

**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 April 29, 2023

OR

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

For the transition period from _____ to _____

Commission File Number: 001-38559



BJ'S WHOLESALE CLUB HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

45-2936287

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

350 Campus Drive

Marlborough, Massachusetts

(Address of principal executive offices)

01752

(Zip Code)

(774) 512-7400

(Registrant's telephone number, including area code)

N/A

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

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01	BJ	New York Stock Exchange

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

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

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

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

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

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

As of May 19, 2023, the registrant had 134,369,427 shares of common stock, \$0.01 par value per share, outstanding.

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TRADEMARKS

BJ's Wholesale Club[®], BJ's[®], Wellsley Farms[®], Berkley Jensen[®], My BJ's Perks[®], BJ's Easy Renewal[®], BJ's Gas[®], BJ's One[®], BJ's One+[®], BJ's Perks Elite[®], BJ's Perks Plus[®], Inner Circle[®], Same-Day-Select[®], ExpressPay[®] and BJ's Perks Rewards[®] are all registered trademarks of BJ's Wholesale Club, Inc. Other trademarks, tradenames 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 Facility" means the Company's senior secured asset based revolving credit and term facility that was terminated on July 28, 2022;
- "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 January 5, 2023;
- "Third Amendment" means the Company's third amendment to the senior secured former first lien term loan facility that was entered into on January 5, 2023;
- "fiscal year 2022" means the 52 weeks ended January 28, 2023;
- "fiscal year 2023" means the 53 weeks ending February 3, 2024;
- "GAAP" means generally accepted accounting principles in the United States of America;
- "ESPP" means the Company's Employee Stock Purchase Plan; and
- "the Acquisition" means the Company's acquisition of the assets and operations of four distribution centers and the related private transportation fleet from Burris Logistics, LLC on May 2, 2022.

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)**

	April 29, 2023	January 28, 2023	April 30, 2022
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 23,387	\$ 33,915	\$ 37,952
Accounts receivable, net	217,866	239,746	210,405
Merchandise inventories	1,532,006	1,378,551	1,462,098
Prepaid expenses and other current assets	69,048	51,033	58,814
Total current assets	1,842,307	1,703,245	1,769,269
Operating lease right-of-use assets, net	2,124,621	2,142,925	2,177,777
Property and equipment, net	1,364,815	1,337,029	989,658
Goodwill	1,008,816	1,008,816	924,134
Intangibles, net	113,536	115,505	122,332
Deferred income taxes	6,728	11,498	4,595
Other assets	33,672	30,938	22,240
Total assets	\$ 6,494,495	\$ 6,349,956	\$ 6,010,005
LIABILITIES			
Current liabilities:			
Short-term debt	\$ 400,000	\$ 405,000	\$ 80,000
Current portion of operating lease liabilities	178,939	177,233	169,423
Accounts payable	1,281,676	1,195,697	1,267,102
Accrued expenses and other current liabilities	758,724	767,411	692,530
Total current liabilities	2,619,339	2,545,341	2,209,055
Long-term operating lease liabilities	2,037,844	2,058,797	2,107,532
Long-term debt	448,004	447,880	748,987
Deferred income taxes	66,699	57,024	58,511
Other non-current liabilities	190,883	194,077	164,578
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, 147,380 shares issued and 134,376 outstanding at April 29, 2023; 146,347 shares issued and 133,903 outstanding at January 28, 2023; and 145,941 shares issued and 135,195 outstanding at April 30, 2022	1,473	1,463	1,459
Additional paid-in capital	970,227	958,555	914,120
Retained earnings	760,567	644,490	243,763
Accumulated other comprehensive income	1,049	1,550	2,010
Treasury stock, at cost, 13,004 shares at April 29, 2023; 12,444 shares at January 28, 2023; and 10,746 shares at April 30, 2022	(601,590)	(559,221)	(440,010)
Total stockholders' equity	1,131,726	1,046,837	721,342
Total liabilities and stockholders' equity	\$ 6,494,495	\$ 6,349,956	\$ 6,010,005

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	
	April 29, 2023	April 30, 2022
Net sales	\$ 4,620,620	\$ 4,399,810
Membership fee income	102,522	96,625
Total revenues	4,723,142	4,496,435
Cost of sales	3,843,150	3,705,838
Selling, general and administrative expenses	689,328	635,380
Pre-opening expenses	3,894	4,900
Operating income	186,770	150,317
Interest expense, net	14,690	7,841
Income from continuing operations before income taxes	172,080	142,476
Provision for income taxes	56,092	30,019
Income from continuing operations	115,988	112,457
Income (loss) from discontinued operations, net of income taxes	89	(7)
Net income	\$ 116,077	\$ 112,450
Income per share attributable to common stockholders—basic:		
Income from continuing operations	\$ 0.87	\$ 0.84
Income from discontinued operations	—	—
Net income	\$ 0.87	\$ 0.84
Income per share attributable to common stockholders—diluted:		
Income from continuing operations	\$ 0.85	\$ 0.82
Income from discontinued operations	—	—
Net income	\$ 0.85	\$ 0.82
Weighted-average number of shares outstanding:		
Basic	133,312	134,244
Diluted	135,902	136,702
Other comprehensive income (loss):		
Amounts reclassified from accumulated other comprehensive income, net of tax	\$ (501)	\$ 117
Unrealized gain on cash flow hedge, net of income tax provision of \$229, at April 30, 2022	—	588
Total other comprehensive income (loss)	(501)	705
Total comprehensive income	\$ 115,576	\$ 113,155

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

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

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
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
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	—	(501)	—	—	(501)
Common stock issued under stock incentive plans	1,033	10	(10)	—	—	—	—	—
Stock-based compensation expense	—	—	10,007	—	—	—	—	10,007
Net cash received from stock option exercises	—	—	1,675	—	—	—	—	1,675
Acquisition of treasury stock	—	—	—	—	—	(560)	(42,369)	(42,369)
Balance, April 29, 2023	<u>147,380</u>	<u>\$ 1,473</u>	<u>\$ 970,227</u>	<u>\$ 760,567</u>	<u>\$ 1,049</u>	<u>(13,004)</u>	<u>\$ (601,590)</u>	<u>\$ 1,131,726</u>

