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 1, 2020

OR

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

For the transition period from __________ to __________.

Commission File Number 001-36107

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

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

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

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

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

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

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

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

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

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

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

The registrant had 66,163,573 shares of common stock outstanding as of August 1, 2020.

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Part I. FINANCIAL INFORMATION
Item 1. Financial Statements

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

	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
REVENUES:				
Net sales	$ 1,009,882	$ 1,656,363	$ 1,807,877	$ 3,284,910
Other revenue	2,446	5,659	5,974	11,306
Total revenue	1,012,328	1,662,022	1,813,851	3,296,216
COSTS AND EXPENSES:				
Cost of sales	547,550	970,421	1,329,734	1,931,739
Selling, general and administrative expenses	491,598	531,843	976,686	1,049,221
Costs related to debt issuances and amendments	—	7	4,352	(375)
Depreciation and amortization	54,404	52,261	108,694	102,902
Impairment charges - long-lived assets	1,077	—	3,001	—
Other income - net	(824)	(1,663)	(2,946)	(3,754)
Loss on extinguishment of debt	—	—	202	—
Interest expense	28,359	13,435	43,052	26,805
Total costs and expenses	1,122,164	1,566,304	2,462,775	3,106,538
(Loss) income before income tax (benefit) expense	(109,836)	95,718	(648,924)	189,678
Income tax (benefit) expense	(63,055)	11,151	(268,415)	27,346
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Net (loss) income per common share:				
Common stock - basic	$ (0.71)	$ 1.28	$ (5.79)	$ 2.46
Common stock - diluted	$ (0.71)	$ 1.26	$ (5.79)	$ 2.40
Weighted average number of common shares:				
Common stock - basic	65,947	65,918	65,760	66,011
Common stock - diluted	65,947	67,274	65,760	67,502

See Notes to Condensed Consolidated Financial Statements.

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

	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Other comprehensive income (loss), net of tax:				
Interest rate derivative contracts:				
Net unrealized losses arising during the period	(1,982)	(10,222)	(11,591)	(13,494)
Reclassification into earnings during the period	2,049	150	3,157	(35)
Other comprehensive income (loss), net of tax	67	(10,072)	(8,434)	(13,529)
Total comprehensive (loss) income	$ (46,714)	$ 74,495	$ (388,943)	$ 148,803

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 1, 2020	February 1, 2020	August 3, 2019
ASSETS			
Current assets:			
Cash and cash equivalents	$ 1,077,146	$ 403,074	$ 97,207
Restricted cash and cash equivalents	6,582	6,582	21,882
Accounts receivable—net	50,255	91,508	98,201
Merchandise inventories	607,554	777,248	823,787
Assets held for disposal	—	2,261	—
Prepaid and other current assets	150,253	136,698	144,832
Total current assets	1,891,790	1,417,371	1,185,909
Property and equipment—net	1,431,476	1,403,173	1,317,562
Operating lease assets	2,456,919	2,397,111	2,160,828
Tradenames	238,000	238,000	238,000
Favorable leases—net	634	731	829
Goodwill	47,064	47,064	47,064
Deferred tax assets	4,678	4,678	4,125
Other assets	299,373	85,731	92,120
Total assets	$ 6,369,934	$ 5,593,859	$ 5,046,437
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 492,349	$ 759,107	$ 690,597
Current operating lease liabilities	277,211	302,185	277,411
Other current liabilities	451,877	397,032	344,584
Current maturities of long term debt	3,760	3,577	3,176
Total current liabilities	1,225,197	1,461,901	1,315,768
Long term debt	2,161,166	1,001,723	1,079,775
Long term operating lease liabilities	2,390,344	2,322,000	2,069,613
Other liabilities	113,580	97,798	94,601
Deferred tax liabilities	217,387	182,288	171,543
Commitments and contingencies (Note 12)			
Stockholders' equity:			
Preferred stock, $0.0001 par value: authorized: 50,000,000 shares; no shares issued and outstanding	—	—	—
Common stock, $0.0001 par value:			
Authorized: 500,000,000 shares;			
Issued: 80,414,151 shares, 79,882,506 shares and 79,605,368 shares, respectively;			
Outstanding: 66,163,573 shares, 65,929,972 shares and 66,270,608 shares, respectively	7	7	7
Additional paid-in-capital	1,770,091	1,587,146	1,545,185
Accumulated (deficit) earnings	(175,712)	204,797	(97,987)
Accumulated other comprehensive loss	(27,394)	(18,960)	(17,142)
Treasury stock, at cost	(1,304,732)	(1,244,841)	(1,114,926)
Total stockholders' equity	262,260	528,149	315,137
Total liabilities and stockholders' equity	$ 6,369,934	$ 5,593,859	$ 5,046,437

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 1, 2020	August 3, 2019
OPERATING ACTIVITIES		
Net (loss) income	$ (380,509)	$ 162,332
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities		
Depreciation and amortization	108,694	102,902
Impairment charges—long-lived assets	3,001	—
Amortization of deferred financing costs	1,786	641
Accretion of long term debt instruments	9,146	406
Deferred income taxes	(5,923)	(1,817)
Non-cash loss on extinguishment of debt	202	—
Non-cash stock compensation expense	30,045	20,974
Non-cash lease expense	1,226	7,318
Cash received from landlord allowances	12,825	23,427
Changes in assets and liabilities:		
Accounts receivable	59,304	(22,754)
Merchandise inventories	169,694	129,890
Prepaid and other current assets	(13,553)	(21,729)
Accounts payable	(269,750)	(158,675)
Other current liabilities	10,131	(16,189)
Other long term assets and long term liabilities	(216,888)	1,829
Other operating activities	7,539	868
Net cash (used in) provided by operating activities	(473,030)	229,423
INVESTING ACTIVITIES		
Cash paid for property and equipment	(133,722)	(163,480)
Lease acquisition costs	—	(459)
Other investing activities	(395)	(44)
Net cash (used in) investing activities	(134,117)	(163,983)
FINANCING ACTIVITIES		
Proceeds from long term debt—ABL Line of Credit	400,000	1,053,500
Principal payments on long term debt—ABL Line of Credit	(150,000)	(956,600)
Proceeds from long term debt—Convertible Note	805,000	—
Proceeds from long term debt—Secured Note	300,000	—
Purchase of treasury shares	(59,891)	(193,165)
Proceeds from stock option exercises	20,984	15,216
Deferred financing costs	(28,815)	—
Other financing activities	(6,059)	542
Net cash provided by (used in) financing activities	1,281,219	(80,507)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	674,072	(15,067)
Cash, cash equivalents, restricted cash and restricted cash equivalents at beginning of period	409,656	134,156
Cash, cash equivalents, restricted cash and restricted cash equivalents at end of period	$ 1,083,728	$ 119,089
Supplemental disclosure of cash flow information:		
Interest paid	$ 17,722	$ 25,461
Income tax payments - net	$ 8,754	$ 70,628
Non-cash investing activities:		
Accrued purchases of property and equipment	$ 60,693	$ 47,754

See Notes to Condensed Consolidated Financial Statements.

1. Summary of Significant Accounting Policies

Basis of Presentation

As of August 1, 2020, Burlington Stores, Inc., a Delaware corporation (collectively with its subsidiaries, the Company), through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 739 retail stores.

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Stores, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020 (Fiscal 2019 10-K). The balance sheet at February 1, 2020 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2019 10-K. Because of the COVID-19 pandemic discussed below, and because the Company's business is seasonal in nature, the operating results for the three and six month periods ended August 1, 2020 are not necessarily indicative of results for the fiscal year.

Accounting policies followed by the Company are described in Note 1, "Summary of Significant Accounting Policies," included in Part II, Item 8 of the Fiscal 2019 10-K.

Fiscal Year

The Company defines its fiscal year as the 52- or 53-week period ending on the Saturday closest to January 31. The current fiscal year ending January 30, 2021 (Fiscal 2020) and the prior fiscal year ended February 1, 2020 (Fiscal 2019) both consist of 52 weeks.

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus (known as COVID-19) outbreak to be a global pandemic. As a result, the Company began the temporary closing of some of its stores, and effective March 22, 2020, it made the decision to temporarily close all of its stores, distribution centers (other than sporadic processing of received inventory) and corporate offices to combat the rapid spread of COVID-19.

These developments have caused significant disruptions to the Company's business and have had a significant adverse impact on its financial condition, results of operations and cash flows, the continuing extent of which will be primarily based on a variety of factors, including the timing and extent of any recovery in traffic and consumer spending at the Company's stores, as well as any future required store closures because of COVID-19 resurgences. The Company began reopening stores on May 11, 2020, with the majority of stores, as well as all distribution centers, re-opened by mid-June 2020, and substantially all stores re-opened by the end of the second quarter. However, the Company is currently unable to determine whether, when or how the conditions surrounding the COVID-19 pandemic will change, including the impact that social distancing protocols will have on the Company's operations, the degree to which the Company's customers will patronize its stores and any impact from potential subsequent additional outbreaks, including additional temporary store closures.

In response to the COVID-19 pandemic and the temporary closing of stores, the Company provided two weeks of financial support to associates impacted by these store closures and by the shutdown of distribution centers. The Company temporarily furloughed most store and distribution center associates, as well as some corporate associates, but continued to provide benefits to furloughed associates, including paying 100% of their current medical benefit premiums. As of August 1, 2020, the Company has recalled all furloughed associates at its re-opened stores, as well as its corporate and distribution facilities.

In order to maintain maximum financial flexibility during these uncertain times, the Company completed several debt transactions in the first quarter of Fiscal 2020. In March 2020, the Company borrowed $400 million on its existing $600 million senior secured asset-based revolving credit facility (the ABL Line of Credit), $150 million of which was repaid during the second quarter. In April 2020, the Company issued $805 million of 2.25% Convertible Senior Notes due 2025 (the Convertible Notes), and BCFWC issued $300 million of 6.25% Senior Secured Notes due 2025 (the Secured Notes). Refer to Note 4, “Long Term Debt,” for further discussion regarding these debt transactions.

Additionally, the Company took the following steps to further enhance its financial flexibility:

- Carefully managed operating expenses, working capital and capital expenditures, including ceasing substantially all buying activity while stores were closed. The Company has subsequently resumed its buying activities, while continuing its conservative approach toward operating expenses and capital expenditures.
- Negotiated rent deferral agreements with landlords.
- Suspended the Company’s share repurchase program.
- The Company’s CEO voluntarily agreed to not take a salary; the Company’s board of directors voluntarily forfeited their cash compensation; the Company’s executive leadership team voluntarily agreed to decrease their salary by 50%, and smaller salary reductions were temporarily put in place for all employees through a certain level. This compensation has been reinstated now that substantially all of the Company’s stores have reopened.

- The annual incentive bonus payments related to Fiscal 2019 performance were delayed to the second quarter of Fiscal 2020, and merit pay increases for Fiscal 2020 were delayed to the third quarter of Fiscal 2020.

Due to the aging of inventory related to the temporary store closures discussed above, as well as the impact of seasonality on the Company’s merchandise, the Company recognized inventory markdown reserves of $271.9 million during the three month period ended May 2, 2020. These reserves covered markdowns taken during the second quarter of Fiscal 2020. These charges were included in “Cost of sales” on the Company’s Condensed Consolidated Statement of (Loss) Income.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law, which provides emergency economic assistance for American workers, families and businesses affected by the COVID-19 pandemic. The economic relief package includes government loan enhancement programs and various tax provisions to help improve liquidity for American businesses. Based on the Company’s evaluation of the CARES Act, the Company believes that it qualifies for certain employer refundable payroll credits, deferral of applicable payroll taxes, net operating loss (NOL) carrybacks and immediate expensing for eligible qualified improvement property. The Company recorded a tax benefit of $24.8 million and $87.3 million in its effective income tax rate for the three and six month periods ended August 1, 2020, respectively, for the increased benefit from NOL carrybacks to earlier years when the tax rate was higher than the current year. The Company estimates that it will obtain a tax refund of $221.2 million from the carryback of federal NOLs, which is included in the line item “Other assets” on the Company’s Condensed Consolidated Balance Sheet. Refer to Note 8, “Income Taxes” for further discussion.

The Company could experience other potential adverse impacts as a result of the COVID-19 pandemic, including, but not limited to, charges from adjustments to the carrying amount of goodwill and other intangible assets or long-lived asset impairment charges. In addition, the negative impacts of the COVID-19 pandemic may result in further changes in the amount of valuation allowance required. Actual results may differ materially from the Company’s current estimates as the scope of the COVID-19 pandemic evolves, depending largely, though not exclusively, on the duration and extent of the disruption to its business.

Recently Adopted Accounting Standards

Reference Rate Reform

On March 12, 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04, “Facilitation of the Effects of Reference Rate Reform on Financial Reporting,” which aims to address accounting consequences that could result from the global markets’ anticipated transition away from the use of the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. The amendments in this update provide optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this update apply only to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform. The optional amendments are effective for all entities as of March 12, 2020, through December 31, 2022. The Company intends to elect to apply certain of the optional expedients when evaluating the impact of reference rate reform on its debt and derivative instruments that reference LIBOR.

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 became effective for the Company as of the beginning of Fiscal 2020. Adoption of this guidance did not have a significant impact on the Company’s consolidated financial statements and notes thereto.

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 statements of income as the fees associated with the hosting element of the arrangement. The new guidance became effective for the Company as of the beginning of Fiscal 2020. Adoption of this guidance did not have a significant impact on the Company’s consolidated financial statements and notes thereto.

Pending Accounting Standards

Convertible Debt

On August 5, 2020, the FASB issued ASU 2020-06, “Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity,” which simplifies the accounting for certain financial instruments with characteristics of liabilities and equity, including convertible instruments. The new guidance removes from GAAP the separation models for convertible debt with a cash conversion feature. As a result, after adopting the guidance, entities will no longer separately present imbedded conversion features in equity, and will instead account for the convertible debt wholly as debt. Among other things, the new guidance also requires use of the if-converted method when calculating the dilutive impact of convertible debt on earnings per share. The new guidance will be effective for fiscal years beginning after December 15, 2021 and interim periods within those years, and may be early adopted for fiscal years beginning after December 15, 2020 and interim periods within those fiscal years. Entities can elect either the full or modified retrospective method of adoption.

While the Company is still in the process of determining the impact of adopting this guidance, it does anticipate that the new guidance will have a material impact on its consolidated financial statements and notes thereto. The Company anticipates a significant reclassification from equity to debt, as well as a reduction in interest expense, due to eliminating the amortization of the debt discount. Additionally, this guidance may cause a change to our diluted share count in certain periods.

