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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549**

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**FORM 10-Q**

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**(Mark One)**

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

For the quarterly period ended July 27, 2024

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: 1-37499

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**BARNES & NOBLE EDUCATION, INC.**

(Exact Name of Registrant as Specified in Its Charter)

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Delaware

46-0599018

(State or Other Jurisdiction of  
Incorporation or Organization)

(I.R.S. Employer  
Identification No.)

120 Mountain View Blvd., Basking Ridge, NJ  
(Address of Principal Executive Offices)

07920

(Zip Code)

(Registrant's Telephone Number, Including Area Code): (908) 991-2665

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

Title of Class	Trading Symbol	Name of Exchange on which registered
Common Stock, \$0.01 par value per share	BNED	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 (§232.405 of this chapter) 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, or a smaller reporting 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

As of August 30, 2024, 26,208,036 shares of Common Stock, par value \$0.01 per share, were outstanding.

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**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Fiscal Quarter Ended July 27, 2024**  
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#### **DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS**

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and information relating to us and our business that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this communication, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will,” “forecasts,” “projections,” and similar expressions, as they relate to us or our management, identify forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Such statements reflect our current views with respect to future events, the outcome of which is subject to certain risks, including, among others:

- our ability to satisfy future capital and liquidity requirements;
- our ability to access the credit and capital markets at the times and in the amounts needed and on acceptable terms;
- our ability to maintain adequate liquidity levels to support ongoing inventory purchases and related vendor payments in a timely manner;
- the pace of affordable textbook access adoption in the marketplace is slower than anticipated and our ability to successfully convert the majority of our institutions to our *BNC First Day*® affordable textbook access course material models or successfully compete with third parties that provide similar affordable textbook access solutions;
- the United States Department of Education proposed regulatory changes in January 2024 that, if enacted as proposed, could impact affordable textbook access models across the higher education industry as early as 2026;
- the strategic objectives, successful integration, anticipated synergies, and/or other expected potential benefits of various strategic and restructuring initiatives may not be fully realized or may take longer than expected;
- dependency on strategic service provider relationships, such as with VitalSource Technologies, Inc. and the Fanatics Retail Group Fulfillment, LLC (“Fanatics”) and Fanatics Lids College, Inc. D/B/A “Lids” (“Lids”) (collectively referred to herein as the “F/L Relationship”), and the potential for adverse operational and financial changes to these strategic service provider relationships, may adversely impact our business;
- non-renewal of managed bookstore, physical and/or online store contracts and higher-than-anticipated store closings;
- decisions by K-12 schools, colleges and universities to outsource their physical and/or online bookstore operations or change the operation of their bookstores;
- the timing of the start of the various schools’ semesters, as well as shifts in our fiscal calendar dates;
- the timing of cash collection from our school partners;
- general competitive conditions, including actions our competitors and content providers may take to grow their businesses;
- changes to purchase or rental terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;
- product shortages, including decreases in the used textbook inventory supply associated with the implementation of publishers’ digital offerings and direct to student textbook consignment rental programs;
- work stoppages or increases in labor costs;
- possible increases in shipping rates or interruptions in shipping services;
- a decline in college enrollment or decreased funding available for students;
- decreased consumer demand for our products, low growth or declining sales;
- the general economic environment and consumer spending patterns;
- trends and challenges to our business and in the locations in which we have stores;
- technological changes, including the adoption of artificial intelligence technologies for educational content;

- disruptions to our information technology systems, infrastructure, data, supplier systems, and customer ordering and payment systems due to computer malware, viruses, hacking and phishing attacks, resulting in harm to our business and results of operations;
- disruption of or interference with third party service providers and our own proprietary technology;
- lingering impacts that public health crises may have on the ability of our suppliers to manufacture or source products, particularly from outside of the United States;
- a determination that a change of ownership has occurred, which may limit the future utilization of our tax attributes including our \$265,522 NOL carryforward;
- changes in applicable domestic and international laws, rules or regulations, including, without limitation, U.S. tax reform, changes in tax rates, laws and regulations, as well as related guidance;
- changes in and enactment of applicable laws, rules or regulations or changes in enforcement practices including, without limitation, with regard to artificial intelligence or consumer data privacy rights, which may restrict or prohibit our use of consumer personal information for texts, emails, interest based online advertising, or similar marketing and sales activities;
- adverse results from litigation, governmental investigations, tax-related proceedings, or audits;
- changes in accounting standards; and
- the other risks and uncertainties detailed in the section titled *“Risk Factors”* in *Part I - Item 1A* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-Q. Due to such uncertainties and risks, you are warned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof.

**PART I - FINANCIAL INFORMATION****Item 1: Financial Statements**

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Operations**  
*(In thousands, except per share data)*  
*(unaudited)*

	13 weeks ended	
	July 27, 2024	July 29, 2023
<b>Sales:</b>		
Product sales and other	\$ 250,926	\$ 252,650
Rental income	12,505	11,511
Total sales	263,431	264,161
<b>Cost of sales (exclusive of depreciation and amortization expense):</b>		
Product and other cost of sales	209,425	207,014
Rental cost of sales	6,800	6,513
Total cost of sales	216,225	213,527
<b>Gross profit</b>	47,206	50,634
<b>Selling and administrative expenses</b>	67,023	77,476
<b>Depreciation and amortization expense</b>	13,057	10,253
Loss on extinguishment of debt	55,233	—
<b>Restructuring and other charges</b>	3,618	4,633
Operating loss	(91,725)	(41,728)
<b>Interest expense, net</b>	7,618	8,254
Loss from continuing operations before income taxes	(99,343)	(49,982)
<b>Income tax expense (benefit)</b>	136	(11)
Loss from continuing operations	\$ (99,479)	\$ (49,971)
Loss from discontinued operations, net of tax of \$0, and \$20, respectively	\$ —	\$ (417)
<b>Net loss</b>	<u><u>\$ (99,479)</u></u>	<u><u>\$ (50,388)</u></u>
<b>Loss per share of common stock:</b>		
<b>Basic and Diluted:</b>		
Continuing operations	\$ (7.36)	\$ (18.87)
Discontinued operations	\$ —	\$ (0.16)
<b>Total Basic and Diluted Earnings per share</b>	<u><u>\$ (7.36)</u></u>	<u><u>\$ (19.03)</u></u>
<b>Weighted average common shares outstanding - Basic and Diluted</b>	<u><u>13,511</u></u>	<u><u>2,648</u></u>

See accompanying notes to condensed consolidated financial statements.

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Balance Sheets**  
**(In thousands, except per share data)**

	July 27, 2024	July 29, 2023	April 27, 2024
	(unaudited)	(unaudited)	(audited)
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 8,212	\$ 7,657	\$ 10,459
Receivables, net	154,405	140,858	104,110
Merchandise inventories, net	395,272	384,185	344,037
Textbook rental inventories	10,320	6,860	32,992
Prepaid expenses and other current assets	33,152	59,012	39,158
Total current assets	601,361	598,572	530,756
Property and equipment, net	48,264	64,438	52,912
Operating lease right-of-use assets	241,852	283,096	202,522
Intangible assets, net	87,828	107,413	94,191
Other noncurrent assets	25,930	17,298	24,703
<b>Total assets</b>	<b>\$ 1,005,235</b>	<b>\$ 1,070,817</b>	<b>\$ 905,084</b>
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>			
Current liabilities:			
Accounts payable	\$ 266,304	\$ 275,380	\$ 299,157
Accrued liabilities	75,713	89,792	77,441
Current operating lease liabilities	147,839	150,917	102,206
Total current liabilities	489,856	516,089	478,804
Long-term deferred taxes, net	1,306	1,836	1,289
Long-term operating lease liabilities	132,200	171,154	142,193
Other long-term liabilities	15,553	23,016	15,882
Long-term borrowings	221,916	277,663	196,337
Total liabilities	860,831	989,758	834,505
Commitments and contingencies			
Stockholders' equity:			
Preferred stock, \$0.01 par value; authorized, 5,000 shares; 0 shares issued and 0 shares outstanding	—	—	—
Common stock, \$0.01 par value; authorized, 100,000, 2,000 and 2,000 shares, respectively; issued, 26,235, 553 and 558 shares, respectively; outstanding, 26,208, 527 and 532 shares, respectively	262	553	558
Additional paid-in capital	922,744	746,724	749,140
Accumulated deficit	(756,046)	(643,744)	(656,567)
Treasury stock, at cost	(22,556)	(22,474)	(22,552)
Total stockholders' equity	144,404	81,059	70,579
<b>Total liabilities and stockholders' equity</b>	<b>\$ 1,005,235</b>	<b>\$ 1,070,817</b>	<b>\$ 905,084</b>

See accompanying notes to condensed consolidated financial statements.

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Cash Flows**  
**(In thousands) (unaudited)**

	13 weeks ended	
	July 27, 2024	July 29, 2023
<b>Cash flows from operating activities:</b>		
Net loss	\$ (99,479)	\$ (50,388)
Less: Loss from discontinued operations, net of tax	—	(417)
Loss from continuing operations	(99,479)	(49,971)
Adjustments to reconcile net loss from continuing operations to net cash flows from operating activities from continuing operations:		
Depreciation and amortization expense	13,057	10,253
Amortization of deferred financing costs	2,417	1,244
Loss on extinguishment of debt	55,233	—
Deferred taxes	17	(3)
Stock-based compensation expense	(863)	957
Changes in operating lease right-of-use assets and liabilities	(3,691)	721
Changes in other long-term assets and liabilities, net	2,446	4,056
Changes in other operating assets and liabilities		
Receivables	(50,295)	(48,346)
Merchandise inventories, net	(51,235)	(61,206)
Textbook rental inventories	22,672	23,489
Prepaid expenses and other current assets	315	(12,168)
Accounts payable and accrued liabilities	(34,586)	11,116
Changes in other operating assets and liabilities	(113,129)	(87,115)
Net cash flows used in operating activities from continuing operations	(143,992)	(119,858)
Net cash flows used in operating activities from discontinued operations	—	(3,266)
Net cash flow used in operating activities	<u>\$ (143,992)</u>	<u>\$ (123,124)</u>
<b>Cash flows from investing activities:</b>		
Purchases of property and equipment	\$ (3,470)	\$ (4,219)
Net change in other noncurrent assets	223	78
Net cash flows used in investing activities from continuing operations	(3,247)	(4,141)
Net cash flows provided by investing activities from discontinued operations	—	21,395
Net cash flow (used in) provided by investing activities	<u>\$ (3,247)</u>	<u>\$ 17,254</u>
<b>Cash flows from financing activities:</b>		
Proceeds from borrowings	\$ 217,647	\$ 145,187
Repayments of borrowings	(160,696)	(49,606)
Proceeds from Private Equity Investment	50,000	—
Proceeds from Rights Offering	45,000	—
Payment of equity issuance costs	(9,524)	—
Payment of deferred financing costs	(3,669)	(2,307)
Purchase of treasury shares	(4)	(98)
Proceeds from principal stockholder expense reimbursement	1,190	—
Net cash flows provided by financing activities from continuing operations	139,944	93,176
Net cash flows provided by financing activities from discontinued operations	—	—
Net cash flows provided by financing activities	<u>\$ 139,944</u>	<u>\$ 93,176</u>

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Net decrease in cash, cash equivalents and restricted cash	(7,295)	(12,694)
Cash, cash equivalents and restricted cash at beginning of period	28,570	31,988
Cash, cash equivalents and restricted cash at end of period	21,275	19,294
Less: Cash, cash equivalents and restricted cash of discontinued operations at end of period	—	—
Cash, cash equivalents, and restricted cash of continuing operations at end of period	\$ 21,275	\$ 19,294

See accompanying notes to condensed consolidated financial statements.

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Condensed Consolidated Statements of Equity**  
**(In thousands) (unaudited)**

	Additional						Total	
	Common Stock		Paid-In	Accumulated	Treasury Stock			
	Shares	Amount	Capital	Deficit	Shares	Amount		
<b>Balance at April 29, 2023</b>	551	\$ 551	\$ 745,932	\$ (593,356)	26	\$ (22,376)	\$ 130,751	
Stock-based compensation expense			794				794	
Vested equity awards	2	2	(2)				—	
Shares repurchased for tax withholdings for vested stock awards					—	(98)	(98)	
Net loss				(50,388)			(50,388)	
<b>Balance July 29, 2023</b>	<b>553</b>	<b>\$ 553</b>	<b>\$ 746,724</b>	<b>\$ (643,744)</b>	<b>26</b>	<b>\$ (22,474)</b>	<b>\$ 81,059</b>	
	Additional						Total	
	Common Stock		Paid-In	Accumulated	Treasury Stock			
	Shares	Amount	Capital	Deficit	Shares	Amount		
<b>Balance at April 27, 2024</b>	<b>558</b>	<b>\$ 558</b>	<b>\$ 749,140</b>	<b>\$ (656,567)</b>	<b>27</b>	<b>\$ (22,552)</b>	<b>\$ 70,579</b>	
Stock-based compensation expense			(863)				(863)	
Vested equity awards	3	—	—				—	
Shares repurchased for tax withholdings for vested stock awards					—	(4)	(4)	
Private Equity Investment	10,000	100	49,900				50,000	
Rights Offering	9,000	90	44,910				45,000	
Equity issuance costs			(9,524)				(9,524)	
Term Loan debt conversion	6,674	67	86,688				86,755	
Principal Stockholder expense reimbursement			1,940				1,940	
Other		(553)	553				—	
Net loss				(99,479)			(99,479)	
<b>Balance July 27, 2024</b>	<b>26,235</b>	<b>\$ 262</b>	<b>\$ 922,744</b>	<b>\$ (756,046)</b>	<b>27</b>	<b>\$ (22,556)</b>	<b>\$ 144,404</b>	

See accompanying notes to condensed consolidated financial statements.

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the 13 weeks ended July 27, 2024 and July 29, 2023**  
**(Thousands of dollars, except share and per share data)**  
**(unaudited)**

Unless the context otherwise indicates, references in these Notes to the accompanying condensed consolidated financial statements to "we," "us," "our" and "the Company" refer to Barnes & Noble Education or "BNED", Inc., a Delaware corporation. References to "MBS" refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC.

This Form 10-Q should be read in conjunction with our Audited Consolidated Financial Statements and accompanying Notes to consolidated financial statements in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024, which includes consolidated financial statements for the Company as of April 27, 2024 and April 29, 2023 and for each of the three fiscal years ended April 27, 2024, April 29, 2023 and April 30, 2022 ("Fiscal 2024," "Fiscal 2023" and "Fiscal 2022," respectively).