	Common Stock		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance, January 29, 2022	145,451	\$ 1,454	\$ 902,704	\$ 131,313	\$ 1,305	(9,945)	\$ (388,668)	\$ 648,108
Net income	—	—	—	112,450	—	—	—	112,450
Amounts reclassified from accumulated other comprehensive income, net of tax	—	—	—	—	117	—	—	117
Unrealized gain on cash flow hedge, net of tax	—	—	—	—	588	—	—	588
Common stock issued under stock incentive plans	490	5	(5)	—	—	—	—	—
Stock-based compensation expense	—	—	9,115	—	—	—	—	9,115
Net cash received from stock option exercises	—	—	2,306	—	—	—	—	2,306
Acquisition of treasury stock	—	—	—	—	—	(801)	(51,342)	(51,342)
Balance, April 30, 2022	<u>145,941</u>	<u>\$ 1,459</u>	<u>\$ 914,120</u>	<u>\$ 243,763</u>	<u>\$ 2,010</u>	<u>(10,746)</u>	<u>\$ (440,010)</u>	<u>\$ 721,342</u>

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

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

	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$ 116,077	\$ 112,450
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	54,190	47,109
Amortization of debt issuance costs and accretion of original issue discount	324	832
Stock-based compensation expense	10,007	9,115
Deferred income tax provision	14,445	6,299
Changes in operating leases and other non-cash items	(750)	29,892
Increase (decrease) in cash due to changes in:		
Accounts receivable	21,871	(36,454)
Merchandise inventories	(153,455)	(219,163)
Prepaid expenses and other current assets	(18,016)	(3,566)
Other assets	(2,933)	587
Accounts payable	85,979	154,319
Accrued expenses and other current liabilities	(4,977)	(58,780)
Other non-current liabilities	(3,630)	1,668
Net cash provided by operating activities	119,132	44,308
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property and equipment, net of disposals	(92,084)	(90,533)
Net cash used in investing activities	(92,084)	(90,533)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from revolving lines of credit	149,000	115,000
Payments on revolving lines of credit	(154,000)	(35,000)
Net cash received from stock option exercises	1,675	2,306
Acquisition of treasury stock	(42,369)	(51,342)
Proceeds from financing obligations	9,104	8,072
Other financing activities	(986)	(295)
Net cash (used in) provided by financing activities	(37,576)	38,741
Net decrease in cash and cash equivalents	(10,528)	(7,484)
Cash and cash equivalents at beginning of period	33,915	45,436
Cash and cash equivalents at end of period	\$ 23,387	\$ 37,952
Supplemental cash flow information:		
Interest paid	\$ 14,540	\$ 6,993
Income taxes paid	11,875	10,925
Operating lease liabilities arising from obtaining right-of-use assets	26,189	123,339
Non-cash financing and investing activities:		
Property additions included in accrued expenses	24,754	23,974

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 warehouse club operator concentrated primarily in the eastern half of the United States. As of April 29, 2023, the Company operated 237 warehouse clubs and 167 gas stations in 18 states.

The Company follows and reports based on the National Retail Federation's fiscal calendar. The thirteen week periods ended April 29, 2023 and April 30, 2022 are referred to herein as the "first quarter of fiscal year 2023" and the "first quarter of fiscal year 2022," respectively.

2. Summary of Significant Accounting Policies

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 January 28, 2023 is derived from the audited consolidated balance sheet as of that date. The unaudited results of operations for the first quarter of fiscal year 2023 are not necessarily indicative of future results or results to be expected for fiscal year 2023. The Company's business, in common with the business of retailers generally, is subject to seasonal influences. The Company's sales and operating income have typically been highest in the fourth quarter holiday season and lowest in the first quarter of each fiscal year.

These unaudited condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and footnotes thereto included in our Annual Report on Form 10-K for the fiscal year 2022, as filed with the Securities and Exchange Commission on March 16, 2023.

Recent Accounting Pronouncements

The Company's accounting policies are set forth in the audited financial statements included in the Company's Annual Report on Form 10-K for fiscal year 2022. 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.

3. Revenue Recognition

Performance Obligations

The Company identifies each distinct performance obligation to transfer goods (or bundle of goods) or services. The Company recognizes revenue as it satisfies a performance obligation by transferring control of the goods or services to the customer.

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 on the shelf sign, 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. The following table summarizes the Company's point of sale transactions at clubs and gas stations, excluding sales tax, as a percentage of both net sales and total revenues:

	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Point of sale transactions, excluding sales tax, as a percent of net sales	91%	92%
Point of sale transactions, excluding sales tax, as a percent of total revenues	89%	90%

BJ's Perks Rewards and My BJ's Perks programs—The Company's BJ's Perks Rewards membership program which was in place in fiscal year 2022, 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 5% cash back on eligible purchases made at BJ's 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 at the register 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. 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 these two programs do not expire.

Earned awards may be redeemed on future purchases made at the Company. The Company recognizes revenue for earned awards when customers redeem such awards as part of a purchase at one of the Company's clubs or the Company's website. 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. This liability was \$36.6 million at April 29, 2023, \$34.7 million at January 28, 2023 and \$32.5 million at April 30, 2022 and is included in accrued expenses and other current liabilities in the condensed consolidated balance sheets. In the first quarter of fiscal year 2023, the Company recognized \$34.7 million of revenue that was included in the deferred liability as of January 28, 2023. In the first quarter of fiscal year 2022, the Company recognized \$30.3 million that was included in the deferred liability as of January 29, 2022.

Royalty revenue received in connection with the My BJ's Perks and the BJ's One and BJ's One+ co-brand credit card program is variable consideration and is considered deferred until the card holder makes a purchase. The Company's total deferred royalty revenue related to the outstanding My BJ's Perks and BJ's One and BJ's One+ credit card program was \$4.1 million, \$17.9 million, and \$29.2 million at April 29, 2023, January 28, 2023, and April 30, 2022, respectively, and is included in accrued expenses and other current liabilities in the condensed consolidated balance sheets. The timing of revenue recognition of these awards is driven by actual customer activities, such as redemptions and expirations. As of April 29, 2023, the Company expects to recognize \$4.1 million of the deferred revenue in fiscal year 2023.

