

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

FORM 10-Q

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

For the quarterly period ended May 29, 2021

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

(State of incorporation)

11-2250488

(IRS Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: **(908) 688-0888**

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

<u>Title of each class</u>	<u>Trading Symbol</u>	<u>Name of each exchange on which registered</u>
Common stock, \$.01 par value	BBBY	The Nasdaq Stock Market LLC (Nasdaq Global Select Market)

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

Number of shares outstanding of the issuer's Common Stock:

<u>Class</u>	<u>Outstanding at May 29, 2021</u>
Common Stock - \$.01 par value	104,513,541

BED BATH & BEYOND INC. AND SUBSIDIARIES

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BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(in thousands, except per share data)
(unaudited)

	May 29, 2021	February 27, 2021
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,097,267	\$ 1,352,984
Short term investment securities	29,997	—
Merchandise inventories	1,563,602	1,671,909
Prepaid expenses and other current assets	515,993	595,152
Total current assets	<u>3,206,859</u>	<u>3,620,045</u>
Long term investment securities	19,458	19,545
Property and equipment, net	929,335	918,418
Operating lease assets	1,584,144	1,587,101
Other assets	313,493	311,821
Total assets	<u>\$ 6,053,289</u>	<u>\$ 6,456,930</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 889,883	\$ 986,045
Accrued expenses and other current liabilities	506,674	636,329
Merchandise credit and gift card liabilities	309,576	312,486
Current operating lease liabilities	347,365	360,061
Total current liabilities	<u>2,053,498</u>	<u>2,294,921</u>
Other liabilities	78,353	82,279
Operating lease liabilities	1,529,173	1,509,767
Income taxes payable	102,905	102,664
Long term debt	1,182,566	1,190,363
Total liabilities	<u>4,946,495</u>	<u>5,179,994</u>
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	—	—
Common stock - \$0.01 par value; authorized - 900,000 shares; issued 343,570 and 343,241, respectively; outstanding 104,513 and 109,621 shares, respectively	3,435	3,432
Additional paid-in capital	2,208,052	2,152,135
Retained earnings	10,174,656	10,225,253
Treasury stock, at cost; 239,057 and 233,620 shares, respectively	(11,234,529)	(11,048,284)
Accumulated other comprehensive loss	(44,820)	(55,600)
Total shareholders' equity	<u>1,106,794</u>	<u>1,276,936</u>
Total liabilities and shareholders' equity	<u>\$ 6,053,289</u>	<u>\$ 6,456,930</u>

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES*Consolidated Statements of Operations**(in thousands, except per share data)**(unaudited)*

	Three Months Ended	
	May 29, 2021	May 30, 2020
Net sales	\$ 1,953,812	\$ 1,307,447
Cost of sales	1,320,118	958,958
Gross profit	633,694	348,489
Selling, general and administrative expenses	658,762	724,157
Impairments	9,129	85,261
Restructuring and transformation initiative expenses	33,686	—
Loss on sale of businesses	3,989	—
Operating loss	(71,872)	(460,929)
Interest expense, net	16,000	17,171
Loss on extinguishment of debt	265	—
Loss before benefit for income taxes	(88,137)	(478,100)
Benefit for income taxes	(37,263)	(175,809)
Net loss	\$ (50,874)	\$ (302,291)
Net loss per share - Basic	\$ (0.48)	\$ (2.44)
Net loss per share - Diluted	\$ (0.48)	\$ (2.44)
Weighted average shares outstanding - Basic	106,772	123,697
Weighted average shares outstanding - Diluted	106,772	123,697

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Loss
(in thousands, unaudited)

	Three Months Ended	
	May 29, 2021	May 30, 2020
Net loss	\$ (50,874)	\$ (302,291)
Other comprehensive income (loss):		
Change in temporary impairment of auction rate securities, net of taxes	(64)	(568)
Pension adjustment, net of taxes	—	(304)
Currency translation adjustment	10,844	(6,036)
Other comprehensive income (loss)	<u>10,780</u>	<u>(6,908)</u>
Comprehensive loss	<u>\$ (40,094)</u>	<u>\$ (309,199)</u>

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Statements of Shareholders' Equity
(in thousands, unaudited)

Three Months Ended May 29, 2021

	Common Stock		Additional Paid- in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at February 27, 2021	343,241	\$ 3,432	\$ 2,152,135	\$ 10,225,253	(233,620)	\$ (11,048,284)	\$ (55,600)	\$ 1,276,936
Net loss	—	—	—	(50,874)	—	—	—	(50,874)
Other comprehensive income, net of tax	—	—	—	—	—	—	10,780	10,780
Dividend forfeited	—	—	—	277	—	—	—	277
Issuance of restricted shares, net	322	3	(3)	—	—	—	—	—
Payment and vesting of performance stock units	—	—	—	—	—	—	—	—
Stock-based compensation expense, net	—	—	8,232	—	—	—	—	8,232
Accelerated share repurchase program	—	—	47,550	—	(200)	(47,550)	—	—
Director fees paid in stock	7	—	138	—	—	—	—	138
Repurchase of common stock, including fees	—	—	—	—	(5,237)	(138,695)	—	(138,695)
Balance at May 29, 2021	343,570	\$ 3,435	\$ 2,208,052	\$ 10,174,656	(239,057)	\$ (11,234,529)	(44,820)	\$ 1,106,794

Three Months Ended May 30, 2020

	Common Stock		Additional Paid- in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at February 29, 2020	343,683	\$ 3,436	\$ 2,167,337	\$ 10,374,826	(217,155)	\$ (10,715,755)	(64,909)	\$ 1,764,935
Net loss	—	—	—	(302,291)	—	—	—	(302,291)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(6,908)	(6,908)
Dividend forfeited	—	—	—	—	—	—	—	—
Issuance of restricted shares, net	(108)	(1)	1	—	—	—	—	—
Payment and vesting of performance stock units	343	4	(4)	—	—	—	—	—
Stock-based compensation expense, net	—	—	7,891	—	—	—	—	7,891
Accelerated share repurchase program	—	—	—	—	—	—	—	—
Director fees paid in stock	—	—	—	—	—	—	—	—
Repurchase of common stock, including fees	—	—	—	—	(456)	(2,537)	—	(2,537)
Balance at May 30, 2020	343,918	\$ 3,439	\$ 2,175,225	\$ 10,072,535	(217,611)	\$ (10,718,292)	(71,817)	\$ 1,461,090