There were no other new accounting standards that had a material impact on the Company’s Condensed Consolidated Financial Statements and notes thereto during the three and six month periods ended August 1, 2020, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of August 1, 2020 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 1, 2020 and August 3, 2019 in the Company's stockholders' equity are summarized below:

(in thousands, except share data)

	Common Stock		Additional Paid-in	Accumulated Earnings	Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	(Deficit)	Loss	Shares	Amount	Total
Balance at February 1, 2020	79,882,506	$ 7	$ 1,587,146	$ 204,797	$ (18,960)	(13,952,534)	$ (1,244,841)	$ 528,149
Net loss	—	—	—	(333,728)	—	—	—	(333,728)
Stock options exercised	180,950	—	1,454	—	—	—	—	1,454
Shares used for tax withholding	—	—	—	—	—	(41,363)	(7,383)	(7,383)
Shares purchased as part of publicly announced programs	—	—	—	—	—	(243,573)	(50,158)	(50,158)
Vesting of restricted shares, net of forfeitures of 4,166 restricted shares	20,715	—	—	—	—	—	—	—
Stock based compensation	—	—	17,352	—	—	—	—	17,352
Equity component of convertible notes issuance, net	—	—	131,916	—	—	—	—	131,916
Unrealized losses on interest rate derivative contracts, net of related tax benefit of $3.6 million	—	—	—	—	(9,609)	—	—	(9,609)
Amount reclassified into earnings, net of related taxes of $0.4 million	—	—	—	—	1,108	—	—	1,108
Balance at May 2, 2020	80,084,171	7	1,737,868	(128,931)	(27,461)	(14,237,470)	(1,302,382)	279,101
Net loss	—	—	—	(46,781)	—	—	—	(46,781)
Stock options exercised	324,500	—	19,530	—	—	—	—	19,530
Shares used for tax withholding	—	—	—	—	—	(13,108)	(2,350)	(2,350)
Vesting of restricted shares, net of forfeitures of 2,499 restricted shares	5,480	—	—	—	—	—	—	—
Stock based compensation	—	—	12,693	—	—	—	—	12,693
Unrealized losses on interest rate derivative contracts, net of related tax benefit of $0.7 million	—	—	—	—	(1,982)	—	—	(1,982)
Amount reclassified into earnings, net of related taxes of $0.8 million	—	—	—	—	2,049	—	—	2,049
Balance at August 1, 2020	80,414,151	$ 7	$ 1,770,091	$ (175,712)	$ (27,394)	(14,250,578)	$ (1,304,732)	$ 262,260

	(in thousands, except share data)							
	Common Stock		Additional Paid-in	Accumulated	Accumulated Other Comprehensive	Treasury Stock		
	Shares	Amount	Capital	Deficit	Loss	Shares	Amount	Total
Balance at February 2, 2019	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 derivative 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
Balance at May 4, 2019	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 derivative 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
Balance at August 3, 2019	79,605,368	$ 7	$ 1,545,185	$ (97,987)	$ (17,142)	(13,334,760)	$ (1,114,926)	$ 315,137

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.

As a result of the COVID-19 pandemic and the associated store closures discussed above, the Company worked with landlords to modify payment terms for certain leases. The FASB has provided relief under ASC 842, “Leases,” related to the COVID-19 pandemic. Under this relief, companies can make a policy election on how to treat lease concessions resulting directly from COVID-19, provided that the modified contracts result in total cash flows that are substantially the same or less than the cash flows in the original contract. The Company has made the policy election to account for lease concessions that result from the COVID-19 pandemic as if they were made as enforceable rights under the original contract. Additionally, the Company has elected to account for these concessions outside of the lease modification framework described under ASC 842. As a result, deferred payments related to these leases of $47.9 million are included in the line item “Other current liabilities” on the Company’s Condensed Consolidated Balance Sheet.

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

	(in thousands)	
Fiscal Year	**Operating Leases**	**Finance Leases**
2020 (remainder)	$ 190,025	$ 3,081
2021	450,918	6,841
2022	433,387	7,513
2023	410,257	7,589
2024	373,917	7,417
2025	339,930	5,298
Thereafter	1,160,133	33,353
Total future minimum lease payments	3,358,567	71,092
Amount representing interest	(691,012)	(22,244)
Total lease liabilities	2,667,555	48,848
Less: current portion of lease liabilities	(277,211)	(3,760)
Total long term lease liabilities	$ 2,390,344	$ 45,088
Weighted average discount rate	5.4%	6.9%
Weighted average remaining lease term (years)	8.5	11.9

The above schedule excludes approximately $332.8 million for 51 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:

	(in thousands)			
	Three Months Ended August 1, 2020	**Six Months Ended August 1, 2020**	**Three Months Ended August 3, 2019**	**Six Months Ended August 3, 2019**
Finance lease cost:				
Amortization of finance lease asset (a)	$ 1,211	$ 2,422	$ 972	$ 1,945
Interest on lease liabilities (b)	857	1,729	641	1,296
Operating lease cost (c)	109,592	218,565	101,504	202,428
Variable lease cost (c)	45,643	86,861	38,442	77,261
Total lease cost	157,303	309,577	141,559	282,930
Less all rental income(d)	(1,265)	(2,513)	(1,233)	(2,473)
Total net rent expense (e)	$ 156,038	$ 307,064	$ 140,326	$ 280,457

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

Supplemental cash flow disclosures related to leases are as follows:

	(in thousands)	
	Six Months Ended August 1, 2020	**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)	$ 169,391	$ 198,287
Cash payments for the principal portion of finance lease liabilities (b)	$ 1,743	$ 1,407
Cash payments for the interest portion of finance lease liabilities (a)	$ 1,729	$ 1,296
Supplemental non-cash information:		
Operating lease liabilities arising from obtaining right-of-use assets	$ 228,344	$ 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.

4. Long Term Debt

Long term debt consists of:

	(in thousands)		
	August 1, 2020	February 1, 2020	August 3, 2019
$1,200,000 senior secured term loan facility (Term B-5 Loans), LIBOR (with a floor of 0.00%) plus 1.75%, matures on November 17, 2024	$ 958,025	$ 957,505	$ 957,099
$805,000 convertible senior notes, 2.25%, matures on April 15, 2025	633,076	—	—
$300,000 senior secured notes, 6.25%, matures on April 15, 2025	300,000	—	—
$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, matures on June 29, 2023	250,000	—	96,900
Finance lease obligations	48,848	50,130	31,541
Unamortized deferred financing costs	(25,023)	(2,335)	(2,589)
Total debt	2,164,926	1,005,300	1,082,951
Less: current maturities	(3,760)	(3,577)	(3,176)
Long term debt, net of current maturities	$ 2,161,166	$ 1,001,723	$ 1,079,775

Term Loan Facility

On February 26, 2020, the Company entered into Amendment No. 8 (the Eighth Amendment) to the Term Loan Credit Agreement governing its senior secured credit term loan facility (the Term Loan Facility). The Eighth Amendment, among other things, reduced the interest rate margins applicable to the Term Loan Facility from 1.00% to 0.75%, in the case of prime rate loans, and from 2.00% to 1.75%, in the case of LIBOR loans, with the LIBOR floor remaining at 0.00%. In connection with the execution of the Eighth Amendment, the Company incurred fees of $1.1 million, primarily related to legal and placement fees, which were recorded in the line item “Costs related to debt issuances and amendments” in the Company’s Condensed Consolidated Statement of (Loss) Income. Additionally, the Company recognized a non-cash loss on the extinguishment of debt of $0.2 million, representing the write-off of unamortized deferred financing costs and original issue discount, which was recorded in the line item “Loss on extinguishment of debt” in the Company’s Condensed Consolidated Statement of (Loss) Income.

At August 1, 2020 and August 3, 2019, the Company’s interest rate related to the Term Loan Facility was 1.9% and 4.3%, respectively.

Convertible Notes

On April 16, 2020, the Company issued $805 million of Convertible Notes. An aggregate of up to 3,656,149 shares of common stock may be issued upon conversion of the Convertible Notes, which number is subject to adjustment up to an aggregate of 4,844,410 shares following certain corporate events that occur prior to the maturity date or if the Company issues a notice of redemption, and which is also subject to certain anti-dilution adjustments.

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

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

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

The Convertible Notes contain a cash conversion feature, and as a result, the Company has separated it into liability and equity components. The Company valued the liability component based on its borrowing rate for a similar debt instrument that does not contain a conversion feature. The equity component, which is recognized as a debt discount, was valued as the difference between the face value of the Convertible Notes and the fair value of the liability component.

In connection with the Convertible Notes issuance, the Company incurred deferred financing costs of $21.0 million, primarily related to fees paid to the bookrunners of the offering, as well as legal, accounting and rating agency fees. These costs were allocated on a pro rata basis, with $16.4 million allocated to the debt component and $4.6 million allocated to the equity component.

The debt discount and the debt portion of the deferred costs are being amortized to interest expense over the term of the Convertible Notes at an effective interest rate of 8.2%.

The Convertible Notes consist of the following components as of the periods indicated:

	(in thousands)		
	August 1, 2020	**February 1, 2020**	**August 3, 2019**
Liability component:			
Principal	$ 805,000	$ —	$ —
Unamortized debt discount	(171,924)	—	—
Unamortized deferred debt costs	(15,571)	—	—
Net carrying amount	$ 617,505	$ —	$ —
Equity component, net	$ 131,916	$ —	$ —

Interest expense related to the Convertible Notes consists of the following as of the periods indicated:

	(in thousands)			
	Three Months Ended August 1, 2020	**Six Months Ended August 1, 2020**	**Three Months Ended August 3, 2019**	**Six Months Ended August 3, 2019**
Coupon interest	$ 4,513	$ 5,356	$ —	$ —
Amortization of debt discount	7,387	8,753	—	—
Amortization of deferred debt costs	672	793	—	—
Convertible Notes interest expense	$ 12,572	$ 14,902	$ —	$ —

Secured Notes

On April 16, 2020, BCFWC issued $300 million of Secured Notes. The Secured Notes are senior, secured obligations of BCFWC, and interest is payable semiannually in cash, in arrears, at a rate of 6.25% per annum on April 15 and October 15 of each year, beginning on October 15, 2020. The Secured Notes are guaranteed on a senior secured basis by Burlington Coat Factory Holdings, LLC, Burlington Coat Factory Investments Holdings, Inc. and BCFWC's subsidiaries that guarantee the loans under the Term Loan Facility. The Secured Notes mature on April 15, 2025, unless earlier redeemed or repurchased.

In connection with the Secured Notes issuance, the Company incurred deferred financing costs of $7.8 million, primarily related to fees paid to the bookrunners of the offering, as well as legal fees. These costs are being amortized to interest expense over the term of the Secured Notes. The Company incurred additional costs of $3.2 million, primarily related to legal fees, which are recorded in the line item, "Costs related to debt issuances and amendments" in the Company's Condensed Consolidated Statement of (Loss) Income.

ABL Line of Credit

On March 17, 2020, the Company borrowed $400 million under the ABL Line of Credit as a precautionary measure in order to increase the Company's cash position and facilitate financial flexibility in light of the uncertainty resulting from COVID-19. The Company repaid $150 million of this amount during the second quarter of Fiscal 2020.

At August 1, 2020, the Company had $120.4 million available under the ABL Line of Credit. The maximum borrowings under the ABL Line of Credit during the three and six month periods ended August 1, 2020 amounted to $400.0 million. Average borrowings during the three and six month periods ended August 1, 2020 amounted to $372.0 million and $289.3 million, respectively, at an average interest rate of 2.1% in both periods.

At August 3, 2019, the Company had $428.6 million available under the ABL Line of Credit. The maximum borrowings under the ABL Line of Credit 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 an average interest rate of 3.7% 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. 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 swaps as part of its interest rate risk management strategy. Interest rate swaps designated as cash flow hedges involve the receipt of variable-rate amounts from a counterparty in exchange for the Company making fixed-rate payments over the life of the agreements without exchange of the underlying notional amount.

As of August 1, 2020, the Company had the following outstanding interest rate derivative that was designated as a cash flow hedge of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Aggregate Principal Amount	Interest Cap/Swap Rate	Maturity Date
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:

	(in thousands)					
	Fair Values of Derivative Instruments					
	August 1, 2020		February 1, 2020		August 3, 2019	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest rate swap contract	Other liabilities	$ 37,798	Other liabilities	$ 26,220	Other liabilities	$ 23,703

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

	(in thousands)			
	Three Months Ended		Six Months Ended	
Interest Rate Derivatives:	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Unrealized losses, before taxes	$ (2,730)	$ (14,133)	$ (15,894)	$ (18,656)
Income tax benefit	748	3,911	4,303	5,162
Unrealized losses, net of taxes	$ (1,982)	$ (10,222)	$ (11,591)	$ (13,494)

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

	(in thousands)			
	Three Months Ended		Six Months Ended	
Component of Earnings:	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Interest expense	$ 2,820	$ 200	$ 4,352	$ (56)
Income tax (benefit) expense	(771)	(50)	(1,195)	21
Net reclassification into earnings	$ 2,049	$ 150	$ 3,157	$ (35)

The Company estimates that approximately $11.5 million will be reclassified from accumulated other comprehensive loss into interest expense during the next twelve months.

6. Accumulated Other Comprehensive Loss

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

	(in thousands) Derivative Instruments
Balance at February 1, 2020	$ (18,960)
Unrealized losses, net of related tax benefit of $4.3 million	(11,591)
Amount reclassified into earnings, net of related taxes of $1.2 million	3,157
Balance at August 1, 2020	$ (27,394)

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 1, 2020, February 1, 2020 and August 3, 2019 are summarized below:

	(in thousands) Fair Value Measurements at		
	August 1, 2020	February 1, 2020	August 3, 2019
Level 1			
Cash equivalents (including restricted cash)	$ 1,001,253	$ 369,733	$ 22,527

Long-Lived Assets

Long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy of Topic No. 820. The fair value of the Company's long-lived assets is generally calculated using discounted cash flows. During the three and six months ended August 1, 2020, the Company recorded impairment charges of $1.1 million and $3.0 million, respectively, primarily related to declines in revenues and operating results for five stores and ten stores, respectively. These costs were recorded in the line item "Impairment charges – long-lived assets" in the Company's Condensed Consolidated Statements of (Loss) Income. All of the fixed assets for these ten stores were fully impaired and therefore had zero fair value as of August 1, 2020, and would be categorized as Level 3 in the fair value hierarchy described above. Two of these stores also had partially impaired lease assets, with an aggregate fair value of $0.7 million as of August 1, 2020, and are categorized as Level 3 in the fair value hierarchy described above.

Financial Liabilities

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

	(in thousands) August 1, 2020		February 1, 2020		August 3, 2019	
	Principal Amount	Fair Value	Principal Amount	Fair Value	Principal Amount	Fair Value
Term B-5 Loans	$ 961,415	$ 914,546	$ 961,415	$ 959,899	$ 961,415	$ 959,791
Convertible Notes	805,000	896,070	—	—	—	—
Secured Notes	300,000	319,875	—	—	—	—
ABL Line of Credit	250,000	250,000	—	—	96,900	96,900
Total debt (a)	$ 2,316,415	$ 2,380,491	$ 961,415	$ 959,899	$ 1,058,315	$ 1,056,691

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

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

8. Income Taxes

On March 27, 2020, the CARES Act was enacted into law. The CARES Act includes several significant business tax provisions that, among other things, would eliminate the taxable income limit for certain net operating losses (NOLs) and allow businesses to carry back NOLs arising in 2018, 2019, and 2020 to the five prior tax years, loosen the business interest limitation under section 163(j), and correct certain revisions made to qualified improvement property regulations enacted in the 2017 Tax Cuts and Jobs Act. As a result of the CARES Act, to the extent that there are taxable losses at the end of 2020, the Company estimates that it will be able to obtain a tax refund from the carryback of federal NOLs.

Income tax benefit was $268.4 million during the six month period ended August 1, 2020, compared with income tax expense of $27.3 million during the six month period ended August 3, 2019. The effective tax rate for the six month period ended August 1, 2020 was 41.4%, compared with 14.4% during the six month period ended August 3, 2019. The effective tax rate for the six month period ended August 1, 2020 differs from the federal statutory rate of 21% and is an increase over the prior year primarily due to the Company's pretax loss and applying various provisions of the CARES Act, namely the benefit related to the carryback of federal NOLs in Fiscal 2020 to earlier tax years with higher tax rates than the current year, which represents a rate impact of 13.5%. Additionally, there was a 3.5% tax rate impact related to permanent benefits related to stock compensation.

Net deferred taxes are as follows:

	(in thousands)		
	August 1, 2020	**February 1, 2020**	**August 3, 2019**
Deferred tax asset	$ 4,678	$ 4,678	$ 4,125
Deferred tax liability	217,387	182,288	171,543
Net deferred tax liability	$ 212,709	$ 177,610	$ 167,418

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. The increase in deferred tax liability is primarily attributable to the tax treatment of certain debt transactions entered into during the first quarter of Fiscal 2020.

As of August 1, 2020, the Company had a deferred tax asset related to net operating losses of $20.7 million, inclusive of $20.4 million related to state net operating losses that expire at various dates between 2021 and 2040, as well as $0.3 million related to Puerto Rico net operating losses that will expire in 2025.