In connection with the new co-brand credit card program, the Company has deferred approximately \$14.7 million for funds received related to marketing and other integration costs as of April 29, 2023. The Company expects to recognize approximately \$6.3 million in fiscal year 2023, which is included in accrued expenses and other current liabilities. The Company expects to recognize approximately \$8.4 million thereafter, of which \$1.1 million is included in accrued expenses and other current liabilities and \$7.3 million is included in other non-current liabilities in the condensed consolidated balance sheets.

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. 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. The Company's deferred revenue related to membership fees was \$192.7 million, \$183.7 million and \$185.2 million at April 29, 2023, January 28, 2023, and April 30, 2022, respectively, and is included in accrued expenses and other current liabilities in the condensed consolidated balance sheets.

Gift Card Programs—The Company sells BJ's gift cards that allow customers to redeem the card for future purchases equal to the amount of the original purchase price of the gift card. Revenue from gift card sales is recognized upon redemption of the gift card because the Company's performance obligation to redeem the gift card for merchandise is satisfied when the gift card is redeemed. Deferred revenue related to gift cards was \$13.1 million, \$14.1 million and \$11.2 million at April 29, 2023, January 28, 2023, and April 30, 2022, respectively. The Company recognized \$11.6 million and \$10.5 million of revenue from gift card redemptions in the first quarters of fiscal year 2023 and fiscal year 2022, respectively.

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. All the

Company's identifiable assets are 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	
	April 29, 2023	April 30, 2022
Grocery	71 %	67 %
General Merchandise and Services	10 %	11 %
Gasoline and Other	19 %	22 %

4. Debt and Credit Arrangements

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

	April 29, 2023	January 28, 2023	April 30, 2022
ABL Revolving Facility	\$ 400,000	\$ 405,000	\$ —
ABL Facility	—	—	130,000
First Lien Term Loan	450,000	450,000	701,920
Unamortized original issue discount and debt issuance costs	(1,996)	(2,120)	(2,933)
Less: Short-term debt	(400,000)	(405,000)	(80,000)
Long-term debt	<u>\$ 448,004</u>	<u>\$ 447,880</u>	<u>\$ 748,987</u>

ABL Revolving Facility

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

Revolving loans under the ABL Revolving Facility are available in an aggregate amount equal to the lesser of the aggregate ABL Revolving Commitment or a borrowing base based on the value of certain inventory, accounts and credit card receivables, subject to specified advance rebates and reserves as set forth in the Credit Agreement. Indebtedness under the ABL Revolving Facility is secured by substantially all of the assets (other than real estate) of the Company and its subsidiaries, subject to customary exceptions. As amended, interest on the ABL Revolving Facility is calculated either at the Secured Overnight Financing Rate ("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.

At January 28, 2023, there was \$405.0 million outstanding in loans under the ABL Revolving Facility and \$11.5 million in outstanding letters of credit. The interest rate on the revolving credit facility was 5.63% and unused capacity was \$535.2 million.

As of April 29, 2023, there was \$400.0 million outstanding in loans under the ABL Revolving Facility and \$11.8 million in outstanding letters of credit. The interest rate on the ABL Revolving Facility was 6.08% and unused capacity was \$645.0 million.

ABL Facility - Former Credit Agreement

The ABL Revolving Facility replaced the ABL Facility, which was comprised of a \$950.0 million revolving credit facility and a \$50.0 million term loan. The ABL Facility was secured on a senior basis by certain "liquid assets" of the Company and secured on a junior basis by certain "fixed assets" of the Company. The \$50.0 million term loan payment terms were restricted in that the term loan could not be repaid unless all loans outstanding under the ABL Facility are repaid, and once repaid, cannot be re-borrowed. The availability under the \$950.0 million revolving credit facility was restricted based on eligible monthly merchandise inventories and receivables as defined in the facility agreement. Interest on the revolving credit facility was calculated either at the London Interbank Offered Rate ("LIBOR") plus a range of 125 to 175 basis points or a base rate plus a range of 25 to 75 basis points; and interest on the term loan was calculated at LIBOR plus a range of 200 to 250 basis points or a base rate plus a range of 100 to 150 basis points, in all cases based on excess availability. The applicable spread of LIBOR and base rate loans at all levels of excess availability stepped down by 12.5 basis points upon achieving total net leverage of 3.00 to 1.00. The ABL Facility also provided a sub-facility for issuance of letters of credit subject to certain fees defined in the ABL Facility agreement. The ABL Facility was subject to various commitment fees during the term of the facility based on utilization of the revolving credit facility and was scheduled to mature on August 17, 2023.

As of April 30, 2022, there was \$130.0 million outstanding in loans under the ABL Facility and \$10.9 million in outstanding letters of credit. The interest rate on the ABL Facility was 1.89%, the interest rate of the term loan was 2.45%, and unused capacity was \$859.1 million.

First Lien Term Loan

On January 5, 2023, the Company entered into an amendment (the "Third 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. BofA Securities, Inc., Deutsche Bank Securities Inc., and Wells Fargo Securities LLC acted as joint lead arrangers and joint bookrunners of the Third Amendment.

The Third 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, 2024 to February 3, 2027. In addition, the Third Amendment transitioned the interest rate, immediately, from LIBOR to SOFR and changed the applicable margin from LIBOR plus 200 – 225 basis points per annum to SOFR plus 275 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 April 29, 2023, 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 but no financial 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 \$450.0 million outstanding on the First Lien Term Loan at April 29, 2023 and January 28, 2023 and \$701.9 million outstanding at April 30, 2022. The interest rates were 7.58%, 7.11%, and 2.52% at April 29, 2023, January 28, 2023, and April 30, 2022, respectively.

5. Commitments and Contingencies

The Company is involved in various legal proceedings that are typical of a retail business. In accordance with applicable accounting guidance, an accrual will be established for legal proceedings if and when those matters present loss contingencies

that are both probable and estimable. The Company does not believe the resolution of any current proceedings will result in a material loss to the condensed consolidated financial statements.

