

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

FORM 10-Q

(MARK ONE)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE  
SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended November 24, 1996

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 0-20214

BED BATH & BEYOND INC.  
(Exact name of registrant as specified in its charter)

NEW YORK 11-2250488  
(State of incorporation) (I.R.S. Employer Identification No.)

715 MORRIS AVENUE, SPRINGFIELD, NEW JERSEY 07081  
(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: (201) 379-1520

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 X No

NUMBER OF SHARES OUTSTANDING OF THE ISSUER'S COMMON STOCK:

| CLASS                           | OUTSTANDING AT NOVEMBER 24, 1996 |
|---------------------------------|----------------------------------|
| -----                           | -----                            |
| Common Stock - \$0.01 par value | 68,506,078                       |

INDEX

PAGE NO.  
-----

PART I - FINANCIAL INFORMATION

|  |   |
|--|---|
| Consolidated Balance Sheets<br>As of November 24, 1996 and February 25, 1996   | 3 |
| Consolidated Statements of Earnings<br>For the Three Month and Nine Month Periods Ended<br>November 24, 1996 and November 26, 1995 | 4 |
| Consolidated Statements of Cash Flows<br>For the Nine Month Periods Ended  |   |

|  |       |
|--|-------|
| November 24, 1996 and November 26, 1995  | 5     |
| Notes to Consolidated Financial Statements   | 6     |
| Management's Discussion and Analysis of Financial Condition<br>and Results of Operations | 7 - 9 |

PART II - OTHER INFORMATION

|  |    |
|--|----|
| Item 6. Exhibits and Reports on Form 8-K | 10 |
| Exhibit Index                            | 11 |

3

BED BATH & BEYOND INC. AND SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)

|  | November 24,<br>1996<br>----<br>(unaudited) | February 25,<br>1996<br>---- |
|--|---|------------------------------|
| <b>ASSETS</b>  |   |                              |
| Current assets:  |   |                              |
| Cash and cash equivalents  | \$ 13,646                                   | \$ 10,267                    |
| Merchandise inventories  | 225,160                                     | 148,383                      |
| Prepaid expenses and other current assets  | 2,292                                       | 1,630                        |
|  | -----                                       | -----                        |
| Total current assets   | 241,098                                     | 160,280                      |
|  | -----                                       | -----                        |
| Property and equipment, net  | 86,241                                      | 66,635                       |
| Other assets   | 11,686                                      | 8,895                        |
|  | -----                                       | -----                        |
|  | \$339,025                                   | \$235,810                    |
|  | =====                                       | =====                        |
| <b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>  |   |                              |
| Current liabilities:   |   |                              |
| Accounts payable   | \$ 86,545                                   | \$ 39,025                    |
| Accrued expenses and other current liabilities   | 44,954                                      | 26,947                       |
| Income taxes payable   | 4,244                                       | 6,581                        |
|  | -----                                       | -----                        |
| Total current liabilities  | 135,743                                     | 72,553                       |
|  | -----                                       | -----                        |
| Long-term debt   | --  | 5,000                        |
| Deferred rent  | 8,811                                       | 6,811                        |
|  | -----                                       | -----                        |
|  | 144,554                                     | 84,364                       |
|  | -----                                       | -----                        |
| Shareholders' equity:  |   |                              |
| Preferred stock - \$0.01 par value; authorized -<br>1,000,000 shares; no shares issued or<br>outstanding   | --  | --                           |
| Common stock - \$0.01 par value; authorized -<br>November 24, 1996, 150,000,000 shares<br>and February 25, 1996, 100,000,000 shares;<br>issued and outstanding - November 24, 1996,<br>68,506,078 shares and February 25,<br>1996, 68,067,972 shares | 685   | 681                          |

|                            |           |           |
|----------------------------|-----------|-----------|
| Additional paid-in capital | 52,576    | 46,254    |
| Retained earnings          | 141,210   | 104,511   |
|                            | -----     | -----     |
| Total shareholders' equity | 194,471   | 151,446   |
|                            | -----     | -----     |
|                            | \$339,025 | \$235,810 |
|                            | =====     | =====     |

See accompanying Notes to Consolidated Financial Statements.