As of August 1, 2020, the Company had a deferred tax asset related to tax credit carry-forwards of $11.1 million, inclusive of $1.4 million of federal tax credits, which will expire in 2040, and $8.3 million of state tax credit carry-forwards, which will begin to expire in 2021, and $1.4 million of deferred tax assets recorded for Puerto Rico alternative minimum tax credits that have an indefinite life.

As of August 1, 2020, February 1, 2020 and August 3, 2019, valuation allowances amounted to $11.5 million, $9.8 million and $9.2 million, respectively, related to state and Puerto Rico net operating losses and state tax credit carry-forwards. The Company believes that it is more likely than not that this portion of state and Puerto Rico net operating losses and state tax credit carry-forwards will not be realized.

9. Capital Stock

Treasury Stock

The Company accounts for treasury stock under the cost method.

During the six month period ended August 1, 2020, the Company acquired 54,471 shares of common stock from employees for approximately $9.7 million to satisfy their minimum statutory tax withholdings related to the vesting of restricted stock and restricted stock unit awards, which was recorded in the line item “Treasury stock” 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 14, 2019, the Company’s Board of Directors authorized the repurchase of up to $400 million of common stock, which is authorized to be executed through August 2021. This repurchase program is funded using the Company’s available cash and borrowings under the ABL Line of Credit.

From the beginning of Fiscal 2020 through the time the program was suspended, the Company repurchased 243,573 shares of its common stock for $50.2 million 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 part of the Company’s cash management efforts during the COVID-19 pandemic, the Company suspended its share repurchase program in March 2020. As of August 1, 2020, the Company had $348.4 million remaining under its share repurchase authorization.

10. Net (Loss) 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:

	(in thousands, except per share data)			
	Three Months Ended		**Six Months Ended**	
	August 1, 2020	**August 3, 2019**	**August 1, 2020**	**August 3, 2019**
Basic net (loss) income per share				
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Weighted average number of common shares – basic	65,947	65,918	65,760	66,011
Net (loss) income per common share – basic	$ (0.71)	$ 1.28	$ (5.79)	$ 2.46
Diluted net (loss) income per share				
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Shares for basic and diluted net (loss) income per share:				
Weighted average number of common shares – basic	65,947	65,918	65,760	66,011
Assumed exercise of stock options and vesting of restricted stock	—	1,356	—	1,491
Assumed conversion of convertible debt	—	—	—	—
Weighted average number of common shares – diluted	65,947	67,274	65,760	67,502
Net (loss) income per common share – diluted	$ (0.71)	$ 1.26	$ (5.79)	$ 2.40

Approximately 2,005,000 and 2,015,000 shares were excluded from diluted net loss per share for the three and six month periods ended August 1, 2020, respectively, since all of the Company’s stock option, restricted stock and restricted stock unit awards have an anti-dilutive effect while in a net loss position.

Approximately 600,000 and 500,000 shares related to the Company’s stock option, restricted stock and restricted stock unit awards 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.

During the three and six months ended August 1, 2020, shares of common stock issuable upon conversion of the Convertible Notes have been excluded from the computation of diluted earnings per share as the effect would be anti-dilutive, since the conversion price of $220.18 exceeded the average market price of the Company’s common stock during the period.

11. Stock-Based Compensation

As of August 1, 2020, there were 2,432,377 shares of common stock available for issuance under the Company’s 2013 Omnibus Incentive Plan.

Non-cash stock compensation expense is as follows:

	(in thousands)			
	Three Months Ended		Six Months Ended	
Type of Non-Cash Stock Compensation	**August 1, 2020**	**August 3, 2019**	**August 1, 2020**	**August 3, 2019**
Restricted stock and restricted stock unit grants (a)	$ 5,739	$ 5,591	$ 12,638	$ 10,543
Stock option grants (a)	4,696	4,767	11,028	9,184
Performance stock unit grants (a)	2,258	1,189	6,379	1,247
Total (b)	$ 12,693	$ 11,547	$ 30,045	$ 20,974

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

(b) The amounts presented in the table above exclude taxes. For the three and six month periods ended August 1, 2020, the tax benefit related to the Company's non-cash stock compensation was approximately $2.2 million and $6.0 million, respectively. 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.

Stock Options

Stock option transactions during the six month period ended August 1, 2020 are summarized as follows:

	Number of Shares	**Weighted Average Exercise Price Per Share**
Options outstanding, February 1, 2020	1,890,955	$ 94.17
Options granted	236,833	180.12
Options exercised (a)	(505,450)	41.51
Options forfeited	(31,349)	109.94
Options outstanding, August 1, 2020	1,590,989	$ 123.39

(a) Options exercised during the six month period ended August 1, 2020 had a total intrinsic value of $77.5 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 1, 2020:

	Options	**Weighted Average Remaining Contractual Life (Years)**	**Weighted Average Exercise Price**	**Aggregate Intrinsic Value (in millions)**
Vested and expected to vest	1,590,989	6.4	$ 123.39	$ 103.8

The fair value of each stock option granted during the six month period ended August 1, 2020 was estimated using the Black Scholes option pricing model using the following assumptions:

	Six Months Ended
	August 1, 2020
Risk-free interest rate	0.45% - 1.48%
Expected volatility	35% - 36%
Expected life (years)	6.25
Contractual life (years)	10.0
Expected dividend yield	0.0%
Weighted average grant date fair value of options issued	$ 63.39

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 1, 2020, 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 1, 2020 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested awards outstanding, February 1, 2020	451,774	$ 131.03
Awards granted	182,410	186.07
Awards vested (a)	(165,324)	101.73
Awards forfeited	(11,738)	141.16
Non-vested awards outstanding, August 1, 2020	457,122	163.33

(a) Restricted stock awards vested during the six month period ended August 1, 2020 had a total intrinsic value of $29.8 million.

The fair value of each share of restricted stock granted during Fiscal 2020 was based upon the closing price of the Company's common stock on the grant date.

Performance Stock Units

The Company grants performance-based restricted stock units to its senior executives. Vesting of these performance stock units is based on pre-established EBIT margin expansion and sales compounded annual growth rate (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 stock unit cliff vests at the end of a three-year service period. Compensation costs recognized on the performance stock units are adjusted, as applicable, for performance above or below the target specified in the award.

Performance stock unit transactions during the six month period ended August 1, 2020 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Award
Non-vested units outstanding, February 1, 2020	80,951	$ 173.87
Units granted	74,783	179.46
Awards forfeited	(1,783)	170.08
Non-vested units outstanding, August 1, 2020	153,951	176.63

12. Commitments and Contingencies

Legal

Like many retailers, the Company has been named in potential class or collective actions on behalf of groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violations of state consumer and/or privacy protection and other statutes. The Company is involved in a federal wage and hour lawsuit alleging that certain exempt employees were misclassified under the Fair Labor Standards Act (FLSA). In addition, the Company is involved in a putative class action matter raising similar allegations of misclassification under the wage and hour laws of three states. In June 2020, the Company agreed to settle both matters for approximately $19.6 million (plus applicable employer-side payroll taxes). The parties are currently working to obtain final Court approval of the settlement.

The Company is also party to representative claims under the California Private Attorneys' General Act and 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. While no assurance can be given as to the ultimate outcome of these matters, the Company believes that the final resolution of these actions will not have a material adverse effect on the Company's results of operations, financial position, liquidity or capital resources.

Letters of Credit

The Company had letters of credit arrangements with various banks in the aggregate amount of $53.9 million, $53.1 million and $74.5 million as of August 1, 2020, February 1, 2020 and August 3, 2019, respectively. Among these arrangements, as of August 1, 2020, February 1, 2020 and August 3, 2019, the Company had letters of credit outstanding in the amount of $47.2 million, $46.6 million and $50.9 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. In addition, the Company had outstanding letters of credit arrangements in the amounts of $6.7 million, $6.5 million and $23.6 million at August 1, 2020, February 1, 2020 and August 3, 2019, 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 $120.4 million, $501.8 million and $428.6 million as of August 1, 2020, February 1, 2020 and August 3, 2019, respectively.

Purchase Commitments

The Company had $955.6 million of purchase commitments related to goods that were not received as of August 1, 2020.

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.

13. 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 the Consolidated Financial Statements and notes thereto in our Annual Report on Form 10-K for the fiscal year ended February 1, 2020 (Fiscal 2019 10-K).

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

Executive Summary

Introduction

We are a nationally recognized off-price retailer of high-quality, branded 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 739 stores as of August 1, 2020 in 45 states and Puerto Rico. We have diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise at up to 60% off other retailers' prices, including: women's ready-to-wear apparel, menswear, youth apparel, baby, beauty, footwear, accessories, home, toys, gifts and coats. We sell a broad selection of desirable, first-quality, current-brand, labeled merchandise acquired directly from nationally-recognized manufacturers and other suppliers.

COVID-19

On March 11, 2020, the World Health Organization declared the novel coronavirus (known as "COVID-19") outbreak to be a global pandemic. As a result, we began the temporary closing of some of our stores, and effective March 22, 2020, we made the decision to temporarily close all of our stores, distribution centers (other than sporadic processing of received inventory) and corporate offices to combat the rapid spread of COVID-19.

These developments have caused significant disruptions to our business and have had a significant adverse impact on our financial condition, results of operations and cash flows, the continuing extent of which will be primarily based on a variety of factors, including the timing and extent of any recovery in traffic and consumer spending at our stores, as well as any future required store closures because of COVID-19 resurgences. We began reopening stores on May 11, 2020, with the majority of stores, as well as all distribution centers, re-opened by mid-June 2020, and substantially all stores re-opened by the end of the second quarter. However, we are currently unable to determine whether, when or how the conditions surrounding the COVID-19 pandemic will change, including the impact that social distancing protocols will have on our operations, the degree to which our customers will patronize our stores and any impact from potential subsequent additional outbreaks, including additional temporary store closures.

In response to the COVID-19 pandemic and the temporary closing of our stores, we provided two weeks of financial support to associates impacted by these store closures and by the shutdown of distribution centers. We temporarily furloughed most store and distribution center associates, as well as some corporate associates, but continued to provide benefits to furloughed associates, including paying 100% of their current medical benefit premiums. As of August 1, 2020, we have recalled all furloughed associates at our re-opened stores, as well as our corporate and distribution facilities.

In order to maintain maximum financial flexibility during these uncertain times, we completed several debt transactions during the first quarter of Fiscal 2020. During March 2020, we borrowed $400 million on our existing $600 million senior secured asset-based revolving credit facility (the ABL Line of Credit), $150 million of which was repaid during the second quarter. In April 2020, we issued $805 million of 2.25% Convertible Senior Notes due 2025 (the Convertible Notes), and through our indirect subsidiary, Burlington Coat Factory Warehouse Corporation (BCFWC), issued $300 million of 6.25% Senior Secured Notes due 2025 (the Secured Notes). Refer to Note 4, "Long Term Debt," for further discussion regarding these debt transactions.

Additionally, we took the following steps to further enhance our financial flexibility:

- Carefully managed operating expenses, working capital and capital expenditures, including ceasing substantially all buying activities. We have subsequently resumed our buying activity, while continuing our conservative approach toward operating expenses and capital expenditures.
- Negotiated rent deferral agreements with landlords.
- Suspended our share repurchase program.
- Our CEO voluntarily agreed to not take a salary, our board of directors voluntarily forfeited their cash compensation, our executive leadership team voluntarily agreed to decrease their salary by 50% and smaller salary reductions have been temporarily put in place for all employees through a certain level. This compensation has been reinstated now that substantially all of our stores have reopened.
- The annual incentive bonus payments related to Fiscal 2019 performance were delayed to the second quarter of Fiscal 2020, and merit pay increases for Fiscal 2020 were delayed to the third quarter of Fiscal 2020.

Due to the aging of inventory related to the temporary store closures discussed above, as well as the impact of seasonality on our merchandise, we recognized inventory markdown reserves of $271.9 million during the three month period ended May 2, 2020. These reserves covered markdowns taken during the second quarter of Fiscal 2020. These charges were included in “Cost of sales” on our Condensed Consolidated Statement of (Loss) Income.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the CARES Act) was signed into law, which provides emergency economic assistance for American workers, families and businesses affected by the COVID-19 pandemic. The economic relief package includes government loan enhancement programs and various tax provisions to help improve liquidity for American businesses. Based on our evaluation of the CARES Act, we believe we qualify for certain employer refundable payroll credits, deferral of applicable payroll taxes, net operating loss (NOL) carrybacks and immediate expensing for eligible qualified improvement property. We recorded a tax benefit of $24.8 million and $87.3 million in our effective income tax rate for the three and six months ended August 1, 2020, respectively, for the increased benefit from NOL carrybacks to earlier years when the tax rate was higher than the current year. The Company estimates that it will obtain a tax refund of $221.2 million from the carryback of federal NOLs, which is included in the line item “Other assets” on the Company’s Condensed Consolidated Balance Sheet. Refer to Note 8, “Income Taxes” for further discussion.

We continue to keep health and safety as a top priority as we operate our stores. We have implemented social distancing and safety practices, including:

- Signage to remind customers and associates to practice social distancing and remain at least six feet apart.
- One way entrances and exits at the front of the store and in the department aisles.
- Wider check-out lanes, with social distancing markers on the floor.
- Increased space at each register, as well as a physical barrier, between customers and associates.
- Closing all fitting rooms.
- Routinely cleaning and disinfecting all areas of the store, including frequently cleaning high-touch areas.
- Providing sanitization materials throughout the store.
- Making shopping cart wipes available.
- All associates were screened before returning from furlough and continued to be screened daily in stores and distribution centers where required by state and local mandates. Associates are also required to wear face coverings while in stores and our distribution centers and are provided face masks and gloves by the Company.

We could experience other potential adverse impacts as a result of the COVID-19 pandemic, including, but not limited to, charges from adjustments to the carrying amount of goodwill and other intangible assets or long-lived asset impairment charges. In addition, the negative impacts of the COVID-19 pandemic may result in further changes in the amount of valuation allowance required. Actual results may differ materially from the Company’s current estimates as the scope of the COVID-19 pandemic evolves, depending largely, though not exclusively, on the duration and extent of the disruption to our business.

Fiscal Year

Fiscal 2020 is defined as the 52-week year ending January 30, 2021. Fiscal 2019 is defined as the 52-week year ending February 1, 2020.

Store Openings, Closings, and Relocations

During the six month period ended August 1, 2020, we opened 25 new stores, inclusive of 10 relocations, and permanently closed three stores, exclusive of the aforementioned relocations, bringing our store count as of August 1, 2020 to 739 stores, which includes temporarily closed stores.

Ongoing Initiatives for Fiscal 2020

Since the beginning of the COVID-19 pandemic, protecting the health and safety of our customers, associates, and the communities that we serve has been our top priority. Accordingly, we moved quickly to close our stores, distribution centers, and corporate offices in March. We continue to keep health and safety as a top priority as we operate our stores.

As discussed above, we began reopening stores on May 11, 2020 in accordance with applicable government guidelines, with the majority of our stores re-opened by mid-June 2020, and substantially all stores re-opened by the end of the second quarter. While our stores were closed, our primary short-term financial objective was to effectively manage and enhance our liquidity. As our stores return to normal operations, and we receive more clarity on the extent of the impact of the COVID-19 pandemic, we will 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:

  - *More Effectively Chasing the Sales Trend.* We are conservatively planning comparable stores sales growth, holding and controlling liquidity and closely analyzing the sales trend by business, ready to chase that trend. We believe that these actions should not only enable us to more effectively chase the trend, but they will also allow us to take more advantage of great opportunistic buys.
  - *Making a Greater Investment in Merchandising Capabilities.* We intend to invest in incremental headcount, especially in growing or under-developed businesses, training and coaching, improved tools and reporting, and other forms of merchant support. We believe that these investments should improve our ability to develop vendor relationships, source great merchandise buys, more accurately assess value, and better forecast and chase the sales trend.
  - *Operating with Leaner Store Inventories.* We are planning to carry less inventory in stores going forward, which we believe should result in the customer finding a higher mix of fresh receipts and great merchandise values within the racks. We believe that this should drive faster turns and lower markdowns, while simultaneously improving our customers’ shopping experience.
  - *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 as we expand our merchandising capabilities.

