

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

FORM 10-Q

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

For the quarterly period ended **May 4, 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: **001-38559**



BJ'S WHOLESALE CLUB HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-2936287

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

350 Campus Drive

Marlborough , Massachusetts

(Address of principal executive offices)

01752

(Zip Code)

(774) 512-7400

(Registrant's telephone number, including area code)

N/A

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

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

| Title of each class | Trading symbol(s) | Name of each exchange on which registered |
|--------------------------------|-------------------|---|
| Common Stock, par value \$0.01 | BJ | 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, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

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

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

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

As of May 22, 2024, the registrant had 132,709,079 shares of common stock, \$0.01 par value per share, outstanding.

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TRADEMARKS

BJ's Wholesale Club®, BJ's®, Wellsley Farms®, Berkley Jensen®, My BJ's Perks®, BJ's Easy Renewal®, BJ's Gas®, BJ's One®, BJ's One+®, BJ's Perks Elite®, BJ's Perks Plus®, Inner Circle®, Same-Day-Select®, ExpressPay® and BJ's Perks Rewards® are all registered trademarks of BJ's Wholesale Club, Inc. Other trademarks, trade names and service marks appearing in this Quarterly Report on Form 10-Q are the property of their respective owners. We do not intend our use or display of those other parties' trademarks, trade names or service marks to imply, and such use or display should not be construed to imply, a relationship with, or endorsement or sponsorship of us by, these other parties. Solely for convenience, trademarks, trade names and service marks referred to in this Quarterly Report on Form 10-Q may appear without the ®, ™ or SM symbols, but such references are not intended to indicate, in any way, that we will not assert, to the fullest extent under applicable law, our rights or the right of the applicable licensor to these trademarks, trade names and service marks.

DEFINED TERMS

As used in this Quarterly Report on Form 10-Q, unless the context otherwise requires:

- "The Company", "BJ's", "we", "us" and "our" mean BJ's Wholesale Club Holdings, Inc. and, unless the context otherwise requires, its consolidated subsidiaries;
- "ABL Revolving Facility" means the Company's revolving credit facility entered into on July 28, 2022;
- "ABL Revolving Commitment" means the aggregate committed amount of \$1.2 billion under the ABL Revolving Facility;
- "First Lien Term Loan" means the Company's senior secured first lien term loan facility that was amended on October 12, 2023;
- "Fourth Amendment" means the Company's fourth amendment to the senior secured former first lien term loan facility that was entered into on October 12, 2023;
- "fiscal year 2023" means the 53 weeks ended February 3, 2024;
- "fiscal year 2024" means the 52 weeks ending February 1, 2025;
- "GAAP" means generally accepted accounting principles in the United States of America;
- "ESPP" means the Company's Employee Stock Purchase Plan; and
- "SOFR" means the Secured Overnight Financing Rate.

PART I—FINANCIAL INFORMATION

Item 1. Financial Statements.

BJ'S WHOLESALE CLUB HOLDINGS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands, except par value)
(Unaudited)

| | May 4, 2024 | February 3, 2024 | April 29, 2023 |
|---|--------------|------------------|----------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 35,094 | \$ 36,049 | \$ 23,387 |
| Accounts receivable, net | 225,199 | 234,769 | 217,866 |
| Merchandise inventories | 1,533,310 | 1,454,822 | 1,532,006 |
| Prepaid expenses and other current assets | 85,048 | 68,366 | 69,048 |
| Total current assets | 1,878,651 | 1,794,006 | 1,842,307 |
| Operating lease right-of-use assets, net | 2,159,955 | 2,140,482 | 2,124,621 |
| Property and equipment, net | 1,620,255 | 1,578,792 | 1,364,815 |
| Goodwill | 1,008,816 | 1,008,816 | 1,008,816 |
| Intangibles, net | 106,001 | 107,632 | 113,536 |
| Deferred income taxes | 2,693 | 4,071 | 6,728 |
| Other assets | 48,356 | 43,823 | 33,672 |
| Total assets | \$ 6,824,727 | \$ 6,677,622 | \$ 6,494,495 |
| LIABILITIES | | | |
| Current liabilities: | | | |
| Short-term debt | \$ 270,000 | \$ 319,000 | \$ 400,000 |
| Current portion of operating lease liabilities | 156,914 | 153,631 | 178,939 |
| Accounts payable | 1,264,873 | 1,183,281 | 1,281,676 |
| Accrued expenses and other current liabilities | 834,053 | 812,136 | 758,724 |
| Total current liabilities | 2,525,840 | 2,468,048 | 2,619,339 |
| Long-term operating lease liabilities | 2,069,587 | 2,050,883 | 2,037,844 |
| Long-term debt | 398,509 | 398,432 | 448,004 |
| Deferred income taxes | 74,804 | 74,773 | 66,699 |
| Other non-current liabilities | 228,567 | 226,635 | 190,883 |
| Commitments and contingencies (see Note 5) | | | |
| STOCKHOLDERS' EQUITY | | | |
| Preferred stock; par value \$ 0.01 ; 5,000 shares authorized, and no shares issued | — | — | — |
| Common stock, par value \$ 0.01 ; 300,000 shares authorized, 148,247 shares issued and 132,708 outstanding at May 4, 2024; 147,544 shares issued and 132,768 outstanding at February 3, 2024; and 147,380 shares issued and 134,376 outstanding at April 29, 2023 | 1,482 | 1,475 | 1,473 |
| Additional paid-in capital | 1,020,857 | 1,006,409 | 970,227 |
| Retained earnings | 1,279,250 | 1,168,231 | 760,567 |
| Accumulated other comprehensive income | 501 | 501 | 1,049 |
| Treasury stock, at cost, 15,539 shares at May 4, 2024; 14,776 shares at February 3, 2024; and 13,004 shares at April 29, 2023 | (774,670) | (717,765) | (601,590) |
| Total stockholders' equity | 1,527,420 | 1,458,851 | 1,131,726 |
| Total liabilities and stockholders' equity | \$ 6,824,727 | \$ 6,677,622 | \$ 6,494,495 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

BJ'S WHOLESALE CLUB HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(Amounts in thousands, except per share amounts)
(Unaudited)

| | Thirteen Weeks Ended | |
|--|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Net sales | \$ 4,807,129 | \$ 4,620,620 |
| Membership fee income | 111,390 | 102,522 |
| Total revenues | 4,918,519 | 4,723,142 |
| Cost of sales | 4,035,129 | 3,843,150 |
| Selling, general and administrative expenses | 721,771 | 689,328 |
| Pre-opening expenses | 864 | 3,894 |
| Operating income | 160,755 | 186,770 |
| Interest expense, net | 13,951 | 14,690 |
| Income from continuing operations before income taxes | 146,804 | 172,080 |
| Provision for income taxes | 35,785 | 56,092 |
| Income from continuing operations | 111,019 | 115,988 |
| Income from discontinued operations, net of income taxes | — | 89 |
| Net income | \$ 111,019 | \$ 116,077 |
| Income per share attributable to common stockholders—basic: | | |
| Income from continuing operations | \$ 0.84 | \$ 0.87 |
| Income from discontinued operations | — | — |
| Net income | \$ 0.84 | \$ 0.87 |
| Income per share attributable to common stockholders—diluted: | | |
| Income from continuing operations | \$ 0.83 | \$ 0.85 |
| Income from discontinued operations | — | — |
| Net income | \$ 0.83 | \$ 0.85 |
| Weighted-average shares of common stock outstanding: | | |
| Basic | 132,397 | 133,312 |
| Diluted | 134,111 | 135,902 |
| Other comprehensive loss: | | |
| Amounts reclassified from accumulated other comprehensive income, net of tax | \$ — | \$ (501) |
| Total other comprehensive loss | — | (501) |
| Total comprehensive income | \$ 111,019 | \$ 115,576 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

BJ'S WHOLESALE CLUB HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Amounts in thousands)
(Unaudited)

| | Common Stock | | Additional | Retained | Accumulated | Treasury Stock | | Total |
|---|--------------|----------|--------------|--------------|---------------|----------------|------------|---------------|
| | Shares | Amount | Paid-in | Earnings | Other | Shares | Amount | Stockholders' |
| | | | Capital | | Comprehensive | | | Equity |
| | | | | | Income | | | |
| | | | | | | | (717,765 | |
| Balance, February 3, 2024 | 147,544 | \$ 1,475 | \$ 1,006,409 | \$ 1,168,231 | \$ 501 | (14,776) | \$) | \$ 1,458,851 |
| Net income | — | — | — | 111,019 | — | — | — | 111,019 |
| Common stock issued under stock incentive plans | 703 | 7 | (7) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 8,590 | — | — | — | — | 8,590 |
| Exercise of stock options | — | — | 5,865 | — | — | — | — | 5,865 |
| Acquisition of treasury stock | — | — | — | — | — | (763) | (56,905) | (56,905) |
| | | | | | | | (774,670 | |
| Balance, May 4, 2024 | 148,247 | \$ 1,482 | \$ 1,020,857 | \$ 1,279,250 | \$ 501 | (15,539) | \$) | \$ 1,527,420 |

| | Common Stock | | Additional | Retained | Accumulated | Treasury Stock | | Total |
|---|--------------|----------|------------|------------|---------------|----------------|------------|---------------|
| | Shares | Amount | Paid-in | Earnings | Other | Shares | Amount | Stockholders' |
| | | | Capital | | Comprehensive | | | Equity |
| | | | | | Income | | | |
| | | | | | | | (559,221 | |
| Balance, January 28, 2023 | 146,347 | \$ 1,463 | \$ 958,555 | \$ 644,490 | \$ 1,550 | (12,444) | \$) | \$ 1,046,837 |
| Net income | — | — | — | 116,077 | — | — | — | 116,077 |
| Other comprehensive loss, net of tax | — | — | — | — | (501) | — | — | (501) |
| Common stock issued under stock incentive plans | 1,033 | 10 | (10) | — | — | — | — | — |
| Stock-based compensation expense | — | — | 10,007 | — | — | — | — | 10,007 |
| Exercise of stock options | — | — | 1,675 | — | — | — | — | 1,675 |
| Acquisition of treasury stock | — | — | — | — | — | (560) | (42,369) | (42,369) |
| | | | | | | | (601,590 | |
| Balance, April 29, 2023 | 147,380 | \$ 1,473 | \$ 970,227 | \$ 760,567 | \$ 1,049 | (13,004) | \$) | \$ 1,131,726 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

