

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 November 2, 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 November 20, 2024, the registrant had 132,093,722 shares of common stock, \$0.01 par value per share, outstanding.

Table of Contents

	Page
PART I.	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (Unaudited)</u> 4
	<u>Condensed Consolidated Balance Sheets</u> 4
	<u>Condensed Consolidated Statements of Operations and Comprehensive Income</u> 5
	<u>Condensed Consolidated Statements of Stockholders' Equity</u> 7
	<u>Condensed Consolidated Statements of Cash Flows</u> 9
	<u>Notes to Unaudited Condensed Consolidated Financial Statements</u> 10
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 20
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 30
Item 4.	<u>Controls and Procedures</u> 30
PART II.	<u>OTHER INFORMATION</u> 31
Item 1.	<u>Legal Proceedings</u> 31
Item 1A.	<u>Risk Factors</u> 31
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u> 31
Item 3.	<u>Defaults Upon Senior Securities</u> 31
Item 4.	<u>Mine Safety Disclosures</u> 31
Item 5.	<u>Other Information</u> 32
Item 6.	<u>Exhibits</u> 33
	<u>Signature</u> 34

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;
- "Fifth Amendment" means the Company's fifth amendment to the senior secured former first lien term loan facility that was entered into on November 4, 2024;
- "fiscal year 2022" means the 52 weeks ended January 28, 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)

	November 2, 2024	February 3, 2024	October 28, 2023
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 33,873	\$ 36,049	\$ 33,551
Accounts receivable, net	266,718	234,769	224,505
Merchandise inventories	1,720,011	1,454,822	1,661,852
Prepaid expenses and other current assets	76,491	68,366	80,550
Total current assets	2,097,093	1,794,006	2,000,458
Operating lease right-of-use assets, net	2,114,592	2,140,482	2,174,706
Property and equipment, net	1,832,397	1,578,792	1,495,912
Goodwill	1,008,816	1,008,816	1,008,816
Intangibles, net	102,739	107,632	109,600
Deferred income taxes	5,010	4,071	7,429
Other assets	55,575	43,823	40,323
Total assets	\$ 7,216,222	\$ 6,677,622	\$ 6,837,244
LIABILITIES			
Current liabilities:			
Short-term debt	\$ 245,000	\$ 319,000	\$ 434,000
Current portion of operating lease liabilities	163,292	153,631	180,490
Accounts payable	1,420,425	1,183,281	1,318,959
Accrued expenses and other current liabilities	913,307	812,136	805,607
Total current liabilities	2,742,024	2,468,048	2,739,056
Long-term operating lease liabilities	2,024,689	2,050,883	2,084,744
Long-term debt	398,663	398,432	398,355
Deferred income taxes	65,531	74,773	65,104
Other non-current liabilities	223,144	226,635	196,289
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, 148,776 shares issued and 132,094 outstanding at November 2, 2024; 147,544 shares issued and 132,768 outstanding at February 3, 2024; and 147,470 shares issued and 133,494 outstanding at October 28, 2023	1,488	1,475	1,475
Additional paid-in capital	1,054,912	1,006,409	993,178
Retained earnings	1,579,986	1,168,231	1,022,359
Accumulated other comprehensive income	501	501	1,049
Treasury stock, at cost, 16,682 shares at November 2, 2024; 14,776 shares at February 3, 2024; and 13,976 shares at October 28, 2023	(874,716)	(717,765)	(664,365)
Total stockholders' equity	1,762,171	1,458,851	1,353,696
Total liabilities and stockholders' equity	\$ 7,216,222	\$ 6,677,622	\$ 6,837,244

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	
	November 2, 2024	October 28, 2023
Net sales	\$ 4,984,385	\$ 4,818,670
Membership fee income	114,979	106,053
Total revenues	5,099,364	4,924,723
Cost of sales	4,123,888	4,022,243
Selling, general and administrative expenses	733,580	697,104
Pre-opening expenses	12,513	6,001
Operating income	229,383	199,375
Interest expense, net	12,593	18,004
Income from operations before income taxes	216,790	181,371
Provision for income taxes	61,042	50,904
Net income	\$ 155,748	\$ 130,467
Income per share attributable to common stockholders—basic:	\$ 1.18	\$ 0.98
Income per share attributable to common stockholders—diluted:	1.17	0.97
Weighted-average shares of common stock outstanding:		
Basic	132,083	133,069
Diluted	133,333	134,984
Other comprehensive income:		
Total other comprehensive income	—	—
Total comprehensive income	\$ 155,748	\$ 130,467

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)

	Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023
Net sales	\$ 14,883,793	\$ 14,299,132
Membership fee income	339,485	312,273
Total revenues	15,223,278	14,611,405
Cost of sales	12,407,836	11,932,120
Selling, general and administrative expenses	2,205,674	2,081,392
Pre-opening expenses	15,955	11,479
Operating income	593,813	586,414
Interest expense, net	39,299	48,968
Income from continuing operations before income taxes	554,514	537,446
Provision for income taxes	142,759	159,666
Income from continuing operations	411,755	377,780
Income from discontinued operations, net of income taxes	—	89
Net income	<u>\$ 411,755</u>	<u>\$ 377,869</u>
Income per share attributable to common stockholders—basic:		
Income from continuing operations	\$ 3.11	\$ 2.84
Income from discontinued operations	—	—
Net income	<u>\$ 3.11</u>	<u>\$ 2.84</u>
Income per share attributable to common stockholders—diluted:		
Income from continuing operations	\$ 3.08	\$ 2.79
Income from discontinued operations	—	—
Net income	<u>\$ 3.08</u>	<u>\$ 2.79</u>
Weighted-average shares of common stock outstanding:		
Basic	132,304	133,232
Diluted	133,764	135,338
Other comprehensive loss:		
Amounts released from accumulated other comprehensive income, net of tax	\$ —	\$ (501)
Total other comprehensive loss	—	(501)
Total comprehensive income	<u>\$ 411,755</u>	<u>\$ 377,368</u>

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)

	<u>Common Stock</u>		<u>Additional Paid-in Capital</u>	<u>Retained Earnings</u>	<u>Accumulated Other Comprehensive Income</u>	<u>Treasury Stock</u>		<u>Total Stockholders' Equity</u>
	<u>Shares</u>	<u>Amount</u>				<u>Shares</u>	<u>Amount</u>	
Balance, February 3, 2024	147,544	\$ 1,475	\$ 1,006,409	\$ 1,168,231	\$ 501	(14,776)	\$(717,765)	\$ 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)
Balance, May 4, 2024	148,247	\$ 1,482	\$ 1,020,857	\$ 1,279,250	\$ 501	(15,539)	\$(774,670)	\$ 1,527,420
Net income	—	—	—	144,988	—	—	—	144,988
Common stock issued under stock incentive plans	450	5	(5)	—	—	—	—	—
Common stock issued under ESPP	60	1	3,410	—	—	—	—	3,411
Stock-based compensation expense	—	—	10,336	—	—	—	—	10,336
Exercise of stock options	—	—	9,598	—	—	—	—	9,598
Acquisition of treasury stock	—	—	—	—	—	(452)	(40,846)	(40,846)
Balance, August 3, 2024	148,757	\$ 1,488	\$ 1,044,196	\$ 1,424,238	\$ 501	(15,991)	\$(815,516)	\$ 1,654,907
Net income	—	—	—	155,748	—	—	—	155,748
Common stock issued under stock incentive plans	19	—	—	—	—	—	—	—
Stock-based compensation expense	—	—	10,714	—	—	—	—	10,714
Exercise of stock options	—	—	2	—	—	—	—	2
Acquisition of treasury stock	—	—	—	—	—	(691)	(59,200)	(59,200)
Balance, November 2, 2024	148,776	\$ 1,488	\$ 1,054,912	\$ 1,579,986	\$ 501	(16,682)	\$(874,716)	\$ 1,762,171

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

	Common Stock		Additional		Accumulated	Treasury Stock		Total
	Shares	Amount	Paid-in	Retained	Other	Shares	Amount	Stockholders'
			Capital	Earnings	Comprehensive			Equity
					Income			
Balance, January 28, 2023	146,347	\$ 1,463	\$ 958,555	\$ 644,490	\$ 1,550	(12,444)	\$(559,221)	\$ 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)
Balance, April 29, 2023	147,380	\$ 1,473	\$ 970,227	\$ 760,567	\$ 1,049	(13,004)	\$(601,590)	\$ 1,131,726
Net income	—	—	—	131,325	—	—	—	131,325
Common stock issued under stock incentive plans	2	—	—	—	—	—	—	—
Common stock issued under ESPP	61	1	3,254	—	—	—	—	3,255
Stock-based compensation expense	—	—	9,624	—	—	—	—	9,624
Exercise of stock options	—	—	261	—	—	—	—	261
Acquisition of treasury stock	—	—	—	—	—	(719)	(44,902)	(44,902)
Balance, July 29, 2023	147,443	\$ 1,474	\$ 983,366	\$ 891,892	\$ 1,049	(13,723)	\$(646,492)	\$ 1,231,289
Net income	—	—	—	130,467	—	—	—	130,467
Common stock issued under stock incentive plans	27	1	(1)	—	—	—	—	—
Stock-based compensation expense	—	—	9,380	—	—	—	—	9,380
Exercise of stock options	—	—	433	—	—	—	—	433
Acquisition of treasury stock	—	—	—	—	—	(253)	(17,873)	(17,873)
Balance, October 28, 2023	147,470	\$ 1,475	\$ 993,178	\$ 1,022,359	\$ 1,049	(13,976)	\$(664,365)	\$ 1,353,696

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)

	Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 411,755	\$ 377,869
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	194,238	166,421
Amortization of debt issuance costs and accretion of original issue discount	830	900
Debt extinguishment charges	—	1,830
Stock-based compensation expense	29,640	29,011
Deferred income tax provision	(10,181)	12,149
Changes in operating leases and other non-cash items	10,803	3,684
Increase (decrease) in cash due to changes in:		
Accounts receivable, net	(41,021)	15,205
Merchandise inventories	(265,189)	(283,301)
Prepaid expenses and other current assets	(8,279)	(23,628)
Other assets	(12,351)	(9,917)
Accounts payable	237,144	123,262
Accrued expenses and other current liabilities	81,546	29,916
Other non-current liabilities	20	1,130
Net cash provided by operating activities	628,955	444,531
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment, net of disposals	(427,553)	(347,951)
Proceeds from sale-leaseback transactions	—	12,310
Net cash used in investing activities	(427,553)	(335,641)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from the issuance of long term-debt	—	305,041
Payments on long-term debt	—	(355,041)
Proceeds from revolving lines of credit	605,000	564,000
Payments on revolving lines of credit	(679,000)	(535,000)
Debt issuance costs paid	—	(1,722)
Net cash received from stock option exercises	15,465	2,369
Net cash received from ESPP	3,411	3,255
Acquisition of treasury stock	(158,041)	(101,819)
Proceeds from financing obligations	14,917	11,691
Other financing activities	(5,330)	(2,028)
Net cash used in financing activities	(203,578)	(109,254)
Net decrease in cash and cash equivalents	(2,176)	(364)
Cash and cash equivalents at beginning of period	36,049	33,915
Cash and cash equivalents at end of period	\$ 33,873	\$ 33,551
Supplemental cash flow information:		
Interest paid	\$ 34,034	\$ 44,335
Income taxes paid	144,908	156,632
Operating lease liabilities arising from obtaining right-of-use assets and other non-cash lease-related operating items	116,173	165,931
Non-cash financing and investing activities:		
Finance lease liabilities arising from obtaining right-of-use assets	758	4,467
Property additions included in accrued expenses	52,066	32,104
Treasury stock acquisitions included in accrued expenses	1,509	3,325

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 coupons and promotions to deliver further value to our members. As of November 2, 2024, the Company operated 247 warehouse clubs and 182 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 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 November 2, 2024 and October 28, 2023 are referred to herein as the "third quarter of fiscal year 2024" and the "third quarter of fiscal year 2023," respectively. The thirty-nine week periods ended November 2, 2024 and October 28, 2023 are referred to herein as the "thirty-nine weeks ended November 2, 2024" and the "thirty-nine weeks ended October 28, 2023," respectively. Operating results for the thirteen week and thirty-nine week periods ended November 2, 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. The new pronouncement will not have an impact on the Company's consolidated balance sheet, statement of operations and comprehensive income, statement of stockholders' equity, or statement of cash flows. The Company continues to evaluate the impact of enhanced disclosure requirements on the notes to the consolidated financial statements.

In November 2024, the FASB issued *ASU 2024-03, Income Statement – Reporting Comprehensive Income – Expense Disaggregation Disclosures (Subtopic 220-40): Disaggregation of Income Statement Expenses*. ASU 2024-03 requires disclosure of certain costs and expenses on an interim and annual basis in the notes to the financial statements. ASU 2024-03 is effective for fiscal years beginning after December 15, 2026, and interim periods within fiscal years beginning after December 15, 2027. Early adoption is permitted. The disclosures required under the guidance can be applied either prospectively to financial statements issued for reporting periods after the effective date or retrospectively to any or all periods presented in the financial statements. The Company is currently evaluating the impact that this guidance 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, integration costs, and other long-term initiatives 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 Program

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):

	November 2, 2024	February 3, 2024	October 28, 2023
Current:			
Rewards programs:			
Earned award dollars	\$ 59,408	\$ 49,135	\$ 46,816
Royalty revenue	5,898	4,593	5,454
Co-brand initiatives	4,269	4,181	3,996
Total rewards programs	69,575	57,909	56,266
Membership	236,536	231,440	193,879
Gift card program	15,044	15,290	13,644
E-commerce sales	6,383	6,757	6,523
Long-term:			
Rewards programs:			
Co-brand initiatives	4,068	6,216	7,147
Total deferred revenue	<u>\$ 331,606</u>	<u>\$ 317,612</u>	<u>\$ 277,459</u>

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):

	Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023
Rewards programs:		
Earned award dollars	\$ 49,135	\$ 34,676
Royalty revenue	4,593	17,877
Co-brand initiatives	2,616	7,467
Total rewards programs	56,344	60,020
Membership	213,499	174,678
Gift card program	4,517	4,765
E-commerce sales	6,757	2,731
Total revenue	\$ 281,117	\$ 242,194

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		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Grocery	72 %	70 %	71 %	71 %
General Merchandise and Services	10 %	10 %	10 %	10 %
Gasoline and Other	18 %	20 %	19 %	19 %

4. Debt and Credit Arrangements

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

	November 2, 2024	February 3, 2024	October 28, 2023
ABL Revolving Facility	\$ 245,000	\$ 319,000	\$ 434,000
First Lien Term Loan	400,000	400,000	400,000
Unamortized original issue discount and debt issuance costs	(1,337)	(1,568)	(1,645)
Less: Short-term debt	(245,000)	(319,000)	(434,000)
Long-term debt	\$ 398,663	\$ 398,432	\$ 398,355

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 and 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 November 2, 2024, there was \$245.0 million outstanding in loans under the ABL Revolving Facility and \$12.8 million in outstanding letters of credit. The interest rate on the ABL Revolving Facility was 5.77% and unused capacity was \$942.2 million. As of February 3, 2024 and October 28, 2023, the interest rate on the ABL Revolving Facility was 6.44% and 6.43%, 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.