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Three Months Ended	
	May 29, 2021	May 30, 2020
Cash Flows from Operating Activities:		
Net loss	\$ (50,874)	\$ (302,291)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	68,278	83,601
Impairments	9,129	85,261
Stock-based compensation	7,918	7,702
Deferred income taxes	(22,135)	(82,357)
Loss on sale of business	3,989	—
Loss on debt extinguishment	265	—
Other	(2,197)	(1,373)
Decrease (increase) in assets:		
Merchandise inventories	113,366	(138,503)
Other current assets	78,544	(105,193)
Other assets	68	828
(Decrease) increase in liabilities:		
Accounts payable	(102,201)	20,874
Accrued expenses and other current liabilities	(129,327)	(47,075)
Merchandise credit and gift card liabilities	(3,421)	(9,794)
Income taxes payable	277	1,145
Operating lease assets and liabilities, net	3,125	94,127
Other liabilities	(3,545)	(1,576)
Net cash used in operating activities	<u>(28,741)</u>	<u>(394,624)</u>
Cash Flows from Investing Activities:		
Purchases of held-to-maturity investment securities	(29,997)	—
Redemption of held-to-maturity investment securities	—	357,000
Capital expenditures	(73,521)	(42,351)
Net cash (used in) provided by investing activities	<u>(103,518)</u>	<u>314,649</u>
Cash Flows from Financing Activities:		
Borrowing of long-term debt	—	236,400
Repayments of long-term debt	(8,173)	—
Repurchase of common stock, including fees	(138,695)	(2,537)
Payment of dividends	(560)	(21,192)
Net cash (used in) provided by financing activities	<u>(147,428)</u>	<u>212,671</u>
Effect of exchange rate changes on cash, cash equivalents and restricted cash	6,117	(3,462)
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(273,570)</u>	<u>129,234</u>
Change in cash balances classified as held-for-sale	—	2,270
Net (decrease) increase in cash, cash equivalents and restricted cash	<u>(273,570)</u>	<u>131,504</u>
Cash, cash equivalents and restricted cash:		
Beginning of period	1,407,224	1,023,650
End of period	<u>\$ 1,133,654</u>	<u>\$ 1,155,154</u>

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(unaudited)

1) BASIS OF PRESENTATION

The accompanying consolidated financial statements have been prepared without audit. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals and elimination of intercompany balances and transactions) necessary to present fairly the financial position of Bed Bath & Beyond Inc. and subsidiaries (the "Company") as of May 29, 2021 and February 27, 2021 and the results of its operations, shareholders' equity, and comprehensive loss for the three months ended May 29, 2021 and May 30, 2020, respectively, and its cash flows for the three months ended May 29, 2021 and May 30, 2020, respectively.

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 U.S. generally accepted accounting principles ("GAAP"). Reference should be made to the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2021 for additional disclosures, including a summary of the Company's significant accounting policies, and to subsequently filed Form 8-Ks.

For fiscal 2021, the Company is accounting for its operations as one operating segment, North American Retail. For fiscal 2020, until the divestiture of Linen Holdings in October 2020, the Company accounted for its operations as two operating segments: North American Retail and Institutional Sales (which was comprised of Linen Holdings), which did not meet the quantitative thresholds under U.S. generally accepted accounting principles and, therefore, was not a reportable segment. Net sales outside of the U.S. for the Company were not material for the three months ended May 29, 2021 and May 30, 2020. As the Company operates in the retail industry, its results of operations are affected by general economic conditions and consumer spending habits.

2) IMPACT OF THE COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. That same month, as a result of the COVID-19 pandemic, the Company began to temporarily close certain store locations that did not have a health and personal care department, and as of March 23, 2020, all of the Company's retail stores across the U.S. and Canada were temporarily closed except for most stand-alone buybuy BABY and Harmon stores, subject to state and local regulations. In May 2020, the Company announced a phased approach to re-open its stores in compliance with relevant government directives, and as of the end of July 2020, nearly all of its stores re-opened and remained open through the first quarter of 2021; however, a limited number of stores either closed temporarily or continued to operate under restrictions based on local governmental orders.

In the first quarter of 2020, the Company initiated actions to strengthen its financial position and liquidity, including, among other things: (i) renegotiating payment terms for goods, services and rent, managing to lower inventory levels, and reducing discretionary spending such as business travel, advertising and expenses associated with the maintenance of stores that were temporarily closed; (ii) deferring other previously planned capital expenditures; (iii) suspending dividends; and (iv) prioritizing spending on essential capital expenditures to drive strategic growth plans, including investments in digital, Buy Online Pick Up In Store ("BOPIS") and contactless Curbside Pickup services. The Company had also suspended its plans for debt reduction and postponed share repurchases, but lifted the debt repurchase suspension in August 2020 and the postponement of share repurchases in October 2020.

Similar to other retailers, the Company has also withheld portions of and/or delayed payments to certain of our business partners as the Company negotiated revisions to its payment terms, in order to further maintain liquidity given the temporary store closures (See "Leases," Note 9).

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the “CARES Act”) was enacted in the United States, which provided for certain changes to tax laws, which impacted the Company’s results of operations, financial position and cash flows. The Company implemented certain provisions of the CARES Act, such as deferring employer payroll taxes and utilizing the ability to carry back and deduct losses to offset prior income in previously filed tax returns. As of May 29, 2021 and February 27, 2021, the Company has deferred \$3.1 million in each period, of employer payroll taxes, of which 50% are required to be deposited by December 2021 and the remaining 50% by December 2022. During the three months ended May 29, 2021 and May 30, 2020, under the CARES Act, the Company recorded income tax benefits of \$15.6 million and \$43.0 million, respectively, as a result of the fiscal 2020 and fiscal 2019 net operating losses that can now be carried back to prior years during which the federal tax rate was 35%. In addition, during the three months ended May 29, 2021 and May 30, 2020, the Company recorded credits of approximately \$2.4 million and \$22.9 million, respectively, as an offset to selling, general and administrative expenses as a result of the employee retention credits made available under the CARES Act for U.S. employees and under the Canada Emergency Wage Subsidy for Canadian employees.

The COVID-19 pandemic materially adversely impacted the Company’s results of operations and cash flows for the first three months of fiscal 2020. Numerous uncertainties continue to surround the pandemic and its ultimate impact on the Company. Further discussion of the risks and uncertainties posed by the COVID-19 pandemic is disclosed in “Risk Factors” under Part I, Item 1A of the Company’s 2020 Form 10-K.

3) REVENUE RECOGNITION

Sales are recognized upon purchase by customers at the Company’s retail stores or upon delivery for products purchased from its websites. The value of point-of-sale coupons and point-of-sale rebates that result in a reduction of the price paid by the customer are recorded as a reduction of sales. Shipping and handling fees that are billed to a customer in a sale transaction are recorded in sales. Taxes, such as sales tax, use tax and value added tax, are not included in sales.