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

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

  - *Adhering to a Market Focused and Financially Disciplined Real Estate Strategy.* We have grown our store base consistently since our founding in 1972, developing more than 99% of our stores organically. We believe there is significant opportunity to expand our retail store base in the United States. We have identified numerous market opportunities that we believe will allow us to operate at least 1,000 stores over the long-term.
  - *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, enhanced certain 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:

  - *Improving Operational Flexibility.* Our store and supply chain teams must continue to respond to the challenge of becoming more responsive to the sales chase, enhancing their ability at flexing up and down based on trends. Their ability to appropriately flex based on the ongoing trends allows us to maximize leverage on sales, regardless of the trend.
  - *Optimizing Markdowns.* We believe that our markdown system allows us to maximize sales and gross margin dollars based on forward-looking sales forecasts, sell-through targets and exit dates. Additionally, as we plan to carry less inventory in our stores, we expect to drive faster turns, which in turn will reduce the amount of markdowns taken.
  - *Enhancing 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.
  - *Challenging Expenses to Drive Operating Leverage.* We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, by more conservatively planning our comparable store sales growth, we are forcing even tighter expense control. We believe that this should put us in a strong position to drive operating leverage on any sales ahead of the plan. Additionally, we plan to continue challenging the processes and operating norms throughout the organization with the belief that this will lead to incremental efficiency improvements and savings.

Uncertainties and Challenges

As we strive to increase profitability 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.

COVID-19. The extent of the impact of the COVID-19 pandemic on our business will depend largely on future developments, including the duration and spread of the outbreak within the U.S., the related impact on consumer confidence and spending and when, or if, we will be able to resume normal operations, all of which are highly uncertain and cannot be predicted. Nevertheless, COVID-19 presents material uncertainty and risk with respect to our business, financial performance and condition, operating results, liquidity and cash flows.

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 broader, protracted slowdown in the U.S. economy, an extended period of high unemployment rates, 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., or public health issues such as pandemics or epidemics, including the outbreak of the COVID-19 pandemic, could lead to a decrease in spending by consumers. In addition, natural disasters, public health issues, industrial accidents and acts of war in various parts of the world could have the effect of disrupting supplies and raising prices globally which, in turn, may have adverse effects on the world and U.S. economies and lead to a downturn in consumer confidence and spending.

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

Seasonality of Sales and Weather Conditions. Our sales, like most other retailers, are subject to seasonal influences, with the majority of our sales and net income historically 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.

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

The U.S. retail apparel and home furnishings markets are highly fragmented and competitive. We compete for business with department stores, off-price retailers, internet retailers, specialty stores, discount stores, wholesale clubs, and outlet stores as well as with certain traditional, full-price retail chains that have developed off-price concepts. At various times throughout the year, traditional full-price department store chains and specialty shops offer brand-name merchandise at substantial markdowns, which can result in prices approximating those offered by us at our Burlington stores. Additionally, it is likely that the retail environment may continue to be highly promotional in the near term, as retailers try to rebuild traffic to their stores and clear aged merchandise. 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, in 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. As the COVID-19 pandemic began to unfold, our focus shifted toward maintaining and enhancing our liquidity position, so that we would be able to operate with reduced revenues for an extended period and take advantage of opportunistic buys as our stores re-opened. As our operations return to normal, management will continue to evaluate our other key performance measures, including, net (loss) income, Adjusted Net (Loss) Income, Adjusted EBITDA, Adjusted EBIT, comparable store sales, gross margin, inventory and store payroll.

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. We took several steps during the six months ended August 1, 2020 to effectively manage our liquidity during the COVID-19 pandemic, including careful management of operating expenses, working capital and capital expenditures, as well as suspending our share repurchase program. Additionally, we borrowed $400 million on our existing ABL Line of Credit, issued $805 million of our Convertible Notes, and through BCFWC, issued $300 million of our Secured Notes. We repaid $150 million on the ABL Line of Credit during the second quarter of Fiscal 2020. At August 1, 2020, we had $120.4 million available under the ABL Line of Credit.

Cash and cash equivalents, including restricted cash and cash equivalents, increased $674.1 million during the six months ended August 1, 2020, compared with a decrease of $15.1 million during the six months ended August 3, 2019. Refer to the section below entitled "Liquidity and Capital Resources" for further explanation.

Net (loss) income. We recorded a net loss of $46.8 million during the three month period ended August 1, 2020 compared with net income of $84.6 million during the three month period ended August 3, 2019. We recorded a net loss of $380.5 million during the six month period ended August 1, 2020 compared with net income of $162.3 million during the six month period ended August 3, 2019. These decreases were primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic. Refer to the section below entitled "Results of Operations" for further explanation.

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

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

We define Adjusted EBITDA as net (loss) 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 issuances and amendments; (viii) amounts related to certain litigation matters; (ix) costs related to closing the e-commerce store; and (x) other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

We define Adjusted EBIT as net (loss) 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 issuances and amendments; (viii) amounts related to certain litigation matters; (ix) costs related to closing the e-commerce store; and (x) other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

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

- favorable lease costs;
- costs related to debt issuances and amendments;
- losses on extinguishment of debt;
- amounts charged for certain litigation matters;
- non-cash interest expense related to original issue discount on the Convertible Notes;
- impairment charges on long-lived assets;
- costs related to closing the e-commerce store; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended August 1, 2020, Adjusted Net (Loss) Income decreased $128.6 million to a loss of $37.2 million and decreased $529.2 million to a loss of $352.2 million, respectively, compared to the same periods in the prior year. These decreases were primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net (loss) income to Adjusted Net (Loss) Income for the three and six months ended August 1, 2020 compared with the three and six months ended August 3, 2019:

	(unaudited) (in thousands)			
	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Reconciliation of net (loss) income to Adjusted Net (Loss) Income:				
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Net favorable lease costs (a)	6,183	9,205	12,626	19,907
Non-cash interest expense on convertible notes (b)	7,387	—	8,753	—
Costs related to debt issuances and amendments (c)	—	7	4,352	(375)
Loss on extinguishment of debt (d)	—	—	202	—
Impairment charges	1,077	—	3,001	—
Litigation accruals (e)	10,388	—	20,788	—
E-commerce closure (f)	970	—	970	—
Tax effect (g)	(16,421)	(2,333)	(22,427)	(4,931)
Adjusted Net (Loss) Income	(37,197)	91,446	(352,244)	176,933

(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). These expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of (Loss) Income.

(b) Represents non-cash accretion of original issue discount on the Convertible Notes.

(c) Represents certain costs incurred as a result of the issuance of the Secured Notes and the Convertible Notes, as well as the execution of refinancing opportunities.

(d) Amounts relate to the refinancing of the Term Loan Facility.

(e) Represents amounts charged for certain litigation matters.

(f) Represents costs related to the closure of our e-commerce store.

(g) 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 (f). The effective tax rate includes the benefit of loss carrybacks to prior years with higher statutory tax rates.

Adjusted EBITDA has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net (loss) 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 issuances and 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;
- amounts charged for certain litigation matters;
- impairment charges on long-lived assets;
- costs related to closing the e-commerce store;
- income tax expense; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended August 1, 2020, Adjusted EBITDA decreased $179.1 million to a loss of $8.8 million and decreased $794.6 million to a loss of $456.4 million, respectively, compared to the same period in the prior year. These decreases were primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net (loss) income to Adjusted EBITDA for the three and six months ended August 1, 2020 compared with the three and six months ended August 3, 2019:

	(unaudited) (in thousands)			
	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Reconciliation of net (loss) income to Adjusted EBITDA:				
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Interest expense	28,359	13,435	43,052	26,805
Interest income	(301)	(189)	(1,016)	(393)
Loss on extinguishment of debt (a)	—	—	202	—
Costs related to debt issuances and amendments (b)	—	7	4,352	(375)
Litigation accruals (c)	10,388	—	20,788	—
E-commerce closure (d)	970	—	970	—
Depreciation and amortization (e)	60,537	61,355	121,222	122,535
Impairment charges	1,077	—	3,001	—
Income tax (benefit) expense	(63,055)	11,151	(268,415)	27,346
Adjusted EBITDA	(8,806)	170,326	(456,353)	338,250

(a) Amounts relate to the refinancing of the Term Loan Facility.

(b) Represents certain costs incurred as a result of the issuance of the Secured Notes and the Convertible Notes, as well as the execution of refinancing opportunities.

(c) Represents amounts charged for certain litigation matters.

(d) Represents costs related to the closure of our e-commerce store.

(e) Includes $6.1 million and $12.5 million of favorable lease cost included in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of (Loss) Income for the three and six months ended August 1, 2020, and $9.1 million and $19.6 million for the three and six months ended August 3, 2019, respectively. 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.

Adjusted EBIT has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net (loss) 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 issuances and amendments;
- favorable lease cost;
- amounts charged for certain litigation matters;
- impairment charges on long-lived assets;
- costs related to closing the e-commerce store;
- income tax expense; and
- other unusual, non-recurring or extraordinary expenses, losses, charges or gains.

During the three and six months ended August 1, 2020, Adjusted EBIT decreased $181.3 million to a loss of $63.2 million and decreased $800.6 million to a loss of $564.9 million, respectively, compared to the same period in the prior year. These decreases were primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net (loss) income to Adjusted EBIT for the three and six months ended August 1, 2020 compared with the three and six months ended August 3, 2019:

	(unaudited) (in thousands)			
	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Reconciliation of net (loss) income to Adjusted EBIT:				
Net (loss) income	$ (46,781)	$ 84,567	$ (380,509)	$ 162,332
Interest expense	28,359	13,435	43,052	26,805
Interest income	(301)	(189)	(1,016)	(393)
Loss on extinguishment of debt (a)	—	—	202	—
Costs related to debt issuances and amendments (b)	—	7	4,352	(375)
Net favorable lease costs (c)	6,183	9,205	12,626	19,907
Impairment charges	1,077	—	3,001	—
Litigation accruals (d)	10,388	—	20,788	—
E-commerce closure (e)	970	—	970	—
Income tax (benefit) expense	(63,055)	11,151	(268,415)	27,346
Adjusted EBIT	(63,160)	118,176	(564,949)	235,622

(a) Amounts relate to the refinancing of the Term Loan Facility.

(b) Represents certain costs incurred as a result of the issuance of the Secured Notes and the Convertible Notes, as well as the execution of refinancing opportunities.

(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. These expenses are recorded in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of (Loss) Income.

(d) Represents amounts charged for certain litigation matters.

(e) Represents costs related to the closure of our e-commerce store.

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, commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. If a store is closed for seven or more days during a month, our policy is to remove that store from our calculation of comparable stores sales for any such month, as well as during the month(s) of their grand re-opening activities. Comparable store sales increased 4% and 2% for the three and six month periods ended August 3, 2019, respectively.

Comparable store sales as defined above are not meaningful for the three and six months ended August 1, 2020, due to the extended store closures resulting from the COVID-19 pandemic. In order to provide a performance indicator for our stores as they reopen, we are temporarily reporting a new sales measure: sales in re-opened stores. Sales in re-opened stores includes all stores that were opened prior to the end of the second quarter of Fiscal 2019, and reports the sales increase or decrease of these stores for the days the stores were open in the current period against sales for the same days in the prior year. Sales in re-opened stores decreased 14% during the second quarter of Fiscal 2020. These sales were stronger in the first half of the quarter driven by strong clearance sales, but weakened in late June and July due to low inventory levels and delayed store replenishment.

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 (Loss) 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 improved to 45.8% during the three month period ended August 1, 2020, compared with 41.4% during the three month period ended August 3, 2019. We recorded a reserve in the first quarter of Fiscal 2020 to account for the impact of clearance markdowns anticipated upon store re-openings in the second quarter. These markdowns reserved for in the first quarter led to low levels of clearance inventory in the second half of the second quarter and resulted in lower markdowns and increased margin for the quarter. Product sourcing costs, which are included in selling, general and administrative expenses, were $72.1 million during the three month period ended August 1, 2020, compared with $82.2 million during the three month period ended August 3, 2019. Gross margin as a percentage of net sales decreased to 26.4% during the six month period ended August 1, 2020, compared with 41.2% during the six month period ended August 3, 2019, driven primarily by aged inventory markdowns in the first quarter due to our extended store closures. Product sourcing costs were $146.6 million during the six month period ended August 1, 2020, compared with $160.7 million during the six month period ended August 3, 2019.

Inventory. Inventory at August 1, 2020 decreased to $607.6 million compared with $823.8 million at August 3, 2019. The decrease was driven by faster than expected clearance sell through during the first half of the quarter, delays in inventory replenishment, and conservative inventory plans due to uncertain consumer demand during the pandemic. We are planning in-store inventories to remain well below last year's levels on a comparable store basis. Pack and hold inventory was 26% of total inventory as of August 1, 2020, compared with 29% as of August 3, 2019. We intend to continue to build up our pack and hold merchandise. Inventory at February 1, 2020 was $777.2 million.

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. Once operations begin to normalize, we intend to move toward more productive inventories by increasing the amount of current inventory as a percent of total inventory.

Store Payroll. The method of calculating store payroll varies across the retail industry. As a result, our store payroll 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.

As a result of the COVID-19 outbreak, we temporarily furloughed most store associates in March 2020, while providing two weeks of financial support to impacted associates. We also continued to provide benefits to furloughed associates, including paying 100% of their current medical benefit premiums. As a result of these actions, store payroll costs decreased to $110.5 million and $215.6 million during the three and six month periods ended August 1, 2020, compared with $148.8 million and $289.9 million during the three and six month periods ended August 3, 2019, respectively.

Results of Operations

The following table sets forth certain items in the Condensed Consolidated Statements of (Loss) Income as a percentage of net sales for the three and six months ended August 1, 2020 and the three and six months ended August 3, 2019.

	Percentage of Net Sales			
	Three Months Ended		Six Months Ended	
	August 1, 2020	August 3, 2019	August 1, 2020	August 3, 2019
Net sales	100.0%	100.0%	100.0%	100.0%
Other revenue	0.2	0.3	0.3	0.3
Total revenue	100.2	100.3	100.3	100.3
Cost of sales	54.2	58.6	73.6	58.8
Selling, general and administrative expenses	48.7	32.1	54.0	31.9
Costs related to debt issuances and amendments	—	0.0	0.2	(0.0)
Depreciation and amortization	5.4	3.1	6.0	3.1
Impairment charges - long-lived assets	0.1	—	0.2	—
Other income - net	(0.1)	(0.1)	(0.2)	(0.1)
Loss on extinguishment of debt	—	—	0.0	—
Interest expense	2.8	0.8	2.4	0.8
Total costs and expenses	111.1	94.5	136.2	94.5
(Loss) income before income tax (benefit) expense	(10.9)	5.8	(35.9)	5.8
Income tax (benefit) expense	(6.2)	0.7	(14.8)	0.8
Net (loss) income	(4.7)%	5.1%	(21.1)%	5.0%

Three Month Period Ended August 1, 2020 Compared With the Three Month Period Ended August 3, 2019

Net sales

Net sales decreased approximately $646.5 million, or 39.0%, to $1,009.9 million during the second quarter of Fiscal 2020, primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic. Sales in reopened stores, from the date of their reopening to the end of the second quarter, decreased 14%. These sales were stronger in the first half of the quarter driven by strong clearance sales, but weakened in late June and July due to low inventory levels and delayed store replenishment.

Cost of sales

Cost of sales as a percentage of net sales decreased to 54.2% during the second quarter of Fiscal 2020, compared to 58.6% during the second quarter of Fiscal 2019. We recorded a reserve in the first quarter of Fiscal 2020 to account for the impact of clearance markdowns anticipated upon store re-openings in the second quarter. These markdowns reserved for in the first quarter led to low levels of clearance inventory in the second half of the second quarter and resulted in lower markdowns and increased margin for the quarter. On a dollar basis, cost of sales decreased $422.9 million, or 43.6%, primarily driven by our overall decrease in sales. Product sourcing costs, which are included in selling, general and administrative expenses, were $72.1 million during the second quarter of Fiscal 2020, compared with $82.2 million during the second quarter of Fiscal 2019.