BJ'S WHOLESALE CLUB HOLDINGS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands)
(Unaudited)

| | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$ 111,019 | \$ 116,077 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 63,422 | 54,190 |
| Amortization of debt issuance costs and accretion of original issue discount | 277 | 324 |
| Stock-based compensation expense | 8,590 | 10,007 |
| Deferred income tax provision | 1,409 | 14,445 |
| Changes in operating leases and other non-cash items | 2,922 | (750) |
| Increase (decrease) in cash due to changes in: | | |
| Accounts receivable, net | 3,491 | 21,871 |
| Merchandise inventories | (78,488) | (153,455) |
| Prepaid expenses and other current assets | (11,083) | (18,016) |
| Other assets | (4,733) | (2,933) |
| Accounts payable | 81,592 | 85,979 |
| Accrued expenses and other current liabilities | 19,316 | (4,977) |
| Other non-current liabilities | 3,113 | (3,630) |
| Net cash provided by operating activities | 200,847 | 119,132 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Additions to property and equipment, net of disposals | (105,741) | (92,084) |
| Net cash used in investing activities | (105,741) | (92,084) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from revolving lines of credit | 193,000 | 149,000 |
| Payments on revolving lines of credit | (242,000) | (154,000) |
| Net cash received from stock option exercises | 5,865 | 1,675 |
| Acquisition of treasury stock | (57,256) | (42,369) |
| Proceeds from financing obligations | 6,044 | 9,104 |
| Other financing activities | (1,714) | (986) |
| Net cash used in financing activities | (96,061) | (37,576) |
| Net decrease in cash and cash equivalents | (955) | (10,528) |
| Cash and cash equivalents at beginning of period | 36,049 | 33,915 |
| Cash and cash equivalents at end of period | \$ 35,094 | \$ 23,387 |
| Supplemental cash flow information: | | |
| Interest paid | \$ 12,112 | \$ 14,540 |
| Income taxes paid | 13,688 | 11,875 |
| Operating lease liabilities arising from obtaining right-of-use assets and other non-cash lease-related operating items | 65,905 | 26,189 |
| Non-cash financing and investing activities: | | |
| Finance lease liabilities arising from obtaining right-of-use assets | 345 | — |
| Property additions included in accrued expenses | 35,456 | 24,754 |
| Treasury stock repurchases included in accrued expenses | 3,013 | — |

The accompanying notes are an integral part of the condensed consolidated financial statements.

NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Description of Business

BJ's Wholesale Club Holdings, Inc. and its wholly-owned subsidiaries is a leading operator of membership warehouse clubs concentrated primarily in the eastern half of the United States. The Company provides a curated assortment focused on groceries, fresh foods, general merchandise, gasoline, and other ancillary services to deliver a differentiated shopping experience that is further enhanced by our omnichannel capabilities. Additionally, the Company provides access to coupon books and promotions to deliver further value to our members. As of May 4, 2024, the Company operated 244 warehouse clubs and 175 gas stations in 20 states.

2. Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying interim financial statements of BJ's Wholesale Club Holdings, Inc. are unaudited and, in the opinion of management, reflect all normal recurring adjustments considered necessary for a fair statement of the Company's financial statements in accordance with GAAP.

The condensed consolidated balance sheet as of February 3, 2024 is derived from the audited consolidated balance sheet as of that date. The Company's business, as is common with the business of retailers generally, is subject to seasonal influences. The Company's sales and operating income have typically been highest in the fourth quarter holiday season and lowest in the first quarter of each fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year 2023, as filed with the Securities and Exchange Commission on March 18, 2024.

(b) Fiscal Year

The Company follows the National Retail Federation's fiscal calendar and reports financial information on a 52- or 53-week year ending on the Saturday closest to January 31. The thirteen-week periods ended May 4, 2024 and April 29, 2023 are referred to herein as the "first quarter of fiscal year 2024" and the "first quarter of fiscal year 2023," respectively. Operating results for the thirteen week period ended May 4, 2024 are not necessarily indicative of the results that may be expected for the 52-week fiscal year ending February 1, 2025.

(c) Recent Accounting Pronouncements and Policies

The Company's accounting policies are set forth in the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal year 2023. There have been no material changes to these accounting policies and no accounting pronouncements adopted that had a material impact on the Company's financial statements.

In December 2023, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 will require public companies to disclose, on an annual basis, a tabular reconciliation, using both percentages and amounts, broken out into specific categories with certain reconciling items at or above 5% of the statutory tax, further broken out by nature and/or jurisdiction. ASU 2023-09 requires all entities to disclose, on an annual basis, the amount of income taxes paid (net of refunds received), disaggregated between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes paid. The new standard is effective for fiscal years beginning after December 15, 2024, on a prospective basis. Early adoption and retrospective application are permitted. The Company is currently evaluating the impact the adoption of this new pronouncement will have on its financial statement disclosures.

In November 2023, the FASB issued *ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands the segment reporting disclosures and requires disclosure of segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, amounts and description of its composition for other segment items, and interim disclosure of a reportable segment's profit or loss and assets. Additionally, the amendments require the disclosure of the title and position of the CODM

and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing performance and deciding how to allocate resources. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new pronouncement will have on its financial statement disclosures.

3. Revenue Recognition

Net sales

The Company recognizes net sales at clubs and gas stations when the customer takes possession of the goods and tenders payment. Sales tax is recorded as a liability at the point-of-sale. Revenue is recorded at the point-of-sale based on the transaction price, net of any applicable discounts, sales tax and expected refunds. For e-commerce sales, the Company recognizes sales when control of the merchandise is transferred to the customer, which is typically at the time of shipment.

Rewards programs

The Company's BJ's Perks Rewards membership program which was in place in fiscal year 2022 and the first month of fiscal year 2023, allowed participating members to earn 2 % cash back, up to a maximum of \$ 500 per year, on qualified purchases made at BJ's. The Company also offered a co-branded credit card program, the My BJ's Perks program, which allowed My BJ's Perks Mastercard credit card holders to earn up to a 10 cent-per-gallon discount on gasoline, up to 5 % cash back on eligible purchases made in BJ's clubs or online at bjs.com, and up to 2 % cash back on purchases made with the card outside of BJ's. Cash back was in the form of electronic awards issued in \$ 10 increments that could be used online or in-club and expired six months from the date issued.

In the first quarter of fiscal year 2023, the Company rebranded the rewards program. The former BJ's Perks Rewards membership program is now the Club+ program, whereby participating members earn 2 % cash back, up to a maximum of \$ 500 per year, on qualified purchases made at BJ's and a 5 -cent per gallon discount at BJ's gas locations. Cash back is in the form of electronic awards issued to each member once \$ 10 in rewards have been earned. Earned rewards under the Club+ program do not expire.

The Company's co-branded credit card program is now the BJ's One and BJ's One+ program, which allows cardholders with the opportunity to earn up to 5 % cash back on purchases made in BJ's clubs or online at bjs.com and up to a 15 -cent per gallon discount on gasoline when paying with a BJ's One or BJ's One+ Mastercard at our BJ's gas locations. Cash back is in the form of electronic awards issued to each member monthly on their credit card statement date. Earned rewards under the co-branded credit card program do not expire.

The Company accounts for these transactions as multiple-element arrangements and allocates the transaction price to separate performance obligations using their relative fair values. The Company includes the fair value of award dollars earned in deferred revenue at the time the award dollars are earned. Earned awards may be redeemed on future purchases made at the Company. The Company recognizes revenue related to earned awards when customers redeem such awards as part of a purchase at one of the Company's clubs or on the Company's website or mobile app. The Company recognizes royalty revenue related to the outstanding My BJ's Perks and BJ's One and BJ's One+ credit card programs based upon actual customer activities, such as reward redemptions. Additionally, the Company deferred revenue for funds received related to marketing and other integration costs in connection with the new co-brand credit card program and will recognize these funds into revenue as performance obligations are satisfied.

Membership

The Company charges a membership fee to its customers, which allows customers to shop in the Company's clubs, shop on the Company's website, and purchase gasoline at the Company's gas stations for the duration of the membership, which is generally 12 months. In addition, members have access to other ancillary services, coupons, and promotions. As the Company has the obligation to provide access to its clubs, website, and gas stations for the duration of the membership term, the Company recognizes membership fees on a straight-line basis over the life of the membership.

Gift Card Programs

The Company sells BJ's gift cards that allow customers to redeem the cards for future purchases equal to the amount of the face value of the gift card. Revenue from gift card sales is recognized upon redemption of the gift cards and control of the purchased goods or services is transferred to the customer.

Contract Balances

The following table summarizes the Company's deferred revenue balance related to outstanding performance obligations for contracts with customers (in thousands):

| | May 4, 2024 | February 3, 2024 | April 29, 2023 |
|----------------------------------|-------------|------------------|----------------|
| Current: | | | |
| Rewards programs: | | | |
| Earned award dollars | \$ 53,334 | \$ 49,135 | \$ 36,573 |
| Royalty revenue | 4,982 | 4,593 | 4,053 |
| Co-brand marketing & integration | 3,710 | 4,181 | 7,409 |
| Total rewards programs | 62,026 | 57,909 | 48,035 |
| Membership | 234,411 | 231,440 | 192,723 |
| Gift card programs | 14,484 | 15,290 | 13,140 |
| E-commerce sales | 5,723 | 6,757 | 8,620 |
| Long-term: | | | |
| Rewards programs: | | | |
| Co-brand marketing & integration | 5,910 | 6,216 | 7,311 |
| Total deferred revenue | \$ 322,554 | \$ 317,612 | \$ 269,829 |

Current and long-term deferred revenue balances are included within accrued expenses and other current liabilities and other non-current liabilities, respectively, in the condensed consolidated balance sheets.

