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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) May 21, 2020

BJ'S WHOLESALE CLUB HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction
of incorporation)

001-38559

(Commission
File Number)

45-2936287

(IRS Employer
Identification No.)

25 Research Drive,

Westborough, MA

(Address of principal executive offices)

01581

(Zip Code)

(774) 512-7400

Registrant's telephone number, including area code

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligations of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Securities registered or to be 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 is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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

Item 2.02 Results of Operations and Financial Condition

On May 21, 2020, BJ's Wholesale Club Holdings, Inc. (the "Company") issued a press release announcing its financial results for the first quarter (thirteen weeks) of fiscal year 2020 ended May 2, 2020. The full text of the press release is furnished as Exhibit 99.1 to this Current Report on Form 8-K and is incorporated herein by reference.

The information included in this Current Report on Form 8-K pursuant to this Item 2.02 (including Exhibit 99.1) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that Section, nor shall it be deemed to be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filings.

Item 8.01 Other Events

The following risk factor supplements the risk factors described under "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended February 1, 2020, and should be read in conjunction with the other risk factors presented in such Annual Report on Form 10-K.

The outbreak of the novel coronavirus, or COVID-19, has caused, and could continue to cause, severe disruptions in the United States, regional and global economies and could have a material adverse effect on our business, financial condition and results of operations.

The COVID-19 pandemic has caused significant disruptions to the United States, regional and global economies and has contributed to significant volatility and negative pressure in financial markets. The global impact of the COVID-19 pandemic has been rapidly evolving and many U.S. states and cities, including where our clubs and distribution centers are located, have imposed measures intended to control its spread, such as instituting shelter-in-place orders and restrictions on the types of businesses that may continue to operate and the manner in which they may do so. Generally, under these orders, our operations have been deemed "essential" by U.S. federal, state and local authorities, which have allowed our clubs and distribution centers to remain open. However, many of these orders and other government regulations have resulted in reduced operating hours and limited access for our members, including limits on the number of people that can be in a club at a time, and member traffic may decline if more severe restrictions are implemented or if members opt to shop less frequently or use other online outlets and delivery systems in order to reduce their risk of potential exposure to COVID-19. Further any alleged failure to comply with governmental orders or regulations, which vary across states and localities, could result in costly litigation, enforcement actions and penalties.

The extent to which the COVID-19 pandemic, or the future outbreak of any other highly infectious or contagious disease, effects our business, operations and financial condition will depend on future developments, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of such pandemic, the actions taken to contain the pandemic or mitigate its impact, and the direct and indirect economic effects of the pandemic and containment measures, among others. The rapid development and fluidity of this situation precludes any prediction as to the full adverse impact of the COVID-19 pandemic. Nevertheless, the COVID-19 pandemic may materially adversely affect our business, financial condition and results of operations, and may have the effect of heightening many of the risks described in the "Risk Factors" section of our Annual Report on Form 10-K for the year ended February 1, 2020, including:

- a complete or partial closure of, or a decrease in member traffic at, one or more of our clubs, due to government restrictions and limitations intended to promote social distancing and contain the spread of COVID-19, which could adversely affect our net sales and operating results;
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- any difficulties and delays in obtaining products from our distributors and suppliers, delivering products to our clubs and adequately staffing our clubs and distribution centers, which could result in an inability to maintain inventory levels and meet our members' demands and may cause us to seek alternative and potentially more expensive sources of supply;
- a decrease in consumer discretionary spending and confidence, changes in our members needs or decreased traffic from stockpiling in preparation for the pandemic, each of which could adversely affect member demand for the products we sell, result in shifts in demand to lower priced options and change the mix of products we sell, result in slower inventory turnover and greater markdowns of inventory, cause use to lose existing members and/or fail to attract new members, or otherwise materially adversely affect our net sales and operating results;
- any inability to continue to provide our team members with appropriate compensation and protective measures, which could cause us to be unable to retain current or attract new team members to perform necessary functions within our clubs and distribution centers;
- any spread of COVID-19 among our team members or employees of our distributors or suppliers, within a particular club, distribution center or geographical area, may necessitate that impacted clubs, distribution centers or suppliers be temporarily closed, which could negatively impact our business and financial condition, as well as our reputation;
- any belief by members or team members that they have contracted COVID-19 in one of our clubs or that we have not taken appropriate precautionary measures to prevent the spread of COVID-19 in our clubs, which could result in costly and time consuming litigation and negatively impact our reputation;
- severe disruption and instability in the U.S. and global financial markets or deteriorations in credit and financing conditions, which could make it difficult for us to access debt and equity capital on attractive terms, or at all;
- any potential negative impact on the health of our executive management team or key employees or the executive management team or key employees of our suppliers and distributors, particularly if a significant number of our or their executive management team or key employees are impacted, which could result in a deterioration in our or their ability to ensure business continuity during a disruption;
- any inability to effectively manage our operations while certain of our employees continue to work remotely due the COVID-19 pandemic, which could adversely impact our business; and
- limited access to our management, support staff and professional advisors, which could decrease the effectiveness of our disclosure controls and procedures and internal controls over financial reporting, increase our susceptibility to security breaches, or hamper our ability to comply with regulatory obligations leading to reputational harm and regulatory issues or fines.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