Selling, general and administrative expenses

The following table details selling, general and administrative expenses for the three month period ended August 1, 2020 compared with the three month period ended August 3, 2019.

	(in millions) Three Months Ended					
	August 1, 2020	**Percentage of Net Sales**	**August 3, 2019**	**Percentage of Net Sales**	**$ Variance**	**% Change**
Store related costs	$ 334.6	33.1%	$ 355.3	21.5%	$ (20.7)	(5.8)%
Product sourcing costs	72.1	7.1	82.2	5.0	(10.1)	(12.3)
Corporate costs	59.5	5.9	55.4	3.3	4.1	7.4
Marketing and strategy costs	3.5	0.3	9.9	0.6	(6.4)	(64.6)
Favorable lease cost	6.1	0.6	9.1	0.5	(3.0)	(33.0)
Other selling, general and administrative expenses	15.8	1.7	19.9	1.2	(4.1)	(20.6)
Selling, general and administrative expenses	$ 491.6	48.7%	$ 531.8	32.1%	$ (40.2)	-7.6%

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by the temporary closure of all our stores. We took significant steps to reduce selling, general and administrative expenses during this period. Among other things, we worked with landlords to modify payment terms for certain leases, furloughed most store and distribution center associates, as well as some corporate associates, temporarily eliminated the salary of the CEO and cash compensation for our Board of Directors, and temporarily reduced the salaries for our executive leadership team by 50%, with smaller salary reductions for all employees through a certain level. As a result of these actions, our selling, general and administrative expenses decreased from last year on a dollar basis. These decreases were partially offset by COVID-19 related expenses and store re-opening costs of approximately $37 million, as well as litigation accruals. Refer to Note 12, “Commitments and Contingencies” for further discussion regarding our litigation accruals.

Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets amounted to $54.4 million during the second quarter of Fiscal 2020 compared with $52.3 million during the second quarter of Fiscal 2019. The increase in depreciation and amortization expense was primarily driven by capital expenditures related to our new and non-comparable stores.

Interest expense

Interest expense increased $14.9 million during the second quarter of Fiscal 2020 to $28.4 million, compared to the same period in the prior year. The increase was primarily driven by the $400 million draw on our ABL Line of Credit in March 2020, as well as the issuance of our $805 million Convertible Notes and our $300 million Secured Notes. This increase was partially offset by the refinancing of our Term Loan Facility in February 2020, which reduced the applicable interest rate margins on our Term Loan Facility from 2.00% to 1.75%, as well as a decrease in average LIBOR.

The average interest rates and average balances related to our variable rate debt for the second quarter of Fiscal 2020 compared with the second quarter of Fiscal 2019, are summarized in the table below:

	Three Months Ended	
	August 1, 2020	August 3, 2019
Average interest rate – ABL Line of Credit	2.1%	3.7%
Average interest rate – Term Loan Facility	2.0%	4.4%
Average balance – ABL Line of Credit (in millions)	$ 372.0	$ 146.0
Average balance – Term Loan Facility (in millions) (a)	$ 961.4	$ 961.4

(a) Excludes original issue discount.

Income tax (benefit) expense

Income tax benefit was $63.1 million during the second quarter of Fiscal 2020 compared with income tax expense of $11.2 million during the second quarter of Fiscal 2019. The effective tax rate for the second quarter of Fiscal 2020 was 57.4% compared with 11.6% during the second quarter of Fiscal 2019. The income tax benefit in the current year is a result of the pre-tax loss and the carry-back of net operating losses arising in 2020 to the five prior tax years, as permitted under the CARES Act. The increase in the income tax rate is a function of current year losses facilitating a refund receivable upon amending previously filed returns at a 35% tax rate.

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 2020 resulted in an annual effective income tax rate of approximately 36% (before discrete items) as our best estimate. This is an increase compared to the annual effective tax rate for the second quarter of Fiscal 2019 of approximately 25% (before discrete items), due to current year losses facilitating a refund receivable upon amending previously filed returns at a 35% tax rate.

Net (loss) income

We recorded a net loss of $46.8 million for the second quarter of Fiscal 2020 compared with net income of $84.6 million for the second quarter of Fiscal 2019. This decrease was primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic.

Six Month Period Ended August 1, 2020 Compared With the Six Month Period Ended August 3, 2019

Net sales

Net sales decreased approximately $1,477.0 million, or 45.0%, to $1,807.9 million during the six month period ended August 1, 2020, driven primarily by the temporary closure of all our stores due to the COVID-19 pandemic. Sales in reopened stores, from the date of their reopening to the end of the second quarter, decreased 14%. These sales were stronger in the first half of the quarter driven by strong clearance sales, but weakened in late June and July due to low inventory levels and delayed store replenishment.

Cost of sales

Cost of sales as a percentage of net sales increased to 73.6% during the six month period ended August 1, 2020, compared to 58.8% during the six month period ended August 3, 2019, driven primarily by markdowns on aged inventory in the first quarter due to the extended store closures. On a dollar basis, cost of sales decreased $602.0 million, or 31.2%, primarily driven by our overall decrease in sales. Product sourcing costs, which are included in selling, general and administrative expenses, were $146.6 million during the six month period ended August 1, 2020, compared with $160.7 million during the six month period ended August 3, 2019.

Selling, general and administrative expenses

The following table details selling, general and administrative expenses for the six month period ended August 1, 2020 compared with the six month period ended August 3, 2019.

	(in millions) Six Months Ended					
	August 1, 2020	**Percentage of Net Sales**	**August 3, 2019**	**Percentage of Net Sales**	**$ Variance**	**% Change**
Store related costs	$ 642.1	35.5%	$ 696.4	21.2%	$ (54.3)	(7.8)%
Product sourcing costs	146.6	8.1	160.7	4.9	(14.1)	(8.8)
Corporate costs	136.3	7.5	106.0	3.2	30.3	28.6
Marketing and strategy costs	11.0	0.6	28.7	0.9	(17.7)	(61.7)
Favorable lease cost	12.5	0.7	19.6	0.6	(7.1)	(36.2)
Other selling, general and administrative expenses	28.2	1.6	37.8	1.1	(9.6)	(25.4)
Selling, general and administrative expenses	$ 976.7	54.0%	$ 1,049.2	31.9%	$ (72.5)	(6.9)%

The increase in selling, general and administrative expenses as a percentage of net sales was primarily driven by the temporary closure of all our stores. We took significant steps to reduce selling, general and administrative expenses during this period. Among other things, we worked with landlords to modify payment terms for certain leases, furloughed most store and distribution center associates, as well as some corporate associates, temporarily eliminated the salary of the CEO and cash compensation for our Board of Directors, and temporarily reduced the salaries for our executive leadership team by 50%, with smaller salary reductions for all employees through a certain level. As a result of these actions, our selling, general and administrative expenses decreased from last year on a dollar basis. These decreases were partially offset by COVID-19 related expenses and store re-opening costs of approximately $37 million, as well as litigation accruals. Refer to Note 12, “Commitments and Contingencies” for further discussion regarding our litigation accruals.

Costs related to debt issuances and amendments

During the first quarter of Fiscal 2020, we incurred legal fees related to the issuance of our Secured Notes of $3.2 million, as well as legal and placement fees of $1.1 million related to the refinancing our Term Loan Facility. During the first quarter of Fiscal 2019, we reversed $0.4 million of previously estimated debt amendment costs associated with the 2018 refinancing of our Term Loan Facility.

Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets amounted to $108.7 million during the six month period ended August 1, 2020 compared with $102.9 million during the six month period ended August 3, 2019. The increase in depreciation and amortization expense was primarily driven by capital expenditures related to our new and non-comparable stores.

Interest expense

Interest expense increased $16.2 million during the six month period ended August 1, 2020 to $43.1 million, compared to the same period in the prior year. The increase was primarily driven by the $400 million draw on our ABL Line of Credit in March 2020, as well as the issuance of our $805 million Convertible Notes and our $300 million Secured Notes. This increase was partially offset by the refinancing of our Term Loan Facility in February 2020, which reduced the applicable interest rate margins on our Term Loan Facility from 2.00% to 1.75%, as well as a decrease in average LIBOR.

The average interest rates and average balances related to our variable rate debt for the six month period ended August 1, 2020 compared with prior year, are summarized in the table below:

	Six Months Ended	
	August 1, 2020	August 3, 2019
Average interest rate – ABL Line of Credit	2.1%	3.7%
Average interest rate – Term Loan Facility	2.5%	4.5%
Average balance – ABL Line of Credit (in millions)	$ 289.3	$ 146.7
Average balance – Term Loan Facility (in millions) (a)	$ 961.4	$ 961.4

(a) Excludes original issue discount

Income tax (benefit) expense

Income tax benefit was $268.4 million during the six month period ended August 1, 2020 compared with income tax expense of $27.3 million during the six month period ended August 3, 2019. The effective tax rate for the six month period ended August 1, 2020 was 41.4% compared with 14.4% during the six month period ended August 3, 2019. The income tax benefit in the current year is a result of the pre-tax loss and the carry-back of net operating losses arising in 2020 to the five prior tax years, as permitted under the CARES Act. The increase in the income tax rate is a function of current year losses facilitating a refund receivable upon amending previously filed returns at a 35% tax rate.

Net (loss) income

We recorded a net loss of $380.5 million during the six month period ended August 1, 2020 compared with net income of $162.3 million for the six month period ended August 3, 2019. This decrease was primarily driven by the temporary closure of all our stores due to the COVID-19 pandemic.

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.

As a result of the temporary store closures and the uncertainty regarding the duration of the COVID-19 impact on store traffic, the Company took a more conservative approach to managing its cash flow during the first half of Fiscal 2020. These measures included carefully managing operating expenses, working capital and capital expenditures during the period, as well as suspending the Company’s share repurchase program.

We completed several debt transactions in order to facilitate increased financial flexibility during this period. During March 2020, we borrowed $400 million on our existing ABL Line of Credit. We repaid $150 million on the ABL Line of Credit during the second quarter of Fiscal 2020. On April 16, 2020, we issued $805 million of our Convertible Notes, and through BCFWC, issued $300 million of Secured Notes. The proceeds of the Convertible Notes and Secured Notes are being used for general corporate purposes.

We believe that cash generated from operations upon re-opening of our stores, 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, or we are again required to cease or significantly limit our operations as a result of the COVID-19 pandemic.

Cash Flow for the Six Month Period Ended August 1, 2020 Compared With the Six Month Period Ended August 3, 2019

We generated $674.1 million of cash flow during the six month period ended August 1, 2020 compared with a use of $15.1 million during the six month period ended August 3, 2019.

Net cash used in operating activities amounted to $473.0 million during the six month period ended August 1, 2020, compared with proceeds of $229.4 million during the six month period ended August 3, 2019. The decrease in our operating cash flows was primarily driven by the temporary closure of all stores due to the COVID-19 pandemic.

Net cash used in investing activities was $134.1 million during the six month period ended August 1, 2020 compared with a use of $164.0 million during the six month period ended August 3, 2019. This change was primarily the result of a decrease in capital expenditures. Some of our new store, store remodel and other store expenditure projects were moved to future periods as a result of the COVID-19 pandemic.

Net cash provided by financing activities was $1,281.2 million during the six month period ended August 1, 2020 compared with a use of $80.5 million during the six month period ended August 3, 2019. This change was primarily driven by our cash flow management efforts as a result of the COVID-19 pandemic, which included drawing $400 million on our ABL Line of Credit, issuing $805 million of our Convertible Notes, and through BCFWC, issuing $300 million of Secured Notes, and suspending our share repurchase program. We repaid $150 million on the ABL Line of Credit during the second quarter of Fiscal 2020.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. We had working capital at August 1, 2020 of $660.0 million compared with a working capital deficit of $151.7 million at August 3, 2019. The increase in working capital was primarily due to our increased cash balance, as a result of issuing the Convertible Notes and the Secured Notes and the $250 million net draw on our ABL Line of Credit, as well as a decrease in accounts payable, due to decreased inventory receipts. These increases were partially offset by a decrease in merchandise inventories, an increase in other current liabilities (primarily due to deferral of rent payments and accrued interest on the Convertible Notes and Secured Notes), and a decrease in accounts receivable (primarily due to decreased credit card receivables). We had a working capital deficit at February 1, 2020 of $51.1 million.

Capital Expenditures

For the six month period ended August 1, 2020, cash spend for capital expenditures, net of $12.8 million of landlord allowances, amounted to $120.9 million. As a result of our temporary store closures and the uncertainty regarding the impact of the COVID-19 pandemic on store traffic, some of our capital expenditure projects have been moved to future periods. We now estimate that we will spend approximately $260 million, net of approximately $40 million of landlord allowances, in capital expenditures during Fiscal 2020, including approximately $105 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 $70 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 14, 2019, our Board of Directors authorized the repurchase of up to $400 million of common stock, which is authorized to be executed through August 2021. This repurchase program is funded using our available cash and borrowings on our ABL Line of Credit.

During the six month period ended August 1, 2020, we repurchased 243,573 shares of our common stock for $50.2 million under the share repurchase program. As part of the Company’s cash management efforts during the COVID-19 pandemic, we suspended our share repurchase program in March 2020. As of August 1, 2020, we had $348.4 million remaining under our share repurchase authorization.

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 1, 2020, we opened 25 new stores, inclusive of 10 relocations, and closed three stores, exclusive of the aforementioned relocations, bringing our store count as of August 1, 2020 to 739 stores. Some of our store opening and relocation projects have been moved to future periods as a result of the COVID-19 pandemic. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. During Fiscal 2020, we plan to open 36 net new stores, which includes approximately 62 gross new stores, along with approximately 26 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 we will be able to open the number of new stores presently planned, even if such locations are found and acceptable lease terms are obtained. 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 1, 2020, our obligations, inclusive of original issue discount, include $958.0 million under our Term Loan Facility, $633.1 million of Convertible Notes, $300.0 million of Secured Notes and $250.0 million of outstanding borrowings on our ABL Line of Credit. Our debt obligations also include $48.8 million of finance lease obligations as of August 1, 2020.

Term Loan Facility

On February 26, 2020, we completed a repricing of our Term Loan Facility, which among other things, reduced the interest rate margins applicable to our Term Loan Facility from 1.00% to 0.75%, in the case of prime rate loans, and from 2.00% to 1.75%, in the case of LIBOR loans, with the LIBOR floor remaining at 0.00%.

At August 1, 2020, our borrowing rate related to the Term Loan Facility was 1.9%.

ABL Line of Credit

On March 17, 2020, we borrowed $400 million under the ABL Line of Credit as a precautionary measure in order to increase our cash position and facilitate financial flexibility in light of the uncertainty resulting from COVID-19. We repaid $150 million of this amount during the second quarter of Fiscal 2020.

At August 1, 2020, we had $120.4 million available under the ABL Line of Credit. The maximum borrowings under the ABL Line of Credit during the six month period ended August 1, 2020 amounted to $400.0 million. Average borrowings during the six month period ended August 1, 2020 amounted to $289.3 million at an average interest rate of 2.1%.

Convertible Notes

On April 16, 2020, we issued $805 million of Convertible Notes. An aggregate of up to 3,656,149 shares of common stock may be issued upon conversion of the Convertible Notes, which number is subject to adjustment up to an aggregate of 4,844,410 shares following certain corporate events that occur prior to the maturity date or if we issue a notice of redemption, and which is also subject to certain anti-dilution adjustments.