Revenues from gift cards, gift certificates and merchandise credits are recognized when redeemed. Gift cards have no provisions for reduction in the value of unused card balances over defined time periods and have no expiration dates. For the three months ended May 29, 2021 and May 30, 2020, the Company recognized net sales for gift card and merchandise credit redemptions of approximately \$30.3 million and \$32.1 million, respectively, which were included in merchandise credit and gift card liabilities on the consolidated balance sheet as of February 27, 2021 and February 29, 2020, respectively.

Sales returns are provided for in the period that the related sales are recorded based on historical experience. Although the estimate for sales returns has not varied materially from historical provisions, actual experience could vary from historical experience in the future if the level of sales return activity changes materially. In the future, if the Company concludes that an adjustment is required due to material changes in the returns activity, the liability for estimated returns and the corresponding right of return asset will be adjusted accordingly. As of May 29, 2021 and February 27, 2021, the Company recorded a liability for estimated returns of \$25.8 million and \$36.2 million, respectively, within accrued expenses and other current liabilities, and the corresponding right of return asset for merchandise of \$15.8 million and \$23.4 million, respectively, within prepaid expenses and other current assets.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products. Sales of domestics merchandise and home furnishings accounted for approximately 37.9% and 62.1% of net sales, respectively, for the three months ended May 29, 2021, and approximately 30.6% and 69.4% of net sales, respectively, for the three months ended May 30, 2020.

4) FAIR VALUE MEASUREMENTS

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., "the exit price") in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various valuation approaches, including quoted market prices and discounted cash flows. The hierarchy for inputs used in measuring fair value maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability developed based on market data obtained from independent sources. Unobservable inputs are inputs that reflect a company's judgment concerning the assumptions that market participants would use in pricing the asset or liability developed based on the best information available under the circumstances. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, an asset or liability must be classified in its entirety based on the lowest level of input that is significant to the measurement of fair value. The fair value hierarchy is broken down into three levels based on the reliability of inputs as follows:

- Level 1 - Valuations based on quoted prices in active markets for identical instruments that the Company is able to access. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.
- Level 2 - Valuations based on quoted prices in active markets for instruments that are similar, or quoted prices in markets that are not active for identical or similar instruments, and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets.
- Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The Company's financial instruments include cash and cash equivalents, investment securities, accounts payable, long term debt and certain other liabilities. The book value of the Company's financial instruments, excluding long term debt, is representative of their fair values. The Company's investment securities at May 29, 2021 consisted primarily of U.S. Treasury securities, which are stated at amortized cost and are based on quoted prices in active markets for identical instruments (Level 1 valuation). As of May 29, 2021 and February 27, 2021, the fair value of the Company's long term debt was approximately \$1.113 billion and \$1.118 billion, respectively, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared to the carrying value of approximately \$1.187 billion and \$1.195 billion, respectively.

The Company does not have any financial assets utilizing Level 2 inputs. Financial assets utilizing Level 3 inputs included long term investments in auction rate securities consisting of preferred shares of closed end municipal bond funds (See "Investment Securities," Note 6).

5) CASH AND CASH EQUIVALENTS

The Company considers all highly liquid instruments purchased with original maturities of three months or less to be cash equivalents. Included in cash and cash equivalents are credit and debit card receivables from banks, which typically settle within five business days, of \$64.9 million and \$64.0 million as of May 29, 2021 and February 27, 2021, respectively.

Short-term restricted cash of \$5.0 million as of May 29, 2021 and February 27, 2021, is included in prepaid expenses and other current assets on the consolidated balance sheet and long-term restricted cash of \$31.4 million as of May 29, 2021 and \$49.2 million as of February 27, 2021, is included in other long-term assets on the consolidated balance sheet.

6) INVESTMENT SECURITIES

The Company's investment securities as of May 29, 2021 and February 27, 2021 are as follows:

<i>(in millions)</i>	May 29, 2021	February 27, 2021
Available-for-sale securities:		
Long term	\$ 19.4	\$ 19.4
Held-to-maturity securities:		
Short term	30.0	—
Total investment securities	\$ 49.4	\$ 19.4

Auction Rate Securities

As of May 29, 2021 and February 27, 2021, the Company's long term available-for-sale investment securities represented approximately \$20.3 million par value of auction rate securities, less temporary valuation adjustments of approximately \$0.9 million and \$0.8 million, respectively, consisting of preferred shares of closed end municipal bond funds. Since these valuation adjustments are deemed to be temporary, they are recorded in accumulated other comprehensive loss, net of a related tax benefit, and did not affect the Company's net earnings.

U.S. Treasury Securities

As of May 29, 2021, the Company had \$30.0 million of short-term held-to-maturity securities, consisting of U.S. Treasury Bills with remaining maturities of less than one year. These securities are stated at their amortized cost, which approximates fair value, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation). As of February 27, 2021, there were no short-term held-to-maturity securities.

7) IMPAIRMENT OF LONG-LIVED ASSETS

The Company reviews long-lived assets for impairment when events or changes in circumstances indicate the carrying value of these assets may exceed their current fair values. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to the estimated undiscounted future cash flows expected to be generated by the asset. If the carrying amount of an asset exceeds its estimated future cash flows, an impairment charge is recognized for the amount by which the carrying amount of the asset exceeds the fair value of the asset. Assets to be disposed of would be separately presented in the balance sheet and reported at the lower of the carrying amount or fair value less costs to sell, and are no longer depreciated. The assets and liabilities of a disposal group classified as held for sale are separately presented in the appropriate asset and liability sections of the balance sheet (See "Assets Held for Sale and Divestitures," Note 18). For the three months ended May 29, 2021 and May 30, 2020, the Company recorded \$7.0 million and \$80.4 million, respectively, of non-cash pre-tax impairment charges within impairments in its consolidated statement of operations for certain store-level assets, including leasehold improvements and operating lease assets. In the future, if events or market conditions affect the estimated fair value to the extent that a long-lived asset is impaired, the Company will adjust the carrying value of these long-lived assets in the period in which the impairment occurs.

8) PROPERTY AND EQUIPMENT

As of May 29, 2021 and February 27, 2021, included in property and equipment, net is accumulated depreciation of approximately \$1.7 billion in each period.

9) LEASES

The Company leases retail stores, distribution facilities, offices and equipment under agreements expiring at various dates through 2041. The leases provide for original lease terms that generally range from 10 to 15 years and most leases provide for a series of five year renewal options, often at increased rents, the exercise of which is at the Company's sole discretion. Certain leases provide for contingent rents (which are based upon store sales exceeding stipulated amounts and are immaterial for the three months ended May 29, 2021 and May 30, 2020), scheduled rent increases and renewal options. The Company is obligated under a majority of the leases to pay for taxes, insurance and common area maintenance charges.