-3-

4

BED BATH & BEYOND INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF EARNINGS  
(IN THOUSANDS, EXCEPT SHARE AND PER SHARE DATA)  
(UNAUDITED)

|  | Three Months Ended   |                      | Nine Months Ended    |                      |
|--|----------------------|----------------------|----------------------|----------------------|
|  | November 24,<br>1996 | November 26,<br>1995 | November 24,<br>1996 | November 26,<br>1995 |
|  | -----                | -----                | -----                | -----                |
| Net sales  | \$ 214,793           | \$ 161,789           | \$ 577,954           | \$ 425,351           |
| Cost of sales, including buying,<br>occupancy and indirect costs | 126,129              | 94,845               | 339,565              | 249,319              |
|  | -----                | -----                | -----                | -----                |
| Gross profit   | 88,664               | 66,944               | 238,389              | 176,032              |
| Selling, general and administrative expenses                     | 65,852               | 49,843               | 177,882              | 130,208              |
|  | -----                | -----                | -----                | -----                |
| Operating profit   | 22,812               | 17,101               | 60,507               | 45,824               |
| Interest income (expense), net                                   | 225                  | (142)                | 404                  | (669)                |
|  | -----                | -----                | -----                | -----                |
| Earnings before provision for income taxes                       | 23,037               | 16,959               | 60,911               | 45,155               |
| Provision for income taxes                                       | 9,157                | 6,953                | 24,212               | 18,514               |
|  | -----                | -----                | -----                | -----                |
| Net earnings   | \$ 13,880            | \$ 10,006            | \$ 36,699            | \$ 26,641            |
|  | =====                | =====                | =====                | =====                |
| Net earnings per share   | \$ 0.20              | \$ 0.14              | \$ 0.52              | \$ 0.38              |
|  | =====                | =====                | =====                | =====                |
| Weighted average shares outstanding                              | 70,663,658           | 69,545,206           | 70,520,378           | 69,217,176           |
|  | =====                | =====                | =====                | =====                |

See accompanying Notes to Consolidated Financial Statements.

-4-

5

BED BATH & BEYOND INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(IN THOUSANDS, UNAUDITED)

|  | Nine Months Ended    |                      |
|--|----------------------|----------------------|
|  | November 24,<br>1996 | November 26,<br>1995 |
|  | -----                | -----                |
| Cash Flows from Operating Activities:  |                      |                      |
| Net earnings   | \$ 36,699            | \$ 26,641            |
| Adjustments to reconcile net earnings to net cash<br>provided by operating activities: |                      |                      |
| Depreciation and amortization  | 9,624                | 7,116                |
| Loss from disposal of property and equipment   | --                   | 102                  |
| Increase in assets:  |                      |                      |
| Merchandise inventories  | (76,777)             | (59,329)             |

|   |           |          |
|---|-----------|----------|
| Prepaid expenses and other current assets                                   | (662)     | (1,800)  |
| Other assets  | (2,791)   | (2,162)  |
| Increase (decrease) in liabilities:   |           |          |
| Accounts payable  | 47,520    | 33,814   |
| Accrued expenses and other current liabilities                              | 18,007    | 9,493    |
| Income taxes payable  | (2,337)   | (98)     |
| Deferred rent   | 2,000     | 1,458    |
|   | -----     | -----    |
| Net cash provided by operating activities                                   | 31,283    | 15,235   |
|   | -----     | -----    |
| Cash Flows from Investing Activities:                                       |           |          |
| Capital expenditures - lease purchases                                      | --        | (150)    |
| Capital expenditures - leasehold improvements<br>and furniture and fixtures | (29,230)  | (18,277) |
|   | -----     | -----    |
| Net cash used in investing activities                                       | (29,230)  | (18,427) |
|   | -----     | -----    |
| Cash Flows from Financing Activities:                                       |           |          |
| Net decrease in long-term debt  | (5,000)   | (2,550)  |
| Proceeds from exercise of stock options                                     | 6,326     | 1,897    |
|   | -----     | -----    |
| Net cash provided by (used in) financing activities                         | 1,326     | (653)    |
|   | -----     | -----    |
| Net increase (decrease) in cash and cash equivalents                        | 3,379     | (3,845)  |
|   |           |          |
| Cash and cash equivalents:  |           |          |
| Beginning of period   | 10,267    | 6,463    |
|   | -----     | -----    |
| End of period   | \$ 13,646 | \$ 2,618 |
|   | =====     | =====    |

See accompanying Notes to Consolidated Financial Statements.