6. Stock Incentive Plans

On June 13, 2018, the Company's board of directors adopted, and its stockholders approved, the BJ's Wholesale Club Holdings, Inc. 2018 Incentive Award Plan (the "2018 Plan"). The 2018 Plan provides for the grant of stock options, restricted stock, dividend equivalents, stock payments, restricted stock units, performance shares, other incentive awards, stock appreciation rights, and cash awards. Prior to the adoption of the 2018 Plan, the Company granted stock-based compensation to employees and non-employee directors under the Fourth Amended and Restated 2011 Stock Option Plan of BJ's Wholesale Club, Inc. (f/k/a Beacon Holding Inc.), as amended (the "2011 Plan") and the 2012 Director Stock Option Plan of BJ's Wholesale Club Holdings, Inc. (f/k/a Beacon Holding, Inc.), as amended (the "2012 Director Plan"). No further grants will be made under the 2011 Plan or the 2012 Director Plan.

The 2018 Plan authorizes the issuance of 13,148,058 shares, including 985,369 shares that were reserved but not issued under the 2011 Plan and the 2012 Director Plan. If an award under the 2018 Plan, the 2011 Plan, or the 2012 Director 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, the 2011 Plan, or the 2012 Director 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, 2011 Plan, or 2012 Director Plan. As of April 29, 2023, there were 4,859,186 shares available for future issuance under the 2018 Plan.

On April 16, 2021, the Compensation Committee approved a modification to the equity awards agreements under the 2011 Plan, 2012 Director Plan and 2018 Plan. In the event that an employee is terminated due to death or disability, the modified equity award agreements provide for: (i) full vesting of all time-based awards, including restricted stock awards and stock options, (ii) pro-rata vesting of all performance-based awards, including performance share units, based on actual performance as of the end of the applicable performance period, pro-rated based on the period of employment during the applicable performance period, and (iii) the extension of the post-termination exercise window for vested stock options.

The following table summarizes the Company's stock award activity during the thirteen weeks ended April 29, 2023 (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	Weighted-Average Grant Date Fair Value
Outstanding, January 28, 2023	1,788	\$ 20.35	750	\$ 50.10	24	\$ 58.61	854	\$ 45.70
Granted ^(a)	—	—	321	76.07	—	—	503	76.07
Forfeited/canceled	—	—	(3)	47.63	(5)	58.61	—	—
Exercised/vested	(79)	21.32	(378)	42.57	—	—	(640)	24.35
Outstanding, April 29, 2023	1,709	\$ 20.31	690	\$ 66.33	19	\$ 58.61	717	\$ 58.84

- a. Includes 320 incremental Performance Stock awards granted in fiscal year 2020 with a weighted-average grant date fair value of \$24.35, that vested in fiscal year 2023 at greater than 100% of target based on performance.

Stock-based compensation expense was \$10.0 million and \$9.1 million for the thirteen weeks ended April 29, 2023 and April 30, 2022, 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 that were to be reserved for issuance under the ESPP was to be 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 offering under the ESPP commenced on January 1, 2019. The amount of expense recognized for the thirteen weeks ended April 29, 2023 and April 30, 2022 was \$0.3 million and \$0.2 million, respectively. As of April 29, 2023, there were 2,524,665 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 356,202 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock and performance stock awards in the thirteen weeks ended April 29, 2023, which were recorded as \$27.1 million of treasury stock. The Company acquired 229,900 shares to satisfy employees' tax withholding obligations upon the vesting of restricted stock awards in the thirteen weeks ended April 30, 2022, which were recorded as \$15.5 million of treasury stock.

Share Repurchase Program

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

The Company repurchased 204,040 shares for \$15.3 million and 570,506 shares for \$35.8 million during the thirteen weeks ended April 29, 2023 and April 30, 2022, respectively. As of April 29, 2023, \$303.4 million remained available to purchase under the 2021 Repurchase Program.

8. Income Taxes

The Company projects the estimated annual effective tax rate for fiscal year 2023 to be 28.3%, 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 32.6% and 21.1% for the thirteen weeks ended April 29, 2023 and April 30, 2022, respectively. The increase in the effective tax rate was largely due to an immaterial adjustment to certain deferred tax assets related to prior periods, as well as lower excess tax benefits, offset by higher income 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 2018 forward remain open and subject to examination by the Internal Revenue Service and various state taxing authorities.

On August 16, 2022, the Inflation Reduction Act was signed into law in the United States. We are currently evaluating the Inflation Reduction Act law to determine future impacts on our financial statements.

9. Fair Value Measurements

Certain assets and liabilities are 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 April 29, 2023 are as follows (in thousands):

	Carrying Amount	Fair Value
First Lien Term Loan	\$ 450,000	\$ 450,734
ABL Revolving Facility	400,000	400,000
Total Debt	\$ 850,000	\$ 850,734

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

	Carrying Amount	Fair Value
First Lien Term Loan	\$ 450,000	\$ 450,482
ABL Revolving Facility	405,000	405,000
Total Debt	\$ 855,000	\$ 855,482

The gross carrying amount and fair value of the Company's debt at April 30, 2022 are as follows (in thousands):

	Carrying Amount	Fair Value
First Lien Term Loan	\$ 701,920	\$ 701,323
ABL Facility	130,000	130,000
Total Debt	\$ 831,920	\$ 831,323

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, approximates their carrying value due to the short-term maturities of these instruments.

10. Earnings Per Share

The table below reconciles basic weighted-average shares of common stock outstanding to diluted weighted-average shares of common stock outstanding for the thirteen weeks ended April 29, 2023 and April 30, 2022 (in thousands):

	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Weighted-average shares of common stock outstanding, used for basic computation	133,312	134,244
Plus: Incremental shares of potentially dilutive securities:		
Stock incentive awards	2,590	2,458
Weighted-average shares of common stock and dilutive potential shares of common stock outstanding	<u>135,902</u>	<u>136,702</u>

The table below summarizes anti-dilutive awards that were excluded from the computation of diluted earnings for the thirteen weeks ended April 29, 2023 and April 30, 2022, as their inclusion would have been anti-dilutive (in thousands):

	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Restricted shares	103	96

11. Derivative Financial Instruments

Interest Rate Swaps

On November 13, 2018, the Company entered into three forward starting interest rate swaps (the "Interest Rate Swaps"), which were effective starting on February 13, 2019 and fixed the LIBOR component of \$1.2 billion of its floating rate debt at a rate of approximately 3.0% from February 13, 2019 until February 13, 2022. The Company elected hedge accounting for the interest rate swap agreements, and as such, the effective portion of the gains or losses were recorded as a component of other comprehensive income and the ineffective portion of gains or losses were recorded as interest expense.