The Company subleases certain real estate to unrelated third parties, which have all been classified as operating leases. The Company recognizes sublease income on a straight-line basis over the sublease term, which generally ranges from 5-10 years. Most sublease arrangements provide for a series of five-year renewal options, the exercise of which are at the Company's sole discretion.

Similar to other retailers, during the three months ended May 29, 2021, the Company has withheld portions of and/or delayed payments to certain landlords as the Company seeks to renegotiate payment terms, in order to further maintain liquidity given the temporary store closures. In some instances, the renegotiations have led to agreements with landlords for rent abatements or rental deferrals. Total payments withheld and/or delayed or deferred as of May 29, 2021 and February 27, 2021 were approximately \$5.5 million and \$9.6 million, respectively, and are included in current liabilities. Additional negotiations of payment terms are still in process.

In accordance with the Financial Accounting Standards Board's Staff Q&A regarding rent concessions related to the effects of the COVID-19 pandemic, the Company has elected to account for the concessions agreed to by landlords that do not result in a substantial increase in the rights of the lessor or the obligations of the lessee as though enforceable rights and obligations for those concessions existed in the original lease agreements and the Company has elected to not remeasure the related lease liabilities and right-of-use assets. For qualifying rent abatement concessions, the Company has recorded negative lease expense for the amount of the concession during the period of relief, and for qualifying deferrals of rental payments, the Company has recognized a non-interest bearing payable in lieu of recognizing a decrease in cash for the lease payment that would have been made based on the original terms of the lease agreement, which will be reduced when the deferred payment is made in the future. During the three months ended May 29, 2021, the Company recognized reduced rent expense of \$1.3 million related to rent abatement concessions. No such reduced rent expense was realized in the three months ended May 30, 2020.

The components of total lease cost for the three months ended May 29, 2021 and May 30, 2020, were as follows:

<i>(in thousands)</i>	Statement of Operations Location	Three Months Ended	
		May 29, 2021	May 30, 2020
Operating lease cost	Cost of sales and SG&A	\$ 117,370	\$ 148,383
Finance lease cost:			
Depreciation of property	SG&A	—	648
Interest on lease liabilities	Interest expense, net	—	2,233
Variable lease cost	Cost of sales and SG&A	35,507	50,458
Sublease income	SG&A	(13,851)	(278)
Total lease cost		<u>\$ 139,026</u>	<u>\$ 201,444</u>

As of May 29, 2021 and February 27, 2021, assets and liabilities related to the Company's leases were as follows:

<i>(in thousands)</i>	Consolidated Balance Sheet Location	May 29, 2021	February 27, 2021
Assets			
Operating leases	Operating lease assets	\$ 1,584,144	\$ 1,587,101
Total lease assets		<u>\$ 1,584,144</u>	<u>\$ 1,587,101</u>
Liabilities			
Current:			
Operating leases	Current operating lease liabilities	\$ 347,365	\$ 360,061
Noncurrent:			
Operating leases	Operating lease liabilities	1,529,173	1,509,767
Total lease liabilities		<u>\$ 1,876,538</u>	<u>\$ 1,869,828</u>

As of May 29, 2021, the Company's lease liabilities mature as follows:

<i>(in thousands)</i>	Operating Leases	
Fiscal Year:		
Remainder of 2021	\$	342,182
2022		420,835
2023		354,365
2024		298,950
2025		236,137
2026		164,743
Thereafter		513,946
Total lease payments	\$	2,331,158
Less imputed interest		(454,620)
Present value of lease liabilities	\$	1,876,538

At May 29, 2021, the Company has entered into one lease which has not yet commenced at a new location planned for opening in 2021, which is not included in the above table and for which aggregate minimum rental payments over the term of the lease is approximately \$24.5 million.

The Company's lease terms and discount rates were as follows:

	May 29, 2021	February 27, 2021
Weighted-average remaining lease term (in years)		
Operating leases	6.8	6.8
Weighted-average discount rate		
Operating leases	6.3 %	6.4 %

Other information with respect to the Company's leases is as follows:

<i>(in thousands)</i>	Three Months Ended	
	May 29, 2021	May 30, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	\$ 115,788	140,977
Operating cash flows from finance leases	—	2,515
Operating lease assets obtained in exchange for new operating lease liabilities	100,215	76,462

10) INCOME TAXES

The effective income tax rate for the three months ended May 29, 2021 was 42.3% compared with 36.8% for the three months ended May 30, 2020. The effective income tax rate for the three months ended May 29, 2021 reflects the impact of charges for restructuring and transformation initiatives as well as a benefit of \$15.6 million resulting from an adjustment to the estimated net operating loss incurred in fiscal 2020 which will be carried back, under the provisions of the CARES Act, to a year in which the tax rate was 35%. For the three months ended May 30, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a \$43.0 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act, and other discrete tax items.

During the three months ended May 29, 2021, the change in the gross amount of unrecognized tax benefits and accrued interest and penalties was not significant.

As of May 29, 2021, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and several other international countries and files income tax returns in the United States and various state, local and international jurisdictions. The Company is currently under examination by the Internal Revenue Service for the tax year 2017. The Company is open to examination for state, foreign and local jurisdictions with varying statutes of limitations, generally ranging from 3 to 5 years.

11) INDEFINITE LIVED INTANGIBLE ASSETS

The Company reviews intangibles that have indefinite lives for impairment annually as of the end of the fiscal year or when events or changes in circumstances indicate the carrying value of these assets might exceed their current fair values. Impairment testing is based upon the best information available including estimates of fair value which incorporate assumptions marketplace participants would use in making their estimates of fair value. Significant assumptions and estimates are required, including, but not limited to, projecting future cash flows, determining appropriate discount rates and terminal growth rates, and other assumptions, to estimate the fair value of indefinite lived intangible assets. Although the Company believes the assumptions and estimates made are reasonable and appropriate, different assumptions and estimates could materially impact its reported financial results.

Indefinite-lived intangible assets were recorded as a result of acquisitions and primarily consist of tradenames. The Company values its tradenames using a relief-from-royalty approach, which assumes the value of the tradename is the discounted cash flows of the amount that would be paid by a hypothetical market participant had they not owned the tradename and instead licensed the tradename from another company. As of May 29, 2021 and May 30, 2020, the Company completed a quantitative impairment analysis for certain of its indefinite lived intangible assets, by comparing the fair value of the tradenames to their carrying value and recognized a non-cash pre-tax tradename impairment charge of \$2.1 million and \$5.5 million, respectively, within impairments in its consolidated statements of operations. As of May 29, 2021, for the remaining indefinite lived intangibles assets, the Company assessed qualitative factors in order to determine whether any events and circumstances existed which indicated that it was more likely than not that the fair value of these indefinite lived assets did not exceed their carrying values and concluded no such events or circumstances existed which would require an impairment test be performed. In the future, if events or market conditions affect the estimated fair value to the extent that an asset is impaired, the Company will adjust the carrying value of these assets in the period in which the impairment occurs.