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

Prior to the close of business on the business day immediately preceding January 15, 2025, the Convertible Notes will be convertible at the option of the holders only upon the occurrence of certain events and during certain periods. Thereafter, the Convertible Notes will be convertible at the option of the holders at any time until the close of business on the second scheduled trading day immediately preceding the maturity date. The Convertible Notes have an initial conversion rate of 4.5418 shares per $1,000 principal amount of Convertible Notes (equivalent to an initial conversion price of approximately $220.18 per share of our common stock), subject to adjustment if certain events occur. The initial conversion price represents a conversion premium of approximately 32.50% over $166.17 per share, the last reported sale price of our common stock on April 13, 2020 (the pricing date of the offering) on the New York Stock Exchange. Upon conversion, we will pay or deliver, as the case may be, cash, shares of our common stock or a combination of cash and shares of our common stock, at our election. We will not be able to redeem the Convertible Notes prior to April 15, 2023. On or after April 15, 2023, we will be able to redeem for cash all or any portion of the

Convertible Notes, at our option, if the last reported sale price of our common stock is equal to or greater than 130% of the conversion price for a specified period of time, at a redemption price equal to 100% of the principal aggregate amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest, if any, to, but excluding, the redemption date.

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

The Convertible Notes contain a cash conversion feature, and as a result, we have separated it into liability and equity components. We valued the liability component based on our borrowing rate for a similar debt instrument that does not contain a conversion feature. The equity component, which is recognized as a debt discount, was valued as the difference between the face value of the Convertible Notes and the fair value of the liability component.

Secured Notes

On April 16, 2020, our indirect subsidiary, BCFWC, issued $300 million of Senior Secured Notes. The Secured Notes are senior, secured obligations of BCFWC, and interest is payable semiannually in cash at a rate of 6.25% per annum on April 15 and October 15 of each year, beginning on October 15, 2020. The Secured Notes are guaranteed on a senior secured basis by Burlington Coat Factory Holdings, LLC, Burlington Coat Factory Investments Holdings, Inc. and BCFWC's subsidiaries that guarantee the loans under the Term Loan Facility and ABL Line of Credit. The Secured Notes will mature on April 15, 2025 unless earlier redeemed or repurchased.

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 $955.6 million of purchase commitments related to goods that were not received as of August 1, 2020. Except as disclosed above with respect to the issuance of the Convertible Notes and Secured Notes, there were no other significant changes regarding our obligations to make future payments under current contracts from those included in our Fiscal 2019 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. As of August 1, 2020, the end of our second quarter, the impact of the COVID-19 pandemic continues to unfold. As a result, many of our estimates and judgments carry a higher degree of variability and volatility. As events continue to evolve and additional information becomes available, our estimates may change materially in future periods. A critical accounting estimate meets two criteria: (1) it requires assumptions about highly uncertain matters and (2) there would be a material effect on the consolidated financial statements from either using a different, although reasonable, amount within the range of the estimate in the current period or from reasonably likely period-to-period changes in the estimate.

Our critical accounting policies and estimates are consistent with those disclosed in Note 1, "Summary of Significant Accounting Policies," to the audited Consolidated Financial Statements, included in Part II, Item 8 of the Fiscal 2019 10-K.

Safe Harbor Statement

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "opportunity," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (Securities Act) and Section 21E of the Securities Exchange Act of 1934, as amended (Exchange Act). Our forward-looking statements are subject to risks and uncertainties. Such statements may include, but are not limited to, future impacts of the COVID-19 pandemic, 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; pandemics, including the duration of the COVID-19 pandemic and actions taken to slow its spread and the related impact on consumer confidence and spending; 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, including the ultimate impact of the COVID-19 pandemic, 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, "Summary of Significant Accounting Policies," to our Condensed Consolidated Financial Statements in Part I, Item 1 for a discussion of recent accounting pronouncements and their impact 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 2019 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 1, 2020. 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 1, 2020.

During the quarter ended August 1, 2020, 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, the Company has been named in potential class or collective actions on behalf of 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 representative claims under the California Private Attorneys' General Act and 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. Refer to Note 12 to our Condensed Consolidated Financial Statements, "Commitments and Contingencies," for further detail.

Item 1A. Risk Factors.

The Company's risk factor disclosure in Part I, Item 1A of its Fiscal 2019 10-K is hereby supplemented as follows:

The current outbreak of the novel coronavirus, or COVID-19, pandemic has significantly adversely impacted and disrupted, and is expected to continue to adversely impact and cause disruption to, our business, financial performance and condition, operating results, liquidity and cash flows. Further, the spread of the COVID-19 pandemic has caused severe disruptions in the U.S. and global economy and financial markets and could potentially create widespread business continuity issues of an as yet unknown magnitude and duration. Any future outbreak of any other highly infectious or contagious disease could have a similar impact.

In late 2019, a novel strain of coronavirus (COVID-19) was reported to have surfaced in Wuhan, China. COVID-19 has since spread globally, including to every state in the United States. On March 11, 2020, the World Health Organization declared COVID-19 a pandemic, and on March 13, 2020, the United States declared a national emergency with respect to COVID-19.

Governmental authorities nationally and in affected regions have taken numerous actions and mandated various restrictions in an effort to slow the spread of the virus, including travel restrictions, restrictions on public gatherings, "shelter at home" orders and advisories and quarantining of people who may have been exposed to the virus. The outbreak of the COVID-19 pandemic has severely impacted global economic activity and caused significant volatility and negative pressure in financial markets. Many experts predict that the outbreak will trigger a period of material global economic slowdown or a global recession.

The outbreak of the COVID-19 pandemic has disrupted our business and has had a significant adverse effect on our business, financial performance and condition, operating results, liquidity and cash flows, and will continue to adversely impact and cause disruption to our business, financial performance and condition, operating results, liquidity and cash flows. Factors that would negatively impact our ability to successfully operate during the current outbreak of the COVID-19 pandemic (or subsequent outbreaks, either more broadly or within our stores) or another pandemic include:

- our ability to continue to operate, or reopen any closed stores or distribution centers in a timely manner, and our ability to attract customers to our stores;
- our ability to retain, and not furlough, corporate associates, in the event that we are required to cease or significantly limit our operations again in the future;
- our ability to reinstate any furloughed store and distribution center associates;
- our ability to enter into rent deferral arrangements with our landlords;
- supply chain delays due to closed factories or distribution centers, reduced workforces or labor shortages, scarcity of raw materials and scrutiny or embargoing of goods produced in infected areas;

- our ability to move existing inventory, including potentially having to sell existing inventory at a discount or write-down the value of inventory, and the costs, challenges and expenses of updating, procuring and replacing inventory;
- delays in, or our ability to complete, planned store openings on the expected terms or timing, or at all;
- fluctuations in regional and local economies, including the impact on regional and local retail markets and consumer confidence and spending;
- our ability to attract customers to our stores, given the risks, or perceived risks, of gathering in public places;
- our ability to delay merchandise and other payments to vendors;
- our ability to pay associate compensation, including incentive compensation payments, in a timely manner, or at all;
- our ability to continue to incentivize and retain associates, as well as our ability to preserve liquidity to be able to take advantage of market conditions; and
- difficulty accessing debt and equity capital on attractive terms, or at all, and a severe disruption and instability in the global financial markets or deteriorations in credit and financing conditions may affect our access to capital necessary to fund business operations or address maturing liabilities.

The extent of the impact of the COVID-19 pandemic on our business, consolidated results of operations, consolidated financial position and consolidated cash flows, including any potential impairment or other fair value adjustments, will depend largely on future developments, including the duration and spread of the outbreak within the U.S., related economic uncertainties and government stimulus measures, the related impact on consumer confidence and spending and when, or if, we will be able to resume normal operations, all of which are highly uncertain and cannot be predicted. Additionally, we may need to cease or significantly limit our operations again if subsequent outbreaks occur, either more broadly or within our stores. Nevertheless, COVID-19 presents significant uncertainty and risk with respect to our business, financial performance and condition, operating results, liquidity and cash flows. To the extent the COVID-19 pandemic adversely affects our business and financial results, it may also have the effect of heightening many of the other risks described in Part I, Item 1A, “Risk Factors” in our Fiscal 2019 10-K and discussed from time to time in our filings with the SEC, including, among others, those relating to our high level of indebtedness, our need to generate sufficient cash flows to service our indebtedness and our ability to comply with the covenants contained in the agreements that govern our indebtedness.

There have been no other material changes in our risk factors from those disclosed in Part I, Item 1A of our Fiscal 2019 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 1, 2020:

Month	Total Number of Shares Purchased(1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs(2)	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs (in thousands)
May 3, 2020 through May 30, 2020	12,660	$ 178.51	—	$ 348,387
May 31, 2020 through July 4, 2020	301	$ 207.58	—	$ 348,387
July 5, 2020 through August 1, 2020	147	$ 189.41	—	$ 348,387
Total	13,108		—	

(1) These shares were withheld for tax payments due upon the vesting of employee restricted stock or restricted stock unit awards, and do not reduce the dollar value that may yet be purchased under our publicly announced share repurchase programs.

(2) On August 14, 2019, our Board of Directors authorized the repurchase of up to $400 million of common stock, which is authorized to be executed through August 2021. As part of the Company’s cash management efforts during the COVID-19 pandemic, the Company suspended its share repurchase program in March 2020. 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	Filing Date
10.1†	Form of Restricted Stock Unit Award Notice and Agreement between Burlington Stores, Inc. and award recipients pursuant to the Burlington Stores, Inc. 2013 Omnibus Incentive Plan, as amended and restated May 17, 2017 (for special grants made from and after May 20, 2020).		
10.2†	Form of Stock Option Award Notice and Agreement between Burlington Stores, Inc. and award recipients pursuant to the Burlington Stores, Inc. 2013 Omnibus Incentive Plan, as amended and restated May 17, 2017 (for special grants made from and after May 20, 2020).		
10.3	Amendment No. 3 to Employment Agreement, dated July 22, 2020, by and between Burlington Coat Factory Warehouse Corporation and Joyce Manning Magrini.	Current Report on Form 8-K	July 24, 2020
31.1†	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.		
31.2†	Certification of Principal Financial Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.		
32.1†	Certification of Principal Executive Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
32.2†	Certification of Principal Financial Officer pursuant to 18 U.S.C. 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.		
101.INS†	Inline XBRL Instance Document – the instance document does not appear in Interactive Data File, because its XBRL tags are embedded within the Inline XBRL document.		
101.SCH†	Inline XBRL Taxonomy Extension Schema Document		
101.CAL†	Inline XBRL Taxonomy Extension Calculation Linkbase Document		
101.DEF†	Inline XBRL Taxonomy Extension Definition Linkbase Document		
101.LAB†	Inline XBRL Taxonomy Extension Label Linkbase Document		
101.PRE†	Inline XBRL Taxonomy Extension Presentation Linkbase Document		
104†	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)		

† Filed or furnished herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

BURLINGTON STORES, INC.

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

/s/ John Crimmins
John Crimmins
Chief Financial Officer
(Principal Financial Officer)

Date: August 27, 2020

BURLINGTON STORES, INC.
2013 OMNIBUS INCENTIVE PLAN

Restricted Stock Unit Award Notice

[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, the Agreement or any other agreement between the Company or any of its Subsidiaries and Holder, the Award shall vest with respect to 100% of the shares of Common Stock subject to the Award on the _____-year anniversary of the Grant Date (the "Vesting Date"), if, and only if, you are, and have been, continuously employed by the Company or any of its Subsidiaries from the date of this Agreement through and including the Vesting Date.

****

BURLINGTON STORES, INC.

By: ______________________________

Name:
Title:

Acknowledgment, Acceptance and Agreement:

By accepting this grant on the Company's stock plan administrator's website, 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

__________________________________ Date_______________________________
Signature

BURLINGTON STORES, INC.
2013 OMNIBUS INCENTIVE PLAN

RESTRICTED STOCK UNIT AWARD AGREEMENT

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 the vesting of the Award shall be referred to herein as the "Restriction Period."

3.2.Termination of Employment.

(a)Termination due to Death or Disability. If Holder's employment with the Company and its Subsidiaries terminates prior to the end of the Restriction Period by reason of Holder's death or termination by the Company or its Subsidiaries due to Disability, then in either such case, Holder shall become fully vested in the Award as of the date of termination of employment. For purposes of this Agreement, "Disability" shall mean that the Holder is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(b)Termination due to a Reduction in Force. Except as provided for in Section 3(c), if Holder's employment with the Company and its Subsidiaries is terminated prior to the end of the Restriction Period by the Company or its Subsidiaries due to a reduction in force, as determined by the Committee in its sole and absolute discretion (provided that Holder has not committed an act constituting grounds for a termination for Cause), then the Award shall vest on a prorated basis, with such proration determined by multiplying the number of shares of Common Stock subject to the Award on the Grant Date 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 termination of employment in accordance with this Section 3.2(b) and the denominator of which is the total number of days between the Grant Date and the Vesting Date set forth on the Award Notice. 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 Qualifying Termination. If Holder's employment with the Company and its Subsidiaries terminates due to a Change in Control Qualifying Termination prior to the end of the Restriction Period, then the Award shall become fully vested as of the date of termination of employment. Except as otherwise provided in any other agreement between the Company or any of its Subsidiaries and Holder, a Change in Control Qualifying Termination means (i) if Holder is a party to an employment agreement with the Company or one of its Subsidiaries or are subject to the Burlington Stores, Inc. Executive Severance Plan (the "Severance Plan") on the Grant Date, then a termination of Holder's employment by the Company or a Subsidiary without Cause or resignation by Holder for Good Reason within the two year period immediately following a Change in Control or (ii) if Holder is not a party to an employment agreement with the Company or one of its Subsidiaries or subject to the Severance Plan on the Grant Date, then a termination of Holder's employment by the Company or a Subsidiary without Cause within the one year period immediately following a Change in Control. Notwithstanding anything in the Agreement or in the Plan to the contrary, for purposes of the Agreement, (x) in the case of clause (i) of the preceding sentence, if Holder is a party to an employment agreement with the Company or one of its Subsidiaries on the Grant Date, "Cause" and "Good Reason" shall have the meanings provided in the terms of such employment agreement and if Holder is not a party to an employment agreement with the Company or one of its Subsidiaries on the Grant Date, "Cause" and "Good Reason" shall have the meanings provided in the terms of the Severance Plan, as in effect on the Grant Date and (y) in the case of clause (ii) of the preceding sentence, "Cause" shall have the meaning provided in the Plan.

(d) Termination for any other Reason. If (i) Holder's employment with the Company and its Subsidiaries terminates prior to the end of the Restriction Period for any reason other than as specified in Sections 3.2(a)-(c) or (ii) Holder breaches any non-competition obligation Holder has to the Company or any of its Subsidiaries under any agreement, then the Award shall be immediately forfeited by Holder and cancelled by the Company.

4. Issuance or Delivery of Shares. Except as otherwise provided for herein, within 60 days after the Vesting Date (or, if earlier, Holder's termination of employment in accordance with Sections 3.2(a)-(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. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance or delivery, except as otherwise provided in Section 7. 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. Non-Compete, Non-Solicitation; Confidentiality.

5.1. Non-Compete. In further consideration of the Award granted to Holder hereunder, Holder acknowledges and agrees that during the course of Holder's employment with the Company and its Subsidiaries, Holder shall become familiar, and during Holder's employment with the predecessors of the Company and its Subsidiaries, Holder has become familiar, with the Company's and its Subsidiaries' trade secrets and with other confidential information and that Holder's services have been and shall be of special, unique and extraordinary value to the Company and its Subsidiaries, and therefore, Holder agrees that, during his or her employment with the Company and its Subsidiaries and, if Holder's employment with the Company and its Subsidiaries terminates for any reason, for a period of one year thereafter (the "Non-Compete Period"), Holder shall not directly or indirectly (whether as an owner, partner, shareholder, agent, officer, director, employee, independent contractor, consultant or otherwise) own any interest in, operate, invest in, manage, control, participate in, consult with, render services for (alone or in association with any person or entity), in any manner engage in any business activity on behalf of a Competing Business within any geographical area in which the Company or its Subsidiaries currently operates or plans to operate. Nothing herein shall prohibit Holder from being a passive owner of not more than 2% of the outstanding stock of any class of a corporation, which is publicly traded, so long as Holder has no active participation in the business of such corporation. For purposes of this paragraph, "Competing Business" means each of the following entities, together with their respective subsidiaries, affiliates, successors and assigns: Macy's, Inc., the TJX Companies, Inc. and Ross Stores, Inc.