The following table summarizes the Company's revenue recognized during the period that was included in the opening deferred balance as of February 3, 2024 and January 28, 2023 (in thousands):

| | Thirteen Weeks Ended | |
|----------------------------------|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Rewards programs: | | |
| Earned award dollars | \$ 49,135 | 34,676 |
| Royalty revenue | 4,593 | 17,877 |
| Co-brand marketing & integration | 776 | 3,889 |
| Total rewards programs | 54,504 | 56,442 |
| Membership | 97,790 | 83,082 |
| Gift card programs | 2,799 | 2,933 |
| E-commerce sales | 6,757 | 2,731 |
| Total revenue | \$ 161,850 | \$ 145,188 |

Performance obligations related to earned award dollars, royalty revenue and membership fees are typically satisfied over a period of twelve months or less. Funds received related to marketing and other integration costs in connection with our co-brand credit card program are recognized as performance obligations are satisfied. The timing and recognition of gift card redemptions varies depending on consumer behavior and spending patterns.

Disaggregation of Revenue

The Company's club retail operations, which include retail club and other sales procured from our clubs and distribution centers, represent substantially all of its consolidated total revenues and are the Company's only reportable segment.

Substantially all of the Company's identifiable assets are located in the United States. The Company does not have significant sales outside the United States, nor does any customer represent more than 10% of total revenues for any period presented.

The following table summarizes the Company's percentage of net sales disaggregated by category:

| | Thirteen Weeks Ended | |
|----------------------------------|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Grocery | 71 % | 71 % |
| General Merchandise and Services | 10 % | 10 % |
| Gasoline and Other | 19 % | 19 % |

4. Debt and Credit Arrangements

The following table summarizes the Company's debt (in thousands):

| | May 4, 2024 | February 3, 2024 | April 29, 2023 |
|---|-------------------|-------------------|-------------------|
| ABL Revolving Facility | \$ 270,000 | \$ 319,000 | \$ 400,000 |
| First Lien Term Loan | 400,000 | 400,000 | 450,000 |
| Unamortized original issue discount and debt issuance costs | (1,491) | (1,568) | (1,996) |
| Less: Short-term debt | (270,000) | (319,000) | (400,000) |
| Long-term debt | <u>\$ 398,509</u> | <u>\$ 398,432</u> | <u>\$ 448,004</u> |

ABL Revolving Facility

On July 28, 2022, the Company entered into the ABL Revolving Facility with an ABL Revolving Commitment of \$ 1.2 billion pursuant to that certain credit agreement (the "Credit Agreement") with Bank of America, N.A., as administrative agent and collateral agent, and the other lenders party thereto. The maturity date of the ABL Revolving Facility is July 28, 2027.

Revolving loans under the ABL Revolving Facility are available in an aggregate amount equal to the lesser of the aggregate ABL Revolving Commitment or a borrowing base based on the value of certain inventory, accounts and credit card receivables, subject to specified advance rebates and reserves as set forth in the Credit Agreement. Indebtedness under the ABL Revolving Facility is secured by substantially all of the assets (other than real estate) of the Company and its subsidiaries, subject to customary exceptions. As amended, interest on the ABL Revolving Facility is calculated either at SOFR plus a range of 100 to 125 basis points or a base rate plus 0 to 25 basis points, based on excess availability. The Company will also pay an unused commitment fee of 20 basis points per annum on the unused ABL Revolving Commitment. Each borrowing is for a period of one, three, or six months, as selected by the Company, or for such other period that is twelve months or less requested by the Company and consented to by the lenders and administrative agent.

The ABL Revolving Facility places certain restrictions (i.e., covenants) upon the Borrower's, and its subsidiaries', ability to, among other things, incur additional indebtedness, pay dividends and make certain loans, investments, and divestitures. The ABL Revolving Facility contains customary events of default (including payment defaults, cross-defaults to certain of our other indebtedness, breach of representations and covenants and change of control). The occurrence of an event of default under the ABL Revolving Facility would permit the lenders to accelerate the indebtedness and terminate the ABL Revolving Facility.

As of May 4, 2024, there was \$ 270.0 million outstanding in loans under the ABL Revolving Facility and \$ 18.4 million in outstanding letters of credit. The interest rate on the ABL Revolving Facility was 6.41 % and unused capacity was \$ 911.6 million. As of February 3, 2024 and April 29, 2023, the interest rate on the ABL Revolving Facility was 6.44 % and 6.08 %, respectively.

First Lien Term Loan

On October 12, 2023, the Company entered into an amendment (the "Fourth Amendment") to the First Lien Term Loan Credit Agreement, with Nomura Corporate Funding Americas, LLC, as administrative agent and collateral agent and the

lenders party thereto. Deutsche Bank Securities Inc. acted as the left lead arranger and bookrunner, and Nomura Securities International, Inc., BofA Securities, Inc. and Wells Fargo Securities LLC acted as joint lead arrangers and joint bookrunners of the Fourth Amendment.

The Fourth Amendment, among other things, extended the maturity date with respect to the term loans outstanding under the First Lien Term Loan Credit Agreement from February 3, 2027 to February 3, 2029. In addition, the Fourth Amendment reduced applicable margin in respect of the interest rate from SOFR plus 275 basis points per annum to SOFR plus 200 basis points per annum.

Voluntary prepayments are permitted. Principal payments must be made on the First Lien Term Loan pursuant to an annual excess cash flow calculation when the net leverage ratio exceeds 3.50 to 1.00. As of May 4, 2024, the Company's net leverage ratio did not exceed 3.50 to 1.00, and therefore, no incremental principal payments were required. The First Lien Term Loan is subject to certain affirmative and negative covenants. It is secured on a senior basis by certain "fixed assets" of the Company and on a junior basis by certain "liquid" assets of the Company.

There was \$ 400.0 million, \$ 400.0 million, and \$ 450.0 million outstanding under the First Lien Term Loan as of May 4, 2024, February 3, 2024, and April 29, 2023, respectively. The interest rate on the First Lien Term Loan was 7.32 %, 7.33 %, and 7.58 % at May 4, 2024, February 3, 2024, and April 29, 2023, respectively.

5. Commitments and Contingencies

The Company is involved in various legal proceedings that are typical of a retail business. In accordance with applicable accounting guidance, an accrual will be established for legal proceedings if and when those matters present loss contingencies that are both probable and estimable. The Company does not believe the resolution of any current proceedings will result in a material loss to the condensed consolidated financial statements.

6. Stock Incentive Plans

On June 13, 2018, the Company's board of directors adopted, and its stockholders approved, the BJ's Wholesale Club Holdings, Inc. 2018 Incentive Award Plan (the "2018 Plan"). The 2018 Plan provides for the grant of stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, other incentive awards, stock appreciation rights, and cash awards.

The 2018 Plan authorizes the issuance of 13,148,058 shares. If an award under the 2018 Plan is forfeited, expires, or is settled for cash, any shares subject to such award may, to the extent of such forfeiture, expiration, or cash settlement, be used again for new grants under the 2018 Plan. Additionally, shares tendered or withheld to satisfy grant or exercise price, or tax withholding obligations associated with an award under the 2018 Plan will be added to the shares authorized for grant under the 2018 Plan. The following shares may not be used again for grant under the 2018 Plan: (1) shares subject to a stock appreciation right ("SAR") that are not issued in connection with the stock settlement of the SAR upon its exercise and (2) shares purchased on the open market with the cash proceeds from the exercise of options under the 2018 Plan. As of May 4, 2024, there were 4,519,493 shares available for future issuance under the 2018 Plan.

The following table summarizes the Company's stock award activity during the thirteen weeks ended May 4, 2024 (shares in thousands):

| | Stock Options | | Restricted Stock | | Restricted Stock Units | | Performance Stock | |
|-------------------------------|---------------|---------------------------------|------------------|--|------------------------|--|-----------------------|--|
| | Shares | Weighted-Average Exercise Price | Shares | Weighted-Average Grant Date Fair Value | Shares | Weighted-Average Grant Date Fair Value | Shares ^(a) | Weighted-Average Grant Date Fair Value |
| Outstanding, February 3, 2024 | 1,655 | \$ 20.53 | 621 | \$ 67.35 | 22 | \$ 62.13 | 677 | \$ 58.84 |
| Granted ^(b) | — | — | — | — | 358 | 74.65 | 425 | 76.65 |
| Forfeited/canceled | — | — | (11) | 72.23 | (1) | 74.64 | (7) | 70.12 |
| Exercised/vested | (258) | 22.74 | (305) | 61.65 | — | — | (458) | 44.31 |
| Outstanding, May 4, 2024 | 1,397 | \$ 20.13 | 305 | \$ 72.86 | 379 | \$ 73.93 | 637 | \$ 69.44 |

- (a) Shares presented reflect a 100 % payout, however, the actual payout for the remaining performance stock awards granted in fiscal year 2021 is expected to be 200 %. Actual payout for the performance stock awards granted in each of fiscal year 2022 and 2023, which vest in fiscal year 2025 and 2026, respectively, could be below 100 % or up to 200 %. Actual payout for the performance stock awards granted in fiscal year 2024, which vest in fiscal year 2027, could be below 100 % or up to 300 %.
- (b) Includes 229 incremental performance stock awards granted in fiscal year 2021 with a weighted-average grant date fair value of \$ 44.31 , that vested in fiscal year 2024 at greater than 100 % of target payout based on performance.

Stock-based compensation expense was \$ 8.6 million and \$ 10.0 million for the thirteen weeks ended May 4, 2024 and April 29, 2023, respectively.