Included within other assets in the accompanying consolidated balance sheets as of May 29, 2021 and February 27, 2021, respectively, are \$19.8 million and \$22.0 million for indefinite lived tradenames and trademarks.

12) LONG TERM DEBT

Senior Unsecured Notes

On July 17, 2014, the Company issued \$300.0 million aggregate principal amount of 3.749% senior unsecured notes due August 1, 2024, \$300.0 million aggregate principal amount of 4.915% senior unsecured notes due August 1, 2034 and \$900.0 million aggregate principal amount of 5.165% senior unsecured notes due August 1, 2044 (collectively, the "Notes"). Interest on the Notes is payable semi-annually on February 1 and August 1 of each year.

The Notes were issued under an indenture (the "Base Indenture"), as supplemented by a first supplemental indenture (together, with the Base Indenture, the "Indenture"), which contains various restrictive covenants, which are subject to important limitations and exceptions that are described in the Indenture. The Company was in compliance with all covenants related to the Notes as of May 29, 2021.

During the three months ended May 29, 2021, the Company purchased approximately \$7.9 million aggregate principal amount of its 3.749% senior unsecured notes due August 1, 2024. The total consideration paid for the notes accepted for purchase of \$8.2 million included accrued and unpaid interest up to, but not including, the early settlement date. The Company recorded a loss on extinguishment of debt of \$0.3 million in its consolidated statement of operations for the three months ended May 29, 2021, including the write off of unamortized debt financing costs related to the extinguished portion of the notes accepted for purchase and reacquisition costs. During fiscal 2020, the Company purchased \$75.0 million aggregate principal amount of its 4.915% senior unsecured notes due 2034 and approximately \$225.0 million aggregate principal amount of its 5.165% senior unsecured notes due 2044. The total consideration paid for the notes accepted for purchase of \$220.9 million included an early tender premium of \$50 per \$1,000 principal amount of the notes accepted for purchase, plus accrued and unpaid interest up to, but not including, the early settlement date. The Company recorded a gain on extinguishment of debt of \$77.0 million in its consolidated statement of operations for the fiscal year ended February 27, 2021, including the write off of unamortized debt financing costs related to the extinguished portion of the notes accepted for purchase and reacquisition costs.

As of May 29, 2021 and February 27, 2021, unamortized deferred financing costs associated with the Company's Notes were \$4.9 million and \$5.0 million, respectively, and are included in long-term debt in the Company's consolidated balance sheets.

Asset-Based Credit Agreement

On June 19, 2020, the Company entered into a secured asset-based credit agreement (the "Credit Agreement") among the Company, certain of the Company's U.S. and Canadian subsidiaries party thereto, JPMorgan Chase Bank, N.A., as administrative agent and collateral agent (in such capacity, the "Agent"), and the lenders party thereto, which replaced the Company's previous \$250.0 million five year senior unsecured revolving credit facility agreement maturing November 14, 2022 ("Revolver"), as well as the Company's two prior \$100.0 million uncommitted lines of credit.

The Credit Agreement provides for a secured asset-based revolving credit facility (the "ABL Facility") with aggregate revolving commitments established at closing of \$850.0 million, including a swingline subfacility and a letter of credit subfacility. The Credit Agreement has an uncommitted expansion feature which allows the Company to request, at any time following the delivery of an initial field exam and appraisal, an increase in aggregate revolving commitments under the ABL Facility or elect to enter into a first-in-last-out loan facility, collectively, in an aggregate amount of up to \$375.0 million, subject to certain customary conditions. The Credit Agreement matures on June 19, 2023. The proceeds advanced under the Credit Agreement were used to refinance \$236.4 million in borrowings outstanding under the Revolver. These borrowings were fully repaid in August 2020. As of May 29, 2021, the Company had no loans outstanding under the ABL Facility, but had outstanding letters of credit of \$146.2 million.

The ABL Facility is secured on a first priority basis (subject to customary exceptions) on all accounts receivable (including credit card receivables), inventory, certain deposit accounts and securities accounts, and certain related assets, of the Company and its subsidiaries that are borrowers or guarantors under the ABL Facility. Amounts available to be drawn from time to time under the ABL Facility (including, in part, in the form of letters of credit) are equal to the lesser of (i) outstanding revolving commitments under the Credit Agreement and (ii) a borrowing base equal to the sum of (a) 90% of eligible credit card receivables, plus (b) 90% of eligible inventory, valued at the lower of cost or market value, determined on a weighted average cost basis, minus (c) customary reserves.

Subject to customary exceptions and restrictions, the Company may voluntarily repay outstanding amounts under the ABL Facility at any time without premium or penalty. Any voluntary prepayments made will not reduce commitments under the ABL Facility. If at any time the outstanding amount under the ABL Facility exceeds the lesser of (i) the aggregate revolving commitments and (ii) the borrowing base, the Company will be required to prepay outstanding amounts or cash collateralize letter of credit obligations under the ABL Facility.

The Credit Agreement contains a mandatory prepayment provision which provides that if at any time (i) the aggregate amount of unrestricted cash and cash equivalents of the Company and its consolidated subsidiaries would exceed \$100.0 million and (ii) the aggregate principal amount of all loans (other than incremental first-in-last-out loans borrowed under the expansion feature of the Credit Agreement) exceeds \$600.0 million, then the borrowers must repay outstanding obligations under the Credit Agreement in an aggregate amount equal to the amount in excess of \$600.0 million.

Outstanding amounts under the Credit Agreement bear interest at a rate per annum equal to, at the applicable borrower's election: (i) in the case of loans denominated in U.S. dollars, LIBOR or an alternate base rate and (ii) for loans denominated in Canadian dollars, CDOR or the Canadian prime rate, in each case as set forth in the Credit Agreement, plus an interest rate margin based on average quarterly availability ranging from (i) in the case of LIBOR loans and CDOR loans, 2.25% to 2.75%; provided that if LIBOR or CDOR is less than 1.00%, such rate shall be deemed to be 1.00%, as applicable, and (ii) in the case of alternate base rate loans and Canadian prime rate loans, 1.25% to 1.75%; provided that if the alternate base rate or Canadian prime rate is less than 2.00%, such rate shall be deemed to be 2.00%, as applicable.