Exhibit No.	Description
<u>99.1</u>	<u>Press release of BJ's Wholesale Club Holdings, Inc. dated May 21, 2020.</u>

SIGNATURES

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

Date: May 21, 2020

BJ'S WHOLESALE CLUB HOLDINGS, INC.

By: /s/ Robert W. Eddy

Name: Robert W. Eddy

Title: Executive Vice President, Chief Financial and
Administrative Officer

BJ's Wholesale Club Holdings, Inc. Announces Record First Quarter Fiscal 2020 Results

- Comparable club sales, excluding gasoline sales, increased by 27.0%, including digitally enabled sales growth of 350% for the first quarter of fiscal 2020.
- Income from continuing operations increased by 165.3% year-over-year to \$95.7 million, for the first quarter of fiscal 2020.
- Adjusted EBITDA increased by 56.3% year-over-year to \$193.9 million, for the first quarter of fiscal 2020.
- Earnings per diluted share of \$0.69, reflects a 176.0% year-over-year growth.
- Adjusted earnings per diluted share of \$0.69, reflects 165.4% year-over-year growth.
- Net cash provided by operating activities was \$469.9 million and free cash flow was \$434.7 million, for the first quarter of fiscal 2020.
- Company recognizes dedication of BJ's team members and invests \$51 million in wages and bonuses.

Westborough, Mass. (May 21, 2020) – BJ's Wholesale Club Holdings, Inc. (NYSE: BJ) (the "Company") today announced its financial results for the thirteen weeks ended May 2, 2020.

“Our top priority remains the health and safety of our members and team members during this challenging time and I am deeply thankful for the contributions of our dedicated team members this past quarter,” said Lee Delaney, President and Chief Executive Officer, BJ's Wholesale Club. “While the coronavirus pandemic increased demand for our services, our team's hard work and the capabilities we have built over the last four years have enabled us to thrive and deliver very strong merchandise comparable sales. Furthermore, we drove earnings and cash flow growth and invested in our team members and our business. These efforts will allow us to continue to build on this momentum and position ourselves for success over the long-term.”

Key Measures for the Thirteen Weeks Ended May 2, 2020 (First Quarter of Fiscal 2020):

BJ'S WHOLESALE CLUB HOLDINGS, INC.

(Amounts in thousands, except per share amounts)

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019	% Growth
Net sales	\$ 3,718,040	\$ 3,069,763	21.1 %
Membership fee income	79,565	73,373	8.4 %
Total revenues	3,797,605	3,143,136	20.8 %
Operating income	143,750	70,682	103.4 %
Income from continuing operations	95,742	36,085	165.3 %
Adjusted EBITDA ^(a)	193,915	124,076	56.3 %
Net income	95,734	35,798	167.4 %
EPS ^(b)	0.69	0.25	176.0 %
Adjusted net income ^(a)	95,734	36,678	161.0 %
Adjusted EPS ^(a)	0.69	0.26	165.4 %
Basic weighted average shares outstanding	136,090	136,810	(0.5)%
Diluted weighted average shares outstanding	138,428	140,463	(1.4)%

a) See “Note Regarding Non-GAAP Financial Information”

b) EPS represents earnings per diluted share

Additional Highlights:

- Comparable club sales for the first quarter of fiscal 2020 increased 19.9%, compared to the first quarter of fiscal 2019. Comparable club sales, excluding the impact of gasoline sales, increased 27.0% compared to the first quarter of fiscal 2019.
- Gross profit increased to \$736.7 million in the first quarter of fiscal 2020 from \$574.2 million in the first quarter of fiscal 2019. Merchandise gross margin rate, which excludes gasoline sales and membership fee income, decreased by approximately 30 basis points over the first quarter of fiscal 2019. While merchandise margins benefited from the strong sales performance and continued execution of our category profitability improvement initiatives, these drivers were offset by distribution costs associated with the coronavirus pandemic, the decline in our higher-margin apparel business and the temporary shut-down of our higher-margin services business.
- Selling, general and administrative expenses ("SG&A") increased to \$590.4 million in the first quarter of fiscal 2020, compared to \$501.2 million in the first quarter of fiscal 2019. SG&A in the first quarter of fiscal 2019 included charges related to our initial public offering and the registered offerings by selling stockholders (such offering costs, collectively, "offering costs") of \$1.2 million. The year-over-year increase in SG&A expense was primarily driven by costs associated with the coronavirus pandemic, including wage increases, bonuses, safety and protective equipment and other operational costs, such as security.
- Operating income increased to \$143.8 million, or 3.8% of total revenues in the first quarter of fiscal 2020, compared to \$70.7 million, or 2.2% of total revenues in the first quarter of fiscal 2019. Operating income in the first quarter of fiscal 2019 included charges associated with offering costs of \$1.2 million.
- Interest expense, net, decreased to \$21.8 million in the first quarter of fiscal 2020, compared to \$27.8 million in the first quarter of fiscal 2019. The decrease in interest expense was driven by continued de-levering, the repricing of our first lien term loan facility, which was completed in January 2020.
- Income tax expense was \$26.2 million in the first quarter of fiscal 2020, compared to income tax expense of \$6.8 million in the first quarter of fiscal 2019. The first quarter of fiscal 2020 included a benefit of \$4.5 million from excess tax benefits related to stock-based compensation compared to \$4.9 million in the first quarter of fiscal 2019.
- Early in the quarter of fiscal 2020, we repurchased 175,000 shares of common stock, totaling \$4.0 million, under the share repurchase program.

Response to COVID-19:

In response to the coronavirus pandemic, BJ's implemented a number of operational changes to support team members, members and communities we serve.

Team Member Support

- Increased all hourly team members wages by an additional \$2 per hour.
 - Distributed special bonuses for managers and key personnel, incremental to the annual incentive program.
 - Issued an emergency paid leave policy to support team members. The emergency paid leave policy includes:
 - Waived absenteeism policy.
 - Pay for up to fourteen days when under mandated quarantine.
 - Pay through a mix of accrued sick time and company paid time if a team member tests positive for coronavirus and needs to self-quarantine.
 - Ensured Aisle Help, the Company's employee relief fund, is available to team members facing financial hardship.
 - Implemented operational processes to encourage social distancing in clubs, including instructional signage.
 - Provided personal protective equipment to all team members.
 - Implemented enhanced cleaning and sanitization procedures at clubs, distribution centers and the home office.
 - Installed mobile and fixed sneeze-guard barriers at the membership desk, in checkout lanes and at exits.
 - Implemented remote working for home office team members.
 - Closed all BJ's clubs on Easter Sunday, April 12, 2020 to offer team members a day to rest and recharge.
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Member Support:

- Prioritized safety and followed recommendations from the Centers for Disease Control and Prevention (CDC) to ensure clubs exceed the company's already high standards for general hygiene and health practices.
- Focused on getting high-demand products to its clubs as quickly as possible and offering members alternative shopping methods like Buy Online, Pick Up in-Club and Same-Day Delivery.
- Reduced club hours to give team members more time to restock, sanitize and recharge.
- Limited the number of members allowed to shop inside clubs to no more than 20% of total capacity, at any given time.
- Temporarily closed all BJ's Optical centers and cellular services.

Community Support:

- Increased workforce by actively adding permanent and temporary positions in clubs throughout the Eastern United States.
- Announced dedicated shopping hours for members age 60 and over to shop in a less crowded environment.
- Implemented "Appreciation Hour" for first responders and healthcare workers, so they can shop during a designated hour on Sundays without a membership.
- Contributed \$1 million from the BJ's Charitable Foundation to support hospitals throughout our footprint and local and national organizations providing essential services and support to those in need during these challenging times.
- Donated countless items to first responders, healthcare workers and nonprofits to help support communities.
- Continued to donate perishable food on a weekly basis to local food banks across our footprint through the Feeding Communities program.