On June 14, 2018, the Company's board of directors adopted, and its stockholders approved, the ESPP, which became effective July 1, 2018. The aggregate number of shares of common stock reserved for issuance under the ESPP is equal to the sum of (i) 973,014 shares and (ii) an annual increase on the first day of each calendar year beginning in 2019 and ending in 2028 equal to the lesser of (A) 486,507 shares, (B) 0.5 % of the shares outstanding (on an as converted basis) on the last day of the immediately preceding fiscal year and (C) such smaller number of shares as determined by the Company's board of directors. The amount of expense recognized related to the ESPP was \$ 0.4 million and \$ 0.3 million for the thirteen weeks ended May 4, 2024 and April 29, 2023, respectively. As of May 4, 2024, there were 2,894,011 shares available for issuance under the ESPP.

7. Treasury Shares and Share Repurchase Program

Treasury Shares Acquired on Restricted Stock and Performance Stock Awards

The Company acquired 357,451 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirteen weeks ended May 4, 2024, which was recorded as \$ 26.7 million of treasury stock. The Company acquired 356,202 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirteen weeks ended April 29, 2023, which was recorded as \$ 27.1 million of treasury stock.

Share Repurchase Program

On November 16, 2021, the Company's board of directors approved a share repurchase program (the "2021 Repurchase Program") that allows the Company to repurchase up to \$ 500.0 million of its outstanding common stock from time to time as market conditions warrant. The 2021 Repurchase Program expires in January 2025. The Company initiated the 2021 Repurchase Program to mitigate potentially dilutive effects of stock awards granted by the Company, in addition to enhancing shareholder value.

The Company repurchased 405,110 shares for \$ 30.2 million and 204,040 shares for \$ 15.3 million during the thirteen weeks ended May 4, 2024 and April 29, 2023, respectively. The Company accounts for treasury stock under the cost method based on the fair market value of the shares on the dates of repurchase plus any direct costs incurred.

As of May 4, 2024, \$ 159.1 million remained available to purchase under the 2021 Repurchase Program.

8. Income Taxes

The Company projects the estimated annual effective tax rate for fiscal year 2024 to be 27.9 %, excluding the tax effect of discrete events, such as excess tax benefits from stock-based compensation, changes in tax legislation, settlements of tax audits and changes in uncertain tax positions, among others.

The Company's effective income tax rate from continuing operations was 24.4 % and 32.6 % for the thirteen weeks ended May 4, 2024 and April 29, 2023, respectively. The decrease in income tax expense is primarily driven by higher tax benefits from stock-based compensation.

The Company is subject to taxation in the U.S. federal and various state taxing jurisdictions. The Company's tax years from 2019 forward remain open and subject to examination by the Internal Revenue Service and various state taxing authorities.

9. Fair Value Measurements

Certain assets and liabilities are required to be carried at fair value in accordance with GAAP. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The Company uses a three-level hierarchy that prioritizes the inputs used to measure fair value. This hierarchy requires entities to maximize the use of observable inputs and minimize the use of unobservable inputs. Financial assets and liabilities carried at fair value are to be classified and disclosed in one of the following three levels of the fair value hierarchy, of which the first two are considered observable and the last is considered unobservable:

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

Level 2: Observable inputs other than quoted market prices included in Level 1 such as quoted market prices for markets that are not active or other inputs that are observable or can be corroborated by observable market data.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including certain pricing models, discounted cash flow methodologies and similar techniques that use significant unobservable inputs.

Financial Assets and Liabilities

The fair value of the Company's long-term debt is estimated based on current market rates for our specific debt instrument. Judgment is required to develop these estimates. As such, the estimated fair value of long-term debt is classified within Level 2, as defined under U.S. GAAP.

The gross carrying amount and fair value of the Company's debt at May 4, 2024 are as follows (in thousands):

| | Carrying Amount | Fair Value |
|------------------------|-------------------|-------------------|
| ABL Revolving Facility | \$ 270,000 | \$ 270,000 |
| First Lien Term Loan | 400,000 | 402,000 |
| Total Debt | <u>\$ 670,000</u> | <u>\$ 672,000</u> |

The gross carrying amount and fair value of the Company's debt at February 3, 2024 are as follows (in thousands):

| | Carrying Amount | Fair Value |
|------------------------|-------------------|-------------------|
| ABL Revolving Facility | \$ 319,000 | \$ 319,000 |
| First Lien Term Loan | 400,000 | 401,168 |
| Total Debt | <u>\$ 719,000</u> | <u>\$ 720,168</u> |

The gross carrying amount and fair value of the Company's debt at April 29, 2023 are as follows (in thousands):

| | Carrying Amount | Fair Value |
|------------------------|-------------------|-------------------|
| ABL Revolving Facility | \$ 400,000 | \$ 400,000 |
| First Lien Term Loan | 450,000 | 450,734 |
| Total Debt | <u>\$ 850,000</u> | <u>\$ 850,734</u> |

Assets and Liabilities Measured at Fair Value on a Non-Recurring Basis

The Company measures certain non-financial assets and liabilities, including long-lived assets, at fair value on a non-recurring basis.

The Company believes that the carrying amounts of its other financial instruments, including cash, accounts receivable, and accounts payable, approximate their fair values due to the short-term maturities of these instruments.

10. Earnings Per Share

The table below reconciles basic weighted-average shares of common stock outstanding to diluted weighted-average shares of common stock outstanding for the thirteen weeks ended May 4, 2024 and April 29, 2023 (in thousands):

| | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Weighted-average shares of common stock outstanding, used for basic computation | 132,397 | 133,312 |
| Plus: Incremental shares of potentially dilutive securities | 1,714 | 2,590 |
| Weighted-average shares of common stock and dilutive potential shares of common stock outstanding | 134,111 | 135,902 |

The table below summarizes awards that were excluded from the computation of diluted earnings for the thirteen weeks ended May 4, 2024 and April 29, 2023, as their inclusion would have been anti-dilutive (in thousands):

| | Thirteen Weeks Ended | |
|--------------------|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Stock-based awards | 328 | 103 |

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements. We intend such forward-looking statements to be covered by the safe harbor provisions for forward-looking statements contained in 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"). All statements other than statements of historical facts contained in this Quarterly Report on Form 10-Q should be considered forward-looking statements, including, without limitation, statements regarding our future results of operations and financial position, business strategy, transformation, strategic priorities and future progress, including expectations regarding deferred revenue, lease commencement dates, impact of infrastructure investments on our operating model and selling, general and administrative expenses, sales of gasoline and gross profit margin rates, share repurchases, and new club and gas station openings, as well as statements that include terms such as "may", "will", "should", "expect", "plan", "anticipate", "could", "intend", "project", "believe", "estimate", "predict", "continue", "forecast", "would", or the negative of these terms or other similar expressions. The forward-looking statements in this Quarterly Report on Form 10-Q are only predictions. We have based these forward-looking statements largely on our current expectations and projections about future events and financial trends that we believe may affect our business, financial condition and results of operations. These statements involve known and unknown risks, uncertainties and other important factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements, including, but not limited to:

- uncertainties in the financial markets including, without limitation, as a result of disruptions and instability in the banking and financial services industries or as a result of wars and global political conflicts, and the effect of certain economic conditions or events on consumer and small business spending patterns and debt levels;
- risks related to our dependence on having a large and loyal membership;
- domestic and international economic conditions, including volatility in inflation or interest rates, supply chain disruptions, construction delays and exchange rates;
- our ability to procure the merchandise we sell at the best possible prices;
- the effects of competition in, and regulation of, the retail industry;
- our dependence on vendors to supply us with quality merchandise at the right time and at the right price;
- risks related to our indebtedness;
- changes in laws related to, or the governments administration of, the Supplemental Nutrition Assistance Program or its electronic benefit transfer systems;
- the risks and uncertainties related to the impact of any future pandemic, epidemic or outbreak of any other highly infectious disease on the U.S., regional and global economies and on our business, financial condition and results of operations;
- risks related to climate change and natural disasters;
- our ability to identify and respond effectively to consumer trends, including our ability to successfully maintain a relevant omnichannel experience for our members;
- risks related to cybersecurity, which may be heightened due to our e-commerce business, including our ability to protect the privacy of member or business information and the security of payment card information;
- risks relating to our ability to attract and retain a qualified management team and other team members;
- risks relating to our ability to implement our growth strategy by opening new clubs, and gasoline stations; and
- the other risk factors identified in our filings with the Securities and Exchange Commission, including in particular those set forth under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended February 3, 2024 (the "Annual Report on Form 10-K for the fiscal year 2023") and our other filings with the Securities and Exchange Commission.

Given these uncertainties, you should not place undue reliance on any forward-looking statements. Except as required by applicable law, we assume no obligation to update these forward-looking statements, even if new information becomes available in the future, and you should not rely upon these forward-looking statements after the date of this Quarterly Report on Form 10-Q.

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

The following discussion and analysis is intended to promote an understanding of the results of operations and financial condition of the Company and is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and the related notes thereto in our Annual Report on Form 10-K for the fiscal year 2023. The following discussion may contain forward-looking statements that reflect our plans, estimates and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Quarterly Report on Form 10-Q titled "Forward-Looking Statements" and in Part I. "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year 2023.

We report on the basis of a 52- or 53-week fiscal year, which ends on the Saturday closest to the last day of January. Accordingly, references herein to "fiscal year 2024" relate to the 52 weeks ending February 1, 2025, and references herein to "fiscal year 2023" relate to the 53 weeks ended February 3, 2024. The first quarter of fiscal year 2024 ended on May 4, 2024, and the first quarter of fiscal year 2023 ended on April 29, 2023, and both include thirteen weeks.

Overview

BJ's Wholesale Club is a leading operator of membership warehouse clubs concentrated primarily on the eastern half of the United States. We deliver significant value to our members, consistently offering 25% or more savings on a representative basket of manufacturer-branded groceries compared to traditional supermarket competitors. The Company provides a curated assortment focused on groceries, fresh foods, general merchandise, gasoline, and other ancillary services to deliver a differentiated shopping experience that is further enhanced by our omnichannel capabilities. Additionally, the Company provides access to coupon books and promotions to deliver further value to our members.