-5-

6

BED BATH & BEYOND INC. AND SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1) BASIS OF PRESENTATION

The accompanying consolidated financial statements, except for the February 25, 1996 consolidated balance sheet, have been prepared without audit. In the opinion of Management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of Bed Bath & Beyond Inc. and subsidiaries (the "Company") as of November 24, 1996 and February 25, 1996 and the results of their operations for the three month and nine month periods ended November 24, 1996 and November 26, 1995, respectively, and cash flows for the nine month periods ended November 24, 1996 and November 26, 1995. Because of the seasonality of the specialty retailing business, operating results of the Company on a quarterly basis may not be indicative of operating results for the full year.

The accompanying unaudited consolidated financial statements are presented in accordance with the requirements for Form 10-Q and consequently do not include all the disclosures normally required by generally accepted accounting principles. Reference should be made to Bed Bath & Beyond Inc.'s Annual Report for the fiscal year ended February 25, 1996 for additional disclosures, including a summary of the Company's significant accounting policies.

2) STOCK SPLIT

On March 28, 1996, the Board of Directors of the Company approved a two-for-one split of the Company's common stock effected in the form of a 100% stock dividend. The stock split was distributed on April 30, 1996 to shareholders of record on April 10, 1996. Accordingly, all share and per share data have been adjusted to give effect to the stock split.

3) AUTHORIZED SHARES OF COMMON STOCK

In July 1996, the Company's Certificate of Incorporation was amended to increase the number of authorized shares of common stock (par value \$.01 per share) from 100,000,000 shares to 150,000,000 shares.

-6-

7

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL  
CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

Three Months November 24, 1996 vs. Three Months November 26, 1995

Net sales for the third quarter ended November 24, 1996 were \$214.8 million, an increase of \$53.0 million or approximately 32.8% over net sales of \$161.8 million for the corresponding quarter last year. Approximately 82.6% of the increase was attributable to new store net sales. The increase in comparable store net sales in the third quarter of 1996 was approximately 6.4%. The comparable store net sales results are attributable to a number of factors including, but not limited to, the continued consumer acceptance of the Company's merchandise offerings and customer service, and the generally favorable retailing environment. Approximately 55% and 45% of net sales for the third quarter were attributable to sales of domestics merchandise and home furnishings merchandise, respectively.

Gross profit for the third quarter of 1996 was \$88.7 million or 41.3% of net sales compared with \$66.9 million or 41.4% of net sales during the third quarter of 1995.

Selling, general and administrative expenses ("SG&A") were \$65.9 million in the third quarter of 1996 compared with \$49.8 million in the same quarter last year and as a percentage of net sales were 30.7% and 30.8%, respectively.

Expenses associated with store advertising are charged to earnings as incurred. For the three months ended November 24, 1996 and November 26, 1995, advertising expenses amounted to \$3.9 million and \$3.0 million, respectively.

Operating profit in the third quarter of 1996 increased to \$22.8 million from \$17.1 million in the third quarter of 1995, reflecting primarily the increase in net sales which was partially offset by increases in cost of sales and SG&A.

Nine Months November 24, 1996 vs. Nine Months November 26, 1995

Net sales for the nine months ended November 24, 1996 were \$578.0 million, an increase of \$152.6 million or approximately 35.9% over net sales of \$425.4 million for the corresponding period last year. Approximately 83.8% of the increase was attributable to new store net sales. The increase in comparable store net sales for the first nine months of 1996 was approximately 6.3%. The comparable store net sales results are attributable to a number of factors including, but not limited to, the continued consumer acceptance of the Company's merchandise offerings and customer service, and the generally favorable retailing environment. Approximately 55% and 45% of net sales for the first nine months were attributable to sales of domestics merchandise and home furnishings merchandise, respectively.