The Interest Rate Swaps expired in February 2022. There was no liability recorded as of April 29, 2023, January 28, 2023, or April 30, 2022.

The net of tax amount for the effective and ineffective Interest Rate Swaps was recorded in other comprehensive income and interest expense, respectively. There were no gains or losses recorded in other comprehensive income for the thirteen weeks ended April 29, 2023. For the thirteen weeks ended April 30, 2022, the Company recorded a \$0.8 million gain in other comprehensive income. There was no ineffective portion of gains in the thirteen weeks ended April 29, 2023. The ineffective portion of gains of \$0.3 million for the thirteen weeks ended April 30, 2022 was recorded in interest expense.

12. Acquisitions

On May 2, 2022, the Company completed the Acquisition to bring substantially all of its end-to-end perishable supply chain in-house. The total consideration paid by the Company in connection with the Acquisition was approximately \$375.6 million, excluding transaction costs. The Company did not record any transaction costs during the thirteen weeks ended April 29, 2023. The Company recorded transaction costs related to the acquisition of \$7.9 million during the thirteen weeks ended April 30, 2022. These costs are included in selling, general and administrative expenses in the condensed consolidated statements of operations and comprehensive income.

The following table summarizes the consideration paid and the final fair values of the assets acquired and liabilities assumed (in thousands) in connection with the Acquisition:

	As of May 2, 2022	
	Fair Value	
Assets:		
Property and equipment, net	\$	203,400
Merchandise inventories		88,072
Goodwill		84,682
Operating lease right-of-use assets, net		16,569
Prepaid expenses and other current assets		433
Intangibles, net		100
Total Assets		393,256
Liabilities:		
Long-term operating lease liabilities		(16,569)
Accrued expenses and other current liabilities		(1,106)
Total Liabilities		(17,675)
Total consideration paid, including working capital adjustments	\$	375,581

It is impracticable to provide historical supplemental pro forma financial information along with earnings during the period subsequent to the Acquisition due to a variety of factors, including access to historical information and the operations of acquirees being integrated within the Company shortly after closing and not operating as discrete entities within the Company's organizational structure.

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, 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, 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 and the effect of certain economic conditions or events on consumer and small business spending patterns and debt levels;
- risks related to our dependence on having a large and loyal membership;
- domestic and international economic conditions, including high inflation rates or further increases in inflation or interest rates, supply chain disruptions, construction delays and exchange rates;
- our ability to procure the merchandise we sell at the best possible prices;
- the effects of competition in, and regulation of, the retail industry;
- our dependence on vendors to supply us with quality merchandise at the right time and at the right price;
- risks related to our indebtedness;
- changes in laws related to, or the governments administration of, the Supplemental Nutrition Assistance Program or its electronic benefit transfer systems;
- the risks and uncertainties related to the impact of any future pandemic, epidemic or outbreak of any other highly infectious disease;
- risks related to climate change and natural disasters;
- our ability to identify and respond effectively to consumer trends, including our ability to successfully maintain a relevant omnichannel experience for our members;
- risks related to cybersecurity, which may be heightened due to our e-commerce business, including our ability to protect the privacy of member or business information and the security of payment card information;
- risks relating to our ability to attract and retain a qualified management team and other team members;
- risks relating to our ability to implement our growth strategy by opening new clubs, and gasoline stations; and
- the other risk factors identified in our filings with the Securities and Exchange Commission, including in particular those set forth under "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 (the "Annual Report on Form 10-K for the fiscal year 2022") and this Quarterly Report on Form 10-Q.

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

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

The following discussion and analysis is intended to promote an understanding of the results of operations and financial condition of the Company and is provided as a supplement to, and should be read in conjunction with, our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q, as well as the audited consolidated financial statements and the related notes thereto in our Annual Report on Form 10-K for the fiscal year 2022. The following discussion may contain forward-looking statements that reflect our plans, estimates and assumptions. Our actual results could differ materially from those discussed in the forward-looking statements. Factors that could cause such differences are discussed in the sections of this Quarterly Report on Form 10-Q titled "Forward-Looking Statements" and in Part I. "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year 2022.

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 2023" relate to the 53 weeks ending February 03, 2024, and references herein to "fiscal year 2022" relate to the 52 weeks ended January 28, 2023. The first quarter of fiscal year 2023 ended on April 29, 2023, and the first quarter of fiscal year 2022 ended on April 30, 2022, and both include thirteen weeks.

Overview

BJ's Wholesale Club is a leading warehouse club operator concentrated primarily on the eastern half of the United States. We deliver significant value to our members, consistently offering 25% or more savings on a representative basket of manufacturer-branded groceries compared to traditional supermarket competitors. We provide a curated assortment focused on perishable products, continuously refreshed general merchandise, gasoline and other ancillary services, coupon books, and promotions to deliver a differentiated shopping experience that is further enhanced by our digital capabilities.

Since pioneering the warehouse club model in New England in 1984, we have grown our footprint to 237 large-format, high volume warehouse clubs and 167 gas stations spanning 18 states as of the date of this filing. In our core New England markets, which have high population density and generate a disproportionate part of U.S. gross domestic product, we operate almost 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](https://www.bjs.com), and our highly rated mobile app, which allows them to use our buy-online-pickup-in-club ("BOPIC") service, curbside delivery, same-day home delivery or traditional ship-to-home service, as well as through the DoorDash and Instacart marketplaces where members receive preferential pricing by linking their membership. We also offer Same-Day Select, which offers BJ's members the ability to pay a one-time fee for either unlimited or twelve same-day grocery deliveries over a one-year period.

Our leadership team continues to focus on transforming how we use data to improve member experience, instilling a culture of cost discipline, adopting a more proactive approach to growing our membership base and building an omnichannel offering oriented towards making shopping at BJ's more convenient. These changes continue to deliver results, evidenced by year-over-year income from continuing operations growth, consecutive quarter comparable club sales growth and adjusted EBITDA growth over the last four years.