Since pioneering the warehouse club model in New England in 1984, we have grown our footprint to 244 large-format, high volume warehouse clubs and 176 gas stations spanning 20 states as of the date of this filing. In our core New England market, which has high population density and generates a disproportionate part of U.S. gross domestic product, we operate more than three times the number of clubs compared to the next largest warehouse club competitor. In addition to shopping in our clubs, members are able to shop when and how they want through our website, bjs.com, and our highly rated mobile app, which allows them to use our buy-online-pickup-in-club ("BOPIC") service, curbside delivery, same-day home delivery or traditional ship-to-home service, as well as through the DoorDash and Instacart marketplaces where members receive the same preferential pricing as in-club shoppers by linking their membership. We also offer Same-Day Select, which offers BJ's members the ability to pay a one-time fee for either unlimited or twelve same-day grocery deliveries over a one-year period.

Our goal is to offer our members significant value and a meaningful return in savings on their annual membership fee. We have over 7 million members paying annual fees to gain access to savings on groceries and general merchandise and services. The annual membership fee for our Club Card membership is generally \$55, and the annual membership fee for our Club+ membership, which offers additional value-enhancing features, is generally \$110. We believe that members can save over ten times their \$55 Club Card membership fee versus what they would otherwise pay at traditional supermarket competitors when they spend \$2,500 or more per year at BJ's on manufacturer-branded groceries. In addition to providing significant savings on a representative basket of manufacturer-branded groceries, we accept all manufacturer coupons and also carry our own exclusive brands that enable members to save on price without compromising on quality. Our two private label brands, Wellsley Farms® and Berkley Jensen®, represented approximately \$4.1 billion in annual sales for fiscal year 2023. Our customers recognize the relevance of our value proposition across economic environments, as demonstrated by over 25 consecutive years of membership fee income growth. Our membership fee income was \$429.5 million for the trailing twelve-months ended May 4, 2024.

Our business is moderately seasonal in nature. Historically, our business has realized a slightly higher portion of net sales, operating income, and cash flows from operations in the second and fourth fiscal quarters, attributable primarily to the impact of the summer and year-end holiday season, respectively. Our quarterly results have been, and will continue to be, affected by the timing of new club openings and their associated pre-opening expenses. As a result of these factors, our financial results for any single quarter or for periods of less than a year are not necessarily indicative of the results that may be achieved for a full fiscal year.

Factors Affecting Our Business

Overall economic trends

The overall economic environment and related changes in consumer behavior have a significant impact on our business. In general, positive conditions in the broader economy promote customer spending in our clubs, while economic weakness, which generally results in a reduction of customer spending, may have a different or more extreme effect on spending at our clubs. Macroeconomic factors that can affect customer spending patterns, and thereby our results of operations, include employment rates, changes to the Supplemental Nutrition Assistance Program (SNAP), government stimulus programs, tax legislation, business conditions, changes in the housing market, the availability of credit, interest rates and inflation, tax rates and fuel and energy costs. In addition, unemployment rates and benefits may cause us to experience higher labor costs.

Size and loyalty of membership base

The membership model is a critical element of our business. Members drive our results of operations through their membership fee income and their purchases. The majority of members renew within six months following their renewal date. Therefore, our renewal rate is a trailing calculation that captures renewals during the period seven to eighteen months prior to the reporting date. We have grown our membership fee income each year for over 25 consecutive years and the quality of our membership mix is strong as evidenced by our higher tier penetration growth in the first thirteen weeks of fiscal year 2024. Our tenured membership renewal rate, a key indicator of membership engagement, satisfaction and loyalty, was 90% at the end of fiscal year 2023.

Effective sourcing and distribution of products and consumer demands

Our net sales and gross profit are affected by our ability to purchase our products in sufficient quantities at competitive prices. Further, our ability to maintain our appeal to existing customers and attract new customers primarily depends on our ability to originate, develop and offer a compelling product assortment responsive to customer preferences. As a result, our level of net sales could be adversely affected due to constraints in our supply chain, including our inability to procure and stock sufficient quantities of some merchandise in a manner that is able to match market demand from our customers.

Infrastructure investment

Our historical operating results reflect the impact of our ongoing investments to support our growth. We have made significant investments in our business that we believe have laid the foundation for continued profitable growth. We believe that expanding our club footprint, bringing substantially all of our end-to-end perishable supply chain in-house, enhancing our information systems, including our distribution center and transportation management systems, and investing in hardware, software, and digitally enabled shopping capabilities for convenience, such as BOPIC, ExpressPay, curbside pickup, and same day home delivery will enable us to replicate our profitable club format and provide a differentiated shopping experience. We expect these infrastructure investments to support our successful operating model across our club operations.

Gasoline prices

The market price of gasoline impacts our net sales and comparable club sales, and large fluctuations in the price of gasoline may produce a short-term impact on our margins. Retail gasoline prices are driven by daily crude oil and wholesale commodity market changes and are volatile, as they are influenced by factors that include changes in demand and supply of oil and refined products, global geopolitical events, regional market conditions, and supply interruptions caused by severe weather conditions. Typically, the change in crude oil prices impacts the purchase price of wholesale petroleum fuel products, which in turn impacts retail gasoline prices at the pump. During times when prices are particularly volatile, differences in pricing and procurement strategies between the Company and its competitors may lead to temporary margin contraction or expansion, depending on whether prices are rising or falling, and this impact could affect our overall results for a fiscal quarter.

In addition, the relative level of gasoline prices from period to period may lead to differences in our net sales between those periods. Further, because we generally attempt to maintain a fairly stable gross profit per gallon, this variance in net sales, which may be substantial, may or may not have a significant impact on our operating income.

Inflation and deflation trends

Our financial results can be directly impacted by substantial changes in product costs due to commodity cost fluctuations or general inflation, disinflation, or deflation, which could lead to a reduction in our sales, as well as greater margin pressure, as costs may not be able to be passed on to consumers. Changes in commodity prices and changes in inflation rates have impacted several categories of our business. Inflationary volatility can be attributed to macro economic factors including supply chain disruptions, government stimulus, interest rates, and other factors. In response to general inflationary volatility, we seek to

minimize the impact of such events by sourcing our merchandise from different vendors, changing our product mix or increasing our pricing when necessary.

Results of Operations

The following table summarizes key components of our results of operations for the periods indicated:

| Statement of Operations Data (dollars in thousands, except per share amounts) | Thirteen Weeks Ended | |
|---|-----------------------------|-----------------------|
| | May 4, 2024 | April 29, 2023 |
| Net sales | \$ 4,807,129 | \$ 4,620,620 |
| Membership fee income | 111,390 | 102,522 |
| Total revenues | 4,918,519 | 4,723,142 |
| Cost of sales | 4,035,129 | 3,843,150 |
| Selling, general and administrative expenses | 721,771 | 689,328 |
| Pre-opening expenses | 864 | 3,894 |
| Operating income | 160,755 | 186,770 |
| Interest expense, net | 13,951 | 14,690 |
| Income from continuing operations before income taxes | 146,804 | 172,080 |
| Provision for income taxes | 35,785 | 56,092 |
| Income from continuing operations | 111,019 | 115,988 |
| Income from discontinued operations, net of income taxes | — | 89 |
| Net income | \$ 111,019 | \$ 116,077 |
| Weighted-average shares outstanding—basic | 132,397 | 133,312 |
| Basic EPS ^(a) | \$ 0.84 | \$ 0.87 |
| Weighted-average shares outstanding—diluted | 134,111 | 135,902 |
| Diluted EPS ^(a) | \$ 0.83 | \$ 0.85 |
| Operational Data: | | |
| Total clubs at end of period | 244 | 237 |
| Comparable club sales ^(b) | 1.6% | 2.0% |
| Merchandise comparable club sales ^(b) | 0.6% | 5.7% |
| Adjusted net income ^(b) | \$ 113,408 | \$ 115,646 |
| Adjusted EPS ^(b) | 0.85 | 0.85 |
| Adjusted EBITDA ^{(b) (c)} | 236,386 | 251,538 |
| Net cash provided by operating activities | 200,847 | 119,132 |
| Adjusted free cash flow ^(b) | 95,106 | 27,048 |

(a) Basic and diluted EPS are calculated using net income.

(b) See "Non-GAAP Financial Measures" and "Liquidity and Capital Resources" within Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations for definitions.

(c) Adjusted EBITDA for the thirteen weeks ended April 29, 2023 has been recast to exclude adjustments for pre-opening expenses and non-cash rent expense to conform to the current period definition.

Net Sales

Net sales are derived from direct retail sales to our customers, net of merchandise returns and discounts. Fluctuations in net sales are impacted by opening new clubs and gas stations and comparable club sales.

Net sales for the first quarter of fiscal year 2024 were \$4.8 billion, a 4.0% increase from net sales reported for the first quarter of fiscal year 2023 of \$4.6 billion. The increase was due primarily to growth in units sold, particularly in perishables and the grocery division, as well as gallons sold at our gas stations.

Comparable Club Sales and Merchandise Comparable Club Sales

We believe net sales is an important driver of our profitability, particularly comparable club sales. Comparable club sales, a key performance indicator, also known as same-store sales in the retail industry, includes all clubs that were open for at least 13 months at the beginning of the period and were in operation during the entirety of both periods being compared, including relocated clubs and expansions. Comparable club sales allow us to evaluate how our club base is performing by measuring the change in period-over-period net sales in clubs that have been open for the applicable period.

Various factors affect comparable club sales, including customer preferences and trends, product sourcing, promotional offerings and pricing, shopping frequency from new and existing members and the amount they spend on each visit, weather and holiday shopping period timing and length. Sales comparisons can be influenced by certain factors that are beyond our control such as changes in the cost of gasoline and macro-economic factors such as inflation. The higher comparable club sales, the more we can leverage certain of our selling, general and administrative (SG&A) expenses, reducing them as a percentage of sales and enhancing profitability.

| | Thirteen Weeks Ended May 4, 2024 |
|-----------------------------------|-------------------------------------|
| Comparable club sales | 1.6 % |
| Less: impact from gasoline sales | 1.0 % |
| Merchandise comparable club sales | 0.6 % |

Merchandise comparable club sales represents comparable club sales from all merchandise other than our gasoline operations for the applicable period. Merchandise comparable club sales increased 0.6% in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023, primarily driven by an increase in sales of groceries of 1.4%, partially offset by a decrease in sales of general merchandise and services of approximately 4.8%.

