holder remains on the Board until such Annual Meeting and elects to not stand for re-election at such Annual Meeting, then 100% of the Award

shall vest as of the date of such cessation of service. The portion of the Award that does not vest pursuant to this Section 3.2(b) shall be forfeited by Holder and cancelled by the Company.

(c)Change in Control. Following a Change in Control, vesting of the Award shall not accelerate by reason of such Change in Control; provided, however, that 100% of the Award shall vest if, following a Change in Control and during the Restriction Period, the Holder ceases to serve as a director.

(d)Other Termination of Service Events. If the Holder's service on the Board terminates for any other reason prior to the expiration of the Restriction Period (other than as provided in Sections 3.2(a) through 3.2(c) above), the Award shall automatically be forfeited (and shall not vest).

4.Issuance or Delivery of Shares. Within 60 days after the Vesting Date (or, if earlier, Holder's termination of service in accordance with Sections 3.2(a), 3.2(b) or 3.2(c)), the Company shall issue or deliver, subject to the conditions of this Agreement, the vested shares of Common Stock to Holder. Such issuance or delivery shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. Prior to the issuance to Holder of the shares of Common Stock subject to the Award, Holder shall have no direct or secured claim in any specific assets of the Company or in such shares of Common Stock, and will have the status of a general unsecured creditor of the Company.

#### 5.Transfer Restrictions and Investment Representation.

5.1.Nontransferability of Award. The Award may not be transferred by Holder other than by will or the laws of descent and distribution or pursuant to the designation of one or more beneficiaries on the form prescribed by the Company. Except to the extent permitted by the foregoing sentence, the Award may not be sold, transferred, assigned, pledged, hypothecated, encumbered or otherwise disposed of (whether by operation of law or otherwise) or be subject to execution, attachment or similar process. Upon any attempt to so sell, transfer, assign, pledge, hypothecate, encumber or otherwise dispose of the Award, the Award and all rights hereunder shall immediately become null and void.

5.2.Investment Representation. Holder hereby represents and covenants that (a) any sale of any share of Common Stock acquired upon the vesting of the Award shall be made either pursuant to an effective registration statement under the Securities Act of 1933, as amended (the "Securities Act"), and any applicable state securities laws, or pursuant to an exemption from registration under the Securities Act and such state securities laws and (b) if requested by the Company, Holder shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation is true and correct as of the date of any sale of any such shares. As a further condition precedent to the vesting of the Award and subject to Section 409A of the Code, Holder shall comply with all regulations and requirements of any regulatory authority having control of or supervision over the issuance or delivery of the shares and, in connection therewith, shall execute any documents which the Board or the Committee shall in its sole discretion deem necessary or advisable.

#### 6.Additional Terms and Conditions of Award.

6.1.Adjustment. In the event of a Section 4.2 Event, the adjustments provided for in Section 4.2(b) of the Plan shall be made to the number of shares of Common Stock subject to the Award hereunder.

6.2. Compliance with Applicable Law. The Award is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the Award upon any securities exchange or under any law, or the consent or approval of any governmental body, or the taking of any other action is necessary or desirable as a condition of, or in connection with, the delivery of shares hereunder, the shares of Common Stock subject to the Award shall not be delivered, in whole or in part, unless such listing, registration, qualification, consent, approval or other action shall have been effected or obtained, free of any conditions not acceptable to the Company. The Company agrees to use reasonable efforts to effect or obtain any such listing, registration, qualification, consent, approval or other action.

6.3. Award Confers No Rights to Continued Service. In no event shall the granting of the Award or its acceptance by Holder, or any provision of the Agreement or the Plan, give or be deemed to give Holder any right to continued service on the Board.

6.4. Decisions of Committee. The Committee shall have the right to resolve all questions which may arise in connection with the Award. Any interpretation, determination or other action made or taken by the Committee regarding the Plan or this Agreement shall be final, binding and conclusive.

6.5. Successors. This Agreement shall be binding upon and inure to the benefit of any successor or successors of the Company and any person or persons who shall, upon the death of Holder, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.6. Notices. All notices, requests or other communications provided for in this Agreement shall be made, if to the Company, to Burlington Stores, Inc., 2006 Route 130 North, Burlington, NJ 08016, Attention: General Counsel, and if to Holder, to the last known mailing address of Holder contained in the records of the Company. All notices, requests or other communications provided for in this Agreement shall be made in writing either (a) by personal delivery, (b) by facsimile or electronic mail with confirmation of receipt, (c) by mailing in the United States mails or (d) by express courier service. The notice, request or other communication shall be deemed to be received upon personal delivery, upon confirmation of receipt of facsimile or electronic mail transmission or upon receipt by the party entitled thereto if by United States mail or express courier service; provided, however, that if a notice, request or other communication sent to the Company is not received during regular business hours, it shall be deemed to be received on the next succeeding business day of the Company.

6.7. Governing Law. This Agreement, the Award and all determinations made and actions taken pursuant hereto and thereto, to the extent not governed by the Code or the laws of the United States, shall be governed by the laws of the State of Delaware and construed in accordance therewith without giving effect to principles of conflicts of laws.

6.8. Agreement Subject to the Plan. This Agreement is subject to the provisions of the Plan and shall be interpreted in accordance therewith. In the event that the provisions of this Agreement and the Plan conflict, the Plan shall control. Holder hereby acknowledges receipt of a copy of the Plan.

6.9. Entire Agreement. This Agreement and the Plan constitute the entire agreement of the parties with respect to the subject matter hereof and supersede in their entirety all prior undertakings and agreements of the Company and Holder with respect to the subject matter hereof, and may not be modified adversely to Holder's interest except by means of a writing signed by the Company and Holder. Notwithstanding the foregoing, Holder acknowledges that Holder is subject to Company policies relating to trading in the Company's securities.

6.10. Amendment and Waiver. The Company may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect Holder's rights under this Agreement shall be subject to the written consent of Holder. No course of conduct or failure or delay in enforcing the provisions of this Agreement shall affect the validity, binding effect or enforceability of this Agreement.

6.11. Counterparts. The Award Notice may be executed in two counterparts, each of which shall be deemed an original and both of which together shall constitute one and the same instrument.

6.12. Compliance With Section 409A of the Code. This Award is intended to be exempt from or comply with Section 409A of the Code, and shall be interpreted and construed accordingly. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of service, the applicable shares of Common Stock shall be transferred to the Holder or his or her beneficiary upon the Holder's "separation from service," within the meaning of Section 409A of the Code.

I, Thomas A. Kingsbury, 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 29, 2019

/s/ Thomas A. Kingsbury

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Thomas A. Kingsbury  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

I, Marc Katz, 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 29, 2019

/s/ Marc Katz

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Marc Katz

Chief Financial Officer/Principal

(Principal Financial Officer)

**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 August 3, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas A. Kingsbury, Chairman and 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 29, 2019

/s/ Thomas A. Kingsbury

Thomas A. Kingsbury  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

**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 August 3, 2019, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Marc Katz, Chief Financial Officer/Principal 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 29, 2019

/s/ Marc Katz

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Marc Katz

Chief Financial Officer/Principal  
(Principal Financial Officer)