**Note 1. Organization**

**Description of Business**

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also a textbook wholesalers, and inventory management hardware and software provider. We operate 1,164 physical and virtual bookstores and serve more than 5.7 million students, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

We provide product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. We offer our *BNC First Day*<sup>®</sup> affordable textbook access programs, consisting of *First Day Complete* and *First Day*, which provide faculty-required course materials to students on or before the first day of class.

- *First Day Complete* is adopted by an institution and includes all or the majority of undergraduate classes (and on occasion graduate classes), providing students with both physical and digital materials. In addition to providing numerous benefits to students, faculty and administrators, the *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.
- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

The *Barnes & Noble* brand (licensed from our former parent) along with our subsidiary brands, *BNC* and *MBS*, are synonymous with innovation in bookselling and campus retailing in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important to our relationship with leading educational publishers who rely on us as one of their primary distribution channels.

**Note 2. Summary of Significant Accounting Policies**

**Basis of Presentation and Consolidation**

Our condensed consolidated financial statements reflect our condensed consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). Net income (loss) is equal to comprehensive income (loss) on our condensed consolidated statements of operations. In the opinion of the Company's management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position and the results of its operations and cash flows for the periods reported. These consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by GAAP. All material intercompany accounts and transactions have been eliminated in consolidation.

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. Due to the seasonal nature of the business, the results of operations for the 13 weeks ended July 27, 2024 are not indicative of the results expected for the 53 weeks ending May 3, 2025 ("Fiscal 2025").

**Seasonality**

Our business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks.

**BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES**  
**Notes to Condensed Consolidated Financial Statements**  
**For the 13 weeks ended July 27, 2024 and July 29, 2023**  
**(Thousands of dollars, except share and per share data)**  
**(unaudited)**

for the upcoming semesters and lowest in the first and fourth fiscal quarters. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates.

As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized when the customer accesses the digital content compared to: (i) the rental of a physical textbook where revenue is recognized over the rental period, and (ii) ala carte courseware sales where revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. See *Revenue Recognition and Deferred Revenue* discussion below.

**Use of Estimates**

In preparing financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

**Discontinued Operations**

On May 31, 2023, we completed the sale of assets related to our *Digital Student Solutions ("DSS") Segment*, which met the criteria for classification as Assets Held for Sale and Discontinued Operations. The results of operations related to the DSS Segment are included in the condensed consolidated statements of operations as "Loss from discontinued operations, net of tax." The cash flows of the DSS Segment are also presented separately in our condensed consolidated statements of cash flows.

	13 weeks ended	
	July 27, 2024	July 29, 2023
Total sales	\$ —	\$ 2,784
Cost of sales	—	76
Gross profit	—	2,708
Selling and administrative expenses	—	2,281
Gain on sale of business	—	(3,068)
Impairment loss (non-cash)	—	610
Restructuring costs	—	3,287
Transaction costs	—	(5)
Operating loss	—	(397)
Income tax expense	—	20
Loss from discontinued operations, net of tax	<u>\$ —</u>	<u>\$ (417)</u>

**Restricted Cash**

As of July 27, 2024, July 29, 2023, and April 27, 2024, we had restricted cash of \$ 13,063, \$11,637, and \$18,111, respectively, comprised of \$10,704, \$10,704, and \$17,146, respectively, in prepaid and other current assets in the condensed consolidated balance sheets related to segregated funds for commission due to Fanatics Lids College, Inc. D/B/A "Lids" for logo merchandise sales as per the Lids service provider merchandising agreement, and \$2,359, \$933, and \$965, respectively, in other noncurrent assets in the condensed consolidated balance sheets related to amounts held in trust for future distributions related to employee benefit plans.

**Merchandise Inventories**

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or net realizable value. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory, which includes certain significant assumptions, including markdowns, sales below cost, inventory aging and expected demand.

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Cost is determined primarily by the retail inventory method in our Retail segment. Our textbook and trade book inventories, for Retail and Wholesale, are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories. There were no LIFO adjustments during the 13 weeks ended July 27, 2024, July 29, 2023, and Fiscal 2024.

For our physical bookstores, we also estimate and accrue shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

The physical bookstores fulfillment order is directed first to our wholesale operations before other sources of inventory are utilized. The products that we sell originate from a wide variety of domestic and international vendors. After internal sourcing, the bookstore purchases textbooks from outside suppliers and publishers.

***Textbook Rental Inventories***

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of sales. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

***Leases***

We recognize lease assets and lease liabilities on the condensed consolidated balance sheets for all operating lease arrangements based on the present value of future lease payments as required by *Accounting Standards Codification ("ASC") Topic 842, Leases*. We do not recognize lease assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less). We recognize lease expense on a straight-line basis over the lease term for contracts with fixed lease payments, including those with fixed annual minimums, or over a rolling twelve-month period for leases where the annual guarantee resets at the start of each contract year, in order to best reflect the pattern of usage of the underlying leased asset. We recognize lease expense related to our college and university contracts as cost of sales in our condensed consolidated statements of operations and we recognize lease expense related to our various office spaces as selling and administrative expenses in our condensed consolidated statements of operations. For additional information, see *Note 8. Leases*.

***Revenue Recognition and Deferred Revenue***

*Product sales and rentals*

The majority of our revenue is derived from the sale of products through our bookstore locations, including virtual bookstores, and our bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of our products is recognized at the point in time when control of the products is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for the products. For additional information, see *Note 3. Revenue*.

Retail product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Product revenue from our wholesale operations is recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of sales.

Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized when the customer accesses the digital content as product revenue in our condensed consolidated financial statements. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the term the customer is no longer able to access the content. While the sale of the digital textbook allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete.

Revenue from the rental of physical textbooks is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer and is recognized as rental income in our condensed consolidated financial statements. Rental periods are typically for a single semester and are always less than one year in duration. We offer a buyout option to allow the purchase of a rented physical textbook at the end of the rental period

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if the customer desires to do so. We record the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, we accelerate any remaining deferred rental revenue at the point of sale.

Revenue recognized for our *BNC First Day*<sup>®</sup> offerings is consistent with our policies outlined above for product, digital and rental sales, net of an anticipated opt-out or return provision. Given the growth of *BNC First Day*<sup>®</sup> programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day*<sup>®</sup> affordable textbook access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor.

We estimate returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of sales in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis.

As the logo and emblematic general merchandise sales are fulfilled by Lids and Fanatics Retail Group Fulfillment, LLC ("Fanatics", collectively, F/L Relationship), we recognize commission revenue earned for these sales on a net basis in our condensed consolidated financial statements.

We do not have gift card or customer loyalty programs. We do not treat any promotional offers as expenses. Sales tax collected from our customers is excluded from reported revenues. Our payment terms are generally 30 days and do not extend beyond one year.

***Service and other revenue***

Service and other revenue is primarily derived from brand marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers, shipping and handling, and revenue from other programs.

Brand marketing agreements often include multiple performance obligations which are individually negotiated with our customers. For these arrangements that contain distinct performance obligations, we allocate the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for brand marketing service and over time for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

***Cost of Sales***

Our cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, content development cost amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

***Selling and Administrative Expenses***

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, finance and accounting. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to a reporting segment and are recorded in Corporate Services (defined below).

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**Income Taxes**

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. We regularly review deferred tax assets for recoverability and establish a valuation allowance, if determined to be necessary.

**Recent Accounting Pronouncements**

In December 2023, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update ("ASU") No. 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures* to improve annual income tax disclosure requirements, primarily to (1) disclose specific categories in the rate reconciliation (2) provide additional information for reconciling items that meet a quantitative threshold, and (3) enhance cash tax payment disclosures. This ASU, which can be applied either prospectively or retrospectively, is effective for annual periods beginning after December 15, 2024 (our Fiscal 2026), with early adoption permitted. We are currently assessing this guidance and determining the impact on our condensed consolidated financial statements.

In November 2023, the FASB issued *ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures* to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. This guidance will be effective for the Company for the annual report for the fiscal year ending May 3, 2025 and subsequent interim periods. Early adoption is permitted, and retrospective adoption is required for all prior periods presented. We are currently assessing this guidance and determining the impact on our condensed consolidated financial statements.

**Note 3. Revenue**

Revenue from sales of our products and services is recognized either at the point in time when control of the products is transferred to our customers or over time as services are provided in an amount that reflects the consideration we expect to be entitled to in exchange for the products or services. See *Note 2. Summary of Significant Accounting Policies* for additional information related to our revenue recognition policies and *Note 4. Segment Reporting* for a description of each segment's product and service offerings. The following table disaggregates the revenue associated with our major product and service offerings:

	13 weeks ended	
	July 27, 2024	July 29, 2023
<b>Retail</b>		
Course Materials Product Sales	\$ 152,152	\$ 138,536
General Merchandise Product Sales <sup>(a)</sup>	76,543	88,680
Service and Other Revenue <sup>(b)</sup>	8,499	6,733
<b>Retail Product and Other Sales sub-total</b>	<b>237,194</b>	<b>233,949</b>
Course Materials Rental Income	12,505	11,511
<b>Retail Total Sales</b>	<b>\$ 249,699</b>	<b>\$ 245,460</b>
Wholesale Sales	\$ 34,229	\$ 38,791
Eliminations <sup>(c)</sup>	\$ (20,497)	\$ (20,090)
<b>Total Sales</b>	<b>\$ 263,431</b>	<b>\$ 264,161</b>

(a) Logo general merchandise sales for the Retail Segment are recognized on a net basis as commission revenue in the condensed consolidated financial statements.

(b) Service and other revenue primarily relates to brand partnership marketing and other service revenues.

(c) The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

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**Contract Assets and Liabilities**

Accounts receivables were \$154,405, \$140,858, \$104,110 and \$92,512 as of July 27, 2024, July 29, 2023, April 27, 2024 and April 29, 2023, respectively.

Contract liabilities represent an obligation to transfer goods or services to a customer for which we have received consideration and consists of our deferred revenue liability (deferred revenue). Deferred revenue consists of the following:

- advanced payments from customers related to textbook rental performance obligations, which are recognized ratably over the terms of the related rental period;
- unsatisfied performance obligations associated with brand partnership marketing services, which are recognized when the contracted services are provided to our brand partnership marketing customers; and
- unsatisfied performance obligations associated with the premium paid for the sale of treasury shares, which are expected to be recognized over the term of the e-commerce and merchandising contracts for Fanatics and Lids, respectively.

The following table presents changes in deferred revenue associated with our contract liabilities:

	13 weeks ended	
	July 27, 2024	July 29, 2023
Deferred revenue at the beginning of period	\$ 14,892	\$ 15,356
Additions to deferred revenue during the period	15,562	12,856
Reductions to deferred revenue for revenue recognized during the period	(16,627)	(12,444)
Deferred revenue balance at the end of period:	<u>\$ 13,827</u>	<u>\$ 15,768</u>
Balance Sheet classification:		
Accrued liabilities	\$ 10,488	\$ 11,769
Other long-term liabilities	3,339	3,999
Deferred revenue balance at the end of period:	<u>\$ 13,827</u>	<u>\$ 15,768</u>

**Note 4. Segment Reporting**

We have two reportable segments: Retail and Wholesale. We identify our segments in accordance with the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker (which we define as the Company's Chief Executive Officer) allocates resources and assesses financial performance. The following summarizes the two segments. For additional information about each segment's operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources, which are not allocated to a reporting segment and continue to be presented as "Corporate Services".

**Retail Segment**

The *Retail Segment* operates 1,164 college, university, and K-12 school bookstores, comprised of 657 physical bookstores and 507 virtual bookstores. Our bookstores typically operate under agreements with the colleges, universities, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce websites, which we operate independently or along with our merchant service providers, and which offer students access to required and recommended course materials and affinity products, including emblematic apparel and gifts. The Retail Segment offers our *BNC First Day®* equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class. Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

**Wholesale Segment**

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 2,650 physical bookstores (including our Retail Segment's 657 physical bookstores) and sources and distributes new and used

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textbooks to our 507 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 320 college bookstores.

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

Our international operations are not material, and the majority of the revenue and total assets are within the United States.

The intercompany eliminations are primarily related to the following intercompany activities. The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale, and the cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

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Summarized financial information for our reportable segments is reported below:

	13 weeks ended	
	July 27, 2024	July 29, 2023
<b>Sales</b>		
Retail	\$ 249,699	\$ 245,460
Wholesale	34,229	38,791
Eliminations	(20,497)	(20,090)
<b>Total Sales</b>	<b>\$ 263,431</b>	<b>\$ 264,161</b>
<b>Gross Profit</b>		
Retail	\$ 47,823	\$ 50,291
Wholesale	5,125	5,794
Eliminations	(5,742)	(5,451)
<b>Total Gross Profit</b>	<b>\$ 47,206</b>	<b>\$ 50,634</b>
<b>Selling and Administrative Expenses</b>		
Retail	\$ 61,709	\$ 69,173
Wholesale	3,192	3,388
Corporate Services	2,122	4,918
Eliminations	—	(3)
<b>Total Selling and Administrative Expenses</b>	<b>\$ 67,023</b>	<b>\$ 77,476</b>
<b>Depreciation and Amortization</b>		
Retail	\$ 11,670	\$ 8,966
Wholesale	1,379	1,277
Corporate Services	8	10
<b>Total Depreciation and Amortization</b>	<b>\$ 13,057</b>	<b>\$ 10,253</b>
<b>Loss on extinguishment of debt - Corporate Services</b>	<b>\$ 55,233</b>	<b>\$ —</b>
<b>Restructuring and Other Charges</b>		
Retail	\$ 912	\$ 526
Wholesale	(89)	526
Corporate Services	2,795	3,581
<b>Total Restructuring and Other Charges</b>	<b>\$ 3,618</b>	<b>\$ 4,633</b>
<b>Operating (Loss) Income</b>		
Retail	\$ (26,468)	\$ (28,374)
Wholesale	643	603
Corporate Services	(60,158)	(8,509)
Elimination	(5,742)	(5,448)
<b>Total Operating Loss</b>	<b>\$ (91,725)</b>	<b>\$ (41,728)</b>
<b>Interest Expense, net</b>	<b>\$ 7,618</b>	<b>\$ 8,254</b>
<b>Total Loss from Continuing Operations Before Income Taxes</b>	<b>\$ (99,343)</b>	<b>\$ (49,982)</b>

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**Note 5. Equity and Earnings Per Share**

**Equity**

During the 13 weeks ended July 27, 2024, we did not repurchase shares of our Common Stock under the stock repurchase program and, as of July 27, 2024, approximately \$26,669 remains available under the stock repurchase program.