In the grocery division, growth was led by fresh produce, dairy, nutrition, fresh beef, vitamins, paper, and household cleaning categories when compared to the first quarter of fiscal year 2023, partially offset by a decrease in sales of beverages and snacks.

General merchandise and services decreased in the first quarter of fiscal year 2024 compared to the first quarter of fiscal year 2023, primarily driven by the impact of our co-brand credit card economics as we cycle past the anniversary of the rebranded program launch in the first quarter of fiscal year 2023, as well as lower consumer spending in seasonal categories. The overall decrease was partially offset by increased demand for certain general merchandise categories, including home merchandise, consumer electronics, and apparel.

The impact of gasoline sales is a result of an increase in comparable gallons sold in the first quarter of fiscal 2024 as compared to the first quarter of fiscal year 2023, partially offset by a decline in retail prices.

Membership fee income

We continue to see growth in the size of our membership base and continued quality.

Membership fee income was \$111.4 million in the first quarter of fiscal year 2024 compared to \$102.5 million in the first quarter of fiscal year 2023, an 8.6% increase. The increase was primarily driven by strength in membership acquisition and retention across both new and existing clubs. In addition to our new club opening in the first quarter of fiscal year 2024, we also continued to add new members from the five new clubs that opened in the fourth quarter of fiscal year 2023.

Cost of sales

Cost of sales consists primarily of the direct cost of merchandise and gasoline sold at our clubs, including costs associated with operating our distribution centers, including payroll, payroll benefits, occupancy costs, and depreciation; freight expenses associated with moving merchandise from vendors to our distribution centers and from distribution centers to our clubs; and vendor allowances, rebates, and cash discounts.

Cost of sales was \$4.0 billion, or 83.9% of net sales, in the first quarter of fiscal year 2024 compared to \$3.8 billion, or 83.2% of net sales, in the first quarter of fiscal year 2023. Merchandise gross margin rate, which excludes gasoline sales and membership fee income, decreased 50 basis points compared to the prior year period, primarily driven by the impact of our co-brand credit card economics as we cycle past the anniversary of the rebranded program launch in the first quarter of fiscal year 2023.

Selling, general and administrative expenses

SG&A consists of various expenses related to supporting and facilitating the sale of merchandise in our clubs, including the following: payroll and payroll benefits for team members; rent, depreciation, and other occupancy costs for retail and corporate locations; share-based compensation, advertising expenses; tender costs, including credit and debit card fees; amortization of intangible assets; and consulting, legal, insurance, restructuring charges, and other professional services expenses.

SG&A includes both fixed and variable components and, therefore, is not directly correlated with net sales. We expect that our SG&A will increase in future periods due to investments in comparable club sales growth and our expanding footprint as we open new clubs. In addition, any future increases in wages or stock-based grants or modifications will increase our SG&A.

SG&A increased by 4.7% to \$721.8 million in the first quarter of fiscal year 2024 from \$689.3 million in the first quarter of fiscal year 2023. The increase in SG&A was primarily driven by increased labor and occupancy costs as a result of new club and gas station openings, as well as other continued investments to drive strategic priorities, such as the restructuring of certain corporate functions. Additionally, an increase in the number of owned clubs has resulted in increased depreciation expense. We remain focused on investing in member engagement, marketing and digital strategies.

Pre-opening expenses

Pre-opening expenses include startup costs for new clubs and costs for relocated clubs. Expenses will vary based on the number of club openings, geography of the club, whether the club is owned or leased, and timing of the opening relative to our period end.

Pre-opening expenses were \$0.9 million in the first quarter of fiscal year 2024 compared to \$3.9 million in the first quarter of fiscal year 2023. Pre-opening expenses decreased due to timing of spend and the number of club openings year-over-year.

Interest expense, net

Interest expense, net was \$14.0 million in the first quarter of fiscal year 2024 compared to \$14.7 million in the first quarter of fiscal year 2023. The decrease was primarily due to a reduction in outstanding borrowings as well as fluctuations in interest rates year-over-year.

Provision for income taxes

Income tax expense decreased to \$35.8 million in the first quarter of fiscal 2024 compared to \$56.1 million in the first quarter of fiscal 2023. The decrease in income tax expense is primarily driven by higher tax benefits from stock-based compensation.

Non-GAAP Financial Measures

The accompanying Condensed Consolidated Financial Statements, including the related notes, are presented in accordance with GAAP. In addition to relevant GAAP measures we also provide non-GAAP measures, including adjusted EBITDA, comparable club sales, adjusted free cash flow, adjusted net income and adjusted net income per diluted share ("adjusted EPS") because management believes these metrics are useful to investors and analysts by excluding items that we do not believe are indicative of our core operating performance. These measures are customary for our industry and commonly used by competitors. These non-GAAP financial measures should not be reviewed in isolation or considered as an alternative to any other performance measure derived in accordance with GAAP and should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, adjusted EBITDA, comparable club sales, adjusted free cash flow, adjusted net income and adjusted EPS share may not be comparable to similarly titled measures used by other

companies in our industry or across different industries. See Results of Operations above for our comparable club sales and merchandise comparable club sales results. Adjusted free cash flow is discussed within the Liquidity and Capital Resources section below.

Adjusted Net Income

The adjusted net income and adjusted EPS metrics are important measures used by management to compare the performance of core operating results between periods. We define adjusted net income as net income as reported, adjusted for non-recurring, infrequent, or unusual charges, including restructuring charges, and other adjustments that the Company believes appropriate, net of the tax impact of such adjustments. We define adjusted EPS as adjusted net income divided by the weighted-average diluted shares outstanding.

We believe adjusted net income and adjusted EPS are useful metrics to investors and analysts because they present more accurate year-over-year comparisons for our net income and net income per diluted share because adjusted items are not the result of our normal operations.

| (in thousands, except per share amounts) | Thirteen Weeks Ended | |
|--|----------------------|-------------------|
| | May 4, 2024 | April 29, 2023 |
| Net income as reported | \$ 111,019 | \$ 116,077 |
| Adjustments: | | |
| Restructuring ^(a) | 3,307 | — |
| Other adjustments ^(b) | — | (601) |
| Tax impact of adjustments to net income ^(c) | (918) | 170 |
| Adjusted net income | <u>\$ 113,408</u> | <u>\$ 115,646</u> |
| Weighted-average shares outstanding—diluted | 134,111 | 135,902 |
| Adjusted EPS ^(d) | <u>\$ 0.85</u> | <u>\$ 0.85</u> |

(a) Represents charges related to the restructuring of certain corporate functions, including costs for severance, retention, outplacement, consulting fees, and other third-party fees.

(b) Other non-cash items related to the reclassification into earnings of accumulated other comprehensive income / loss associated with the de-designation of hedge accounting and other adjustments.

(c) Represents the tax effect of the above adjustments at a statutory tax rate of approximately 28%.

(d) Adjusted EPS is measured using weighted-average diluted shares outstanding.

Adjusted EBITDA

Adjusted EBITDA is defined as income from continuing operations before interest expense, net, provision for income taxes and depreciation and amortization, adjusted for the impact of certain other items, including stock-based compensation expense; restructuring and other adjustments.

The following is a reconciliation of our income from continuing operations to Adjusted EBITDA and Adjusted EBITDA as a percentage of net sales for the periods presented:

| (in thousands) | Thirteen Weeks Ended | |
|--|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Income from continuing operations | \$ 111,019 | \$ 115,988 |
| Interest expense, net | 13,951 | 14,690 |
| Provision for income taxes | 35,785 | 56,092 |
| Depreciation and amortization | 63,422 | 54,190 |
| Stock-based compensation expense | 8,590 | 10,007 |
| Restructuring ^(a) | 3,307 | — |
| Other adjustments ^(b) | 312 | 571 |
| Adjusted EBITDA ^(c) | \$ 236,386 | \$ 251,538 |
| Adjusted EBITDA as a percentage of net sales | 4.9 % | 5.4 % |

(a) Represents charges related to the restructuring of certain corporate functions, including costs for severance, retention, outplacement, consulting fees, and other third-party fees.

(b) Other non-cash items, including non-cash accretion on asset retirement obligations and obligations associated with our post-retirement medical plan.

(c) Adjusted EBITDA for the thirteen weeks ended April 29, 2023 has been recast to exclude adjustments for pre-opening expenses and non-cash rent to conform to the current period definition.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows generated from club operations and borrowings from our ABL Revolving Facility. As of May 4, 2024, cash and cash equivalents totaled \$35.1 million and we had \$911.6 million of unused capacity under our ABL Revolving Facility. Our principal liquidity needs for the next twelve months and beyond are to fund normal recurring operational expenses and anticipated capital expenditures; fund possible acquisitions; fund share repurchases and meet debt service and principal repayment obligations. We believe that our current resources, together with anticipated cash flows from operations and borrowing capacity under our ABL Revolving Facility, will be sufficient to finance our operations for at least the next twelve months.

In the first three months of fiscal year 2024, we repurchased 405,110 shares under the 2021 Repurchase Program for a total purchase price of \$30.2 million.

We do not have any off-balance sheet arrangements that have, or are, in the opinion of management, reasonably likely to have, a current or future material effect on our results of operations or financial position. We do, however, enter into letters of credit and purchase obligations in the normal course of our operations.

Summary of Cash Flows

A summary of our cash flows from operating, investing and financing activities is presented in the following table:

| (in thousands) | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Net cash provided by operating activities | \$ 200,847 | \$ 119,132 |
| Net cash used in investing activities | (105,741) | (92,084) |
| Net cash used in financing activities | (96,061) | (37,576) |
| Net decrease in cash and cash equivalents | \$ (955) | \$ (10,528) |

Net Operating Cash Flows

Net cash provided by operating activities was \$200.8 million for the first three months of fiscal year 2024 compared to \$119.1 million for the first three months of fiscal year 2023. The \$81.7 million increase was primarily due to fluctuations in working capital including \$75.0 million related to merchandise inventories as well as \$24.3 million related to accrued expenses, primarily driven by the change in accrued incentive compensation as a result of differences in the expected achievement from

period-to-period. The increase in net operating cash flows was partially offset by \$18.4 million related to accounts receivable due to timing of vendor and customer cash receipts, as well as a \$5.1 million decrease in net income.