5.2. Non-Solicitation. During the Non-Compete Period, Holder shall not, directly or indirectly, and shall ensure that any person or entity controlled by Holder does not, (a) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (b) hire, directly or through another person, any person (whether or not solicited) who was an employee of the Company or any Subsidiary at any time within the one year period before Holder's termination from employment, (c) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, assist any Competing Business or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary or (d) make or solicit or encourage others to make or solicit directly or indirectly any defamatory statement or communication about the Company or any of its Subsidiaries or any of their respective businesses, products, services or activities (it being understood that such restriction shall not prohibit truthful testimony compelled by valid legal process).

5.3. Confidentiality. Holder acknowledges and agrees that the information, observations and data (including trade secrets) obtained by Holder while employed by the Company and its Subsidiaries concerning the business or affairs of the Company and its Subsidiaries are the confidential information ("Confidential Information"), and the property, of the Company and/or its Subsidiaries. Without limiting the foregoing, the term "Confidential Information" shall be interpreted as broadly as possible to include all observations, data and other information of any sort that are (a) related to any past, current or potential business of the Company or any of its Subsidiaries or any of their respective predecessors, and any other business related to any of the foregoing, and (b) not generally known to and available for use by those within the line of business or industry of the Company or by the public (except to the extent such information has become generally known to and available for use by the public as a direct or indirect result of Holder's acts or omissions) including all (i) work product; (ii) information concerning development, acquisition or investment opportunities in or reasonably related to the business or industry of the Company or any of its Subsidiaries of which Holder is aware or becomes aware during the term of his employment; (iii) information identifying or otherwise concerning any current, former or prospective suppliers, distributors, contractors, agents or customers of the Company or any of its Subsidiaries; (iv) development, transition, integration and transformation plans, methodologies, processes and methods of doing business; (v) strategic, marketing, promotional and financial information (including all financial statements), business and expansion plans, including plans and information regarding planned, projected and/or potential sales, pricing, discount and cost information; (vi) information identifying or otherwise concerning employees, independent contractors and consultants; (vii) information on new and existing programs and services, prices, terms, and related information; (viii) all information marked, or otherwise designated, as confidential by the Company or any of its Subsidiaries or which Holder should reasonably know is confidential or proprietary information of the Company or any of its Subsidiaries; (ix) all information or materials similar or related to any of the foregoing, in whatever form or medium, whether now existing or arising hereafter (and regardless of whether merely stored in the mind of Holder or employees or consultants of the Company or any of its Subsidiaries, or embodied in a tangible form or medium); and (x) all tangible embodiments of any of the foregoing.

5.4. Disclosure. Holder agrees that, except as required by law or court order, including, without limitation, depositions, interrogatories, court testimony, and the like (and in such case provided that Holder must give the Company and/or its Subsidiaries, as applicable, prompt written notice of any such legal requirement, disclose no more information than is so required and seek, at the Company's sole cost and expense, confidential treatment where available and cooperate fully with all efforts by the Company and/or its Subsidiaries to obtain a protective order or similar confidentiality treatment for such information), Holder shall not disclose to any unauthorized person or entity or use for Holder's own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a direct or indirect result of Holder's acts or omissions. Holder shall deliver to the Company at the time Holder's employment ceases, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information (including any work product) or the business of the Company and its Subsidiaries which Holder may then possess or have under Holder's control and if, at any time thereafter, any such materials are brought to Holder's attention or Holder discovers them in his possession or control, Holder shall deliver such materials to the Company immediately upon such notice or discovery.

5.5. Protected Rights. Pursuant to 18 U.S.C. § 1833(b), "an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that-(A) is made-(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, Holder has the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Holder also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Holder understands that nothing contained in this Agreement limits Holder's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Holder further understands that this Agreement does not limit Holder's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Holder's right to receive an award for information provided to any Government Agencies.

5.6. Other Agreements. Notwithstanding the foregoing and any other language in this Agreement, this Agreement does not supersede or preclude the enforceability of any restrictive covenant provision contained in any prior agreement entered into by Holder. Further, no prior restrictive covenant supersedes or precludes the enforceability of any provision contained in this Agreement.

5.7. Applicability. Notwithstanding the foregoing and any other language in this Agreement, Section 5.1 shall not apply to Holder if he or she is below the position of Director level as of the Grant Date.

6. Enforcement.

6.1. Reliance. Holder acknowledges and agrees that the Company entered into this Agreement in reliance on the provisions of Section 5 and the enforcement of this Agreement is necessary to ensure the preservation, protection and continuity of the business of the Company and its Subsidiaries and other Confidential Information and goodwill of the Company and its Subsidiaries to the extent and for the periods of time expressly agreed to herein. Holder acknowledges and agrees that Holder has carefully read this Agreement and has given careful consideration to the restraints imposed upon Holder by this Agreement, and is in full accord as to their necessity for the reasonable protection of the Company's and its Subsidiaries' interests and the reasonable and proper protection of confidential and proprietary information of the Company and its Subsidiaries now existing or to be developed in the future. Holder expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

6.2. Enforcement. Notwithstanding any provision to the contrary herein, the Company or its Subsidiaries may pursue, at its discretion, enforcement of Section 5 in any court of competent jurisdiction (each, a "Court").

6.3. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. More specifically, if any Court determines that any of the covenants set forth in Section 5 are overbroad or unreasonable under applicable law in duration, geographical area or scope, the parties to this Agreement specifically agree and authorize such Court to rewrite this Agreement to reflect the maximum duration, geographical area and/or scope permitted under applicable law.

6.4. Equitable Relief. Because Holder's services are unique and because Holder has intimate knowledge of and access to confidential information and work product, the parties hereto agree that money damages would not be an adequate remedy for any breach of Section 5, and any breach of the terms of Section 5 would result in irreparable injury and damage to the Company and its Subsidiaries for which the Company and its Subsidiaries would have no adequate remedy at law. Therefore, in the event of a breach or threatened breach of Section 5, the Company or its successors or assigns, in addition to any other rights and remedies existing in their favor at law or in equity, shall be entitled to specific performance and/or immediate injunctive or other equitable relief from a Court in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), without having to prove damages. The terms of this Section 6 shall not prevent the Company or any of its Subsidiaries from pursuing any other available remedies for any breach or threatened breach of this Agreement, including the recovery of damages from Holder.

7. Transfer Restrictions and Investment Representation.

7.1. 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.

7.2. 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.

8. Additional Terms and Conditions of Award.

8.1. Withholding Taxes. As a condition precedent to the delivery to Holder of any shares of Common Stock upon vesting of the Award, Holder shall, upon request by the Company, pay to the Company such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to the Award. If Holder shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Holder or withhold shares of Common Stock. Holder may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company; (ii) authorizing the Company to withhold from the shares of Common Stock otherwise to be delivered to Holder pursuant to the Award, a number of whole shares of Common Stock having an aggregate Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Award, equal to the Required Tax Payments; or (iii) any combination of (i) and (ii). Shares to be delivered or withheld may be withheld up to the maximum statutory tax rates in the applicable jurisdictions. Any fraction of a share of Common Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by Holder. No shares of Common Stock shall be issued or delivered until the Required Tax Payments have been satisfied in full.

8.2. 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.

8.3. 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.

8.4. Award Confers No Rights to Continued Employment. 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 employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

8.5. 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.

8.6. 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.

8.7. 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.

8.8. 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.

8.9. 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.

8.10. Entire Agreement. Except as provided for in Section 5.6, 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.

8.11. 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.

8.12. 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.

8.13. 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 and each payment hereunder shall be considered a separate payment. To the extent this Agreement provides for the Award to become vested and be settled upon the Holder's termination of employment, 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; provided that if the Holder is a "specified employee," within the meaning of Section 409A of the Code, then to the extent the Award constitutes nonqualified deferred compensation, within the meaning of Section 409A of the Code, such shares of Common Stock shall be transferred to the Holder or his or her beneficiary upon the earlier to occur of (a) the six-month anniversary of such separation from service and (b) the date of the Holder's death.

Exhibit 10.2

Burlington Stores, Inc.
2013 Omnibus Incentive Plan

Stock Option Award Notice

[Name of Optionee]

You have been awarded a stock option to purchase 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 Stock Option Agreement (together with this Award Notice, the "Agreement"). The Stock Option Agreement is attached hereto. Capitalized terms not defined herein shall have the meanings specified in the Plan or the Agreement.

Option:	You have been awarded a Non-Qualified Stock Option to purchase from the Company **[insert number]** shares of Common Stock, par value $0.0001 per share (the "Common Stock"), subject to adjustment as provided in Section 6.2 of the Agreement.
Option Date:	[____________________, _____]
Exercise Price:	$[______________] per share, subject to adjustment as provided in Section 6.2 of the Agreement.
Vesting Schedule:	Except as otherwise provided in the Plan, the Agreement or any other agreement between the Company or any of its Subsidiaries and Optionee, the Option shall vest 100% on the ____-year anniversary of the Option Date (the "Vesting Date"), if, and only if, you are, and have been, continuously employed by the Company or any of its Subsidiaries from the date of this Agreement through and including the Vesting Date.
Expiration Date:	Except to the extent earlier terminated pursuant to Section 2.2 of the Agreement or earlier exercised pursuant to Section 2.3 of the Agreement, the Option shall terminate at 5:00 p.m., U.S. Eastern time, on the tenth anniversary of the Option Date.

****

BURLINGTON STORES, INC.

By: ______________________________
Name:
Title:

Acknowledgment, Acceptance and Agreement:

By accepting this grant on the Company's stock plan administrator's website, I hereby accept the Option granted to me and acknowledge and agree to be bound by the terms and conditions of this Award Notice, the Agreement and the Plan.

____
Participant Name

__________________________________ Date______________________________
Signature

BURLINGTON STORES, INC.
2013 OMNIBUS INCENTIVE PLAN

Stock Option Agreement

Burlington Stores, Inc., a Delaware corporation (the "Company"), hereby grants to the individual (the "Optionee") named in the stock option award notice attached hereto (the "Award Notice") as of the date set forth in the Award Notice (the "Option Date"), pursuant to the provisions of the Burlington Stores, Inc. 2013 Omnibus Incentive Plan (the "Plan"), an option to purchase from the Company the number of shares of the Company's Common Stock, par value $0.0001 per share ("Common Stock"), set forth in the Award Notice at the price per share set forth in the Award Notice (the "Exercise Price") (the "Option"), 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. Option Subject to Acceptance of Agreement. The Option shall be null and void unless Optionee electronically accepts this Agreement within Optionee'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. Time and Manner of Exercise of Option.

2.1. Maximum Term of Option. In no event may the Option be exercised, in whole or in part, after the expiration date set forth in the Award Notice (the "Expiration Date").

2.2. Vesting and Exercise of Option. The Option shall become vested and exercisable in accordance with the Vesting Schedule set forth in the Award Notice. The Option shall be vested and exercisable following a termination of Optionee's employment according to the following terms and conditions:

(a) Termination of Employment due to Death or Disability. If Optionee's employment with the Company and its Subsidiaries terminates prior to the Vesting Date set forth on the Award Notice by reason of Optionee's death or Disability, then in either such case the Option shall become fully vested as of the date of termination and the vested Option may thereafter be exercised by Optionee or Optionee's executor, administrator, or the person or persons to whom the Option is transferred by will or the applicable laws of descent and distribution (the "Legal Representative") until and including the earlier to occur of (i) the date which is 180 days after the date of termination of employment and (ii) the Expiration Date. For purposes of this Agreement, "Disability" shall mean that the Optionee is unable to engage in any substantial gainful activity by reason of any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months.

(b) Termination due to a Reduction in Force. Except as provided for in Section 2.2(c), if Optionee's employment with the Company and its Subsidiaries is terminated by the Company or its Subsidiaries prior to the Vesting Date set forth on the Award Notice due to a reduction in force, as determined by the Committee in its sole and absolute discretion (provided that Optionee has not committed an act constituting grounds for a termination for Cause), then the Option shall vest on a prorated basis, with such proration determined by multiplying the number of shares of Common Stock subject to the Option on the Option Date by a fraction, the numerator of which is the number of days that have occurred since the Option Date through the date of the Optionee's termination of employment in accordance with this Section 2.2(b) and the denominator of which is the total number of days between the Option Date and the Vesting Date set forth on the Award Notice, and the vested Option may thereafter be exercised by Optionee or Optionee's Legal Representative until and including the earlier to occur of (A) the date which is 180 days after the date of termination of employment and (B) the Expiration Date. The portion of the Option that does not become vested in accordance with this Section 2.2(b) shall terminate immediately upon such termination of employment.

(c) Change in Control Qualifying Termination. If Optionee's employment with the Company and its Subsidiaries terminates prior to the Vesting Date set forth on the Award Notice due to a Change in Control Qualifying Termination, then the Option shall become fully vested as of the date of termination of employment, and the vested Option may thereafter be exercised by Optionee or Optionee's Legal Representative until and including the earlier to occur of (i) the date which is 180 days after the date of termination of employment and (ii) the Expiration Date. Except as otherwise provided in any other agreement between the Company or any of its Subsidiaries and Optionee, a Change in Control Qualifying Termination means (x) if Optionee is a party to an employment agreement with the Company or one of its Subsidiaries or are subject to the Burlington Stores, Inc. Executive Severance Plan (the "Severance Plan") on the Option Date, then a termination of Optionee's employment by the Company or a Subsidiary without Cause or resignation by Optionee for Good Reason within the two year period immediately following a Change in Control or (y) if Optionee is not a party to an employment agreement with the Company or one of its Subsidiaries or subject to the Severance Plan on the Option Date, then a termination of Optionee's employment by the Company or a Subsidiary without Cause within the one year period immediately following a Change in Control. Notwithstanding anything in this Agreement or in the Plan to the contrary, for purposes of this Agreement, (A) in the case of clause (x) of the preceding sentence, if Optionee is a party to an employment agreement with the Company or one of its Subsidiaries on the Option Date, "Cause" and "Good Reason" shall have the meanings provided in the terms of such employment agreement and if Optionee is not a party to an employment agreement with the Company or one of its Subsidiaries on the Option Date, "Cause" and "Good Reason" shall have the meanings provided in the terms of the Severance Plan, as in effect on the Option Date and (B) in the case of clause (y) of the preceding sentence, "Cause" shall have the meaning provided in the Plan.

(d) Termination for Cause. If (i) Optionee's employment with the Company and its Subsidiaries terminates by reason of the termination of Optionee's employment by the Company or its Subsidiaries for Cause or (ii) Optionee breaches any non-competition obligation Optionee has to the Company or any of its Subsidiaries under any agreement, then the Option, whether or not vested, shall terminate immediately upon such termination of employment.

(e)Termination for any other Reason. If Optionee's employment with the Company and its Subsidiaries is terminated by the Company or Optionee for any reason other than as specified in Sections 2.2(a)–(d), then the Option, to the extent vested on the effective date of such termination of employment, may thereafter be exercised by Optionee or Optionee's Legal Representative until and including the earlier to occur of (i) the date which is 180 days after the date of such termination of employment and (ii) the Expiration Date.

2.3.Method of Exercise. Subject to the limitations set forth in this Agreement, the Option, to the extent vested, may be exercised by Optionee (a) by delivering to the Company an exercise notice in the form prescribed by the Company specifying the number of whole shares of Common Stock to be purchased and by accompanying such notice with payment therefor in full (or by arranging for such payment to the Company's satisfaction) either (i) in cash, (ii) by authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered having an aggregate Fair Market Value, determined as of the date of exercise, equal to the amount necessary to satisfy such obligation, (iii) except as may be prohibited by applicable law, in cash by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise or (iv) by a combination of (i) and (ii), and (b) by executing such documents as the Company may reasonably request. Any fraction of a share of Common Stock which would be required to pay such purchase price shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No share of Common Stock shall be issued or delivered until the full purchase price therefor and any withholding taxes thereon, as described in Section 6.1, have been paid.