During the 13 weeks ended July 27, 2024 and July 29, 2023, we repurchased 429 and 779 shares of our Common Stock, respectively, outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

On April 16, 2024, our Board of Directors approved the adoption of a short-term stockholder rights plan and declared a dividend distribution of one preferred share purchase right on each outstanding share of the Company's Common Stock. Each right entitled stockholders to buy one one-thousandth of a share of our preferred stock at an established exercise price. The dividend was payable to holders of record as of the close of business on April 29, 2024. The rights were exercisable only if a person or group acquired 10% or more of our outstanding Common Stock and various other criteria were met (the "Distribution Date"). Until the Distribution Date, the rights were not exercisable; the rights were not be evidenced by separate rights certificates; and the rights were transferable by, and only in connection with, the transfer of Common Stock. On July 3, 2024, the Company amended the rights plan to terminate the distributed rights effective July 3, 2024. At the time of the termination of the rights plan, all of the rights, which were previously distributed to holders of the Company's issued and outstanding Common Stock, expired. For additional information, please see the Company's Current Report on Form 8-K filed with the SEC on July 3, 2024.

On June 5, 2024, our shareholders approved an amendment to our Amended and Restated Certificate of Incorporation, as amended, to increase the aggregate number of authorized shares of Common Stock from 2,000,000 shares to 100,000,000 shares (post- reverse stock split).

**Milestone Financing Transactions**

On June 10, 2024, we completed various transactions, including a private equity investment, an equity rights offering, Term Loan debt conversion, and a Credit Facility refinancing, to substantially deleverage our consolidated balance sheet. These transactions also raised additional capital for repayment of indebtedness and provide additional flexibility for future working capital needs. For additional information, see Note 7. *Debt*. Upon closing of the transactions on June 10, 2024:

- We received gross proceeds of \$95,000 of new equity capital through a \$ 50,000 new equity investment (the "Private Investment") led by Immersion and a \$45,000 fully backstopped equity rights offering (the "Rights Offering"). The transactions infused approximately \$ 85,500 of net cash proceeds after transaction costs. The transaction resulted in Immersion obtaining a controlling interest in the Company. See *Private Investment, Rights Offering, and Backstop Commitment* below;
- Our existing Term Loan Credit Agreement lenders, TopLids LendCo, LLC ("TopLids") and Vital Fundco, LLC ("VitalSource"), converted approximately \$34,000 of outstanding principal and any accrued and unpaid interest into shares of our Common Stock. See *Term Loan Credit Agreement Debt Conversion* below.

**Private Investment, Rights Offering, and Backstop Commitment**

Immersion and VitalSource purchased approximately \$ 45,000 and \$5,000, respectively, in shares of our Common Stock, at the Subscription Price, defined below, in a private placement exempt from the registration requirements under the Securities Act and separate from the Rights Offering (the "Private Investment"). The Private Investment is in addition to shares of Common Stock purchased by Immersion pursuant to the Backstop Commitment discussed below.

Through the Rights Offering, we issued 9,000,000 shares (post-reverse stock split) of our Common Stock at a cash subscription price of \$ 0.05 per share (the "Subscription Price"). In the Rights Offering, we distributed to each holder of Common Stock, one non-transferable subscription right (each, a "Subscription Right") for every share of Common Stock owned by such holder on May 14, 2024 (the "Record Date"), and each Subscription Right entitled the holder to purchase 17 shares of Common Stock. Each holder that fully exercised their Subscription Rights was entitled to rights to subscribe for additional shares of Common Stock that remain unsubscribed as a result of any unexercised Subscription Rights ("Over-Subscription Rights"), which allowed such holder to subscribe for additional shares of Common Stock up to the number of

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shares purchased under such holder's basic Subscription Right at \$0.05 per share. We received approximately \$32,100 in gross proceeds from the exercise of Subscriptions Rights and Over-Subscription Rights from the Company's stockholders.

For those Subscription Rights which remained unexercised, upon the expiration of the Rights Offering after accounting for all Over-Subscription Rights exercised, the standby purchasers, led by Immersion, Outerbridge Capital Management, LLC ("Outerbridge") and Selz Family 2011 Trust ("Selz"), collectively purchased the unexercised Subscription Rights at the Subscription Price ("Backstop Commitment"). We received approximately \$12,900 in gross proceeds for the exercise of Subscription Rights not subscribed for by the Company's stockholders. We paid Immersion and Selz approximately \$2,850 and \$350, respectively, comprised of commitment fees in consideration for the Backstop Commitment, and expense reimbursements for all out-of-pocket costs, fees and expenses incurred in connection with the transactions and we paid Outerbridge approximately \$1,250 for expense reimbursements for all out-of-pocket costs, fees and expenses incurred in connection with the transactions.

During the 13 weeks ended July 27, 2024, we incurred equity issuance costs totaling \$ 9,524 related to the Rights Offering and Private Investment which are presented in additional paid in capital in the condensed consolidated balance sheet.

The Rights Offering was offered to all existing stockholders at a Subscription Price that was less than the fair value of our Common Stock, as of such time, the weighted average shares outstanding and basic and diluted earnings (loss) per share were adjusted retroactively to reflect the bonus element of the Rights Offering for all periods presented by a factor of 5.03.

**Term Loan Credit Agreement Debt Conversion**

Upon closing of the Rights Offering on June 10, 2024, we converted, at the Subscription Price, all outstanding principal and any accrued and unpaid interest under the Term Loan Credit Agreement, totaling \$34,000, into 6,674 shares of our Common Stock. We recognized a loss on extinguishment of debt of \$55,233 in the condensed consolidated statement of operations in connection with Term Loan debt conversion which represents the difference between the Common Stock fair value issued upon conversion and the net carrying value of the Term Loan, plus unamortized deferred financing costs related to the Term Loan. As a result of the Term Loan Debt Conversion, the Term Loan and its related documentation was terminated.

**Reverse Stock Split**

On June 11, 2024, we completed a reverse stock split of the Company's outstanding shares of Common Stock at a ratio of 1-for-100 (the "Reverse Stock Split"), which was previously approved by stockholders at a special meeting held on June 5, 2024. In connection with the Reverse Stock Split, every 100 shares of the Common Stock issued and outstanding was converted into one share of the Company's Common Stock. No change was made to the trading symbol for the Company's shares of Common Stock, "BNED," in connection with the Reverse Stock Split. The Reverse Stock Split was part of the Company's plan to regain compliance with the minimum bid price requirement of \$1.00 per share required to maintain continued listing on the NYSE.

The Reverse Stock Split reduced the number of shares of the Company's outstanding Common Stock from approximately 2,620,495,552 shares (as of the date June 11, 2024, when including issuances pursuant to the transactions) to approximately 26,204,956 shares, subject to adjustment for rounding.

The Reverse Stock Split affected all issued and outstanding shares of Common Stock. All outstanding options and restricted stock units, and other securities entitling their holders to purchase or otherwise receive shares of Common Stock were adjusted as a result of the Reverse Stock Split, as required by the terms of each security. The number of shares available to be awarded under the Company's equity compensation plans was also appropriately adjusted. Following the Reverse Stock Split, the par value of the Common Stock will remain unchanged at \$0.01 per share. The Reverse Stock Split will not change the authorized number of shares of Common Stock or preferred stock. No fractional shares will be issued in connection with the reverse split; instead any fractional shares as a result of the Reverse Stock Split will be rounded up to the next whole number of post-split shares of Common Stock.

**Earnings Per Share**

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of Common Stock equivalents using the treasury stock method and the average market price of our Common Stock for the year. We include participating securities (unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of

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unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for Common Stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. During the 13 weeks ended July 27, 2024 and July 29, 2023, average shares of 42,108 and 36,984 were excluded from the diluted earnings per share calculation as their inclusion would have been antidilutive, respectively.

The following is a reconciliation of the basic and diluted earnings per share calculation:

(shares in thousands)	13 weeks ended	
	July 27, 2024	July 29, 2023
<b>Numerator for basic and diluted earnings per share:</b>		
Loss from continuing operations, net of tax	\$ (99,479)	\$ (49,971)
Loss from discontinued operations, net of tax	—	(417)
Net loss available to common shareholders	<u><u>\$ (99,479)</u></u>	<u><u>\$ (50,388)</u></u>
<b>Denominator for basic and diluted earnings per share:</b>		
Basic and diluted weighted average shares of Common Stock	<u><u>13,511</u></u>	<u><u>2,648</u></u>
<b>Loss per share of Common Stock:</b>		
Basic and Diluted		
Continuing operations	\$ (7.36)	\$ (18.87)
Discontinuing operations	—	(0.16)
Basic and diluted loss per share of Common Stock	<u><u>\$ (7.36)</u></u>	<u><u>\$ (19.03)</u></u>

**Note 6. Fair Value Measurements**

In accordance with ASC No. 820, *Fair Value Measurements and Disclosures*, the fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor.

Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1—Observable inputs that reflect quoted prices in active markets

Level 2—Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3—Unobservable inputs in which little or no market data exists, therefore requiring us to develop our own assumptions

Our financial instruments include cash and cash equivalents, receivables, accrued liabilities and accounts payable. The fair value of cash and cash equivalents, receivables, accrued liabilities and accounts payable approximates their carrying values because of the short-term nature of these instruments, which are all considered Level 1. The fair value of long-term debt approximates its carrying value.

***Non-Financial Assets and Liabilities***

Our non-financial assets include property and equipment, operating lease right-of-use assets, and intangible assets. Such assets are reported at their carrying values and are not subject to recurring fair value measurements. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with ASC 360-10, *Accounting for the Impairment or Disposal of Long-Lived Assets*.

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**(unaudited)**

**Note 7. Debt**

	Maturity Date	As of	
		July 27, 2024	July 29, 2023
Credit Facility	June 9, 2028	\$ 221,916	\$ 249,735
Term Loan		—	30,000
sub-total		221,916	279,735
Less: Deferred financing costs, Term Loan <sup>(a)</sup>		—	(2,072)
<b>Total debt</b>		<b>\$ 221,916</b>	<b>\$ 277,663</b>
Balance Sheet classification:			
Short-term borrowings		\$ —	\$ —
Long-term borrowings		221,916	277,663
<b>Total debt</b>		<b>\$ 221,916</b>	<b>\$ 277,663</b>

(a) For additional information on Credit Facility and Term Loan deferred financing costs, see *Deferred Financing Costs* below.

On June 10, 2024, we completed various transactions, including a private equity investment, an equity rights offering, Term Loan debt conversion, and a Credit Facility refinancing, to substantially deleverage our consolidated balance sheet. These transactions also raised additional capital for repayment of indebtedness and provide additional flexibility for future working capital needs.

Upon closing of the transactions on June 10, 2024:

- We received gross proceeds of \$95,000 of new equity capital through a \$50,000 new equity investment (the “Private Investment”) led by Immersion and the \$45,000 Rights Offering. The transactions infused approximately \$85,500 of net cash proceeds after transaction costs. The transaction resulted in Immersion obtaining a controlling interest in the Company. See *Note 5. Equity and Earnings Per Share*.
- Our existing Term Loan credit agreement lenders, TopLids and VitalSource, converted approximately \$34,000 of outstanding principal and any accrued and unpaid interest into our Common Stock. As a result of the Term Loan Debt Conversion, the Term Loan and its related documentation was terminated. See *Note 5. Equity and Earnings Per Share*.
- We refinanced our Credit Facility providing access to a \$325,000 facility maturing in 2028. The refinanced Credit Facility will enhance our financial flexibility and reduce our annual interest expense. See discussion below.

**Credit Facility**

As of July 27, 2024, we are party to a credit agreement (the “Credit Agreement”), which was amended and restated (the “A&R Credit Agreement”) on June 10, 2024 (the “Closing Date”), after having been amended numerous times between March 2019 and April 2024, under which the lenders originally committed to provide us with an asset-backed revolving credit facility in an aggregate principal amount of \$400,000 (the “Credit Facility”), which was reduced to \$380,000 by the April 2024 amendment.

Under the A&R Credit Agreement, on the Closing Date, we restructured the Credit Facility to provide an aggregate committed principal amount to up to \$325,000 and extended the maturity of the Credit Facility by four years to June 9, 2028. Proceeds from the Credit Facility are and will be used for general corporate purposes, including seasonal working capital needs. The Company has interest-only obligations under the Credit Facility until the maturity date, at which time the total principal outstanding is due and payable.

Interest under the Credit Facility accrues, at the election of the Company, either (x) based on the Secured Overnight Financing Rate (“SOFR”), which is subject to a floor of 2.50% per annum, plus a spread of 3.50% per annum or (y) at an alternate base rate, which is subject to a floor of 3.50% per annum, plus a spread of 2.50% per annum, provided that, in the event the Company meets certain financial metrics for a consecutive six-month period beginning and ending after the one-year anniversary of the Closing Date, the foregoing spreads shall be reduced by 0.25% per annum.

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The A&R Credit Agreement contains customary negative covenants that limit the Company's ability to incur or assume additional indebtedness, grant or permit liens, make investments, make restricted payments and other specified payments, merge with other entities, dispose of or acquire assets, or engage in transactions with affiliates, among other things. Additionally, the A&R Credit Agreement includes the following financial maintenance covenants:

- following the date that is six months following the Closing Date, the Company is required to maintain a minimum Availability (as defined in the A&R Credit Agreement) of (x) \$25,000 for the first thirty (30) months after the Closing Date and (y) \$30,000 after the date that is thirty (30) months after the Closing Date;
- commencing with the month ending May 31, 2025, the Company is required to maintain a Consolidated Fixed Charge Coverage Ratio (as defined in the A&R Credit Agreement) of not less than 1.10 to 1.00, which will be tested monthly on the last day of each fiscal month for the trailing 12-month period; and
- commencing with the quarter ending October 31, 2024, the Company is required to maintain a minimum Consolidated EBITDA (as defined in the A&R Credit Agreement), which will be tested quarterly on the last day of each fiscal quarter for (a) the trailing six-month period for the first test date, (b) the trailing nine-month period of the second test date and (c) for the trailing 12-month period thereafter.