Our net cash from operating activities can fluctuate from period to period due to several factors, including: the timing and mix of sales, which are typically higher in the second and fourth quarters due to seasonality; the timing of inventory purchases as the Company prepares for holiday seasons; lease-related activity; and income tax and other payments.

Net Investing Cash Flows

Net cash used in investing activities was \$105.7 million for the first three months of fiscal year 2024, compared to \$92.1 million for the first three months of fiscal year 2023. This fluctuation is driven by an increase in capital spending of \$13.7 million due to an increase in the number of owned clubs.

Net Financing Cash Flows

Net cash used in financing activities for the first three months of fiscal year 2024 was \$96.1 million, compared to \$37.6 million for the first three months of fiscal year 2023. The increase in cash used is primarily due to a \$44.0 million increase in net payments on our ABL Revolving Facility due to our increased borrowings as well as an increase of \$14.9 million for the acquisition of treasury stock compared to the prior year period, partially offset by an increase in net cash received from stock option exercises of \$4.2 million.

Adjusted Free Cash Flow

We present adjusted free cash flow because we use it to report to our board of directors and we believe it assists investors and analysts in evaluating our liquidity. Adjusted free cash flow should not be considered as an alternative to cash flows from operations as a liquidity measure. We define adjusted free cash flow as net cash provided by operating activities less additions to property and equipment, net of disposals, plus proceeds from sale-leaseback transactions.

The following is a reconciliation of our net cash provided by operating activities to adjusted free cash flow for the periods presented:

| (in thousands) | Thirteen Weeks Ended | |
|---|----------------------|----------------|
| | May 4, 2024 | April 29, 2023 |
| Net cash provided by operating activities | \$ 200,847 | \$ 119,132 |
| Less: Additions to property and equipment, net of disposals | (105,741) | (92,084) |
| Plus: Proceeds from sale-leaseback transactions | — | — |
| Adjusted free cash flow | \$ 95,106 | \$ 27,048 |

Adjusted free cash flow increased to \$95.1 million for the first quarter of fiscal year 2024 compared to \$27.0 million for the first quarter of fiscal year 2023. The increase is primarily the result of increased cash flows from operating activities due to fluctuations in working capital, partially offset by an increase in capital spending compared to the prior year.

Debt and Borrowing Capacity

Our primary sources of borrowing capacity are the ABL Revolving Facility and the First Lien Term Loan, which are further discussed in [Note 4](#), "Debt and Credit Arrangements," included in this Quarterly Report on Form 10-Q.

On July 28, 2022, the Company entered into the ABL Revolving Facility with an aggregate ABL Revolving Commitment of \$1.2 billion pursuant to that certain credit agreement with Bank of America, N.A., as administrative agent and collateral agent, and other lenders party thereto. The maturity date of the ABL Revolving Facility is July 28, 2027.

On October 12, 2023, the Company amended the First Lien Term Loan to extend the maturity date from February 3, 2027 to February 3, 2029 and reduce applicable margin in respect of the interest rate, effective immediately, from SOFR plus 275 basis points per annum to SOFR plus 200 basis points per annum. Prior to the amendment, the Company repaid \$50.0 million of the principal amount outstanding under the First Lien Term Loan.

At May 4, 2024, there was \$270.0 million outstanding in loans under the ABL Revolving Facility and \$18.4 million in outstanding letters of credit. The interest rate on the revolving credit facility was 6.41% and unused capacity was \$911.6 million.

At May 4, 2024, the interest rate for the First Lien Term Loan was 7.32% and there was \$400.0 million outstanding.

Material Cash Commitments

Our material cash commitments consist primarily of debt obligations, interest payments, leases, and purchase orders for merchandise inventory. These material cash commitments impact our short-term and long-term liquidity and capital needs. As of May 4, 2024, other than those items related to the ordinary course of operations of our business such as inventory purchases, new leases and lease amendments, there were no material changes to our material cash commitments from those described in our Annual Report on Form 10-K for the fiscal year 2023.

Critical Accounting Policies and Use of Estimates

This discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. There were no material changes in critical accounting policies and estimates during the period covered by this Quarterly Report on Form 10-Q. Refer to 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 2023 for a complete list of our Critical Accounting Policies and Estimates.

Recent Accounting Pronouncements

The Company's accounting policies are set forth in the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal year 2023. There have been no material changes to these accounting policies and no accounting pronouncements adopted that had a material impact on the Company's financial statements.

In December 2023, the Financial Accounting Standards Board ("FASB") issued *Accounting Standards Update (ASU) 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. ASU 2023-09 will require public companies to disclose, on an annual basis, a tabular reconciliation, using both percentages and amounts, broken out into specific categories with certain reconciling items at or above 5% of the statutory tax, further broken out by nature and/or jurisdiction. ASU 2023-09 requires all entities to disclose, on an annual basis, the amount of income taxes paid (net of refunds received), disaggregated between federal, state/local and foreign, and amounts paid to an individual jurisdiction when 5% or more of the total income taxes paid. The new standard is effective for fiscal years beginning after December 15, 2024, on a prospective basis. Early adoption and retrospective application are permitted. The Company is currently evaluating the impact the adoption of this new pronouncement will have on its financial statement disclosures.

In November 2023, the FASB issued *ASU 2023-07, Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*, which expands the segment reporting disclosures and requires disclosure of segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss, amounts and description of its composition for other segment items, and interim disclosure of a reportable segment's profit or loss and assets. Additionally, the amendments require the disclosure of the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing performance and deciding how to allocate resources. The new standard is effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, on a retrospective basis. Early adoption is permitted. The Company is currently evaluating the impact the adoption of this new pronouncement will have on its financial statement disclosures.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The primary market risk we are exposed to is interest rate risk and changes in rates will impact our net interest expense and our cash flow from operations. Substantially all of our borrowings carry variable interest rates, and we expect that some of our future outstanding debt will have variable interest rates. Accordingly, we seek to limit the impact of interest rate changes on earnings and cash flows and to lower our overall borrowing costs and may use interest rate caps and/or swap agreements in the future to manage our interest rate risks relating to such variable rate debt. Increases in interest rates can result in increased

interest expense under our variable rate debt as well as when any of our fixed rate debt matures and needs to be refinanced and an increase in interest rates could have a material impact on our cash flow.

As of May 4, 2024, our total debt outstanding was \$670.0 million, which included \$270.0 million under our ABL Revolving Facility and \$400.0 million under our First Lien Term Loan at interest rates of 6.41% and 7.32%, respectively. See "Note 7. Debt and Credit Arrangements" of our consolidated financial statements included in our Annual Report on Form 10-K for additional information. A 100 basis point change in prevailing market rates would cause annual interest costs to change by approximately \$7.2 million.

Item 4. Controls and Procedures.

Limitations on Effectiveness of Controls and Procedures

In designing and evaluating our disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. In addition, the design of disclosure controls and procedures must reflect the fact that there are resource constraints and that management is required to apply judgment in evaluating the benefits of possible controls and procedures relative to their costs.

Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated, as of the end of the period covered by this Quarterly Report on Form 10-Q, the effectiveness of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at the reasonable assurance level as of May 4, 2024.

Changes in Internal Control

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15 or 15d-15 of the Exchange Act during the most recently completed fiscal quarter that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

We are subject to various litigation, claims and other proceedings that arise from time to time in the ordinary course of business. We believe these actions are routine and incidental to the business. While the outcome of these actions cannot be predicted with certainty, we do not believe that any will have a material adverse impact on our business, financial condition or results of operations.

Item 1A. Risk Factors.

There have been no material changes to the risk factors relating to the Company set forth under the caption "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year 2023.

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

The following table sets forth information regarding our purchases of shares of our common stock during the first quarter of fiscal year 2024.

| Period | Total Number of Shares Purchased ^(a) | Average Price Paid per Share ^(b) | 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 ^(c) (in thousands) |
|-----------------------------------|---|--|---|---|
| February 4, 2024 to March 2, 2024 | 6,688 | \$64.41 | 6,688 | \$ 188,863 |
| March 3, 2024 to April 6, 2024 | 441,902 | 74.60 | 84,868 | 182,546 |
| April 7, 2024 to May 4, 2024 | 313,971 | 74.85 | 313,554 | 159,077 |
| Total | 762,561 | | 405,110 | |

(a) Includes 357,034 shares of common stock for the period March 3, 2024 to April 6, 2024 and 417 shares of common stock for the period April 7, 2024 to May 4, 2024 surrendered to the Company by employees to satisfy their tax withholding obligations in connection with the vesting of restricted stock and performance stock awards. See [Note 7](#) "Treasury Shares and Share Repurchase Programs" of our condensed consolidated financial statements included in this Quarterly Report on Form 10-Q for additional information.

(b) Excludes the impact of excise tax imposed on share repurchases pursuant to the Inflation Reduction Act.

(c) On November 18, 2021, the Company announced that on November 16, 2021, the Company's board of directors approved the 2021 Repurchase Program, that allows the Company to repurchase up to \$500.0 million of its outstanding common stock. The 2021 Repurchase Program expires in January 2025.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

10b5-1 Trading Plans

On April 16, 2024, Mr. Graham Luce, executive vice president, secretary of the company, adopted a trading arrangement with respect to the sale of securities of the company's common stock that is intended to satisfy the affirmative defense conditions of Securities Exchange Act Rule 10b5-1(c) (a "Rule 10b5-1 Trading Plan"). Mr. Luce's Rule 10b5-1 Trading Plan, which has a term of twelve months, provides for the sale of up to 16,596 shares of common stock pursuant to the terms of the plan.