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 November 2, 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 outstanding under the First Lien Term Loan as of each of November 2, 2024, February 3, 2024, and October 28, 2023. The interest rate on the First Lien Term Loan was 6.76%, 7.33%, and 7.35% at November 2, 2024, February 3, 2024, and October 28, 2023, respectively.

On November 4, 2024, the Company entered into an amendment (the "Fifth 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.

The Fifth Amendment, among other things, provided for a new tranche of term loans in an aggregate principal amount of \$400.0 million, which refinanced and replaced in full the existing Tranche B term loans outstanding under the First Lien Term Loan Credit Agreement immediately prior to the effectiveness of the Fifth Amendment. In addition, the Fifth Amendment reduced applicable margin in respect of the interest rate from SOFR plus 200 basis points per annum to SOFR plus 175 basis points per annum.

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 November 2, 2024, there were 4,516,202 shares available for future issuance under the 2018 Plan.

The following table summarizes the Company's stock award activity during the thirty-nine weeks ended November 2, 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)	—	—	6	85.21	377	75.32	432	76.65
Forfeited/canceled	—	—	(17)	72.76	(8)	74.64	(10)	71.07
Exercised/vested	(692)	22.34	(316)	61.78	(22)	62.13	(471)	44.74
Outstanding, November 2, 2024	963	\$ 19.23	294	\$ 73.38	369	\$ 75.34	628	\$ 69.53

(a) Shares outstanding 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 236 incremental performance stock awards granted in fiscal year 2021 with a weighted-average grant date fair value of \$44.74, that vested in fiscal year 2024 at greater than 100% of target payout based on performance.

Stock-based compensation expense was \$10.7 million and \$9.4 million for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively, and \$29.6 million and \$29.0 million for the thirty-nine weeks ended November 2, 2024 and October 28, 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 \$0.5 million and \$0.4 million for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively, and \$1.2 million and \$1.1 million for the thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively. As of November 2, 2024, there were 2,834,406 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 11,331 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirteen weeks ended November 2, 2024, which was recorded as \$1.0 million of treasury stock. The Company acquired 11,052 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock awards in the thirteen weeks ended October 28, 2023, which was recorded as \$0.8 million of treasury stock.

The Company acquired 369,327 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirty-nine weeks ended November 2, 2024, which was recorded as \$27.7 million of treasury stock. The Company acquired 370,879 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirty-nine weeks ended October 28, 2023, which was recorded as \$28.1 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 repurchased 679,499 shares for \$58.2 million and 242,000 shares for \$17.1 million during the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. The Company repurchased 1,536,591 shares for \$129.3 million and 1,161,162 shares for \$77.0 million during the thirty-nine weeks ended November 2, 2024 and October 28, 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 November 2, 2024, \$61.0 million remained available to purchase under the 2021 Repurchase Program.

On November 18, 2024, the Company's board of directors approved a new share repurchase program (the "2024 Repurchase Program") that allows the Company to repurchase up to an additional \$1.0 billion of its outstanding common stock from time to time as market conditions warrant. The 2024 Repurchase Program expires in January 2029. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate requirements, market conditions, and other corporate liquidity requirements and priorities. The Company initiated the 2024 Repurchase Program to mitigate potentially dilutive effects of stock awards granted by the Company, in addition to enhancing shareholder value.

8. Income Taxes

The Company projects the estimated annual effective tax rate for fiscal year 2024 to be 28.1%, 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 28.2% and 28.1% for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. For the thirty-nine weeks ended November 2, 2024 and October 28, 2023, the Company's effective tax rate from continuing operations was 25.7% and 29.7%, respectively.

The increase in the effective tax rate for the thirteen weeks ended November 2, 2024 compared to the thirteen weeks ended October 28, 2023 was primarily driven by lower excess tax benefits from stock-based compensation in the current period. The decrease in the effective tax rate for the thirty-nine weeks ended November 2, 2024 compared to the thirty-nine weeks ended October 28, 2023 was primarily driven by higher tax benefits from stock-based compensation in the current period.

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 November 2, 2024 are as follows (in thousands):

	Carrying Amount	Fair Value
ABL Revolving Facility	\$ 245,000	\$ 245,000
First Lien Term Loan	400,000	401,332
Total Debt	\$ 645,000	\$ 646,332

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	\$ 719,000	\$ 720,168

The gross carrying amount and fair value of the Company's debt at October 28, 2023 are as follows (in thousands):

	Carrying Amount	Fair Value
ABL Revolving Facility	\$ 434,000	\$ 434,000
First Lien Term Loan	400,000	400,252
Total Debt	\$ 834,000	\$ 834,252

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 and thirty-nine weeks ended November 2, 2024 and October 28, 2023 (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Weighted-average shares of common stock outstanding, used for basic computation	132,083	133,069	132,304	133,232
Plus: Incremental shares of potentially dilutive securities	1,250	1,915	1,460	2,106
Weighted-average shares of common stock and dilutive potential shares of common stock outstanding	<u>133,333</u>	<u>134,984</u>	<u>133,764</u>	<u>135,338</u>

The table below summarizes awards that were excluded from the computation of diluted earnings for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023, as their inclusion would have been anti-dilutive (in thousands):

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Stock-based awards	—	203	112	207

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, 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;
- risks related to our membership fee increases;
- domestic and international economic conditions, including volatility in inflation or interest rates, supply chain disruptions, construction delays, tariffs, 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, including hurricanes;
- 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 (the "SEC"), 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 fiscal year 2023") and our other filings with the SEC.