Gross profit for the first nine months of 1996 was \$238.4 million or 41.2% of net sales compared with \$176.0 million or 41.4% of net sales during the same period last year. The decrease of approximately 0.2% in gross profit, as a

percentage of net sales, was attributable to a number of factors, including a different mix of sales during the first nine months of this year compared with the mix of sales in the corresponding period last year.

-7-

8

SG&A expenses were \$177.9 million in the first nine months of 1996 compared with \$130.2 million for the same period last year and as a percentage of net sales were 30.8% and 30.6%, respectively. The increase of approximately 0.2% in SG&A, as a percentage of net sales, was primarily attributable to increases in occupancy costs and expenses associated with new store openings, which were partially offset by a decrease in payroll and payroll related items.

Expenses associated with store advertising are charged to earnings as incurred. For the nine months ended November 24, 1996 and November 26, 1995, advertising expenses amounted to \$9.0 million and \$6.8 million, respectively.

Operating profit in the first nine months of 1996 increased to \$60.5 million from \$45.8 million for the same period last year, primarily resulting from the increase in net sales, which was partially offset by a slight increase in cost of sales and SG&A expenses.

#### EXPANSION PROGRAM

The Company is engaged in an ongoing expansion program involving the opening of new stores in both existing and new markets and the expansion or replacement of existing stores with larger stores. As a result of this program, the total number of stores has increased to 108 stores at the end of the third quarter of 1996 compared with 80 stores at the end of the corresponding quarter last year. Total square footage grew to 4,347,000 square feet at the end of the third quarter of 1996, from 3,214,000 square feet at the end of the third quarter of last year.

During the first nine months of fiscal 1996, the Company opened twenty-eight new superstores and expanded two stores resulting in an aggregate addition of 1,133,000 square feet to total store space. The Company does not anticipate opening any additional new stores or expanding/relocating any stores during the remainder of fiscal 1996.

#### FINANCIAL CONDITION

Total assets at November 24, 1996 were \$339.0 million compared with \$235.8 million at February 25, 1996, an increase of \$103.2 million. Of the total increase, \$80.8 million represented an increase in current assets and \$22.4 million represented an increase in non-current assets. The increase in current assets was primarily attributable to an increase in merchandise inventories, which resulted from new store space and, to a lesser extent, the expansion of merchandise categories and assortments, as well as seasonal requirements.

Total liabilities at November 24, 1996 were \$144.6 million compared with \$84.4 million at February 25, 1996, an increase of \$60.2 million. The increase was primarily attributable to a \$47.5 million increase in accounts payable (resulting from an increase in inventories) and an \$18.0 million increase in accrued expenses and other current liabilities, which was partially offset by a \$5.0 million decrease in long-term debt.

Shareholders' equity was \$194.5 million at November 24, 1996 compared with \$151.4 million at February 25, 1996. The increase primarily reflects net earnings for the first nine months of fiscal 1996 and additional paid-in capital from the exercise of stock options.

-8-

9

Capital expenditures for the first nine months of fiscal 1996 were \$29.2 million compared with \$18.4 million for the corresponding period last year. The increase is primarily attributable to furniture and fixtures and leasehold improvements for the twenty-eight new superstores opened and two stores expanded during the first nine months compared to furniture and fixtures and leasehold improvements for the nineteen new superstores opened and two expanded stores in the same period last year.

FORWARD LOOKING STATEMENTS

This Form 10-Q may contain forward looking statements. Important factors which may affect these statements are contained in the Company's Annual Report to shareholders for the fiscal year ended February 25, 1996.

-9-

10

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

- (a) The exhibits to this report are listed on the Exhibit Index included elsewhere herein.
- (b) No reports on Form 8-K were filed by the Company during the three month period ended November 24, 1996.

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.