The A&R Credit Agreement contains customary events of default, including for non-payment of obligations owing under the Credit Facility, material breaches of representations and warranties, failure to perform or observe covenants, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The A&R Credit Agreement also contains customary affirmative covenants and representations and warranties.

The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility. This is considered an all-assets lien (inclusive of proceeds from tax refunds payable to the Company and a pledge of equity from subsidiaries, exclusive of real estate).

In connection with the A&R Credit Agreement, the 1.00% fee payable in connection with the eighth amendment to the Credit Facility (prior to its having been amended and restated) is due and payable (x) 50% on September 2, 2024 and (y) 50% on June 10, 2025.

As of July 27, 2024, and through the date of this filing, we believe we were in compliance with the covenants under the A&R Credit Agreement.

During the 13 weeks ended July 27, 2024, we borrowed \$ 217,647 and repaid \$ 160,696 under the Credit Facility, and had outstanding borrowings of \$ 221,916 as of July 27, 2024. During the 13 weeks ended July 29, 2023, we borrowed \$ 145,187 and repaid \$ 49,606 under the Credit Facility, and had outstanding borrowings of \$ 249,735 as of July 29, 2023. As of July 27, 2024 and July 29, 2023, we have issued \$ 3,575 and \$ 575, respectively, in letters of credit under the Credit Facility.

**Term Loan**

On June 7, 2022, we entered into a Term Loan Credit Agreement (the "Term Loan") with TopLids LendCo, LLC and Vital Fundco, LLC. The Term Loan provided for term loans in an amount equal to \$30,000 and matured on April 7, 2025. The proceeds of the Term Loans were being used to finance working capital, and to pay fees and expenses related to the Term Loan.

On June 10, 2024, our existing Term Loan credit agreement lenders converted approximately \$ 34,000 of outstanding principal and accrued and unpaid interest into our Common Stock, resulting in financing noncash flow activity totaling \$86,755. We recognized a loss on extinguishment of debt of \$55,233 in the condensed consolidated statement of operations in connection with the Term Loan debt conversion which represents the difference between the Common Stock fair value issued upon conversion and the net carrying value of the Term Loan, plus unamortized deferred financing costs related to the Term Loan. As a result of the Term Loan Debt Conversion, the Term Loan and its related documentation was terminated. See *Note 5. Equity and Earnings Per Share*.

**Deferred Financing Costs**

The debt issuance costs have been deferred and are presented as noted below in the condensed consolidated balance sheets, and are subsequently amortized ratably over the term of respective debt.

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Balance Sheet Location	Maturity Date/ Amortization Term	As of	
		July 27, 2024	July 29, 2023
Credit Facility - Prepaid and Other Current Assets	June 9, 2028	\$ —	\$ 13,638
Credit Facility - Other noncurrent assets		14,343	1,432
Credit Facility - sub-total		14,343	15,070
Term Loan - Contra Debt		—	2,072
Total deferred financing costs		\$ 14,343	\$ 17,142

**Interest Expense**

The following table disaggregates interest expense for the 13 week periods:

	13 weeks ended	
	July 27, 2024	July 29, 2023
Interest Incurred		
Credit Facility	\$ 4,784	\$ 5,715
Term Loan	453	1,306
Total Interest Incurred	\$ 5,237	\$ 7,021
Amortization of Deferred Financing Costs		
Credit Facility	\$ 2,267	\$ 944
Term Loan	150	300
Total Amortization of Deferred Financing Costs	\$ 2,417	\$ 1,244
Interest Income, net of expense	\$ (36)	\$ (11)
Total Interest Expense	\$ 7,618	\$ 8,254

Cash interest paid during the 13 weeks ended July 27, 2024 and July 29, 2023 was \$ 4,732 and \$5,534, respectively.

**Note 8. Leases**

We recognize lease assets and lease liabilities on the condensed consolidated balance sheets for substantially all lease arrangements as required by FASB ASC 842, *Leases* (Topic 842). Our portfolio of leases consists of operating leases comprised of operations agreements which grant us the right to operate on-campus bookstores at colleges and universities; real estate leases for office and warehouse operations; and vehicle leases. We do not have finance leases or short-term leases (i.e., those with a term of twelve months or less).

We recognize a right of use ("ROU") asset and lease liability in our condensed consolidated balance sheets for leases with a term greater than twelve months. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability when it is reasonably certain that such options will be exercised. Our lease terms generally range from one year to fifteen years and a number of agreements contain minimum annual guarantees, many of which are adjusted at the start of each contract year based on the actual sales activity of the leased premises for the most recently completed contract year.

Payment terms are based on the fixed rates explicit in the lease, including minimum annual guarantees, and/or variable rates based on: i) a percentage of revenues or sales arising at the relevant premises ("variable commissions"), and/or ii) operating expenses, such as common area charges, real estate taxes and insurance. For contracts with fixed lease payments, including those with minimum annual guarantees, we recognize lease expense on a straight-line basis over the lease term or over the contract year in order to best reflect the pattern of usage of the underlying leased asset and our minimum obligations arising from these types of leases. Our lease agreements do not contain any material residual value guarantees, material restrictions or covenants.

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We used our incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable. We utilized an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later.

We recognized lease expense related to our college and university contracts as cost of sales in our condensed consolidated statements of operations as follows:

	13 weeks ended	
	July 27, 2024	July 29, 2023
Variable lease expense	\$ 12,803	\$ 12,229
Operating lease expense	21,331	22,389
<b>Net lease expense</b>	<b>\$ 34,134</b>	<b>\$ 34,618</b>

The following table summarizes our minimum fixed lease obligations, excluding variable commissions:

	As of July 27, 2024	
	July 27, 2024	July 29, 2023
Remainder of Fiscal 2025	\$ 140,149	
Fiscal 2026	40,833	
Fiscal 2027	33,670	
Fiscal 2028	28,390	
Fiscal 2029	25,308	
Thereafter	38,000	
<b>Total lease payments</b>	<b>306,350</b>	
Less: imputed interest	(26,311)	
<b>Operating lease liabilities at period end</b>	<b>\$ 280,039</b>	

Future lease payment obligations related to leases that were entered into, but did not commence as of July 27, 2024, were not material. The following summarizes additional information related to our operating leases:

	As of	
	July 27, 2024	July 29, 2023
Weighted average remaining lease term (in years)	4.1 years	4.6 years
Weighted average discount rate	4.2 %	4.1 %
<b>Supplemental cash flow information:</b>		
Cash payments for lease liabilities within operating activities	\$ 25,272	\$ 22,804
Right-of-use assets obtained in exchange for lease liabilities from initial recognition	\$ 58,683	\$ 59,304

#### **Note 9. Supplementary Information**

##### **Restructuring and other charges**

During the 13 weeks ended July 27, 2024, we recognized restructuring and other charges totaling \$ 3,618 comprised primarily of \$1,963 of severance primarily related to the resignation of our former Chief Executive Officer on June 11, 2024, \$1,091 related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives (\$1,506 is included in accrued liabilities in the condensed consolidated balance sheet as of July 27, 2024) and \$528 for legal and advisory professional service costs for restructuring and process improvements and other charges. We recognized an increase to additional paid in capital on the condensed consolidated balance sheet for the reimbursement of the former Chief Executive Officer severance from VitalSource (a principal stockholder) as part of the June 10, 2024 financing transactions.

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During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges totaling \$ 4,633 comprised primarily of \$3,582 of professional service costs for restructuring and process improvements, and \$1,051 of severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives.

**Note 10. Long-Term Incentive Plan Compensation Expense**

On June 19, 2024, we granted 37,205 restricted stock units to certain Board of Director members. The restricted stock units vest on the earlier of one year from the date of grant or the next annual meeting of stockholders.

We recognized compensation expense for previously granted long-term incentive plan awards in selling and administrative expenses as follows:

	<b>13 weeks ended</b>	
	<b>July 27, 2024</b>	<b>July 29, 2023</b>
<b>Stock-based awards</b>		
Restricted stock expense	\$ —	\$ 7
Restricted stock units expense	(16)	568
Stock option expense	(847)	382
Sub-total stock-based awards:	\$ (863)	\$ 957
<b>Cash settled awards</b>		
Phantom share units expense	\$ (5)	\$ (89)
Total compensation expense for long-term incentive awards	\$ (868)	\$ 868

The negative long-term incentive plan is primarily due to forfeitures of \$ 1,562 resulting from the resignation of our Chief Executive Officer on June 11, 2024.

Total unrecognized compensation cost related to unvested awards as of July 27, 2024 was \$ 935 and is expected to be recognized over a weighted-average period of 0.6 years.

**Note 11. Employee Benefit Plans**

We sponsor defined contribution plans for the benefit of substantially all of the employees of BNC. MBS maintains a profit sharing plan covering substantially all full-time employees of MBS. For all plans, we are responsible to fund the employer contributions directly. Total employee benefit expense for these plans was \$0 and \$1,097 during the 13 weeks ended July 27, 2024 and July 29, 2023, respectively. Commencing in September 2023, we revised the 401(k)-retirement savings plan to an annual end of plan year discretionary match, in lieu of the current pay period match.

**Note 12. Income Taxes**

Our provision for income taxes during interim reporting periods has historically been calculated by applying an estimate of the annual effective tax rate for the full fiscal year to ordinary income (loss) (pre-tax income (loss) excluding unusual or infrequently occurring discrete items) for the reporting period. For the 13 weeks ended July 27, 2024 and July 29, 2023, respectively, and in accordance with ASC 740-270-30-18 *Income Taxes - Interim Reporting - Initial Measurement*, and paragraph 82 of *FASB Interpretation No. 18, Accounting for Income Taxes in Interim Periods*, we utilized the discrete effective tax rate method to calculate our interim income tax provision related to our domestic operations. The discrete method is applied when the application of the estimated annual effective tax rate is impractical because it is not possible to reliably estimate the annual effective tax rate. The discrete method treats the year to date period as if it was the annual period and determines the income tax expense or benefit on that basis. We believe that, at this time, the use of this discrete method is more appropriate than the annual effective tax rate method as (i) the estimated annual effective tax rate method is no longer reliable due to the sensitivity of the estimated annual effective tax rate to minor changes in estimated annual pretax earnings and (ii) the Company's ongoing assessment that the recoverability of its deferred tax assets is not likely.

We recorded an income tax expense of \$136 on pre-tax loss of \$(99,343) during the 13 weeks ended July 27, 2024, which represented an effective income tax rate of (0.1)% and an income tax benefit of \$(11) on pre-tax loss of \$(49,982) during the 13

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weeks ended July 29, 2023, which represented an effective income tax rate of 0%. The effective tax rate for the 13 weeks ended July 27, 2024 is materially consistent with the prior year comparable period.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of July 27, 2024, we determined that it was more likely than not that we would not realize all deferred tax assets and our tax rate for the current fiscal year reflects this determination. We will continue to evaluate this position.

Under Sections 382 and 383 of the Internal Revenue Code of 1986, as amended (the "Code"), if a corporation undergoes an "ownership change" (generally defined as a cumulative change in our ownership by "5-percent shareholders" that exceeds 50 percentage points over a rolling three-year period), the corporation's ability to use its pre-change net operating losses and certain other pre-change tax attributes to offset its post-change income and taxes may be limited. Similar rules may apply under state tax laws. As a result of the Rights Offering, Backstop Commitment, Private Investment, and Term Loan debt conversion completed on June 10, 2024, we may have experienced an ownership change as defined by Sections 382 and 383. The Company intends to perform a study to determine if an ownership change has occurred. If it is determined that an ownership change has occurred under Section 382 and 383, we expect any corresponding annual limitations to impact the future utilization of our tax attributes including our \$265,522 NOL carryforward.

**Note 13. Legal Proceedings**

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on our condensed consolidated financial position, results of operations, or cash flows.

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

Unless the context otherwise indicates, references to "we," "us," "our" and "the Company" refer to Barnes & Noble Education, Inc. or "BNED", a Delaware corporation. References to "MBS" refer to our subsidiary MBS Textbook Exchange, LLC.

This Management's Discussion and Analysis of Financial Condition and Results of Operations includes forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The forward-looking statements involve risks and uncertainties. Please reference the disclosure regarding forward-looking statements for more information.

**Overview**

**Description of Business**

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also a textbook wholesalers, and inventory management hardware and software provider. We operate 1,164 physical and virtual bookstores and serve more than 5.7 million students, delivering essential educational content and general merchandise within a dynamic omnichannel retail environment.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We provide product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. We offer our *BNC First Day*® affordable textbook access programs, consisting of *First Day Complete* and *First Day*, which provide faculty-required course materials to students on or before the first day of class at below market rates, as compared to the total retail price for the same course materials if purchased separately (a la carte), and students are billed the below market rate directly by the institution as a course charge or included in tuition. We are moving quickly to accelerate our *First Day Complete* strategy. Many institutions adopted *First Day Complete* in Fiscal 2024, and we plan to continue to scale the number of schools adopting *First Day Complete* in Fiscal 2025 and beyond. See *BNC First Day*® Affordable Textbook Access Programs below.

We expect to continue to introduce scalable and advanced solutions focused largely on the student and customer experience, expand our e-commerce capabilities and accelerate such capabilities with our service providers, Fanatics Retail Group Fulfillment, LLC ("Fanatics") and Fanatics Lids College, Inc. D/B/A "Lids" ("Lids") (collectively referred to herein as the "F/L Relationship"), win new accounts, and expand our revenue opportunities through strategic relationships. We expect gross comparable store general merchandise sales to increase over the long term, as our product assortments continue to emphasize and reflect changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online, which we expect to be further enhanced and accelerated through the F/L Relationship. Fanatics and Lids, acting on our behalf as our service providers, provide unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of our logo general merchandise business.

The *Barnes & Noble* brand (licensed from our former parent) along with our subsidiary brands, *BNC* and *MBS*, are synonymous with innovation in bookselling and campus retailing, and are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important to our relationship with leading educational publishers who rely on us as one of their primary distribution channels.

For additional information related to our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

***BNC First Day*® Affordable Textbook Access Programs**

We provide product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. We offer our *BNC First Day*® affordable textbook access programs, consisting of *First Day Complete* and *First Day*, which provide faculty-required course materials to students on or before the first day of class at below market rates, as compared to the total retail price for the same course materials if purchased separately (a la carte), and students are billed the below market rate directly by the institution as a course charge or included in tuition.