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 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 fiscal year 2023 and subsequent filings with the SEC.

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 third quarter of fiscal year 2024 ended on November 2, 2024, and the third quarter of fiscal year 2023 ended on October 28, 2023, and both include thirteen weeks.

Overview

BJ's Wholesale Club is a leading operator of membership warehouse clubs concentrated primarily in the eastern half of the United States. We deliver significant value to our members, consistently offering up to 25% 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 coupons 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 247 large-format, high volume warehouse clubs and 182 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. 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 7.5 million members paying annual fees to gain access to savings on groceries, general merchandise, services, and gasoline. 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 \$447.9 million for the trailing twelve-months ended November 2, 2024.

We announced plans to increase our membership fee effective January 1, 2025. The Club Card membership fee will increase by \$5 to \$60 a year. The Club+ membership fee will increase by \$10 to \$120 a year. We believe that these membership fee increases will allow us to invest in an even stronger value proposition for our growing member base.

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, tariffs, 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 thirty-nine 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		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net sales	\$ 4,984,385	\$ 4,818,670	\$ 14,883,793	\$ 14,299,132
Membership fee income	114,979	106,053	339,485	312,273
Total revenues	5,099,364	4,924,723	15,223,278	14,611,405
Cost of sales	4,123,888	4,022,243	12,407,836	11,932,120
Selling, general and administrative expenses	733,580	697,104	2,205,674	2,081,392
Pre-opening expenses	12,513	6,001	15,955	11,479
Operating income	229,383	199,375	593,813	586,414
Interest expense, net	12,593	18,004	39,299	48,968
Income from continuing operations before income taxes	216,790	181,371	554,514	537,446
Provision for income taxes	61,042	50,904	142,759	159,666
Income from continuing operations	155,748	130,467	411,755	377,780
Income from discontinued operations, net of income taxes	—	—	—	89
Net income	\$ 155,748	\$ 130,467	\$ 411,755	\$ 377,869
Weighted-average shares outstanding—basic	132,083	133,069	132,304	133,232
Basic EPS ^(a)	\$ 1.18	\$ 0.98	\$ 3.11	\$ 2.84
Weighted-average shares outstanding—diluted	133,333	134,984	133,764	135,338
Diluted EPS ^(a)	\$ 1.17	\$ 0.97	\$ 3.08	\$ 2.79

Operational Data:

Total clubs at end of period	247	238	247	238
Comparable club sales ^(b)	1.5%	0.3%	2.0%	(1.2)%
Merchandise comparable club sales ^(b)	3.8%	(0.1)%	2.3%	2.1%
Adjusted net income ^{(b)(c)}	\$ 157,254	\$ 135,538	\$ 416,994	\$ 384,688
Adjusted EPS ^{(b)(c)}	1.18	1.00	3.12	2.84
Adjusted EBITDA ^{(b)(d)}	308,292	271,738	826,027	791,385
Net cash provided by operating activities	206,757	175,031	628,955	444,531
Adjusted free cash flow ^(b)	18,824	47,642	201,402	108,890

(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 net income for the thirteen and thirty-nine weeks ended October 28, 2023 has been recast to include adjustments for restructuring charges, and the corresponding tax impact, to conform to the current period presentation.

(d) Adjusted EBITDA for the thirteen and thirty-nine weeks ended October 28, 2023 has been recast to exclude adjustments for pre-opening expenses and non-cash rent expense to conform to the current period definition, and to include adjustments for restructuring charges to conform to the current period presentation.

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 third quarter of fiscal year 2024 were \$5.0 billion, a 3.4% increase from net sales reported for the third quarter of fiscal year 2023 of \$4.8 billion.

Net sales for the first nine months of fiscal year 2024 were \$14.9 billion, a 4.1% increase from net sales reported for the first nine months of fiscal year 2023 of \$14.3 billion.

The increase for both comparative periods was due primarily to traffic and unit growth, particularly in the perishables, grocery, and sundries division, an increase of nine clubs from the prior year period, as well as gasoline sales 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 November 2, 2024	Thirty-nine Weeks Ended November 2, 2024
Comparable club sales	1.5 %	2.0 %
Impact from gasoline sales	2.3 %	0.3 %
Merchandise comparable club sales	3.8 %	2.3 %

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 3.8% in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023, primarily driven by increased sales of perishables with sales of general merchandise and services remaining relatively flat. Additionally, we estimate that an increase in sales, temporarily driven by a port strike and recent hurricanes, had a favorable impact of slightly less than one percentage point on its third quarter sales.

In the perishables, grocery, and sundries division, growth was led by fresh produce, dairy, fresh beef and poultry, beverages, candy, snacks, nutrition, vitamins, packaged goods, household cleaning, and paper categories when compared to the third quarter of fiscal year 2023, slightly offset by decreased demand for alcohol.

General merchandise and services remained flat in the third quarter of fiscal year 2024 compared to the third quarter of fiscal year 2023, with the continued strength in home and seasonal categories, offset by decreased sales in apparel and electronics.