Our goal is to offer our members significant value and a meaningful return in savings on their annual membership fee. As of the end of the first quarter of fiscal year 2023, we had more than 6.5 million members paying annual fees to gain access to savings on groceries and general merchandise and services. The annual membership fee for our Club Card (formerly Inner Circle®) membership is generally \$55, and the annual membership fee for our BJ's Club+ (formerly Perks Rewards®) 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 over \$3.7 billion in annual sales for fiscal year 2022 and are the largest brands we sell in terms of volume. Our customers recognize the relevance of our value proposition across economic environments, as demonstrated by over 20 consecutive years of membership fee income growth. Our membership fee income was \$402.6 million for the trailing twelve-months ended April 29, 2023.

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, 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 the past two decades and the quality of our membership mix is strong as evidenced by our higher tier penetration growth in the first thirteen weeks of fiscal year 2023. Our membership renewal rate, a key indicator of membership engagement, satisfaction and loyalty, was 90% at the end of fiscal year 2022.

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 with the Acquisition, and enhancing our information systems, including our distribution center and transportation management systems, and investing in hardware and digitally enabled shopping capabilities for convenience, such as BOPIC, 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 increases in product costs due to commodity cost increases or general inflation, 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 general inflation have impacted several categories of our business. Recent inflationary pressures can be attributed to several macro economic factors including supply chain disruptions, government stimulus, interest rates, and other factors. In response to increasing commodity prices or general inflation, 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	
	April 29, 2023	April 30, 2022
Net sales	\$ 4,620,620	\$ 4,399,810
Membership fee income	102,522	96,625
Total revenues	4,723,142	4,496,435
Cost of sales	3,843,150	3,705,838
Selling, general and administrative expenses	689,328	635,380
Pre-opening expenses	3,894	4,900
Operating income	186,770	150,317
Interest expense, net	14,690	7,841
Income from continuing operations before income taxes	172,080	142,476
Provision for income taxes	56,092	30,019
Income from continuing operations	115,988	112,457
Income (loss) from discontinued operations, net of income taxes	89	(7)
Net income	<u>\$ 116,077</u>	<u>\$ 112,450</u>
Weighted-average shares outstanding—basic	133,312	134,244
Basic EPS ^(a)	\$ 0.87	\$ 0.84
Weighted-average shares outstanding—diluted	135,902	136,702
Diluted EPS ^(a)	\$ 0.85	\$ 0.82
Operational Data:		
Total clubs at end of period	237	227
Comparable club sales	2.0%	14.4%
Merchandise comparable club sales	5.7%	4.1%
Adjusted EBITDA ^(b)	\$ 256,983	\$ 220,801
Free cash flow ^(b)	27,048	(46,225)

(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 of Adjusted EBITDA and Free cash flow, respectively.

Thirteen Weeks Ended April 29, 2023 (First Quarter of Fiscal Year 2023) Compared to Thirteen Weeks Ended April 30, 2022 (First Quarter of Fiscal Year 2022)

Net Sales

Net sales are derived from direct retail sales to customers in our clubs and online, net of merchandise returns and discounts. Growth in net sales is impacted by opening new clubs and increases in comparable club sales.

Net sales for the first quarter of fiscal year 2023 were \$4.6 billion, a 5.0% increase from net sales reported for the first quarter of fiscal year 2022 of \$4.4 billion. The increase was due primarily to a 2.0% increase in comparable club sales.

Comparable Club Sales and Merchandise Comparable Club Sales

We believe net sales is an important driver of our profitability, particularly comparable club sales. Comparable sales growth is a function of increasing shopping frequency from new and existing members and the amount they spend on each visit. 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 April 29, 2023
Comparable club sales	2.0 %
Less: impact from gasoline sales	(3.7)%
Merchandise comparable club sales	5.7 %

Merchandise comparable club sales increased by 5.7% in the first quarter of fiscal year 2023 compared to the first quarter of fiscal year 2022 primarily driven by an increase in sales of groceries of 8.1%.

In grocery, sales increased as demand for perishables, salty snacks, beverages, packaged goods, dairy, and bakery categories increased compared to the first quarter of fiscal year 2022, partially offset by a decrease in demand for fresh meat, vitamins, and household cleaning categories.

The impact of gasoline sales is a result of lower retail prices, partially offset by slightly higher comparable gallons sold in the first quarter of fiscal 2023 as compared to the first quarter of fiscal year 2022.

Membership fee income

We continue to see growth in the size of our membership base and continued quality. Membership fee income was \$102.5 million in the first quarter of fiscal year 2023 compared to \$96.6 million in the first quarter of fiscal year 2022, a 6.1% increase. The increase was primarily driven by membership renewals and new members with greater penetration of higher-tier membership levels, evidencing the strength of our membership quality.

In connection with our co-brand credit card transition in the first quarter of fiscal year 2023, we offered a 5 cent-per-gallon discount on gasoline purchases to our Club+ members. We believe the new program will help drive continued growth in our higher-tier membership penetration.

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. Inflation levels remained elevated in the first quarter of fiscal year 2023, although moderated compared to the prior fiscal year.

Cost of sales was \$3.8 billion, or 83.2% of net sales, in the first quarter of fiscal year 2023 compared to \$3.7 billion, or 84.2% of net sales, in the first quarter of fiscal year 2022. Merchandise gross margin rate, which excludes gasoline sales and

membership fee income, increased 100 basis points over the prior year period. The improvement in merchandise margins was primarily due to relief in supply chain costs.

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, acquisition and integration costs, 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 spur comparable club sales growth and our expanding footprint as we open new clubs. In addition, any future increases in wages, stock options or other stock-based grants or modifications will increase our SG&A.

SG&A increased by 8.5% to \$689.3 million in the first quarter of fiscal year 2023 from \$635.4 million in the first quarter of fiscal year 2022. The year-over-year increase in SG&A was primarily driven by increased labor and occupancy costs as a result of new club and gas station openings, as well as other continued investments to drive strategic priorities. Our growth profile this year is weighted toward owned clubs, elevating our depreciation expense.