The Credit Agreement contains customary representations and warranties, events of default and financial, affirmative and negative covenants for facilities of this type, including but not limited to a springing financial covenant relating to a fixed charge coverage ratio, which will become effective if availability under the ABL Facility falls below a specified threshold, and restrictions on indebtedness, liens, investments and acquisitions, asset dispositions, restricted payments (including dividends and share repurchases) and prepayment of certain indebtedness. The Company was in compliance with all covenants related to the Credit Agreement as of May 29, 2021.

As of May 29, 2021 and February 27, 2021, deferred financing costs associated with the Company's revolving credit facilities were \$5.4 million and \$6.1 million, respectively, and were recorded in other assets in the Company's consolidated balance sheets.

The Company amortizes deferred financing costs for the Notes and the ABL Facility over their respective terms and such amortization is included in interest expense, net in the consolidated statements of operations. Interest expense related to the Notes and the revolving credit facilities, including the commitment fee and the amortization of deferred financing costs, was approximately \$16.4 million and \$18.2 million, respectively for the three months ended May 29, 2021 and May 30, 2020.

13) SHAREHOLDERS' EQUITY

The Company has authorization to make repurchases of shares of the Company's common stock from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations.

Between December 2004 and April 2021, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of up to \$12.950 billion of the Company's shares of common stock. The Company also acquires shares of its common stock to cover employee related taxes withheld on vested restricted stock, restricted stock units and performance stock unit awards. Since the initial authorization in December 2004, the aggregate total of common stock repurchased is approximately 239.1 million shares for a total cost of approximately \$11.2 billion. The Company had approximately \$1.7 billion remaining of authorized share repurchases as of May 29, 2021.

Decisions regarding share repurchases are within the discretion of the Board of Directors, and are influenced by a number of factors, including the price of the Company's common stock, general business and economic conditions, the Company's financial condition and operating results, the emergence of alternative investment or acquisition opportunities, changes in business strategy and other factors. The Company's share repurchase program could change, and could be influenced by several factors, including business and market conditions, such as the impact of the COVID-19 pandemic. The Company reviews its alternatives with respect to its capital structure on an ongoing basis. Any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors, including the restrictions on share repurchases under the secured asset-based revolving credit facility (see "Long Term Debt," Note 12).

In the first quarter of fiscal 2020, the Company had postponed share repurchases, but lifted this postponement in October 2020. In October 2020, the Company entered into an accelerated share repurchase agreement with JPMorgan Chase Bank, National Association to repurchase \$225.0 million of its common stock, subject to market conditions, which settled in the fourth quarter of fiscal 2020, resulting in the repurchase of a total of 10.8 million shares. In January 2021, the Company entered into a second accelerated share repurchase agreement to repurchase an aggregate \$150.0 million of its common stock, subject to market conditions. This resulted in the repurchase of 5.0 million shares in the fourth quarter of fiscal 2020, and an additional 0.2 million shares received upon final settlement in the first quarter of fiscal 2021.

During the three months ended May 29, 2021, the Company repurchased approximately 4.9 million shares at a total cost of approximately \$130.4 million, including fees. Additionally, during the three months ended May 29, 2021 and May 30, 2020, the Company repurchased approximately 0.3 million and 0.5 million shares, respectively, of its common stock, to cover employee related taxes withheld on vested restricted stock, restricted stock unit awards and performance stock unit awards, at a total cost of approximately \$8.3 million and \$2.5 million, respectively.

During fiscal 2016, the Company's Board of Directors authorized a quarterly dividend program. During the three months ended May 29, 2021 and May 30, 2020, total cash dividends of \$0.6 million and \$21.2 million were paid, respectively. In March 2020, the Company suspended its future quarterly declarations of cash dividends as a result of the COVID-19 pandemic. Any future quarterly cash dividend payments on its common stock will be subject to the determination by the Board of Directors, based on an evaluation of the Company's earnings, financial condition and requirements, business conditions and other factors, including the restrictions on the payment of dividends contained in the Credit Agreement (See "Long Term Debt," Note 12).

Cash dividends, if any, are accrued as a liability on the Company's consolidated balance sheets and recorded as a decrease to retained earnings when declared.

14) STOCK-BASED COMPENSATION

The Company measures all stock-based compensation awards for employees and non-employee directors using a fair value method and records such expense, net of estimated forfeitures, in its consolidated financial statements. Currently, the Company's stock-based compensation relates to restricted stock awards, restricted stock units and performance stock units. The Company's restricted stock awards are considered nonvested share awards.

Stock-based compensation expense for the three months ended May 29, 2021 was approximately \$7.9 million (\$4.6 million after tax or \$0.04 per diluted share). Stock-based compensation expense for the three months ended May 30, 2020 was approximately \$7.7 million (\$4.9 million after tax or \$0.04 per diluted share). In addition, the amount of stock-based compensation cost capitalized for the three months ended May 29, 2021 and May 30, 2020 was approximately \$0.3 million and \$0.2 million, respectively.

Incentive Compensation Plans

The Company may grant awards under the Bed Bath & Beyond 2018 Incentive Compensation Plan (the "2018 Plan") and the Bed Bath & Beyond 2012 Incentive Compensation Plan (the "2012 Plan"). The 2018 Plan includes an aggregate of 4.6 million shares of common stock authorized for issuance of awards permitted under the 2018 Plan, including stock options, stock appreciation rights, restricted stock awards, performance awards and other stock-based awards. The 2018 Plan supplements the 2012 Plan, which amended and restated the Bed Bath & Beyond 2004 Incentive Compensation Plan (the "2004 Plan"). The 2012 Plan includes an aggregate of 43.2 million common shares authorized for issuance of awards permitted under the 2012 Plan (similar to the 2018 Plan). Outstanding awards that were covered by the 2004 Plan continue to be in effect under the 2012 Plan.

The terms of the 2012 Plan and the 2018 Plan are substantially similar and enable the Company to offer incentive compensation through stock options (whether nonqualified stock options or incentive stock options), restricted stock awards, stock appreciation rights, performance awards and other stock-based awards, and cash-based awards. Grants are determined by the Compensation Committee of the Board of Directors of the Company for those awards granted to executive officers and by the Board of Directors of the Company for awards granted to non-employee directors. Restricted stock awards generally become vested in five to seven equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Restricted stock units generally become vested in one to three equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Performance stock units generally vest at the end of the performance period dependent on the Company's achievement of performance-based tests and subject, in general, to the executive remaining in the Company's service on specified vesting dates.

The Company generally issues new shares for restricted stock awards and vesting of restricted stock units and performance stock units. The 2018 Plan expires in May 2028. The 2012 Plan expires in May 2022.