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

Merchandise comparable club sales increased by 2.3% in the first nine months of fiscal year 2024 compared to the first nine months of fiscal year 2023 driven by increased sales of groceries, partially offset by decreased sales of general merchandise and services.

In the perishables, grocery, and sundries division, growth was led by fresh produce, dairy, nutrition, beverages, fresh beef, and paper categories when compared to the first nine months of fiscal year 2023, partially offset by a decrease in sales of candy, snacks, and alcohol.

General merchandise and services decreased in the first nine months of fiscal 2024 as compared to the first nine months of fiscal year 2023, primarily driven by the impact of our co-brand credit card economics as we cycled past the anniversary of the rebranded program launch in the first quarter of fiscal year 2023, as well as lower consumer spending in certain seasonal categories.

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

Membership fee income

Membership fee income was \$115.0 million in the third quarter of fiscal year 2024 compared to \$106.1 million in the third quarter of fiscal year 2023, an 8.4% increase.

Membership fee income was \$339.5 million in the first nine months of fiscal year 2024 compared to \$312.3 million in the first nine months of fiscal year 2023, an 8.7% increase.

The increase for both comparative periods was primarily driven by strength in membership acquisition and retention across both new and existing clubs. We continued to add new members from our four new club openings in fiscal year 2024 as well as the five new clubs that opened in the fourth quarter of fiscal year 2023. As noted above, we announced an increase in membership fees effective January 1, 2025 which we anticipate will positively impact membership fee income in fiscal year 2025.

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 \$4.1 billion, or 82.7% of net sales, in the third quarter of fiscal year 2024 compared to \$4.0 billion, or 83.5% of net sales, in the third quarter of fiscal year 2023. Merchandise gross margin rate, which excludes gasoline sales and membership fee income, increased 20 basis points compared to the prior year period, primarily driven by the continued execution of our long-term initiatives and improved cost management.

Cost of sales was \$12.4 billion, or 83.4% of net sales, in the first nine months of fiscal year 2024 compared to \$11.9 billion, or 83.4% of net sales, in the first nine months of fiscal year 2023. Merchandise gross margin rate, which excludes gasoline sales and membership fee income, remained flat compared to the first nine months 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 to drive 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 5.2% to \$733.6 million in the third quarter of fiscal year 2024 from \$697.1 million in the third quarter of fiscal year 2023.

SG&A increased by 6.0% to \$2.2 billion in the first nine months of fiscal year 2024 from \$2.1 billion in the first nine months of fiscal year 2023.

The increase in SG&A for both comparative periods was primarily driven by increased labor and occupancy costs as a result of new club and gas station openings in addition to other investments to drive strategic priorities, such as the restructuring of certain corporate functions, and an increase in accrued incentive compensation. Additionally, an increase in the number of owned clubs has resulted in increased depreciation expense. The increases in SG&A were partially offset by the favorable net impact of legal settlements reached of approximately \$20 million during the third quarter of fiscal year 2024. 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 \$12.5 million in the third quarter of fiscal year 2024 compared to \$6.0 million in the third quarter of fiscal year 2023.

Pre-opening expenses were \$16.0 million in the first nine months of fiscal year 2024 compared to \$11.5 million in the first nine months of fiscal year 2023.

Pre-opening expenses fluctuated due to timing of spend and the number of club openings year-over-year for both comparative periods.

Interest expense, net

Interest expense, net was \$12.6 million in the third quarter of fiscal year 2024 compared to \$18.0 million in the third quarter of fiscal year 2023.

Interest expense, net was \$39.3 million in the first nine months of fiscal year 2024 compared to \$49.0 million in the first nine months of fiscal year 2023.

The decrease for both comparative periods was primarily due to a reduction in outstanding borrowings, fluctuations in interest rates year-over-year, and a decrease in debt extinguishment charges as the third quarter of fiscal year 2023 included charges related to the Fourth Amendment of the First Lien Term Loan.

Provision for income taxes

The effective income tax rate from continuing operations was 28.2% and 28.1% for the third quarter of fiscal years 2024 and 2023, respectively. The increase in the effective income tax rate was primarily driven by lower tax benefits from stock-based compensation in the current year period.

The effective income tax rate from continuing operations was 25.7% and 29.7% for the first nine months of fiscal years 2024 and 2023, respectively. The decrease in the effective income tax rate was primarily driven by higher tax benefits from stock-based compensation in the current year period.

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 net income, adjusted net income per diluted share ("adjusted EPS"), adjusted EBITDA, adjusted free cash flow, and other key performance indicators, including comparable club sales, 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 net income, adjusted EPS, adjusted EBITDA, adjusted free cash flow, and comparable club sales 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. We also use adjusted EPS in connection with establishing long-term incentive compensation.