- *First Day Complete* is adopted by an institution and includes all or the majority of undergraduate classes (and on occasion graduate classes), providing students with both physical and digital materials. In addition to providing numerous benefits to students, faculty and administrators, the *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.
- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

Offering course materials through our *BNC First Day*® affordable textbook access programs, *First Day Complete* and *First Day*, is an important strategic initiative of ours to meet the market demands of reduced pricing for students, as well as the opportunity to improve student outcomes, while, at the same time, increasing our market share, revenue and relative gross profits of course material sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales. These affordable textbook access programs have allowed us to reverse historical long-term trends in course materials revenue declines, which has been observed at those schools where such programs have been adopted. In Fiscal 2024, the growth of our *BNC First Day*® programs offset the declines in a la carte courseware sales and closed store sales. We are moving quickly to accelerate our *First Day Complete* strategy. Many institutions adopted *First Day Complete* in Fiscal 2024, and we plan to continue to scale the number of schools adopting *First Day Complete* in Fiscal 2025 and beyond.

The following table summarizes our *BNC First Day*® sales for the 13 weeks ended July 27, 2024 and July 29, 2023:

Dollars in millions	13 weeks ended					
	July 27, 2024	July 29, 2023	Var \$		Var %	
<i>First Day Complete</i> Sales	\$ 34.7	\$ 25.5	\$ 9.2		36%	
<i>First Day</i> Sales	\$ 46.7	\$ 36.3	\$ 10.4		29%	
<b>Total <i>BNC First Day</i>® Sales</b>	<b>\$ 81.4</b>	<b>\$ 61.8</b>	<b>\$ 19.6</b>		<b>32%</b>	

#### **Financing Arrangements**

On June 10, 2024, we completed various transactions, including a private equity investment, an equity rights offering, Term Loan debt conversion, and a Credit Facility refinancing, to substantially deleverage our consolidated balance sheet. These transactions also raised additional capital for repayment of indebtedness and provide additional flexibility for future working capital needs, which will also allow us to strategically invest in innovation and growth initiatives, including but not limited to the growth of our *First Day Complete* program. For additional information, see the *Liquidity* discussion below.

#### **Segments**

We have two reportable segments: Retail and Wholesale. We identify our segments in accordance with the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker (which we define as the Company's Chief Executive Officer) allocates resources and assesses financial performance. The following summarizes the two segments. For additional information about each segment's operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

The *Retail Segment* operates 1,164 college, university, and K-12 school bookstores, comprised of 657 physical bookstores and 507 virtual bookstores. Our bookstores typically operate under agreements with the colleges, universities, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce websites, which we operate independently or along with our merchant service providers, and which offer students access to required and recommended course materials and affinity products, including emblematic apparel and gifts. The *Retail Segment* offers our *BNC First Day*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at below market rates, as compared to the total retail price for the same course materials if purchased separately (a la carte), and students are billed the below market rate directly by the institution as a course charge or included in tuition. Additionally, the *Retail Segment* offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

During the 13 weeks ended July 27, 2024, we opened 30 stores and closed 111 stores in the *Retail Segment* with estimated net annual sales of \$(71) million as we pruned some under-performing, less profitable stores, satellite stores, and certain other contracts were awarded to competitors. The Company's strategic initiative is to close under-performing and less profitable stores. Many institutions adopted *First Day Complete* in Fiscal 2024, and we plan to continue to scale the number of schools

adopting *First Day Complete* in Fiscal 2025 and beyond. These programs have allowed us to reverse historical long-term trends in course materials revenue declines as the growth of our *BNC First Day* programs offsets declines in a la carte courseware sales and closed store sales.

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 2,650 physical bookstores (including our Retail Segment's 657 physical bookstores) and sources and distributes new and used textbooks to our 507 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 320 college bookstores.

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

#### **Seasonality**

Our business is highly seasonal, particularly with respect to textbook sales and rentals, with the major portion of sales and operating profit realized during the second and third fiscal quarters when college students generally purchase and rent textbooks for the upcoming semesters and lowest in the first and fourth fiscal quarters. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

Product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized when the customer accesses the digital content as product revenue in our condensed consolidated financial statements. Revenue from the rental of physical textbooks is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer and is recognized as rental income in our condensed consolidated financial statements. Depending on the product mix offered under the *BNC First Day*® offerings, revenue recognized is consistent with our policies for product, digital and rental sales, net of an anticipated opt-out or return provision.

Given the growth of *BNC First Day*® affordable textbook access programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day*® affordable textbook access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of our sales shift to *BNC First Day*® affordable textbook access offerings, we are focused on efforts to better align the timing of our cash outflows to course material vendors and cash inflows from collections from schools. As the concentration of digital product sales increases, revenue will be recognized earlier during the academic term as digital textbook revenue is recognized when the customer accesses the digital content compared to: (i) the rental of physical textbooks where revenue is recognized over the rental period, and (ii) a la carte courseware sales where revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores.

#### **Trends, Competition and Other Business Conditions Affecting Our Business**

The market for educational materials continues to undergo significant change. As tuition and other costs rise, colleges and universities face increasing pressure to attract and retain students and provide them with innovative, affordable educational content and tools that support their educational development. Current trends, competition and other factors affecting our business include:

- *Overall Capital Markets, Economic Environment, College Enrollment and Consumer Spending Patterns.* Our business is affected by capital markets, the overall economic environment, funding levels at colleges and universities, by changes in enrollments at colleges and universities, and spending on course materials and general merchandise.
- *Capital Market Trends:* We may require additional capital in the future to sustain or grow our business, including implementation of our strategic initiatives. The future availability of financing will depend on a variety of factors, such as economic and market conditions, and the availability of credit. These factors have and could continue to materially adversely affect our costs of borrowing, and our financial position and results of operations would be adversely impacted. Volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions.

- *Economic Environment:* General merchandise sales are subject to short-term fluctuations driven by the broader retail environment and other economic factors, such as interest rate fluctuations and inflationary considerations. Broader macro-economic global supply chain issues could impact our ability to source physical textbooks, school supplies and general merchandise sold in our campus bookstores, including technology-related products and emblematic clothing. Union and labor market issues may also impact our ability to provide services and products to our customers. A significant reduction in U.S. economic activity could lead to decreased consumer spending.
- *Enrollment Trends:* The growth of our business depends on our ability to attract new customers and to increase the level of engagement by our current customers. In the Fall of 2023 and Spring of 2024, we observed increased year-over-year enrollment trends. Enrollment trends, specifically at community colleges, generally correlate with changes in the economy and unemployment factors, e.g., low unemployment tends to lead to low enrollment and higher unemployment rates tend to lead to higher enrollment trends, as students generally enroll to obtain skills that are in demand in the workforce. Additionally, enrollment trends are impacted by the dip in the United States birth rate resulting in fewer students at the traditional 18-24 year-old college age. Online degree program enrollments continue to grow, which impacts the level of in-store traffic for general merchandise sales, including for cafe and convenience products.
- *Increased Use of Open Educational Resources ("OER"), Online and Digital Platforms as Companions or Alternatives to Traditional Course Materials, Including Artificial Intelligence ("AI") Technologies.* Students and faculty can now choose from a wider variety of educational content and tools than ever before, delivered across both print and digital platforms.
- *Increasing Costs Associated with Defending Against Security Breaches and Other Data Loss, Including Cyber-Attacks.* We are increasingly dependent upon information technology systems, infrastructure and data. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. We continue to invest in data protection, including insurance, and information technology to prevent or minimize these risks and, to date, we have not experienced any material service interruptions and are not aware of any material breaches.
- *Distribution Network Evolving.* The way course materials are distributed and consumed is changing significantly, a trend that is expected to continue. The market for course materials, including textbooks and supplemental materials, is intensely competitive and subject to rapid change.
  - *Disintermediation.* We are experiencing growing competition from alternative media and alternative sources of textbooks and other course materials. In addition to the official physical or virtual campus bookstore, course materials are also sold through off-campus bookstores, e-commerce outlets, digital platform companies, and publishers, including Cengage Learning, McGraw-Hill Education and Pearson Education, bypassing the bookstore distribution channel by selling or renting directly to students and educational institutions, including student-to-student transactions over the Internet, and multi-title subscription access. We counteract disintermediation as we continue to scale the number of schools that adopt our *BNC First Day®* affordable textbook access programs, given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales.
  - *Suppliers, Supply Chain and Inventory.* The products that we sell originate from a wide variety of domestic and international vendors. Since the demand for used textbooks has historically been greater than the available supply, our financial results are highly dependent upon our ability to build its textbook inventory from suppliers in advance of the selling season. Some textbook publishers supply textbooks pursuant to consignment or rental programs which could impact used textbook supplies in the future. We are a national distributor for rental textbooks offered through McGraw-Hill Education's and Pearson Education's consignment rental program. We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, content or services, particular payment terms or the extension of credit limits. If our current suppliers were to stop selling merchandise, content or services to us on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions or refusal by such suppliers to ship products to us due to delayed or extended payment windows as a result of our own liquidity constraints, we may be unable to procure the same merchandise, content or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all. Additionally, delayed or incomplete publisher shipments of physical textbook orders, or delays in receiving digital courseware access codes, could have an adverse impact on sales, including our *BNC First Day Complete* equitable access program, which relies upon timely receipt of inventory in advance of class start dates each academic term. The broader macro-economic global supply chain issues may also impact our ability to source school supplies and general merchandise sold in our campus bookstores, including technology-related products and emblematic clothing.
  - *Price Competition.* In addition to the competition in the services we provide to our customers, our textbook and other course materials business faces significant price competition. Students purchase textbooks and other course materials from multiple providers, are highly price sensitive, and can easily shift spending from one provider or format to another.

- *First Day Complete* and *First Day Models*. Offering course materials sales through our *BNC First Day*® affordable textbook access programs, *First Day Complete* and *First Day*, is a key, and increasingly important, strategic initiative of ours to meet the market demands of reduced pricing for students. Our *First Day Complete* and *First Day* programs contribute to improved student outcomes, while increasing our market share, revenue and relative gross profits of course materials sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales. These affordable textbook access programs have allowed us to reverse historical long-term trends in course materials revenue declines as the growth of our *BNC First Day* programs offsets declines in a la carte courseware sales and closed store sales. We are moving quickly to accelerate our *First Day Complete* strategy. Many institutions adopted *First Day Complete* in Fiscal 2024, and we plan to continue to scale the number of schools adopting *First Day Complete* in Fiscal 2025 and beyond. We cannot guarantee that we will be able to achieve these plans within these timeframes or at all. Additionally, the United States Department of Education proposed regulatory changes in January 2024 that, if enacted as proposed, could impact affordable textbook access programs across the higher education industry as early as 2026.
- *A Large Number of Traditional Campus Bookstores Have Yet to be Outsourced.*
  - *Outsourcing Trends*. We continue to see the trend towards outsourcing in the campus bookstore market and also continue to see a variety of business models being pursued for the provision of course materials (such as affordable textbook access programs and publisher subscription models) and general merchandise.
  - *New and Existing Bookstore Contracts*. We expect awards of new accounts resulting in new physical and virtual store openings will continue to be an important driver of future growth in our business. We also expect that certain less profitable or non-essential bookstores we operate may close, as we focus on the profitability of our stores.

For additional discussion of our trends and other factors affecting our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

#### **Elements of Results of Operations**

Our condensed consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). The results of operations reflected in our condensed consolidated financial statements are presented on a consolidated basis. All material intercompany accounts and transactions have been eliminated in consolidation.

Our sales are primarily derived from the sale of course materials, which include new, used, rental and digital textbooks. Additionally, at college and university bookstores which we operate, we sell general merchandise, including emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. Our rental income is primarily derived from the rental of physical textbooks. We also derive revenue from other sources, such as sales of inventory management, hardware and point-of-sale software, and other services.

Our cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, and finance and accounting. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to a specific reporting segment and are recorded in Corporate Services as discussed in the *Overview-Segments* discussion above.

**Results of Operations - Summary - Continuing Operations <sup>(a)</sup>**

Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Sales:		
Product sales and other	\$ 250,926	\$ 252,650
Rental income	12,505	11,511
<b>Total sales</b>	<b>\$ 263,431</b>	<b>\$ 264,161</b>
Net loss from continuing operations	<b>\$ (99,479)</b>	<b>\$ (49,971)</b>
<b>Adjusted Earnings (non-GAAP) - Continuing Operations <sup>(a)</sup></b>	<b>\$ (41,491)</b>	<b>\$ (44,381)</b>
Adjusted EBITDA by Segment (non-GAAP) - Continuing Operations <sup>(a)</sup>		
Retail	\$ (13,723)	\$ (18,692)
Wholesale	1,942	2,415
Corporate Services	(3,157)	(4,160)
Elimination	(5,742)	(5,448)
<b>Total Adjusted EBITDA (non-GAAP) - Continuing Operations</b>	<b>\$ (20,680)</b>	<b>\$ (25,885)</b>

(a) Adjusted Earnings, Adjusted EBITDA, and Adjusted EBITDA by Segment are non-GAAP financial measures. See *Use of Non-GAAP Measures* discussion below.

**Percentage of Total Sales:**

Sales:	13 weeks ended	
	July 27, 2024	July 29, 2023
Product sales and other	95.3 %	95.6 %
Rental income	4.7	4.4
<b>Total sales</b>	<b>100.0</b>	<b>100.0</b>
Cost of sales (exclusive of depreciation and amortization expense):		
Product and other cost of sales <sup>(a)</sup>	83.5	81.9
Rental cost of sales <sup>(a)</sup>	54.4	56.6
<b>Total cost of sales</b>	<b>82.1</b>	<b>80.8</b>
Gross margin	17.9	19.2
Selling and administrative expenses	25.4	29.3
Depreciation and amortization expense	5.0	3.9
Loss on extinguishment of debt	21.0	—
Restructuring and other charges	1.4	1.8
<b>Operating loss from continuing operations</b>	<b>(34.9)%</b>	<b>(15.8)%</b>

(a) Represents the percentage these costs bear to the related sales, instead of total sales.