Pre-opening expenses

Pre-opening expenses include startup costs for new clubs. Expenses will vary based on the number of new 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 \$3.9 million in the first quarter of fiscal year 2023 compared to \$4.9 million in the first quarter of fiscal year 2022. Pre-opening expenses decreased due to timing of spend for club and gas station openings year-over-year.

Interest expense

Interest expense was \$14.7 million in the first quarter of fiscal year 2023 compared to \$7.8 million in the first quarter of fiscal year 2022. The increase is primarily due to rising interest rates year-over-year.

Provision for income taxes

The Company's effective income tax rate from continuing operations was 32.6% and 21.1% for the first quarters of fiscal years 2023 and 2022, respectively. The increase in the effective tax rate was largely due to an immaterial adjustment to certain deferred tax assets related to prior periods, as well as lower excess tax benefits, offset by higher income in the current 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 EBITDA, comparable club sales, free cash flow, adjusted net income and adjusted net income per diluted share because management believes these metrics are useful to investors and analysts by excluding items that we do not believe are indicative of our core operating performance. These measures are customary for our industry and commonly used by competitors. These non-GAAP financial measures should not be reviewed in isolation or considered as an alternative to any other performance measure derived in accordance with GAAP and should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items. In addition, adjusted EBITDA, comparable club sales, free cash flow, adjusted net income and adjusted net income per diluted share may not be comparable to similarly titled measures used by other

companies in our industry or across different industries. Free cash flow is discussed within the Liquidity and Capital Resources section below.

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; pre-opening expenses; non-cash rent; acquisition and integration costs; and other adjustments.

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

(in thousands)	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Income from continuing operations	\$ 115,988	\$ 112,457
Interest expense, net	14,690	7,841
Provision for income taxes	56,092	30,019
Depreciation and amortization	54,190	47,109
Stock-based compensation expense	10,007	9,115
Pre-opening expenses ^(a)	3,894	4,900
Non-cash rent ^(b)	1,551	846
Acquisition and integration costs ^(c)	—	7,879
Other adjustments ^(d)	571	635
Adjusted EBITDA	\$ 256,983	\$ 220,801
Adjusted EBITDA as a percentage of net sales	5.6 %	5.0 %

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

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

(c) Represents costs related to the Acquisition, including due diligence, legal, and other consulting expenses.

(d) Other non-cash items, including non-cash accretion on asset retirement obligations, obligations associated with our post-retirement medical plan and incremental rent expense as the Company transitioned home office locations in fiscal 2022.

Comparable Club Sales and Merchandise Comparable Club Sales

Comparable club sales, also known as same-store sales, 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 consumer preferences and trends, product sourcing, promotional offerings and pricing, customer experience and purchase amounts, weather and holiday shopping period timing and length.

Merchandise comparable club sales represents comparable club sales from all merchandise other than our gasoline operations for the applicable period.

Adjusted Net Income

The adjusted net income and adjusted net income per diluted share 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: acquisition and integration costs; home office transition costs; other adjustments; 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 believe adjusted net income and adjusted net income per diluted share are useful metrics to investors and analysts because they present more accurate year-over-year comparisons for our net income and net income per diluted share because adjusted items are not the result of our normal operations.

(in thousands, except per share amounts)	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Net income as reported	\$ 116,077	\$ 112,450
Adjustments:		
Acquisition and integration costs ^(a)	—	7,879
Home office transition costs ^(b)	—	599
Other adjustments ^(c)	(601)	(165)
Tax impact of adjustments to net income ^(d)	170	(2,337)
Adjusted net income	\$ 115,646	\$ 118,426
Weighted-average shares outstanding—diluted	135,902	136,702
Adjusted EPS ^(e)	\$ 0.85	\$ 0.87

(a) Represents costs related to the Acquisition, including due diligence, legal, and other consulting expenses.

(b) Represents incremental rent expense as the Company transitioned home office locations in fiscal 2022.

(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 EPS represents adjusted net income per diluted share.

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 April 29, 2023, cash and cash equivalents totaled \$23.4 million and we had \$645.0 million of unused capacity under our ABL Revolving Facility. Our principal liquidity needs for the next twelve months and beyond are to fund normal recurring operational expenses and anticipated capital expenditures; fund possible acquisitions; fund share repurchases; and meet debt service and principal repayment obligations. We believe that our current resources, together with anticipated cash flows from operations and borrowing capacity under our ABL Revolving Facility, will be sufficient to finance our operations for at least the next twelve months.

In the first quarter of fiscal year 2023, we used \$15.3 million of available cash to repurchase 204,040 shares under the 2021 Repurchase Program.

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

Summary of Cash Flows

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

(in thousands)	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Net cash provided by operating activities	\$ 119,132	\$ 44,308
Net cash used in investing activities	(92,084)	(90,533)
Net cash (used in) provided by financing activities	(37,576)	38,741
Net decrease in cash and cash equivalents	\$ (10,528)	\$ (7,484)

Net Operating Cash Flows

Net cash provided by operating activities was \$119.1 million for the first quarter of fiscal year 2023 compared to \$44.3 million for the first quarter of fiscal year 2022. The increase in operating cash flow was primarily due to the increase in pre-tax net income, excluding non-cash items, coupled with favorable fluctuations in working capital.

Net Investing Cash Flows

Cash used in investing activities was \$92.1 million for the first quarter of fiscal year 2023, compared to \$90.5 million for the first quarter of fiscal year 2022. The slight increase is primarily due to the volume and cost of property, plant and equipment additions as we continue to expand our footprint with more purchased locations.

Net Financing Cash Flows

Net cash used in financing activities for the first quarter of fiscal year 2023 was \$37.6 million compared to net cash provided by financing activities of \$38.7 million for the first quarter of fiscal year 2022. The change is primarily driven by the timing of borrowings and repayments on our ABL Revolving Facility in the first quarter of fiscal year 2023 as compared to the first quarter of fiscal year 2022.

Free Cash Flow

We present 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. Free cash flow should not be considered as an alternative to cash flows from operations as a liquidity measure. 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 transactions.