On April 17, 2024, Mr. William Werner, executive vice president, strategy and development, adopted a Rule 10b5-1 Trading Plan. Mr. Werner's Rule 10b5-1 Trading Plan, which has a term of twelve months, provides for the sale of up to 35,163 shares of common stock pursuant to the terms of the plan.

On April 18, 2024, Mr. Jeff Desroches, executive vice president, chief operations officer of the company, adopted a Rule 10b5-1 Trading Plan. Mr. Desroches' Rule 10b5-1 Trading Plan, which has a term of twelve months, provides for the sale of up to 28,842 shares of common stock pursuant to the terms of the plan.

On April 18, 2024, Mr. Joseph McGrail, senior vice president, controller of the company, adopted a Rule 10b5-1 Trading Plan. Mr. McGrail's Rule 10b5-1 Trading Plan, which has a term of four months, provides for the sale of up to 1,000 shares of common stock pursuant to the terms of the plan.

Item 6. Exhibits.

| Exhibit Number | Exhibit Description |
|-----------------------|---|
| 10.1 | <u>Amended and Restated Non-Employee Director Compensation Policy, effective as of March 5, 2024 (filed herewith).</u> |
| 31.1 | <u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u> |
| 31.2 | <u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u> |
| 32.1 | <u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u> |
| 32.2 | <u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u> |
| 101.INS | Inline XBRL Instance Document (filed herewith) |
| 101.SCH | Inline XBRL Taxonomy Extension Schema Document (filed herewith) |
| 101.CAL | Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith) |
| 101.DEF | Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith) |
| 101.LAB | Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith) |
| 101.PRE | Inline XBRL Taxonomy Extension Linkbase Document (filed herewith) |
| 104 | Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) (filed herewith) |

SIGNATURE

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.

BJ'S WHOLESALE CLUB HOLDINGS, INC.

Date: May 30, 2024

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer

(Principal Financial Officer and

Authorized Signatory)

BJ'S WHOLESALE CLUB HOLDINGS, INC.
AMENDED AND RESTATED
NON-EMPLOYEE DIRECTOR COMPENSATION POLICY
(Effective: March 5, 2024)

Non-employee members of the board of directors (the "**Board**") of BJ's Wholesale Club Holdings, Inc. (the "**Company**") shall be eligible to receive cash and equity compensation as set forth in this Non-Employee Director Compensation Policy (this "**Policy**"). The cash and equity compensation described in this Policy shall be paid or be made, as applicable, automatically and without further action of the Board, to each member of the Board who is not an employee of the Company or any parent or subsidiary of the Company (each, a "**Non-Employee Director**"), who may be eligible to receive such cash or equity compensation, unless such Non-Employee Director declines the receipt of such cash or equity compensation by written notice to the Company. This Policy shall become effective after the effectiveness of the Company's initial public offering (the "**IPO**") and shall remain in effect until it is revised or rescinded by further action of the Board. This Policy may be amended, modified or terminated by the Board at any time in its sole discretion. The terms and conditions of this Policy shall supersede any prior cash and/or equity compensation arrangements for service as a member of the Board between the Company and any of its Non-Employee Directors and between any subsidiary of the Company and any of its non-employee directors.

1. Cash Compensation.

(a) Annual Retainers. Each Non-Employee Director shall receive an annual retainer of \$100,000 for service on the Board.

(b) Additional Annual Retainers. In addition, a Non-Employee Director shall receive the following annual retainers:

(i) Lead Independent Director of the Board. A Non-Employee Director serving as Lead Independent Director of the Board shall receive an additional annual retainer of \$60,000 for such service.

(ii) Audit Committee. A Non-Employee Director serving as Chairperson of the Audit Committee shall receive an additional annual retainer of \$40,000 for such service. A Non-Employee Director serving as a member of the Audit Committee (other than the Chairperson) shall receive an additional annual retainer of \$17,500 for such service.

(iii) Compensation Committee. A Non-Employee Director serving as Chairperson of the Compensation Committee shall receive an additional annual retainer of \$35,000 for such service. A Non-Employee Director serving as a member of the Compensation Committee (other than the Chairperson) shall receive an additional annual retainer of \$15,000 for such service.

(vi) Nominating and Corporate Governance Committee. A Non-Employee Director serving as Chairperson of the Nominating and Corporate Governance Committee shall receive an additional annual retainer of \$25,000 for such service. A Non-Employee Director serving as a member of the Nominating and Corporate Governance Committee (other than the Chairperson) shall receive an additional annual retainer of \$10,000 for such service.

(c) Payment of Retainers. The annual retainers described in Sections 1(a) and 1(b) shall be earned on a quarterly basis based on a calendar quarter and shall be paid by the Company in arrears not later than the fifteenth day following the end of each calendar quarter. In the event a Non-Employee Director does not serve as a Non-Employee Director, or in the applicable positions described in Section 1(b), for an entire calendar quarter, such Non-Employee Director shall receive a prorated portion of the retainer(s) otherwise payable to such Non-Employee Director for such calendar quarter pursuant to Sections 1(a) and 1(b), with such prorated portion determined by multiplying such otherwise payable retainer(s) by a fraction, the numerator of which is the number of days during which the Non-Employee Director serves as a Non-Employee Director or in the applicable positions described in Section 1(b) during the applicable calendar quarter and the denominator of which is the number of days in the applicable calendar quarter.

2 . Equity Compensation. Non-Employee Directors shall be granted the equity awards described below. The awards described below shall be granted under and shall be subject to the terms and provisions of the Company's 2018 Incentive Award Plan or any other applicable Company equity incentive plan then-maintained by the Company (such plan, as may be amended from time to time the "**Equity Plan**") and shall be granted subject to the execution and delivery of award agreements, including attached exhibits, in substantially the forms previously approved by the Board. All applicable terms of the Equity Plan apply to this Policy as if fully set forth herein, and all equity grants hereunder are subject in all respects to the terms of the Equity Plan.

(a) Annual Awards. Each Non-Employee Director who (i) serves on the Board as of the date of any annual meeting of the Company's stockholders (an "**Annual Meeting**") after the Pricing Date and (ii) will continue to serve as a Non-Employee Director immediately following such Annual Meeting shall be automatically granted, on the date of such Annual Meeting, restricted stock units that have an aggregate fair value on the date of grant of \$180,000 (as determined in accordance with ASC 718 and subject to adjustment as provided in the Equity Plan). The awards described in this Section 2(a) shall be referred to as the "**Annual Awards**." For the avoidance of doubt, a Non-Employee Director elected for the first time to the Board at an Annual Meeting shall receive only an Annual Award in connection with such election, and shall not receive any Initial Award on the date of such Annual Meeting as well.

(b) Initial Awards. Except as otherwise determined by the Board, each Non-Employee Director who is initially elected or appointed to the Board after the Pricing Date on any date other than the date of an Annual Meeting shall be automatically granted, on the date of such Non-Employee Director's initial election or appointment (such Non-Employee Director's "Start Date"), restricted stock units that have an aggregate fair value on such Non-Employee Director's Start Date equal to the product of (i) \$180,000 (as determined in accordance with ASC 718 and subject to adjustment as provided in the Equity Plan) and (ii) a fraction, the numerator of which is (x) 365 minus (y) the number of days in the period beginning on the date of the Annual Meeting immediately preceding such Non-Employee Director's Start Date (or, if no such Annual Meeting has occurred, the effective date of the Company's IPO) and ending on such Non-Employee Director's Start Date and the denominator of which is 365 (with the number of shares of common stock underlying each such award subject to adjustment as provided in the Equity Plan). The awards described in this Section shall be referred to as "**Initial Awards**." For the avoidance of doubt, no Non-Employee Director shall be granted more than one Initial Award.

(c) Deferral of Awards. Notwithstanding the foregoing, each Non-Employee Director may elect to defer the grant of an Annual Award or Initial Award, subject to compliance with Section 409A of the Internal Revenue Code of 1986, as amended. The Board may also determine, in its sole discretion that an Annual Award for a Non-Employee Director be granted in the form of deferred stock or shares of common stock with equivalent value on the date of grant.

(d) Termination of Employment of Employee Directors. Members of the Board who are employees of the Company or any parent or subsidiary of the Company who subsequently terminate their employment with the Company and any parent or subsidiary of the Company and remain on the Board will not receive an Initial Award pursuant to Section 2(b) above, but to the extent that they are otherwise eligible, will be eligible to receive, after termination from employment with the Company and any parent or subsidiary of the Company, Annual Awards as described in Section 2(a) above.

(e) Vesting of Awards Granted to Non-Employee Directors. Each Annual Award and Initial Award shall vest and become exercisable on the earlier of (i) the day immediately preceding the date of the first Annual Meeting following the date of grant and (ii) the first anniversary of the date of grant, subject to the Non-Employee Director continuing in service on the Board through the applicable vesting date. No portion of an Annual Award or Initial Award that is unvested or unexercisable at the time of a Non-Employee Director's termination of service on the Board shall become vested and exercisable thereafter. In the event that a Non-Employee Director incurs a Termination of Service upon or within twelve months following a Change in Control (as such terms are defined in the Equity Plan), each of the Non-Employee Director's outstanding Initial Awards and Annual Awards shall accelerate and vest in full.

* * * * *

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert W. Eddy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BJ's Wholesale Club Holdings, 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: May 30, 2024

By: /s/ Robert W. Eddy

Robert W. Eddy

President and Chief Executive Officer

(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Laura L. Felice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BJ's Wholesale Club Holdings, 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: May 30, 2024

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer

(Principal Financial Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of BJ's Wholesale Club Holdings, Inc. (the "Company"), hereby certifies, to his knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 30, 2024

By: /s/ Robert W. Eddy

Robert W. Eddy

President and Chief Executive Officer

(Principal Executive Officer)

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

Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, the undersigned officer of BJ's Wholesale Club Holdings, Inc. (the "Company"), hereby certifies, to her knowledge, that:

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended May 4, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 30, 2024

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer

(Principal Financial Officer)