As described in further detail below, in fiscal 2020, the Company granted stock-based awards to certain of the Company's new executive officers as inducements material to their commencement of employment and entry into an employment agreement with the Company. The inducement awards were made in accordance with Nasdaq Listing Rule 5635(c)(4) and were not made under the 2012 Plan or the 2018 Plan.

Restricted Stock Awards

Restricted stock awards are issued and measured at fair market value on the date of grant and generally become vested in five to seven equal annual installments beginning one to three years from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Vesting of restricted stock is based solely on time vesting. As of May 29, 2021, unrecognized compensation expense related to the unvested portion of the Company's restricted stock awards was \$16.2 million, which is expected to be recognized over a weighted average period of 2.7 years.

Changes in the Company's restricted stock for the three months ended May 29, 2021 were as follows:

<i>(Shares in thousands)</i>	Number of Restricted Shares	Weighted Average Grant-Date Fair Value
Unvested restricted stock awards, beginning of period	935	\$ 34.34
Granted	—	—
Vested	(222)	42.43
Forfeited	(92)	28.31
Unvested restricted stock awards, end of period	621	\$ 32.27

Restricted Stock Units ("RSUs")

RSUs are issued and measured at fair market value on the date of grant and generally become vested in one to three equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. RSUs are converted into shares of common stock upon vesting. As of May 29, 2021, unrecognized compensation expense related to the unvested portion of the Company's RSUs was \$42.8 million, which is expected to be recognized over a weighted average period of 2.6 years.

Changes in the Company's RSUs for the three months ended May 29, 2021 were as follows:

<i>(Shares in thousands)</i>	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	2,270	\$ 14.04
Granted	881	25.59
Vested	(142)	8.68
Forfeited	(117)	23.18
Unvested restricted stock units, end of period	2,892	\$ 17.46

Performance Stock Units ("PSUs")

PSUs are issued and measured at fair market value on the date of grant using the following performance periods and performance metrics. The performance metrics generally include one or more of Earnings Before Interest and Taxes ("EBIT"), Total Shareholder Return ("TSR"), Return on Invested Capital ("ROIC") or Gross Margin Percentage ("GM") compared with the Company's peer groups as determined by the Compensation Committee of the Company's Board of Directors.

Fiscal Year	Performance Period	Performance Metrics	Target Achievement Range (%)
2019	3 years	TSR and EBIT	0% - 150%
2020	3 years	TSR	0% - 150%
2021	3 years	TSR and GM	0% - 200%

For the PSUs granted in fiscal 2018, the three year performance-based tests based on a combination of EBIT margin and ROIC were not met in the first quarter of fiscal 2021 and therefore, there was no payment of these awards following vesting.

Vesting of PSUs awarded to certain of the Company's executives is dependent on the Company's achievement of a performance-based test from the date of grant, during the performance period and, assuming achievement of the performance-based test, vest at the end of the performance period noted above, subject, in general, to the executive remaining in the Company's service on specified vesting dates. PSUs are converted into shares of common stock upon payment following vesting. Upon grant of the PSUs, the Company recognizes compensation expense related to these awards based on the Company's estimate of the percentage of the award that will be achieved. The Company evaluates the estimate on these awards on a quarterly basis and adjusts compensation expense related to these awards, as appropriate. As of May 29, 2021, there was \$22.5 million of unrecognized compensation expense associated with these awards, which is expected to be recognized over a weighted average period of 2.8 years.

The fair value of the PSUs granted in fiscal 2021 for which performance during the three-year period will be based on a relative three-year Total Shareholder Return ("TSR") goal relative to a peer group was estimated on the date of the grant using a Monte Carlo simulation that uses the assumptions noted in the following table.

Monte Carlo Simulation Assumptions	Three Months Ended May 29, 2021
Risk Free Interest Rate	0.28 %
Expected Dividend Yield	— %
Expected Volatility	52.20 %
Expected Term	3 years

Changes in the Company's PSUs for the three months ended May 29, 2021 were as follows:

<i>(Shares in thousands)</i>	Number of Performance Stock Units	Weighted Average Grant-Date Fair Value
Unvested performance stock units, beginning of period	1,475	\$ 14.36
Granted	597	29.06
Vested	—	—
Forfeited or performance condition adjustments	(720)	17.05
Unvested performance stock units, end of period	<u>1,352</u>	<u>\$ 19.38</u>

Inducement Awards

In fiscal 2020 and 2019, the Company granted stock-based awards to certain of the Company's new executive officers as inducements material to their commencement of employment and entry into an employment agreement with the Company. These inducement awards were approved by the Compensation Committee of the Board of Directors of the Company and did not require shareholder approval in accordance with Nasdaq Listing Rule 5635(c)(4). The Company did not grant any such awards in fiscal 2021.

RSUs granted as inducement awards are issued and measured at fair market value on the date of grant and generally become vested in one to three equal annual installments beginning one year from the date of grant, subject, in general, to the recipient remaining in the Company's service on specified vesting dates. Changes in the RSUs granted as inducement awards for the three months ended May 29, 2021 were as follows:

<i>(Shares in thousands)</i>	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	949	\$ 7.36
Granted	—	—
Vested	(405)	8.72
Forfeited	—	—
Unvested restricted stock units, end of period	<u>544</u>	<u>\$ 6.32</u>

On November 4, 2019, in connection with the appointment of the Company's President and Chief Executive Officer, the Company also granted inducement awards consisting of 273,735 PSU awards, which are not included above. The PSUs will vest, if at all, on November 4, 2021, based on performance goals requiring the President and CEO to prepare and deliver to the Board of Directors key objectives and goals for the Company and the strategies and initiatives for the achievement of such objectives and goals, and the President and CEO's provision of updates to the Board of Directors regarding achievement of such goals and objectives, and subject, in general, to the President and CEO remaining in the Company's service through the vesting date.

Other than with respect to the vesting schedule described above, these inducement awards are generally subject to substantially the same terms and conditions as awards that are made under the 2018 Plan. As of May 29, 2021, unrecognized compensation expense related to the unvested portion of the RSU and PSU inducement awards was \$3.4 million and \$0.8 million, respectively, which is expected to be recognized over a weighted average period of 2.0 years and 0.4 years, respectively. Each inducement award recipient must hold at least fifty percent (50%) of the after-tax shares of common stock received pursuant to the inducement awards until they have satisfied the terms of the Company's stock ownership guidelines.

15) EARNINGS PER SHARE

The Company presents earnings per share on a basic and diluted basis. Basic earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding. Diluted earnings per share has been computed by dividing net earnings by the weighted average number of shares outstanding, including the dilutive effect of stock-based awards as calculated under the treasury stock method.