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

(in thousands)	Thirteen Weeks Ended	
	April 29, 2023	April 30, 2022
Net cash provided by operating activities	\$ 119,132	\$ 44,308
Less: Additions to property and equipment, net of disposals	92,084	90,533
Plus: Proceeds from sale leaseback transactions	—	—
Free cash flow	<u>\$ 27,048</u>	<u>\$ (46,225)</u>

Free cash flow increased to \$27.0 million for the first quarter of fiscal year 2023 compared to a decline of \$46.2 million for the first quarter of fiscal year 2022. The increase is the result of higher cash flows from operating activities primarily due to the increase in pre-tax net income, excluding non-cash items, coupled with favorable fluctuations in working capital, offset by higher cash outflows for property and equipment.

Debt and Borrowing Capacity

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

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

On January 5, 2023, the Company amended the First Lien Term Loan to extend the maturity date from February 3, 2024 to February 3, 2027 and transition the interest rate from London Interbank Offered Rate ("LIBOR") to the Secured Overnight Financing Rate ("SOFR") and changes the applicable margin from LIBOR plus 200 – 225 basis points per annum to SOFR plus 275 basis points per annum. In connection with the amendment the Company made a paid approximately \$151.9 million of the principal amount.

At April 29, 2023, there was \$400.0 million outstanding in loans under the ABL Revolving Facility and \$11.8 million in outstanding letters of credit. The interest rate on the revolving credit facility was 6.08% and unused capacity was \$645.0 million.

At April 29, 2023, the interest rate for the First Lien Term Loan was 7.58% and there was \$450.0 million outstanding.

Material Cash Commitments

Our material cash commitments consist primarily of debt obligations, interest payments, leases and purchase orders for merchandise inventory. These material cash commitments impact our short-term and long-term liquidity and capital needs. As of April 29, 2023, other than those items related to the ordinary course of operations of our business such as inventory purchases, new leases and lease amendments, there were no material changes to our material cash commitments from those described in our Annual Report on Form 10-K for the fiscal year 2022.

Critical Accounting Policies and Use of Estimates

This discussion and analysis of our financial condition and results of operations is based on our condensed consolidated financial statements, which we have prepared in accordance with GAAP. The preparation of our financial statements and related disclosures requires us to make estimates, assumptions and judgments that affect the reported amount of assets, liabilities, revenue, costs and expenses, and related disclosures. There were no material changes in critical accounting policies and estimates during the period covered by this Quarterly Report on Form 10-Q. Refer to Item 7., "Management's Discussion and Analysis of Financial Condition and Results of Operations— Critical Accounting Policies and Estimates," in our Annual Report on Form 10-K for the fiscal year 2022 for a complete list of our Critical Accounting Policies and Estimates.

Recent Accounting Pronouncements

There have been no recent accounting pronouncements since those disclosed in our Annual Report on Form 10-K for the fiscal year 2022 that have had a material impact on our financial statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We are exposed to changes in market interest rates and these changes in rates will impact our net interest expense and our cash flow from operations. Substantially all of our borrowings carry variable interest rates. There have been no material changes in our market risk from the disclosure included in Part II. "Item 7A. Quantitative and Qualitative Disclosures of Market Risk" in the Annual Report on Form 10-K for the fiscal year 2022.

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 April 29, 2023.

Changes in Internal Control

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

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

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

Item 1A. Risk Factors.

There have been no material changes to the risk factors relating to the Company set forth under the caption "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the fiscal year 2022.

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

The following table sets forth information regarding our purchases of shares of our common stock during the first quarter of fiscal year 2023.

Period	Total Number of Shares Purchased ^(a)	Average Price Paid per Share	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 ^(b) (in thousands)
January 29, 2023 to February 25, 2023	585	\$74.46	—	\$ 318,701
February 26, 2023 to April 1, 2023	506,983	75.74	153,940	307,159
April 2, 2023 to April 29, 2023	52,674	74.51	50,100	303,434
Total	560,242		204,040	

(a) Includes 585 shares of common stock for the period January 29, 2023 to February 25, 2023, 353,043 shares of common stock for the period February 26, 2023 to April 1, 2023, and 2,574 shares of common stock for the period April 2, 2023 to April 29, 2023 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) On November 16, 2021, the Company's board of directors approved the 2021 Repurchase Program that allows the Company to repurchase up to \$500.0 million of its outstanding common stock. The 2021 Repurchase Program expires in January 2025.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit Number	Exhibit Description
3.1	<u>Third Amended and Restated Bylaws of the Company (previously filed as Exhibit 3.1 to the Company's current Report on Form 8-K (File No. 001-385591) filed May 19, 2023 and incorporated herein by reference.</u>
31.1	<u>Certification of Principal Executive Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
31.2	<u>Certification of Principal Financial Officer Pursuant to Rules 13a-14(a) and 15d-14(a) under the Securities Exchange Act of 1934, as Adopted Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).</u>
32.1	<u>Certification of Principal Executive Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
32.2	<u>Certification of Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).</u>
101.INS	Inline XBRL Instance Document (filed herewith)
101.SCH	Inline XBRL Taxonomy Extension Schema Document (filed herewith)
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document (filed herewith)
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document (filed herewith)
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document (filed herewith)
101.PRE	Inline XBRL Taxonomy Extension Linkbase Document (filed herewith)
104	Cover Page Interactive Data File (formatted as inline XBRL with applicable taxonomy extension information contained in Exhibits 101.*) (filed herewith)

SIGNATURE

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

BJ'S WHOLESALE CLUB HOLDINGS, INC.

Date: May 26, 2023

By: /s/ Laura L. Felice

Laura L. Felice

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

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Robert W. Eddy, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BJ's Wholesale Club Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 26, 2023

By: /s/ Robert W. Eddy

Robert W. Eddy
President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Laura L. Felice, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of BJ's Wholesale Club Holdings, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: May 26, 2023

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer
(Principal Financial Officer)

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

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

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2023

By: /s/ Robert W. Eddy

Robert W. Eddy
President and Chief Executive Officer
(Principal Executive Officer)

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

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

1. The Company's Quarterly Report on Form 10-Q for the fiscal quarter ended April 29, 2023 (the "Report") fully complies with the requirements of Section 13(a) or 15(d), as applicable, of the Securities Exchange Act of 1934, as amended; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: May 26, 2023

By: /s/ Laura L. Felice

Laura L. Felice

Executive Vice President, Chief Financial Officer

(Principal Financial Officer)