To learn more about our response to the coronavirus pandemic and the additional measures we have taken, please visit: <https://newsroom.bjs.com/BJs-Response-to-Coronavirus/default.aspx>

Conference Call Details

A conference call to discuss the first quarter fiscal 2020 financial results is scheduled for today, May 21, 2020, at 8:30 a.m. Eastern Time. Investors and analysts interested in participating in the call are invited to dial 877-274-0290 (international callers please dial 647-689-5405) approximately 10 minutes prior to the start of the call. A live audio webcast of the conference call will be available online at <https://investors.bjs.com>.

A recorded replay of the conference call will be available within two hours of the conclusion of the call and can be accessed both online at <https://investors.bjs.com> and by dialing 416-621-4642 and entering the access code 8152109. The recorded replay will be available until May 28, 2020 and an online archive of the webcast will be available for one year.

About BJ's Wholesale Club Holdings, Inc.

Headquartered in Westborough, Massachusetts, BJ's Wholesale Club Holdings, Inc. is a leading operator of membership warehouse clubs in the Eastern United States. The company currently operates 218 clubs and 146 BJ's Gas[®] locations in 17 states.

Non-GAAP Financial Measures

We refer to certain financial measures that are not recognized under United States generally accepted accounting principles ("GAAP"). Please see "Note Regarding Non-GAAP Financial Information" and "Reconciliation of GAAP to Non-GAAP Financial Information" below for additional information and a reconciliation of the non-GAAP financial measures to the most comparable GAAP financial measures.

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

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Net sales	\$ 3,718,040	\$ 3,069,763
Membership fee income	79,565	73,373
Total revenues	3,797,605	3,143,136
Cost of sales	3,060,893	2,568,977
Selling, general and administrative expenses	590,361	501,181
Pre-opening expense	2,601	2,296
Operating income	143,750	70,682
Interest expense, net	21,844	27,789
Income from continuing operations before income taxes	121,906	42,893
Provision for income taxes	26,164	6,808
Income from continuing operations	95,742	36,085
Loss from discontinued operations, net of income taxes	(8)	(287)
Net income	\$ 95,734	\$ 35,798
Income per share attributable to common stockholders - basic:		
Income from continuing operations	\$ 0.70	\$ 0.26
Loss from discontinued operations	—	—
Net income	\$ 0.70	\$ 0.26
Income per share attributable to common stockholders - diluted:		
Income from continuing operations	\$ 0.69	\$ 0.26
Loss from discontinued operations	—	(0.01)
Net income	\$ 0.69	\$ 0.25
Weighted average number of shares outstanding:		
Basic	136,090	136,810
Diluted	138,428	140,463

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

	May 2, 2020	May 4, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 132,915	\$ 29,877
Accounts receivable, net	193,884	180,379
Merchandise inventories	1,024,937	1,085,565
Prepaid expense and other current assets	46,631	47,403
Total current assets	1,398,367	1,343,224
Operating lease right-of-use assets, net	2,087,902	2,055,733
Property and equipment, net	753,297	728,762
Goodwill	924,134	924,134
Intangibles, net	144,019	157,103
Other assets	20,350	17,760
Total assets	\$ 5,328,069	\$ 5,226,716
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	\$ 15,377	\$ 246,377
Current portion of operating lease liabilities	125,976	121,878
Accounts payable	990,420	820,489
Accrued expenses and other current liabilities	588,431	485,168
Total current liabilities	1,720,204	1,673,912
Long-term lease liabilities	2,016,206	1,966,688
Long-term debt	1,334,795	1,543,537
Deferred income taxes	42,369	44,934
Other noncurrent liabilities	181,998	145,954
STOCKHOLDERS' EQUITY (DEFICIT)	32,497	(148,309)
Total liabilities and stockholders' equity (deficit)	\$ 5,328,069	\$ 5,226,716