2.4.Termination of Option. In no event may the Option be exercised after it terminates as set forth in this Section 2.4. The Option shall terminate, to the extent not earlier terminated pursuant to Section 2.2 or exercised pursuant to Section 2.3, on the Expiration Date. Upon the termination of the Option, the Option and all rights hereunder shall immediately become null and void.

3.Non-Compete, Non-Solicitation; Confidentiality.

3.1.Non-Compete. In further consideration of the Option granted to Optionee hereunder, Optionee acknowledges and agrees that during the course of Optionee's employment with the Company and its Subsidiaries, Optionee shall become familiar, and during Optionee's employment with the predecessors of the Company and its Subsidiaries, Optionee has become familiar, with the Company's and its Subsidiaries' trade secrets and with other confidential information and that Optionee's services have been and shall be of special, unique and extraordinary value to the Company and its Subsidiaries, and therefore, Optionee agrees that, during his or her employment with the Company and its Subsidiaries and, if Optionee's employment with the Company and its Subsidiaries terminates for any reason, for a period of one year thereafter (the "Non-Compete Period"), Optionee shall not directly or indirectly (whether as an owner, partner, shareholder, agent, officer, director, employee, independent contractor, consultant or otherwise) own any interest in, operate, invest in, manage, control, participate in, consult with, render services for (alone or in association with any person or entity), in any manner engage in any business activity on behalf of a Competing Business within any geographical area in which the Company or its Subsidiaries currently operates or plans to operate. Nothing herein shall prohibit Optionee from being a passive owner of not more than 2%

of the outstanding stock of any class of a corporation which is publicly traded, so long as Optionee has no active participation in the business of such corporation. For purposes of this paragraph, "Competing Business" means each of the following entities, together with their respective subsidiaries, affiliates, successors and assigns: Macy's, Inc., the TJX Companies, Inc. and Ross Stores, Inc.

3.2. Non-Solicitation. During the Non-Compete Period, Optionee shall not, directly or indirectly, and shall ensure that any person or entity controlled by Optionee does not, (a) induce or attempt to induce any employee of the Company or any Subsidiary to leave the employ of the Company or such Subsidiary, or in any way interfere with the relationship between the Company or any Subsidiary and any employee thereof, (b) hire, directly or through another person, any person (whether or not solicited) who was an employee of the Company or any Subsidiary at any time within the one year period before Optionee's termination from employment, (c) induce or attempt to induce any customer, supplier, licensee, licensor, franchisee or other business relation of the Company or any Subsidiary to cease doing business with the Company or such Subsidiary, assist any Competing Business or in any way interfere with the relationship between any such customer, supplier, licensee or business relation and the Company or any Subsidiary or (d) make or solicit or encourage others to make or solicit directly or indirectly any defamatory statement or communication about the Company or any of its Subsidiaries or any of their respective businesses, products, services or activities (it being understood that such restriction shall not prohibit truthful testimony compelled by valid legal process).

3.3. Confidentiality. Optionee acknowledges and agrees that the information, observations and data (including trade secrets) obtained by Optionee while employed by the Company and its Subsidiaries concerning the business or affairs of the Company and its Subsidiaries are the confidential information ("Confidential Information"), and the property, of the Company and/or its Subsidiaries. Without limiting the foregoing, the term "Confidential Information" shall be interpreted as broadly as possible to include all observations, data and other information of any sort that are (a) related to any past, current or potential business of the Company or any of its Subsidiaries or any of their respective predecessors, and any other business related to any of the foregoing, and (b) not generally known to and available for use by those within the line of business or industry of the Company or by the public (except to the extent such information has become generally known to and available for use by the public as a direct or indirect result of Optionee's acts or omissions) including all (i) work product; (ii) information concerning development, acquisition or investment opportunities in or reasonably related to the business or industry of the Company or any of its Subsidiaries of which Optionee is aware or becomes aware during the term of his employment; (iii) information identifying or otherwise concerning any current, former or prospective suppliers, distributors, contractors, agents or customers of the Company or any of its Subsidiaries; (iv) development, transition, integration and transformation plans, methodologies, processes and methods of doing business; (v) strategic, marketing, promotional and financial information (including all financial statements), business and expansion plans, including plans and information regarding planned, projected and/or potential sales, pricing, discount and cost information; (vi) information identifying or otherwise concerning employees, independent contractors and consultants; (vii) information on new and existing programs and services, prices, terms, and related information;

(viii) all information marked, or otherwise designated, as confidential by the Company or any of its Subsidiaries or which Optionee should reasonably know is confidential or proprietary information of the Company or any of its Subsidiaries; (ix) all information or materials similar or related to any of the foregoing, in whatever form or medium, whether now existing or arising hereafter (and regardless of whether merely stored in the mind of Optionee or employees or consultants of the Company or any of its Subsidiaries, or embodied in a tangible form or medium); and (x) all tangible embodiments of any of the foregoing.

3.4.Disclosure. Optionee agrees that, except as required by law or court order, including, without limitation, depositions, interrogatories, court testimony, and the like (and in such case provided that Optionee must give the Company and/or its Subsidiaries, as applicable, prompt written notice of any such legal requirement, disclose no more information than is so required and seek, at the Company's sole cost and expense, confidential treatment where available and cooperate fully with all efforts by the Company and/or its Subsidiaries to obtain a protective order or similar confidentiality treatment for such information), Optionee shall not disclose to any unauthorized person or entity or use for Optionee's own purposes any Confidential Information without the prior written consent of the Board, unless and to the extent that the Confidential Information becomes generally known to and available for use by the public other than as a direct or indirect result of Optionee's acts or omissions. Optionee shall deliver to the Company at the time Optionee's employment ceases, or at any other time the Company may request, all memoranda, notes, plans, records, reports, computer tapes, printouts and software and other documents and data (and copies thereof) embodying or relating to the Confidential Information (including any work product) or the business of the Company and its Subsidiaries which Optionee may then possess or have under Optionee's control and if, at any time thereafter, any such materials are brought to Optionee's attention or Optionee discovers them in his possession or control, Optionee shall deliver such materials to the Company immediately upon such notice or discovery.

3.5.Protected Rights. Pursuant to 18 U.S.C. § 1833(b), "an individual shall not be held criminally or civilly liable under any Federal or State trade secret law for the disclosure of a trade secret that-(A) is made-(i) in confidence to a Federal, State, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (B) is made in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal." Accordingly, Optionee has the right to disclose in confidence trade secrets to Federal, State, and local government officials, or to an attorney, for the sole purpose of reporting or investigating a suspected violation of law. Optionee also has the right to disclose trade secrets in a document filed in a lawsuit or other proceeding, but only if the filing is made under seal and protected from public disclosure. Nothing in this Agreement is intended to conflict with 18 U.S.C. § 1833(b) or create liability for disclosures of trade secrets that are expressly allowed by 18 U.S.C. § 1833(b). Optionee understands that nothing contained in this Agreement limits Optionee's ability to file a charge or complaint with the Equal Employment Opportunity Commission, the National Labor Relations Board, the Occupational Safety and Health Administration, the Securities and Exchange Commission or any other federal, state or local governmental agency or commission ("Government Agencies"). Optionee further understands that this Agreement does not limit Optionee's ability to communicate with any Government Agencies or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Company. This Agreement does not limit Optionee's right to receive an award for information provided to any Government Agencies.

3.6. Other Agreements. Notwithstanding the foregoing and any other language in this Agreement, this Agreement does not supersede or preclude the enforceability of any restrictive covenant provision contained in any prior agreement entered into by Optionee. Further, no prior restrictive covenant supersedes or precludes the enforceability of any provision contained in this Agreement.

3.7. Applicability. Notwithstanding the foregoing and any other language in this Agreement, Section 3.1 shall not apply to Optionee if he or she is below the position of Director level as of the Option Date.

4. Enforcement.

4.1. Reliance. Optionee acknowledges and agrees that the Company entered into this Agreement in reliance on the provisions of Section 3 and the enforcement of this Agreement is necessary to ensure the preservation, protection and continuity of the business of the Company and its Subsidiaries and other Confidential Information and goodwill of the Company and its Subsidiaries to the extent and for the periods of time expressly agreed to herein. Optionee acknowledges and agrees that Optionee has carefully read this Agreement and has given careful consideration to the restraints imposed upon Optionee by this Agreement, and is in full accord as to their necessity for the reasonable protection of the Company's and its Subsidiaries' interests and the reasonable and proper protection of confidential and proprietary information of the Company and its Subsidiaries now existing or to be developed in the future. Optionee expressly acknowledges and agrees that each and every restraint imposed by this Agreement is reasonable with respect to subject matter, time period and geographical area.

4.2. Enforcement. Notwithstanding any provision to the contrary herein, the Company or its Subsidiaries may pursue, at its discretion, enforcement of Section 3 in any court of competent jurisdiction (each, a "Court").

4.3. Severability. Whenever possible, each provision of this Agreement shall be interpreted in such manner as to be effective and valid under applicable law, but if any provision of this Agreement is held to be invalid, illegal or unenforceable in any respect under any applicable law or rule in any jurisdiction, such invalidity, illegality or unenforceability shall not affect any other provision or any other jurisdiction, but this Agreement shall be reformed, construed and enforced in such jurisdiction as if such invalid, illegal or unenforceable provision had never been contained herein. More specifically, if any Court determines that any of the covenants set forth in Section 3 are overbroad or unreasonable under applicable law in duration, geographical area or scope, the parties to this Agreement specifically agree and authorize such Court to rewrite this Agreement to reflect the maximum duration, geographical area and/or scope permitted under applicable law.

4.4.Equitable Relief. Because Optionee's services are unique and because Optionee has intimate knowledge of and access to confidential information and work product, the parties hereto agree that money damages would not be an adequate remedy for any breach of Section 3, and any breach of the terms of Section 3 would result in irreparable injury and damage to the Company and its Subsidiaries for which the Company and its Subsidiaries would have no adequate remedy at law. Therefore, in the event of a breach or threatened breach of Section 3, the Company or its successors or assigns, in addition to any other rights and remedies existing in their favor at law or in equity, shall be entitled to specific performance and/or immediate injunctive or other equitable relief from a Court in order to enforce, or prevent any violations of, the provisions hereof (without posting a bond or other security), without having to prove damages. The terms of this Section 4.4 shall not prevent the Company or any of its Subsidiaries from pursuing any other available remedies for any breach or threatened breach of this Agreement, including the recovery of damages from Optionee.

5.Transfer Restrictions and Investment Representations.

5.1.Nontransferability of Option. The Option may not be transferred by Optionee 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, (a) during Optionee's lifetime the Option is exercisable only by Optionee or Optionee's Legal Representative and (b) the Option 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 Option, the Option and all rights hereunder shall immediately become null and void.

5.2.Investment Representation. Optionee hereby represents and covenants that (a) any shares of Common Stock purchased upon exercise of the Option will be purchased for investment and not with a view to the distribution thereof within the meaning of the Securities Act of 1933, as amended (the "Securities Act"), unless such purchase has been registered under the Securities Act and any applicable state securities laws; (b) any subsequent sale of any such shares shall be made either pursuant to an effective registration statement under 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 (c) if requested by the Company, Optionee shall submit a written statement, in a form satisfactory to the Company, to the effect that such representation (i) is true and correct as of the date of any purchase of any shares hereunder or (ii) is true and correct as of the date of any sale of any such shares, as applicable. As a further condition precedent to any exercise of the Option, Optionee 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.

6.1.Withholding Taxes. As a condition precedent to the issuance of Common Stock following the exercise of the Option, Optionee shall, upon request by the Company, pay to the Company in addition to the purchase price of the shares, such amount of cash as the Company may be required, under all applicable federal, state, local or other laws or regulations, to withhold and pay over as income or other withholding taxes (the "Required Tax Payments") with respect to such exercise of the Option. If Optionee shall fail to advance the Required Tax Payments after request by the Company, the Company may, in its discretion, deduct any Required Tax Payments from any amount then or thereafter payable by the Company to Optionee or withhold shares of Common Stock. Optionee may elect to satisfy his or her obligation to advance the Required Tax Payments by any of the following means: (i) a cash payment to the Company; (ii) authorizing the Company to withhold whole shares of Common Stock which would otherwise be delivered to Optionee upon exercise of the Option having an aggregate Fair Market Value, determined as of the date the obligation to withhold or pay taxes first arises in connection with the Option, equal to the Required Tax Payments; (iii) except as may be prohibited by applicable law, a cash payment by a broker-dealer acceptable to the Company to whom Optionee has submitted an irrevocable notice of exercise or (iv) any combination of (i) and (ii). Shares to be delivered or withheld may be withheld up to the maximum statutory tax rates in the applicable jurisdictions. Any fraction of a share of Common Stock which would be required to satisfy any such obligation shall be disregarded and the remaining amount due shall be paid in cash by Optionee. No shares of Common Stock shall be issued or delivered until the Required Tax Payments have been satisfied in full.

6.2. 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 Option and the related Exercise Price, subject to Section 409A of the Code.

6.3. Compliance with Applicable Law. The Option is subject to the condition that if the listing, registration or qualification of the shares of Common Stock subject to the Option 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 purchase or issuance of shares hereunder, the Option may not be exercised, in whole or in part, and such shares may not be issued, 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.

6.4. Issuance or Delivery of Shares. Upon the exercise of the Option, in whole or in part, the Company shall issue or deliver, subject to the conditions of this Agreement, the number of shares of Common Stock purchased against full payment therefor. Such issuance shall be evidenced by the appropriate entry on the books of the Company or of a duly authorized transfer agent of the Company. The Company shall pay all original issue or transfer taxes and all fees and expenses incident to such issuance, except as otherwise provided in Section 6.1.

6.5. Option Confers No Rights as Stockholder. Optionee shall not be entitled to any privileges of ownership with respect to shares of Common Stock subject to the Option unless and until such shares are purchased and issued upon the exercise of the Option, in whole or in part, and Optionee becomes a stockholder of record with respect to such issued shares.

Optionee shall not be considered a stockholder of the Company with respect to any such shares not so purchased and issued.

6.6.Option Confers No Rights to Continued Employment. In no event shall the granting of the Option or its acceptance by Optionee, or any provision of the Agreement or the Plan, give or be deemed to give Optionee any right to continued employment by the Company, any Subsidiary or any affiliate of the Company or affect in any manner the right of the Company, any Subsidiary or any affiliate of the Company to terminate the employment of any person at any time.

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

6.8.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 Optionee, acquire any rights hereunder in accordance with this Agreement or the Plan.

6.9.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 Optionee, to the last known mailing address of Optionee 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.

6.10.Governing Law. This Agreement, the Option 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.

6.11.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. Optionee hereby acknowledges receipt of a copy of the Plan.

6.12.Entire Agreement. Except as provided for in Section 3.6, 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 Optionee with respect to the subject matter hereof, and may not be modified adversely to

Optionee's interest except by means of a writing signed by the Company and Optionee. Notwithstanding the foregoing, Optionee acknowledges that Optionee is subject to Company policies relating to trading in the Company's securities.

6.13. Amendment and Waiver. The Company may amend the provisions of this Agreement at any time; provided that an amendment that would adversely affect Optionee's rights under this Agreement shall be subject to the written consent of Optionee. 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.

6.14. 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.

Exhibit 31.1

I, Michael O’Sullivan, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Burlington Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

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

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c. Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):

a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: August 27, 2020

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

Exhibit 31.2

I, John Crimmins, 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 27, 2020

/s/ John Crimmins
John Crimmins
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)

Exhibit 32.1

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

In connection with the Quarterly Report of Burlington Stores, Inc. (the "Company") on Form 10-Q for the fiscal quarter ended August 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael O'Sullivan, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 27, 2020

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

Exhibit 32.2

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

In connection with the Quarterly Report of Burlington Stores, Inc. (the “Company”) on Form 10-Q for the fiscal quarter ended August 1, 2020, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, John Crimmins, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. §1350, as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

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

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

Date: August 27, 2020

/s/ John Crimmins
John Crimmins
Executive Vice President and Chief Financial Officer
(Principal Financial Officer)