**Results of Operations - Discontinued Operations**

On May 31, 2023, we completed the sale of assets related to our *Digital Student Solutions ("DSS") Segment*, which met the criteria for classification as Assets Held for Sale and Discontinued Operations. The results of operations related to the DSS Segment are included in the condensed consolidated statements of operations as "Loss from discontinued operations, net of tax." The cash flows of the DSS Segment are also presented separately in our condensed consolidated statements of cash flows. For additional information, see *Part II - Item 7. Management's Discussion and Analysis* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

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Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Total sales	\$ —	\$ 2,784
Cost of sales	—	76
Gross profit	—	2,708
Selling and administrative expenses	—	2,281
Gain on sale of business	—	(3,068)
Impairment loss (non-cash)	—	610
Restructuring costs	—	3,287
Transaction costs	—	(5)
Operating income loss	—	(397)
Income tax expense	—	20
Loss from discontinued operations, net of tax	\$ —	\$ (417)

**Results of Operations - Continuing Operations - 13 weeks ended July 27, 2024 compared with the 13 weeks ended July 29, 2023**

Dollars in thousands	13 weeks ended July 27, 2024				
	Retail	Wholesale	Corporate	Eliminations	Total
			Services		
<b>Sales:</b>					
Product sales and other	\$ 237,194	\$ 34,229	\$ —	\$ (20,497)	\$ 250,926
Rental income	12,505	—	—	—	12,505
<b>Total sales</b>	<b>249,699</b>	<b>34,229</b>	<b>—</b>	<b>(20,497)</b>	<b>263,431</b>
<b>Cost of sales (exclusive of depreciation and amortization expense):</b>					
Product and other cost of sales	195,076	29,104	—	(14,755)	209,425
Rental cost of sales	6,800	—	—	—	6,800
<b>Total cost of sales</b>	<b>201,876</b>	<b>29,104</b>	<b>—</b>	<b>(14,755)</b>	<b>216,225</b>
<b>Gross profit</b>	<b>47,823</b>	<b>5,125</b>	<b>—</b>	<b>(5,742)</b>	<b>47,206</b>
Selling and administrative expenses	61,709	3,192	2,122	—	67,023
Depreciation and amortization expense	11,670	1,379	8	—	13,057
Loss on extinguishment of debt	—	—	55,233	—	55,233
Restructuring and other charges	912	(89)	2,795	—	3,618
<b>Operating (loss) income</b>	<b>\$ (26,468)</b>	<b>\$ 643</b>	<b>\$ (60,158)</b>	<b>\$ (5,742)</b>	<b>\$ (91,725)</b>

Dollars in thousands	13 weeks ended July 29, 2023				
	Retail	Wholesale	Corporate	Eliminations	Total
			Services		
<b>Sales:</b>					
Product sales and other	\$ 233,949	\$ 38,791	\$ —	\$ (20,090)	\$ 252,650
Rental income	11,511	—	—	—	11,511
<b>Total sales</b>	<b>245,460</b>	<b>38,791</b>	<b>—</b>	<b>(20,090)</b>	<b>264,161</b>
<b>Cost of sales (exclusive of depreciation and amortization expense):</b>					
Product and other cost of sales	188,656	32,997	—	(14,639)	207,014
Rental cost of sales	6,513	—	—	—	6,513
<b>Total cost of sales</b>	<b>195,169</b>	<b>32,997</b>	<b>—</b>	<b>(14,639)</b>	<b>213,527</b>
<b>Gross profit</b>	<b>50,291</b>	<b>5,794</b>	<b>—</b>	<b>(5,451)</b>	<b>50,634</b>
Selling and administrative expenses	69,173	3,388	4,918	(3)	77,476
Depreciation and amortization expense	8,966	1,277	10	—	10,253
Restructuring and other charges	526	526	3,581	—	4,633
<b>Operating (loss) income</b>	<b>\$ (28,374)</b>	<b>\$ 603</b>	<b>\$ (8,509)</b>	<b>\$ (5,448)</b>	<b>\$ (41,728)</b>



First quarter fiscal year 2025 revenue decreased by \$0.7 million, or 0.3% to \$263.4 million, primarily driven by a net decrease in physical locations, many of which were closures of under-performing stores, offset by higher comparable stores sales and new store sales resulting from 32% growth in our *BNC First Day*<sup>®</sup> programs. As discussed below, net loss was \$(99.5) million, inclusive of a loss on extinguishment of debt of \$(55.2) million, compared to a net loss of \$(50.0) million in the prior year period. Adjusted EBITDA improved by \$5.2 million to \$(20.7) million from \$(25.9) million last year (See *Use of Non-GAAP Measures* discussion below). Lower selling and administrative expenses of \$10.5 million primarily related to cost saving and productivity initiatives and growth in our *BNC First Day*<sup>®</sup> programs were primarily responsible for the improvement.

**Sales**

The following table summarizes our sales for the 13 weeks ended July 27, 2024 and July 29, 2023:

Dollars in thousands	13 weeks ended			
	July 27, 2024	July 29, 2023	Var \$	Var %
Product sales and other	\$ 250,926	\$ 252,650	\$ (1,724)	(0.7)%
Rental income	12,505	11,511	\$ 994	8.6%
<b>Total Sales</b>	<b>\$ 263,431</b>	<b>\$ 264,161</b>	<b>\$ (730)</b>	<b>(0.3)%</b>

The sales decrease during the 13 weeks ended July 27, 2024 is primarily related to lower sales resulting from closed stores, offset by higher comparable store sales and new store sales primarily due to our *BNC First Day*<sup>®</sup> programs. The components of the sales variances for the 13 week period is reflected in the table below.

Sales variances	13 weeks ended
Dollars in millions	July 27, 2024
Retail Sales <sup>(a)</sup>	
New stores	\$ 4.1
Closed stores	(12.5)
Comparable stores <sup>(a)</sup>	10.5
Textbook rental deferral	0.4
Service Revenue <sup>(b)</sup>	(0.4)
Other <sup>(c)</sup>	2.1
Retail sales subtotal:	\$ 4.2
Wholesale Sales	\$ (4.5)
Eliminations <sup>(d)</sup>	\$ (0.4)
<b>Total sales variance:</b>	<b>\$ (0.7)</b>

(a) Logo general merchandise sales for the Retail Segment are recognized on a net basis as commission revenue in the condensed consolidated financial statements. For Retail Gross Comparable Store Sales details, see below.

(b) Service revenue includes brand partnership marketing, shipping and handling, and revenue from other programs.

(c) Other includes inventory liquidation sales to third parties, marketplace sales and certain accounting adjusting items related to return reserves, and other deferred items.

(d) Eliminates Wholesale sales and service fees to Retail and Retail commissions earned from Wholesale. See discussion of intercompany activities and eliminations below.

*Retail*

The following is a store count summary for physical stores and virtual stores.

Number of Stores:	13 weeks ended					
	July 27, 2024			July 29, 2023		
	Physical	Virtual	Total	Physical	Virtual	Total
Beginning of period	707	538	1,245	774	592	1,366
Opened	19	11	30	8	12	20
Closed	69	42	111	56	41	97
End of period	657	507	1,164	726	563	1,289

During the 13 weeks ended July 27, 2024, we opened 30 stores and closed 111 stores in the Retail Segment, with estimated net annual sales of \$(71) million. The Company's strategic initiative is to close under-performing and less profitable stores.

Generally, sales are impacted by revenue from net new/closed stores, conversion to *BNC First Day*® programs, increased campus traffic, and an increase in the number and timing of on campus activities and events, such as graduations, athletic events, alumni events, merchandising and marketing programs, and prospective student campus tours.

Retail sales decreased by \$4.2 million, or 1.7%, to \$249.7 million during the 13 weeks ended July 27, 2024 from \$245.5 million during the 13 weeks ended July 29, 2023.

- Product sales and other increased by \$3.2 million, or 1.4%, to \$237.2 million during the 13 weeks ended July 27, 2024 from \$233.9 million during the 13 weeks ended July 29, 2023.
  - Course material product sales increased by \$13.6 million, or 9.8%, to \$152.1 million during the 13 weeks ended July 27, 2024, compared to \$138.5 million in the prior year period. The increase was primarily due to the growth of our *BNC First Day*® programs, which increased by \$19.6 million, or 32%, to \$81.4 million, offset by a decline of \$5.0 million in a la carte courseware sales, including lower sales resulting from closed stores.

Dollars in millions	13 weeks ended			
	July 27, 2024	July 29, 2023	Var \$	Var %
First Day Complete Sales	\$ 34.7	\$ 25.5	\$ 9.2	36%
First Day Sales	\$ 46.7	\$ 36.3	\$ 10.4	29%
Total <i>BNC First Day</i> ® Sales	<u>\$ 81.4</u>	<u>\$ 61.8</u>	<u>\$ 19.6</u>	<u>32%</u>

- General merchandise product net sales decreased by \$12.1 million, or 13.7%, to \$76.5 million, compared to \$88.7 million in the prior year period, primarily due to closed stores, lower graduation product sales due to timing of spring graduation events shifting to the fourth quarter of fiscal year 2024 from the first quarter of fiscal year 2025, and lower emblematic product sales. Retail Gross Comparable Store Sales for general merchandise decreased by \$7.5 million, or (5.9%), compared to the prior year period as discussed below.
- Service and other revenue increased by \$1.8 million, or 26.2%, to \$8.5 million, compared to \$6.7 million in the prior year period, primarily due to higher marketplace sales.

- Rental income for course materials increased by \$1.0 million, or 8.6%, to \$12.5 million during the 13 weeks ended July 27, 2024 from \$11.5 million during the 13 weeks ended July 29, 2023 primarily due to the growth of our *BNC First Day*® programs, offset by closed stores and the shift to digital products.

Retail Gross Comparable Store Sales

To supplement the Total Sales table presented above, the Company uses Retail Gross Comparable Store Sales as a key performance indicator. Retail Gross Comparable Store Sales includes sales from physical and virtual stores that have been open for an entire fiscal year period and does not include sales from permanently closed stores for all periods presented. For Retail Gross Comparable Store Sales, sales for logo general merchandise fulfilled by Lids, Fanatics and digital agency sales are included on a gross basis in Retail Gross Comparable Store Sales compared to a net basis as commission revenue in our condensed consolidated financial statements.

We believe the current Retail Gross Comparable Store Sales calculation method reflects management's view that such comparable store sales are an important measure of the growth in sales when evaluating how established stores have performed over time. We present this metric as additional useful information about the Company's operational and financial performance and to allow greater transparency with respect to important metrics used by management for operating and financial decision-

making. Retail Gross Comparable Store Sales are also referred to as "same-store" sales by others within the retail industry and the method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies and is intended only as supplemental information and is not a substitute for net sales presented in accordance with GAAP.

The increase in course material sales was primarily due to the growth of *BNC First Day*® affordable textbook access programs (as discussed above), offset by declines in a la carte courseware sales. The decrease in general merchandise sales are primarily related to lower graduation product sales due to timing of spring graduation events shifting to the fourth quarter of fiscal year 2024 from the first quarter of fiscal year 2025, lower sales related to cafe and convenience products, trade books, and supplies product sales.

Retail Gross Comparable Store Sales variances by category for the 13 week periods are as follows:

Dollars in millions	13 weeks ended		
	July 27, 2024	July 29, 2023	
Textbooks (Course Materials)	\$ 16.3	11.8 %	\$ 9.0 6.5 %
General Merchandise	(7.5)	(5.9)%	6.8 5.3 %
<b>Total Retail Gross Comparable Store Sales</b>	<b>\$ 8.8</b>	<b>3.3 %</b>	<b>\$ 15.8 5.9 %</b>

#### Wholesale

Wholesale sales decreased by \$4.6 million, or 11.8% to \$34.2 million during the 13 weeks ended July 27, 2024 from \$38.8 million during the 13 weeks ended July 29, 2023. The decrease is primarily due to lower gross sales of \$10.2 million, partially offset by lower returns and allowances of \$5.6 million compared to the prior year period.

#### Cost of Sales and Gross Margin

Our cost of sales increased as a percentage of sales to 82.1% during the 13 weeks ended July 27, 2024 compared to 80.8% during the 13 weeks ended July 29, 2023. Our gross margin decreased by \$3.4 million, or 6.8%, to \$47.2 million, or 17.9% of sales, during the 13 weeks ended July 27, 2024 from \$50.6 million, or 19.2% of sales during the 13 weeks ended July 29, 2023.

#### Retail

The following table summarizes the Retail cost of sales for the 13 weeks ended July 27, 2024 and July 29, 2023:

Dollars in thousands	13 weeks ended			% of Related Sales
	July 27, 2024	Related Sales	July 29, 2023	
Product and other cost of sales	\$ 195,076	82.2%	\$ 188,656	80.6%
Rental cost of sales	6,800	54.4%	6,513	56.6%
<b>Total Cost of Sales</b>	<b>\$ 201,876</b>	<b>80.8%</b>	<b>\$ 195,169</b>	<b>79.5%</b>

The following table summarizes the Retail gross margin for the 13 weeks ended July 27, 2024 and July 29, 2023:

Dollars in thousands	13 weeks ended			% of Related Sales
	July 27, 2024	Related Sales	July 29, 2023	
Product and other gross margin	\$ 42,118	17.8%	\$ 45,293	19.4%
Rental gross margin	5,705	45.6%	4,998	43.4%
<b>Gross Margin</b>	<b>\$ 47,823</b>	<b>19.2%</b>	<b>\$ 50,291</b>	<b>20.5%</b>

For the 13 weeks ended July 27, 2024, the Retail gross margin as a percentage of sales decreased as discussed below:

- For the 13 weeks ended July 27, 2024, Retail Product and other gross margin decreased (160 basis points), primarily due to lower margin rates (125 basis points) for course materials due to higher markdowns, including markdowns related to closed stores and higher inventory reserves, unfavorable sales mix (100 basis points) due to lower general merchandise sales, primarily from graduation product sales and closed stores, and the shift to digital course materials, offset by lower contract costs as a percentage of sales (65 basis points) related to our college and university contracts as a result of the shift to digital and *First Day* models and lower performing school contracts not renewed.

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- For the 13 weeks ended July 27, 2024, the Retail Rental gross margin as a percentage of sales increased driven primarily by higher rental margin rates, off by an unfavorable rental mix and higher contract costs as a percentage of sales related to our college and university contracts.

### *Wholesale*

The cost of sales and gross margin for Wholesale were \$29.1 million, or 85.0% of sales, and \$5.1 million, or 15.0% of sales, respectively, during the 13 weeks ended July 27, 2024. The cost of sales and gross margin for Wholesale was \$33.0 million or 85.1% of sales and \$5.8 million or 14.9% of sales, respectively, during the 13 weeks ended July 29, 2023. The gross margin rate increased during the 13 weeks ended July 27, 2024 primarily due to lower warehouse costs.