(in thousands, except per share amounts)	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net income as reported	\$ 155,748	\$ 130,467	\$ 411,755	\$ 377,869
Adjustments:				
Charges related to debt ^(a)	—	1,830	—	1,830
Restructuring ^(b)	2,091	5,213	7,276	8,427
Other adjustments ^(c)	—	—	—	(786)
Tax impact of adjustments to net income ^(d)	(585)	(1,972)	(2,037)	(2,652)
Adjusted net income ^(e)	\$ 157,254	\$ 135,538	\$ 416,994	\$ 384,688
Weighted-average diluted shares outstanding	133,333	134,984	133,764	135,338
Adjusted EPS ^{(e) (f)}	\$ 1.18	\$ 1.00	\$ 3.12	\$ 2.84

(a) Represents the expensing of fees and deferred fees and original issue discount associated with the amendment of the senior secured first lien term loan in fiscal 2023.

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

(c) 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.

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

(e) Adjusted net income for the thirteen and thirty-nine weeks ended October 28, 2023 has been recast to include adjustments for restructuring charges, and the corresponding tax impact, to conform to the current period presentation.

(f) 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.

We believe that adjusted EBITDA is helpful in highlighting trends in our core operating performance compared to other measures, which can differ significantly depending on long-term strategic decisions regarding capital structure, the tax jurisdictions in which companies operate and capital investments. We use adjusted EBITDA to supplement GAAP measures of performance in the evaluation of the effectiveness of our business strategies; to make budgeting decisions; and to compare our performance against that of other peer companies using similar measures. We also use adjusted EBITDA in connection with establishing annual incentive compensation.

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		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Income from continuing operations	\$ 155,748	\$ 130,467	\$ 411,755	\$ 377,780
Interest expense, net	12,593	18,004	39,299	48,968
Provision for income taxes	61,042	50,904	142,759	159,666
Depreciation and amortization	65,679	57,406	194,238	166,421
Stock-based compensation expense	10,714	9,380	29,640	29,011
Restructuring ^(a)	2,091	5,213	7,276	8,427
Other adjustments ^(b)	425	364	1,060	1,112
Adjusted EBITDA ^(c)	<u>\$ 308,292</u>	<u>\$ 271,738</u>	<u>\$ 826,027</u>	<u>\$ 791,385</u>
Adjusted EBITDA as a percentage of net sales	6.2 %	5.6 %	5.5 %	5.5 %

(a) Represents charges related to the restructuring of certain corporate functions, including costs for severance, retention, outplacement, consulting fees, and other third-party fees. Adjusted EBITDA for the thirteen and thirty-nine weeks ended October 28, 2023 has been recast to include adjustments for restructuring charges to conform to the current period presentation.

(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 and thirty-nine weeks ended October 28, 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 November 2, 2024, cash and cash equivalents totaled \$33.9 million and we had \$942.2 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 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 nine months of fiscal year 2024, we repurchased 1,536,591 shares under the 2021 Repurchase Program for a total purchase price of \$129.3 million, inclusive of associated costs.

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)	Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023
Net cash provided by operating activities	\$ 628,955	\$ 444,531
Net cash used in investing activities	(427,553)	(335,641)
Net cash used in financing activities	(203,578)	(109,254)
Net decrease in cash and cash equivalents	\$ (2,176)	\$ (364)

Net Operating Cash Flows

Net cash provided by operating activities was \$629.0 million for the first nine months of fiscal year 2024 compared to \$444.5 million for the first nine months of fiscal year 2023. The \$184.4 million increase was primarily due to fluctuations in working capital, including \$113.9 million related to accounts payable as a result of timing of inventory receipts and vendor payments; \$51.6 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; \$18.1 million related to merchandise inventories, primarily driven by changes in inventory levels in our perishables, grocery, and sundries divisions; partially offset by \$56.2 million related to accounts receivable due to timing of vendor and customer cash receipts. Also contributing to the increase in net operating cash flows was an \$33.9 million increase in net income, inclusive of a \$27.8 million increase in depreciation and amortization and a net decrease in deferred income tax provisions of \$22.3 million.

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 \$427.6 million for the first nine months of fiscal year 2024, compared to \$335.6 million for the first nine months of fiscal year 2023. This fluctuation is primarily driven by an increase in capital spending of \$79.6 million primarily due to an increase in the number clubs under construction.

Net Financing Cash Flows

Net cash used in financing activities for the first nine months of fiscal year 2024 was \$203.6 million, compared to \$109.3 million for the first nine months of fiscal year 2023. The increase in cash used is primarily due to a \$103.0 million increase in net payments on our ABL Revolving Facility, as well as an increased outflow of \$56.2 million for the acquisition of treasury stock compared to the prior year period; partially offset by a \$50.0 million net decrease in principal payments on our First Lien Term Loan, and by an increase in net cash received from stock option exercises of \$13.1 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		Thirty-nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net cash provided by operating activities	\$ 206,757	\$ 175,031	\$ 628,955	\$ 444,531
Less: Additions to property and equipment, net of disposals	(187,933)	(133,711)	(427,553)	(347,951)
Plus: Proceeds from sale-leaseback transactions	—	6,322	—	12,310
Adjusted free cash flow	\$ 18,824	\$ 47,642	\$ 201,402	\$ 108,890

Adjusted free cash flow decreased to \$18.8 million for the third quarter of fiscal year 2024 compared to \$47.6 million for the third quarter of fiscal year 2023. This decrease in adjusted free cash flow is primarily the result of an increase in capital spending, partially offset by higher cash flows from operating activities due to favorable fluctuations in working capital and higher net income. Adjusted free cash flow increased to \$201.4 million for the first nine months of fiscal year 2024 compared to \$108.9 million for the first nine months of fiscal year 2023. This increase is primarily the result of higher cash flows from operating activities due to favorable fluctuations in working capital and higher net income, partially offset by an increase in capital spending.