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

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 95,734	\$ 35,798
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	40,839	38,670
Amortization of debt issuance costs and accretion of original issue discount	1,197	1,323
Other non-cash items, net	2,637	287
Stock-based compensation expense	5,514	3,844
Deferred income tax provision	1,590	4,501
Increase (decrease) in cash due to changes in:		
Accounts receivable	12,469	13,921
Merchandise inventories	56,565	(33,259)
Accounts payable	204,008	(516)
Accrued expenses	40,983	(41,801)
Other operating assets and liabilities, net	8,366	22,168
Net cash provided by operating activities	469,902	44,936
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment, net of disposals	(35,212)	(36,534)
Net cash used in investing activities	(35,212)	(36,534)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payments on long term debt	(3,297)	(3,844)
Net payments on ABL Facility	(328,000)	(8,000)
Net cash received from stock option exercises	5,608	6,320
Acquisition of treasury stock	(6,073)	—
Other financing activities	(217)	(147)
Net cash used in financing activities	(331,979)	(5,671)
Net increase in cash and cash equivalents	102,711	2,731
Cash and cash equivalents at beginning of period	30,204	27,146
Cash and cash equivalents at end of period	\$ 132,915	\$ 29,877

Note Regarding Non-GAAP Financial Information

This press release includes financial measures that are not calculated in accordance with GAAP, including adjusted net income, adjusted net income per diluted share, adjusted EBITDA, free cash flow and net debt and net debt to LTM adjusted EBITDA.

We define adjusted net income as net income attributable to common stockholders adjusted for: stock-based compensation related to the IPO; offering costs; management fees; club closing and impairment charges; reduction in force severance; gain on sale leaseback transactions; charges related to debt restructurings and retirements; and the tax impact of the foregoing adjustments on net income.

We define adjusted net income per diluted share as adjusted net income divided by the weighted average diluted shares outstanding.

We define adjusted EBITDA 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; pre-opening expenses; non-cash rent; strategic consulting; offering costs; and other adjustments.

We define free cash flow as net cash provided by operating activities less additions to property and equipment, net of disposals plus proceeds from sale leaseback transaction.

We define net debt as total debt outstanding less cash and cash equivalents.

We define net debt to LTM adjusted EBITDA as net debt at the balance sheet date divided by adjusted EBITDA for the trailing twelve-month period.

We present adjusted net income, adjusted net income per diluted share and adjusted EBITDA, which are not recognized financial measures under GAAP, because we believe such measures assists investors and analysts in comparing our operating performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, adjusted EBITDA excludes pre-opening expenses, because we do not believe these expenses are indicative of the underlying operating performance of our stores. The amount and timing of pre-opening expenses are dependent on, among other things, the size of new stores opened and the number of new stores opened during any given period.

Management believes that adjusted net income, adjusted net income per diluted share and adjusted EBITDA are 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 net income, adjusted net income per diluted share and 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 discretionary annual incentive compensation.

We present free cash flow, which is not a recognized financial measure under GAAP, because we use it to report to our board of directors and we believe it assists investors and analysts in evaluating our liquidity. Free cash flow should not be considered as an alternative to cash flows from operations as a liquidity measure. We present net debt and net debt to LTM adjusted EBITDA, which are not recognized as financial measures under GAAP, because we use them to report to our board of directors and we believe they assist investors and analysts in evaluating our borrowing capacity. Net debt to LTM adjusted EBITDA is a key financial measure that is used by management to assess the borrowing capacity of the Company.

You are encouraged to evaluate these adjustments and the reasons we consider them appropriate for supplemental analysis. In evaluating adjusted net income, adjusted net income per diluted share, adjusted EBITDA and net debt to LTM adjusted EBITDA, you should be aware that in the future we may incur expenses that are the same as or like some of the adjustments in our presentation of these metrics. Our presentation of adjusted net income, adjusted net income per diluted share, adjusted EBITDA, free cash flow, net debt and net debt to LTM adjusted EBITDA should not be considered as alternatives to any other measure derived in accordance with GAAP and they should not be construed as an inference that the Company's future results will be unaffected by unusual or non-recurring items. There can be no assurance that we will not modify the presentation of adjusted net income, adjusted net income per diluted share, adjusted EBITDA or net debt to LTM adjusted EBITDA in the future, and any such modification may be material. In addition, adjusted net income, adjusted net income per diluted share, adjusted EBITDA, free cash flow, net debt and net debt to LTM adjusted EBITDA may not be comparable to similarly titled measures used by other companies in our industry or across different industries. Additionally, adjusted net income, adjusted net income per diluted share, adjusted EBITDA, free cash flow, net debt and net debt to LTM adjusted EBITDA have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of our results as reported under GAAP.