### *Intercompany Eliminations*

During the 13 weeks ended July 27, 2024 and July 29, 2023, our sales eliminations were \$(20.5) million and \$(20.1) million, respectively. These sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

During the 13 weeks ended July 27, 2024 and July 29, 2023, the cost of sales eliminations were \$(14.8) million and \$(14.6) million, respectively. These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

During the 13 weeks ended July 27, 2024 and July 29, 2023, the gross margin eliminations were \$(5.7) million and \$(5.5) million, respectively. The gross margin eliminations reflect the net impact of the sales eliminations and cost of sales eliminations during the above mentioned reporting periods.

### **Selling and Administrative Expenses**

Dollars in thousands	13 weeks ended			
	July 27, 2024	% of Sales	July 29, 2023	% of Sales
Total Selling and Administrative Expenses	\$ 67,023	25.4%	\$ 77,476	29.3%

During the 13 weeks ended July 27, 2024, selling and administrative expenses decreased by \$10.5 million, or 13.5%, to \$67.0 million from \$77.5 million during the 13 weeks ended July 29, 2023. The variances by segment are discussed below.

### *Retail*

During the 13 weeks ended July 27, 2024, Retail selling and administrative expenses decreased by \$7.5 million, or 10.8%, to \$61.7 million from \$69.2 million during the 13 weeks ended July 29, 2023. This decrease was primarily due to a \$3.1 million decrease in closed stores payroll and related operating costs, cost savings initiatives comprised of a \$4.4 million decrease in corporate payroll expense, infrastructure and product development costs, and a \$1.0 million decrease in comparable store payroll expense and related operating costs, partially offset by a \$1.0 million increase in new store payroll expense and related operating costs.

### *Wholesale*

During the 13 weeks ended July 27, 2024, Wholesale selling and administrative expenses decreased by \$0.2 million, or 5.8%, to \$3.2 million from \$3.4 million during the 13 weeks ended July 29, 2023. The decrease was primarily due to cost savings initiatives comprised of lower payroll expense.

### *Corporate Services*

During the 13 weeks ended July 27, 2024, Corporate Services' selling and administrative expenses decreased by \$2.8 million, or 56.9%, to \$2.1 million from \$4.9 million during the 13 weeks ended July 29, 2023. The decrease was primarily due to lower payroll expense and lower incentive plan expense related to the resignation of our Chief Executive Officer on June 11, 2024.

**Depreciation and Amortization Expense**

Dollars in thousands	13 weeks ended			
	July 27, 2024	% of Sales	July 29, 2023	% of Sales
Total Depreciation and Amortization Expense	\$ 13,057	5.0%	\$ 10,253	3.9%

Depreciation and amortization expense increased by \$2.8 million, to \$13.1 million during the 13 weeks ended July 27, 2024 from \$10.3 million during the 13 weeks ended July 29, 2023. The increase was primarily attributable to capital additions and accelerated intangible amortization related to closed stores, offset by lower depreciable assets and intangibles due to the store impairment loss recognized in Fiscal 2024.

**Loss on extinguishment of debt**

On June 10, 2024, our existing Term Loan credit agreement lenders converted approximately \$34.0 million of outstanding principal and accrued and unpaid interest into our common stock. We recognized a loss on extinguishment of debt of \$55.2 million during the 13 weeks ended July 27, 2024 in the condensed consolidated statement of operations in connection with the Term Loan debt conversion which represents the difference between the Common Stock fair value issued upon conversion and the net carrying value of the Term Loan, plus unamortized deferred financing costs related to the Term Loan. As a result of the Term Loan Debt Conversion, the Term Loan and its related documentation was terminated. There were no Term Loan debt conversions in the comparable prior period. See *Item 1. Financial Statements - Note 5. Equity and Earnings Per Share and Note 7. Debt*.

**Restructuring and other charges**

During the 13 weeks ended July 27, 2024, we recognized restructuring and other charges totaling \$3.6 million comprised primarily of \$2.0 million of severance primarily related to the resignation of our former Chief Executive Officer on June 11, 2024, \$1.1 million related to severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives, and \$0.5 million for legal and advisory professional service costs for restructuring and process improvements and other charges.

During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges totaling \$4.6 million comprised primarily of \$3.5 million of professional service costs for restructuring and process improvements, and \$1.1 million of severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction initiatives.

**Operating Loss**

Dollars in thousands	13 weeks ended			
	July 27, 2024	% of Sales	July 29, 2023	% of Sales
Total Operating Loss	\$ (91,725)	(34.9)%	\$ (41,728)	(15.8)%

Our operating loss was \$(91.7) million during the 13 weeks ended July 27, 2024, compared to operating loss of \$(41.7) million during the 13 weeks ended July 29, 2023. The increase in operating loss is due to the matters discussed above. For the 13 weeks ended July 27, 2024, operating loss, excluding the \$55.2 million of loss on extinguishment of debt and the \$3.6 million of restructuring and other charges, discussed above, was \$(32.9) million (or (12.5)% of sales). For the 13 weeks ended July 29, 2023, operating loss, excluding the \$4.6 million of restructuring and other charges, discussed above, was \$(37.1) million (or (14.0)% of sales).

**Interest Expense, Net**

Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Interest Expense, Net	\$ 7,618	\$ 8,254

Net interest expense decreased by \$0.6 million to \$7.6 million during the 13 weeks ended July 27, 2024 from \$8.3 million during the 13 weeks ended July 29, 2023. Interest expense decreased primarily due to the June 10, 2024 debt financing transaction, lower borrowing and lower interest rates.

**Income Tax Expense (Benefit)**

Dollars in thousands	13 weeks ended			
	July 27, 2024	Effective Rate	July 29, 2023	Effective Rate
Income Tax Expense (Benefit)	\$ <u>136</u>	(0.1)%	\$ <u>(11)</u>	0%

We recorded an income tax expense of \$0.1 million on pre-tax loss of \$(99.3) million during the 13 weeks ended July 27, 2024, which represented an effective income tax rate of (0.1)% and we recorded an income tax benefit of \$(0.01) million on a pre-tax loss of \$(50.0) million during the 13 weeks ended July 29, 2023, which represented an effective income tax rate of 0%. The effective tax rate for the 13 weeks ended July 27, 2024 is materially consistent with the prior year comparable period.

**Net Loss from Continuing Operations**

Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Net Loss from Continuing Operations	\$ <u>(99,479)</u>	\$ <u>(49,971)</u>

As a result of the factors discussed above, net loss from continuing operations was \$(99.5) million during the 13 weeks ended July 27, 2024, compared with \$(50.0) million during the 13 weeks ended July 29, 2023.

Adjusted Earnings (non-GAAP) is \$(41.5) million during the 13 weeks ended July 27, 2024, compared with \$(44.4) million during the 13 weeks ended July 29, 2023. See *Adjusted Earnings (non-GAAP)* discussion below.

**Use of Non-GAAP Measures - Adjusted Earnings, Adjusted EBITDA, Adjusted EBITDA by Segment, and Free Cash Flow**

To supplement our results prepared in accordance with generally accepted accounting principles ("GAAP"), we use the measure of Adjusted Earnings, Adjusted EBITDA, Adjusted EBITDA by Segment, and Free Cash Flow, which are non-GAAP financial measures under Securities and Exchange Commission (the "SEC") regulations. We define Adjusted Earnings as net income from continuing operations adjusted for certain reconciling items that are subtracted from or added to net income (loss) from continuing operations. We define Adjusted EBITDA as net income (loss) from continuing operations plus (1) depreciation and amortization; (2) interest expense and (3) income taxes, (4) as adjusted for items that are subtracted from or added to net income (loss) from continuing operations. We define Free Cash Flow as Cash Flows from Operating Activities less capital expenditures, cash interest and cash taxes.

To properly and prudently evaluate our business, we encourage you to review our condensed consolidated financial statements included elsewhere in this Form 10-Q, the reconciliation of Adjusted Earnings to net income (loss) from continuing operations, the reconciliation of consolidated Adjusted EBITDA to consolidated net income (loss) from continuing operations, and the reconciliation of Adjusted EBITDA by Segment to net income (loss) from continuing operations by segment, the most directly comparable financial measure presented in accordance with GAAP, set forth in the tables below. All of the items included in the reconciliations below are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance.

These non-GAAP financial measures are not intended as substitutes for and should not be considered superior to measures of financial performance prepared in accordance with GAAP. In addition, our use of these non-GAAP financial measures may be different from similarly named measures used by other companies, limiting their usefulness for comparison purposes.

We review these non-GAAP financial measures as internal measures to evaluate our performance at a consolidated level and at a segment level and manage our operations. We believe that these measures are useful performance measures which are used by us to facilitate a comparison of our on-going operating performance on a consistent basis from period-to-period. We believe that these non-GAAP financial measures provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone, as they exclude certain items that management believes do not reflect the ordinary performance of our operations in a particular period. Our Board of Directors and management also use Adjusted EBITDA and Adjusted EBITDA by Segment, at a consolidated and at a segment level, as one of the primary methods for planning and forecasting expected performance, for evaluating on a quarterly and annual basis actual results against such expectations, and as a measure for performance incentive plans. Management also uses Adjusted EBITDA by Segment to determine segment capital allocations. We believe that the inclusion of Adjusted Earnings, Adjusted EBITDA, and Adjusted EBITDA by Segment provides investors useful and important information regarding our operating results, in a manner that is consistent with management's evaluation of business performance. We believe that Free Cash Flow provides useful additional information concerning cash flow available to meet future debt service obligations and working capital requirements and assists

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investors in their understanding of our operating profitability and liquidity as we manage the business to maximize margin and cash flow.

For a discussion regarding the Seasonality of our business, see *Management Discussion and Analysis - Seasonality* discussion above.

**Consolidated Adjusted Earnings (non-GAAP) - Continuing Operations**

	13 weeks ended	
	July 27, 2024	July 29, 2023
<i>Dollars in thousands</i>		
Net loss from continuing operations	\$ (99,479)	\$ (49,971)
Reconciling items (below)	<u>57,988</u>	<u>5,590</u>
Adjusted Earnings (non-GAAP)	<u><u>\$ (41,491)</u></u>	<u><u>\$ (44,381)</u></u>
Reconciling items		
Loss on extinguishment of debt <sup>(a)</sup>	\$ 55,233	\$ —
Restructuring and other charges <sup>(a)</sup>	3,618	4,633
Stock-based compensation expense (non-cash)	(863)	957
Reconciling items <sup>(b)</sup>	<u>57,988</u>	<u>5,590</u>

**Consolidated Adjusted EBITDA (non-GAAP) - Continuing Operations**

	13 weeks ended	
	July 27, 2024	July 29, 2023
<i>Dollars in thousands</i>		
Net loss from continuing operations	\$ (99,479)	\$ (49,971)
Add:		
Depreciation and amortization expense	13,057	10,253
Interest expense, net	7,618	8,254
Income tax expense (benefit)	136	(11)
Loss on extinguishment of debt <sup>(a)</sup>	55,233	—
Restructuring and other charges <sup>(a)</sup>	3,618	4,633
Stock-based compensation expense (non-cash)	(863)	957
Adjusted EBITDA (Non-GAAP) - Continuing Operations	<u>\$ (20,680)</u>	<u>\$ (25,885)</u>

(a) See *Management Discussion and Analysis and Results of Operations* discussion above.

(b) There is no pro forma income effect of the non-GAAP items.

The following is Adjusted EBITDA - Continuing Operations by Segment for the 13 weeks ended July 27, 2024 and July 29, 2023.

**Adjusted EBITDA - by Segment**

	13 weeks ended July 27, 2024				
	Retail	Wholesale	Corporate Services <sup>(a)</sup>	Eliminations	Total
<i>Dollars in thousands</i>					
Net loss from continuing operations	\$ (26,468)	\$ 643	\$ (67,912)	\$ (5,742)	\$ (99,479)
Add:					
Depreciation and amortization expense	11,670	1,379	8	—	13,057
Interest expense, net	—	—	7,618	—	7,618
Income tax expense	—	—	136	—	136
Loss on extinguishment of debt <sup>(b)</sup>	—	—	55,233	—	55,233
Restructuring and other charges <sup>(b)</sup>	912	(89)	2,795	—	3,618
Stock-based compensation expense (non-cash)	\$ 163	\$ 9	\$ (1,035)	\$ —	(863)
Adjusted EBITDA (non-GAAP)	<u><u>\$ (13,723)</u></u>	<u><u>\$ 1,942</u></u>	<u><u>\$ (3,157)</u></u>	<u><u>\$ (5,742)</u></u>	<u><u>\$ (20,680)</u></u>

**Adjusted EBITDA - by Segment**

Dollars in thousands	13 weeks ended July 29, 2023				
	Retail	Wholesale	Corporate Services <sup>(a)</sup>	Eliminations	Total
Net loss from continuing operations	\$ (28,374)	\$ 603	\$ (16,752)	\$ (5,448)	\$ (49,971)
Add:					
Depreciation and amortization expense	8,966	1,277	10	—	10,253
Interest expense, net	—	—	8,254	—	8,254
Income tax benefit	—	—	(11)	—	(11)
Restructuring and other charges <sup>(b)</sup>	526	526	3,581	—	4,633
Stock-based compensation expense (non-cash)	\$ 190	\$ 9	\$ 758	\$ —	\$ 957
Adjusted EBITDA (non-GAAP)	\$ (18,692)	\$ 2,415	\$ (4,160)	\$ (5,448)	\$ (25,885)

(a) Interest expense and Loss on Extinguishment of Debt is reflected in Corporate Services as it is primarily related to our Credit Agreement and Term Loan Agreement which fund our operating and financing needs across the organization. Income taxes are reflected in Corporate Services as we record our income tax provision on a consolidated basis.

(b) See *Management Discussion and Analysis and Results of Operations* discussion above.

**Free Cash Flow (non-GAAP)**

Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Net cash flows used in operating activities from continuing operations <sup>(a)</sup>	\$ (143,992)	\$ (119,858)
Less:		
Capital expenditures <sup>(b)</sup>	3,470	4,219
Cash interest	4,732	5,534
Cash taxes	204	345
Free Cash Flow (non-GAAP)	\$ (152,398)	\$ (129,956)

(a) See *Liquidity and Capital Resources - Sources and Uses of Cash Flow* discussion below.