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, we 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, we 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.

At November 2, 2024, there was \$245.0 million outstanding in loans under the ABL Revolving Facility and \$12.8 million in outstanding letters of credit. The interest rate on the revolving credit facility was 5.77% and unused capacity was \$942.2 million.

At November 2, 2024, the interest rate for the First Lien Term Loan was 6.76% and there was \$400.0 million outstanding.

On November 4, 2024, we entered into the Fifth Amendment with Nomura Corporate Funding Americas, LLC, as administrative agent and collateral agent, and the lenders party thereto.

The Fifth Amendment, among other things, provided for a new tranche of term loans in an aggregate principal amount of \$400.0 million, which refinanced and replaced in full the existing Tranche B term loans outstanding under the First Lien Term Loan Credit Agreement immediately prior to the effectiveness of the Fifth Amendment. In addition, the Fifth Amendment reduced applicable margin in respect of the interest rate from SOFR plus 200 basis points per annum to SOFR plus 175 basis points per annum.

Material Cash Commitments

Our material cash commitments consist primarily of debt obligations, interest payments, leases, and purchase orders for merchandise inventory, agreements for capital items, gasoline, products and services used in our business, information technology, and executive employment. These material cash commitments impact our short-term and long-term liquidity and capital needs. As of November 2, 2024, other than those items related to the ordinary course of operations of our business such as inventory purchases, agreements for capital items, and 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 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 fiscal year 2023 for a complete list of our Critical Accounting Policies and Estimates.

Recent Accounting Pronouncements

Our 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.

Refer to "[Note 2](#). Summary of Significant Accounting Policies" included in this Quarterly Report on Form 10-Q for additional information regarding recently issued accounting pronouncements.

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 November 2, 2024, our total debt outstanding was \$645.0 million, which included \$245.0 million under our ABL Revolving Facility and \$400.0 million under our First Lien Term Loan at interest rates of 5.77% and 6.76%, respectively. See "[Note 4](#). Debt and Credit Arrangements" of our condensed consolidated financial statements included in in this Quarterly Report on Form 10-Q for additional information. A 100 basis point change in prevailing market rates would cause annual interest costs to change by approximately \$6.5 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 November 2, 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 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 third 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)
August 4, 2024 to August 31, 2024	320,000	84.00	320,000	\$ 91,791
September 1, 2024 to October 5, 2024	60,835	\$ 78.88	60,000	87,061
October 6, 2024 to November 2, 2024	309,995	\$ 86.91	299,499	61,017
Total	690,830		679,499	

(a) Includes 835 shares of common stock for the period September 1, 2024 to October 5, 2024 and 10,496 shares of common stock for the period October 6, 2024 to November 2, 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. On November 18, 2024, the Company's board of directors approved a new share repurchase program. The authorization allows the Company to repurchase up to \$1.0 billion of its outstanding common stock and will expire in January 2029.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

Employment Agreement Amendments

Following an ordinary course review of our existing compensation arrangements, we entered into amendments (the “Amendments”) to employment agreements with each of Messrs. Eddy, Cichocki and Werner and Ms. Felice. The Amendments are effective as of November 23, 2024. The Amendments modify the criteria permitting a termination for cause by the Company as well as include technical language relating to Section 409A of the Internal Revenue Code of 1986, as amended, and are filed with this Quarterly Report on Form 10-Q as Exhibits 10.1, 10.2, 10.3 and 10.4.

Additionally, the amendment to Mr. Eddy’s employment agreement revises the definition of “Good Reason” to include his removal from the role of Chairman of the board of directors of the Company or to the extent he becomes ineligible to serve in such role due to an amendment to the Company’s bylaws or corporate governance policies.

The foregoing description of the Amendments do not purport to be complete and are qualified in their entirety by reference to the full text of the Amendments, which are incorporated herein by reference.

10b5-1 Trading Plans

None of our directors or "officers," as defined in Rule 16a-1(f) under the Securities Exchange Act of 1934, adopted or terminated a Rule 10b5-1 trading plan or arrangement or a non-Rule 10b5-1 trading plan or arrangement, as defined in Item 408(c) of Regulation S-K, during the fiscal quarter covered by this report.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
10.1	<u>Amendment No. 1 to Employment Agreement between Robert W. Eddy and BJ's Wholesale Club, Inc., dated as of November 23, 2024 (filed herewith).</u>
10.2	<u>Amendment No. 1 to Employment Agreement between Laura L. Felice and BJ's Wholesale Club, Inc., dated as of November 23, 2024 (filed herewith).</u>
10.3	<u>Amendment No. 1 to Employment Agreement between Paul Cichocki and BJ's Wholesale Club, Inc., dated as of November 23, 2024 (filed herewith).</u>
10.4	<u>Amendment No. 1 to Employment Agreement between William Werner and BJ's Wholesale Club, Inc., dated as of November 23, 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: November 27, 2024

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer
(Principal Financial Officer and
Authorized Signatory)