Reconciliation of GAAP to Non-GAAP Financial Information

BJ'S WHOLESALE CLUB HOLDINGS, INC.

Reconciliation of net income to adjusted net income and adjusted net income per diluted share

(Amounts in thousands, except per share amounts)

(Unaudited)

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Net income as reported	\$ 95,734	\$ 35,798
Adjustments:		
Offering costs ^(a)	—	1,222
Tax impact of adjustments to net income ^(b)	—	(342)
Adjusted net income	\$ 95,734	\$ 36,678
Weighted average diluted shares outstanding	138,428	140,463
Adjusted net income per diluted share ^(c)	\$ 0.69	\$ 0.26

(a) Represents costs related to registered offerings by selling stockholders.

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

(c) Adjusted net income per diluted share is measured using weighted average diluted shares outstanding.

BJ'S WHOLESALE CLUB HOLDINGS, INC.**Reconciliation to Adjusted EBITDA****(Amounts in thousands)****(Unaudited)**

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Income from continuing operations	\$ 95,742	\$ 36,085
Interest expense, net	21,844	27,789
Provision for income taxes	26,164	6,808
Depreciation and amortization	40,839	38,670
Stock-based compensation expense (a)	5,514	3,844
Pre-opening expenses (b)	2,601	2,296
Non-cash rent (c)	1,504	754
Strategic consulting (d)	—	6,739
Offering costs (e)	—	1,222
Other adjustments (f)	(293)	(131)
Adjusted EBITDA	\$ 193,915	\$ 124,076

(a) Represents total stock-based compensation expense.

(b) Represents direct incremental costs of opening or relocating a facility that are charged to operations as incurred.

(c) Consists of an adjustment to remove the non-cash portion of rent expense.

(d) Represents fees paid to external consultants for strategic initiatives of limited duration.

(e) Represents costs related to registered offerings by selling stockholders.

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

BJ'S WHOLESALE CLUB HOLDINGS, INC.**Reconciliation to Free Cash Flow****(Amounts in thousands)****(Unaudited)**

	13 Weeks Ended May 2, 2020	13 Weeks Ended May 4, 2019
Net cash provided by operating activities	\$ 469,902	\$ 44,936
Less: Additions to property and equipment, net of disposals	35,212	36,534
Plus: Proceeds from sale leaseback transaction	—	—
Free cash flow	\$ 434,690	\$ 8,402

BJ'S WHOLESALE CLUB HOLDINGS, INC.**Reconciliation of Net Debt and Net Debt to LTM adjusted EBITDA****(Amounts in thousands)****(Unaudited)**

	May 2, 2020
Total debt	\$ 1,350,172
Less: Cash and cash equivalents	132,915
Net Debt	\$ 1,217,257
Income from continuing operations	247,414
Interest expense, net	102,285
Provision for income taxes	75,568
Depreciation and amortization	159,169
Stock-based compensation expense (a)	20,466
Pre-opening expenses (b)	15,457
Non-cash rent (c)	9,124
Strategic consulting (d)	4,610
Reduction in force severance (g)	3,994
Offering costs (e)	706
Club closings and impairment charges (h)	15,383
Other adjustments (f)	(2,713)
Adjusted EBITDA	\$ 651,463
Net debt to LTM adjusted EBITDA	1.9x

(a) Represents total stock-based compensation expense.

(b) Represents direct incremental costs of opening or relocating a facility that are charged to operations as incurred.

(c) Consists of an adjustment to remove the non-cash portion of rent expense.

(d) Represents fees paid to external consultants for strategic initiatives of limited duration.

(e) Represents costs related to the registered offerings by selling stockholders.

(f) Other non-cash items, including non-cash accretion on asset retirement obligations, termination costs to former executives and obligations associated with our post-retirement medical plan, amortization of a deferred gain from sale leaseback transactions in 2013, impairment charges related to a club that was relocated in 2018 and a gain from a third party settlement.

(g) Represents severance charges associated with a reduction in workforce announced in January 2020.

(h) Represents primarily closing costs associated with our clubs in Charlotte, N.C. and Geneva, N.Y., which closed in the fourth quarter of fiscal 2019 and other impairment charges.

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