Given the growth of our *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day*® affordable textbook access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of our sales shift to *BNC First Day*® affordable textbook access offerings, we are focused on efforts to better align the timing of our cash outflows to course material vendors and cash inflows from collections from schools.

(b) Purchases of property and equipment are also referred to as capital expenditures. Our investing activities consist principally of capital expenditures for contractual capital investments associated with renewing existing contracts, new store construction, and enhancements to internal systems and our website. The following table provides the components of total purchases of property and equipment:

**Capital Expenditures**

Dollars in thousands

	13 weeks ended	
	July 27, 2024	July 29, 2023
Physical store capital expenditures	\$ 1,968	2,205
Product and system development	1,160	1,763
Other	346	251
Total Capital Expenditures	\$ 3,478	4,219

## Liquidity and Capital Resources

Our primary sources of cash are net cash flows from operating activities, funds available under our Credit Agreement, and short-term vendor financing. Our liquidity is highly dependent on the seasonal nature of our business, particularly with respect to course material sales, as sales are generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming Fall and Spring semesters, respectively. As of July 27, 2024, we had \$21.3 million of cash on hand, including \$10.7 million of restricted cash primarily related to segregated funds for commission due to Lids for logo merchandise sales as per the F/L Relationship-related agreements.

On June 10, 2024, we completed various transactions, including a private equity investment, an equity rights offering, Term Loan debt conversion, and a Credit Facility refinancing, to substantially deleverage our consolidated balance sheet. These transactions also raised additional capital for repayment of indebtedness and provide additional flexibility for future working capital needs. For additional information, see *Financing Arrangements* below.

We believe that our future cash from operations, access to borrowings under the Credit Facility, and short-term vendor financing will provide adequate resources to fund our operating and financing needs for the next twelve months and beyond. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. Our access to, and the availability of, financing in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. There can be no assurances that we will have access to capital markets on acceptable terms.

### **Sources and Uses of Cash Flow - Continuing Operations**

Dollars in thousands	13 weeks ended	
	July 27, 2024	July 29, 2023
Net cash flows used in operating activities from continuing operations	\$ (143,992)	\$ (119,858)
Net cash flows used in investing activities from continuing operations	(3,247)	(4,141)
Net cash flows provided by financing activities from continuing operations	139,944	93,176
Net change in cash, cash equivalents, and restricted cash from continuing operations	\$ (7,295)	\$ (30,823)

As of July 27, 2024 and July 29, 2023, we had restricted cash of \$13.1 million and \$11.6 million, respectively, comprised of \$10.7 million as of both periods in prepaid and other current assets in the condensed consolidated balance sheet related to segregated funds for commission due to Lids for logo merchandise sales as per the Lids service provider merchandising agreement and \$2.4 million and \$0.9 million, respectively, in other noncurrent assets in the condensed consolidated balance sheets related to amounts held in trust for future distributions related to employee benefit plans.

### **Cash Flow from Operating Activities from Continuing Operations**

Our business is highly seasonal. Cash flows from operating activities are typically a source of cash in the second and third fiscal quarters, when students generally purchase and rent textbooks and other course materials for the upcoming semesters based on the typical academic semester. Given the growth of our *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day*® affordable textbook access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of our sales shift to *BNC First Day*® affordable textbook access offerings, we are focused on efforts to better align the timing of our cash outflows to course material vendors with cash inflows collected from schools. Cash flows from operating activities are typically a use of cash in the fourth fiscal quarter, when sales volumes are materially lower than the other quarters. Our quarterly cash flows also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

Cash flows used in operating activities from continuing operations during the 13 weeks ended July 27, 2024 were \$(144.0) million compared to \$(119.9) million during the 13 weeks ended July 29, 2023. The increase in cash flows used in operating activities from continuing operations of \$24.1 million was primarily due to the timing of payables to vendors for inventory purchases and expenses, all of which were delayed resulting from lower borrowing base availability under our credit facility.

### **Cash Flow from Investing Activities from Continuing Operations**

Cash flows used in investing activities from continuing operations during the 13 weeks ended July 27, 2024 were \$(3.2) million compared to \$(4.1) million during the 13 weeks ended July 29, 2023. The decrease in cash used in investing activities is

primarily due to lower capital expenditures and contractual capital investments, enhancements to internal systems and websites, and new store construction. Capital expenditures totaled \$3.5 million and \$4.2 million during the 13 weeks ended July 27, 2024 and July 29, 2023, respectively.

#### *Cash Flow from Financing Activities from Continuing Operations*

Cash flows provided by financing activities from continuing operations during the 13 weeks ended July 27, 2024 were \$139.9 million compared to \$93.2 million during the 13 weeks ended July 29, 2023. The net change of \$46.7 million is primarily due the gross proceeds of \$95.0 million of new equity capital through a \$50.0 million new equity investment led by Immersion Corporation and a \$45.0 million fully backstopped equity rights offering, offset by payments for equity issuance costs of \$9.5 million and lower net borrowings of \$38.6 million.

#### **Financing Arrangements**

On June 10, 2024, we completed various transactions, including a private equity investment, an equity rights offering, Term Loan debt conversion, and a Credit Facility refinancing, to substantially deleverage our consolidated balance sheet. These transactions raised additional capital for repayment of indebtedness and provide additional flexibility for future working capital needs, which will also allow us to strategically invest in innovation and growth initiatives, including but not limited to the growth of our *First Day Complete* program.

Upon closing of the transactions on June 10, 2024:

- We received gross proceeds of \$95.0 million of new equity capital through a \$50.0 million new equity investment (the "Private Investment") led by Immersion and the \$45.0 million Rights Offering. The transactions infused approximately \$85.5 million of net cash proceeds after transaction costs. The transaction resulted in Immersion obtaining a controlling interest in the Company. See Note 5. *Equity and Earnings Per Share*.
- Our existing Term Loan credit agreement lenders, TopLids and VitalSource, converted approximately \$34.0 million of outstanding principal and accrued and unpaid interest into our Common Stock. We recognized a loss on extinguishment of debt of \$55.2 million in the condensed consolidated statement of operations in connection with the Term Loan debt conversion which represents the difference between the debt fair value and net carrying value, plus unamortized deferred financing costs related to the Term Loan. As a result of the Term Loan Debt Conversion, the Term Loan and its related documentation was terminated. See Note 5. *Equity and Earnings Per Share* and Note 7. *Debt*.
- We refinanced our Credit Facility providing access to a \$325.0 million facility maturing in 2028. The refinanced Credit Facility will meaningfully enhance our financial flexibility and reduce our annual interest expense. See Note 7. *Debt* for terms.

#### **Income Tax Implications on Liquidity**

As of July 27, 2024, we recognized a current income tax receivable for net operating loss carrybacks in prepaid and other current assets on the condensed consolidated balance sheet. We received refunds of \$15.8 million and \$8.5 million in Fiscal 2023, and Fiscal 2024, respectively. We received a final \$2.7 million refund (including \$0.3 million in interest) on August 12, 2024.

#### **Share Repurchases**

During the 13 weeks ended July 27, 2024, we did not repurchase any of our Common Stock under the stock repurchase program. As of July 27, 2024, approximately \$26.7 million remains available under the stock repurchase program.

During the 13 weeks ended July 27, 2024 and July 29, 2023, we repurchased 429 and 779 of our Common Stock, respectively, outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

#### **Critical Accounting Estimates**

Our policies regarding the use of estimates and other critical accounting policies are consistent with the disclosures in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

**Item 4: Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

An evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act) was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at the reasonable assurance level as of July 27, 2024.

Management has not identified any changes in the Company's internal control over financial reporting that occurred during the first quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

## PART II - OTHER INFORMATION

### **Item 1. Legal Proceedings**

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. We record a liability when we believe that it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations or cash flows.

### **Item 1A. Risk Factors**

There have been no material changes, during the 13 weeks ended July 27, 2024 to the risk factors discussed in *Part I - Item 1A. Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended April 27, 2024.

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

#### *Issuer Purchases of Equity Securities*

The following table provides information as of July 27, 2024 with respect to shares of Common Stock we purchased during the first quarter of Fiscal 2025:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
			Plans or Programs	Programs
April 28, 2024 - May 25, 2024	—	\$ —	—	\$ 26,669,324
May 26, 2024 - June 29, 2024	—	\$ —	—	\$ 26,669,324
June 30, 2024 - July 27, 2024	—	\$ —	—	\$ 26,669,324
			—	—

(a) This amount represents the average price paid per share of Common Stock. This price includes a per share commission paid for all repurchases.

During the 13 weeks ended July 27, 2024, we did not repurchase any shares of our Common Stock under the stock repurchase program.

During the 13 weeks ended July 27, 2024, we repurchased 429 shares of our Common Stock (\$8.65 average price paid per share of Common Stock) outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

### **Item 5. Other Information**

#### **Securities Trading Plans of Directors and Executive Officers**

During the period covered by this Quarterly Report on Form 10-Q, no director or officer of the Company adopted or terminated a "Rule 10b5-1 trading arrangement" or "non-Rule 10b5-1 trading arrangement," as each term is defined in Item 408(a) of Regulation S-K.

**Item 6. Exhibits**

<a href="#">3.1</a>	<a href="#">Amended and Restated Certificate of Incorporation of Barnes &amp; Noble Education, Inc., filed as Exhibit 3.1 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.</a>
<a href="#">3.2</a>	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Barnes &amp; Noble Education, Inc., filed as Exhibit 3.1 to Report on Form 8-K filed with the SEC on September 25, 2017, and incorporated herein by reference.</a>
<a href="#">3.3</a>	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Barnes &amp; Noble Education, Inc., filed as Exhibit 3.1 to the Current Report on Form 8-K filed with the SEC on June 11, 2024, and incorporated herein by reference.</a>
<a href="#">3.4</a>	<a href="#">Certificate of Amendment of Amended and Restated Certificate of Incorporation of Barnes &amp; Noble Education, Inc., filed as Exhibit 3.2 to the Current Report on Form 8-K filed with the SEC on June 11, 2024, and incorporated herein by reference.</a>
<a href="#">3.5</a>	<a href="#">Second Amended and Restated By-Laws, as Amended, Effective as of October 5, 2023, of Barnes &amp; Noble Education, Inc., filed as Exhibit 3.1 to Report on Form 8-K filed with the SEC on October 12, 2023, and incorporated herein by reference.</a>
<a href="#">3.6</a>	<a href="#">Certificate of Elimination of the Series A Junior Participating Preferred Stock of Barnes &amp; Noble Education, Inc. (incorporated by reference to Exhibit 3.1 of the Registrant's Current Report on Form 8-K filed July 3, 2024).</a>
<a href="#">4.1</a>	<a href="#">Amendment No. 1 to Rights Agreement, dated as of July 3, 2024, by and between Barnes &amp; Noble Education, Inc. and Computershare Trust Company, N.A. (incorporated by reference to Exhibit 4.2 of the Registrant's Current Report on Form 8-K filed July 3, 2024).</a>
<a href="#">10.1</a>	<a href="#">Amended and Restated Credit Agreement, dated as of June 10, 2024, by and among Barnes &amp; Noble Education, Inc., as borrower, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto, filed as Exhibit 10.1 to the Current Report on Form 8-K filed with the SEC on June 11, 2024, and incorporated herein by reference.</a>
<a href="#">31.1 *</a>	<a href="#">Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">31.2 *</a>	<a href="#">Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.1 **</a>	<a href="#">Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">32.2 **</a>	<a href="#">Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>
<a href="#">101.INS</a>	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.
<a href="#">101.SCH</a>	XBRL Taxonomy Extension Schema Document
<a href="#">101.CAL</a>	XBRL Taxonomy Extension Calculation Linkbase Document
<a href="#">101.DEF</a>	XBRL Taxonomy Extension Definition Linkbase Document
<a href="#">101.LAB</a>	XBRL Taxonomy Extension Label Linkbase Document
<a href="#">101.PRE</a>	XBRL Taxonomy Extension Presentation Linkbase Document
<a href="#">104</a>	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

\* Filed herewith.

\*\* Exhibits 32.1 and 32.2 are being furnished and shall not be deemed to be "filed" for under the Securities Act of 1933, as amended (the "Securities Act") or the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liability of that section, nor shall such exhibits be deemed to be incorporated by reference in any registration statement or other document filed under the Securities Act or the Exchange Act, whether made before or after the date hereof and irrespective of any general incorporation language contained in such filing, except to the extent specifically stated in such filing.

**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.

**BARNES & NOBLE EDUCATION, INC.**

(Registrant)

By: /s/ KEVIN WATSON

Kevin Watson

*Chief Financial Officer*

*(principal financial officer)*

By: /s/ SEEMA C. PAUL

Seema C. Paul

*Chief Accounting Officer*

*(principal accounting officer)*

September 10, 2024

**CERTIFICATION BY THE  
CHIEF EXECUTIVE OFFICER PURSUANT TO  
17 CFR 240.13a-14(a)/15(d)-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Jonathan Shar, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 27, 2024 of Barnes & Noble Education, 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: September 10, 2024

By: /s/ Jonathan Shar  
Jonathan Shar  
*Chief Executive Officer*  
*Barnes & Noble Education, Inc.*

**CERTIFICATION BY THE  
CHIEF FINANCIAL OFFICER PURSUANT TO  
17 CFR 240.13a-14(a)/15(d)-14(a),  
AS ADOPTED PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Kevin Watson, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 27, 2024 of Barnes & Noble Education, 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: September 10, 2024

By: /s/ Kevin Watson  
Kevin Watson  
*Chief Financial Officer*  
*Barnes & Noble Education, Inc.*

**CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO  
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934  
AND 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 Barnes & Noble Education, Inc. (the "Company") on Form 10-Q for the period ended July 27, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Jonathan Shar, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 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 condition and results of operations of the Company.

*/s/ Jonathan Shar*

Jonathan Shar

*Chief Executive Officer*

*Barnes & Noble Education, Inc.*

September 10, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO  
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934  
AND 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 Barnes & Noble Education, Inc. (the "Company") on Form 10-Q for the period ended July 27, 2024, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Kevin Watson, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 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 condition and results of operations of the Company.

*/s/ Kevin Watson*

Kevin Watson

*Chief Financial Officer*

*Barnes & Noble Education, Inc.*

September 10, 2024

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.