BED BATH & BEYOND INC.  
(Registrant)

Date: January 7, 1997

By: /s/ Ronald Curwin

-----  
Ronald Curwin  
Chief Financial Officer and Treasurer

-10-

11

EXHIBIT INDEX

-----

| Exhibit No. | Exhibit                           | Page No. |
|-------------|-----------------------------------|----------|
| -----       | -----                             | -----    |
| 11          | Computation of Per Share Earnings | 12       |
| 27          | Financial Data Schedule           | 13       |

(Filed electronically with SEC only)



BED BATH & BEYOND INC. AND SUBSIDIARIES  
COMPUTATION OF PER SHARE EARNINGS

|  | THREE MONTHS ENDED           |                              | NINE MONTHS ENDED            |                              |
|--|------------------------------|------------------------------|------------------------------|------------------------------|
|  | November 24,<br>1996<br>---- | November 26,<br>1995<br>---- | November 24,<br>1996<br>---- | November 26,<br>1995<br>---- |
| Weighted average number of shares outstanding  | 68,471,672                   | 67,920,708                   | 68,363,010                   | 67,836,834                   |
| Dilutive effect of common equivalent shares<br>(stock options) outstanding                             | 2,191,986<br>-----           | 1,624,498<br>-----           | 2,157,368<br>-----           | 1,380,342<br>-----           |
| Weighted average number of shares and dilutive common<br>equivalent shares (stock options) outstanding | 70,663,658<br>-----          | 69,545,206<br>-----          | 70,520,378<br>-----          | 69,217,176<br>-----          |
| Net earnings   | \$13,880,000<br>-----        | \$10,006,000<br>-----        | \$36,699,000<br>-----        | \$26,641,000<br>-----        |
| Net earnings per share   | \$ 0.20<br>-----             | \$ 0.14<br>-----             | \$ 0.52<br>-----             | \$ 0.38<br>-----             |

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED BALANCE SHEET AS OF NOVEMBER 24, 1996, AND THE CONSOLIDATED STATEMENT OF EARNINGS FOR THE NINE MONTH PERIOD ENDED NOVEMBER 24, 1996, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

|                              |       |             |
|------------------------------|-------|-------------|
| <PERIOD-TYPE>                | 9-MOS |             |
| <FISCAL-YEAR-END>            |       | MAR-01-1997 |
| <PERIOD-END>                 |       | NOV-24-1996 |
| <CASH>                       |       | 13,646      |
| <SECURITIES>                 |       | 0           |
| <RECEIVABLES>                |       | 0           |
| <ALLOWANCES>                 |       | 0           |
| <INVENTORY>                  |       | 225,160     |
| <CURRENT-ASSETS>             |       | 241,098     |
| <PP&E>                       |       | 124,563     |
| <DEPRECIATION>               |       | 38,322      |
| <TOTAL-ASSETS>               |       | 339,025     |
| <CURRENT-LIABILITIES>        |       | 135,743     |
| <BONDS>                      |       | 0           |
| <PREFERRED-MANDATORY>        |       | 0           |
| <PREFERRED>                  |       | 0           |
| <COMMON>                     |       | 685         |
| <OTHER-SE>                   |       | 193,786     |
| <TOTAL-LIABILITY-AND-EQUITY> |       | 339,025     |
| <SALES>                      |       | 577,954     |
| <TOTAL-REVENUES>             |       | 577,954     |
| <CGS>                        |       | 339,565     |
| <TOTAL-COSTS>                |       | 339,565     |
| <OTHER-EXPENSES>             |       | 177,882     |
| <LOSS-PROVISION>             |       | 0           |
| <INTEREST-EXPENSE>           |       | (404)       |
| <INCOME-PRETAX>              |       | 60,911      |
| <INCOME-TAX>                 |       | 24,212      |
| <INCOME-CONTINUING>          |       | 36,699      |
| <DISCONTINUED>               |       | 0           |
| <EXTRAORDINARY>              |       | 0           |
| <CHANGES>                    |       | 0           |
| <NET-INCOME>                 |       | 36,699      |
| <EPS-PRIMARY>                |       | .52         |
| <EPS-DILUTED>                |       | .52         |