Stock-based awards for the three months ended May 29, 2021 and May 30, 2020 of approximately 3.3 million and 2.2 million shares, respectively, were excluded from the computation of diluted earnings per share as the effect would be anti-dilutive.

16) SUPPLEMENTAL CASH FLOW INFORMATION

The Company paid income taxes of \$1.4 million and \$0.4 million in the first three months of fiscal 2021 and 2020, respectively. In addition, the Company made interest payments of approximately \$3.0 million and \$2.3 million in the first three months of fiscal 2021 and 2020, respectively.

The Company recorded an accrual for capital expenditures of \$49.7 million and \$25.4 million as of May 29, 2021 and May 30, 2020, respectively. The Company's accrual for dividends payable was \$1.3 million and \$5.2 million, respectively, as of May 29, 2021 and May 30, 2020.

17) RESTRUCTURING AND TRANSFORMATION INITIATIVE EXPENSES

Fiscal 2021 Restructuring Charges

The Company recorded \$81.0 million in its consolidated statements of operations for the three months ended May 29, 2021 for costs associated with restructuring and other transformation initiatives, of which approximately \$47.3 million is included in cost of sales and was related to the Company's initiative to introduce certain new proprietary Owned Brand merchandise. In connection with the launch of certain Owned Brands, the Company recorded this cost of sales adjustment to reduce inventory that will be removed from the product assortment as part of these introductions to its estimated realizable value. In addition to this charge, approximately \$33.7 million is included in restructuring and transformation initiative expenses in the consolidated statements of operations and related to the following:

- *Store Closures.* During the first quarter of fiscal 2021, the Company had store closing activities for 16 Bed Bath & Beyond stores as part of its store network optimization program which commenced in 2020 and includes the planned closure of approximately 200 mostly Bed Bath & Beyond stores by the end of fiscal 2021. In fiscal 2020, the Company closed 144 stores and expects to close an additional 40 stores by the end of fiscal 2021 (not including the 16 store closures in the first quarter of 2021). For the three months ended May 29, 2021, the Company recorded costs associated with planned store closures for which the store closing process has commenced of approximately \$18.8 million, consisting of lease-related and other costs. At this point, the Company is unable to estimate the amount or range of amounts expected to be incurred in connection with future store closures.
- *Other transformation initiatives.* \$14.9 million related to other transformation initiatives, including technology transformation and business strategy and operating model transformation programs across core functions including merchandising, supply chain and finance.

Fiscal 2020 Restructuring Charges

The Company recorded \$149.3 million in cost of sales and restructuring and transformation initiative expenses in its consolidated statements of operations for fiscal 2020 for costs associated with its planned store closures as part of the network optimization plan for which the store closure process has commenced, workforce reduction and other transformation initiatives. No such costs were recorded in the three months ended May 30, 2020.

18) ASSETS HELD FOR SALE AND DIVESTITURES

Assets Held for Sale

The Company has included businesses classified as held for sale within its continuing operations as their dispositions do not represent a strategic shift that will have a major effect on the Company's operations and financial results.

At May 30, 2020, certain assets and liabilities of Personalization Mall.com ("PMall") and One Kings Lane ("OKL") were classified as held for sale on the Company's consolidated balance sheet. PMall and OKL were sold during fiscal 2020, as further described below.

Divestitures

On December 14, 2020, the Company announced that it entered into a definitive agreement to sell Cost Plus World Market to Kingswood Capital Management, a Los Angeles-based private equity firm. On January 15, 2021, the Company completed the sale of Cost Plus World Market. Proceeds from the sale were approximately \$63.7 million, subject to certain working capital and other adjustments. The Company recognized a loss on sale of approximately \$72.0 million within loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021. The loss on sale includes a loss of \$54.0 million recorded in the third quarter of fiscal 2020 to remeasure the disposal group that was classified as held for sale to the lower of carrying value or fair value less costs to sell.

On October 11, 2020, the Company entered into definitive agreements to sell Christmas Tree Shops ("CTS") to Handil Holdings LLC and to sell one of the CTS distribution facilities to an institutional buyer, with a leaseback term of nine months, to provide business continuity to the Company for some of its operations currently using the facility. These transactions were completed during the third quarter of fiscal 2020, generating approximately \$233.3 million in proceeds, subject to certain working capital and other adjustments, and the Company recognized a loss on sale of approximately \$53.8 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021.

On October 11, 2020, the Company entered into a definitive agreement to sell Linen Holdings to The Linen Group, LLC, an affiliate of Lion Equity Partners. On October 24, 2020, the Company completed the sale of Linen Holdings for approximately \$10.1 million, subject to certain working capital and other adjustments, and recognized a loss on the sale of \$64.6 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statements of operations for the fiscal year ended February 27, 2021.

On February 14, 2020, the Company entered into a definitive agreement to sell PMall to 1-800-FLOWERS.COM, Inc. for \$252.0 million, subject to certain working capital and other adjustments. The buyer was required to close the transaction on March 30, 2020, but failed to do so. Accordingly, the Company had filed an action to require the buyer to close the transaction. On July 20, 2020, the Company entered into a settlement agreement with respect to the litigation. Under this agreement, 1-800-FLOWERS.COM agreed to move forward with its purchase of PMall from the Company for \$245.0 million, subject to certain working capital and other adjustments. The transaction closed on August 3, 2020. Net proceeds from the sale of PMall were \$244.6 million, subject to certain working capital and other adjustments, and the Company recognized a gain on the sale of approximately \$189.3 million, which was recorded in loss on sale of businesses including impairment of assets held for sale in its consolidated statement of operations for the fiscal year ended February 27, 2021. Upon the close of the transaction, Bed Bath & Beyond withdrew the litigation against 1-800-FLOWERS.COM and 800-FLOWERS, INC.

On April 13, 2020, the Company completed the sale of OKL. Proceeds from the sale were not material.

During the three months ended May 29, 2021, the Company recognized approximately \$4.0 million of loss on the sale of businesses, associated with certain working capital and other adjustments related to the above divestitures.

19) COMMITMENTS & CONTINGENCIES

A putative securities class action was filed on April 14, 2020 against the Company and three of its officers and/or directors (Mark Tritton, Mary Winston (the Company's former Interim Chief Executive Officer) and Robyn D'Elia (the Company's former Chief Financial Officer and Treasurer)) in the United States District Court for the District of New Jersey (the "New Jersey federal court"). The case, which is captioned *Vitiello v. Bed Bath & Beyond Inc., et al.*, Case No. 2:20-cv-04240-MCA-MAH, asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") on behalf of a putative class of purchasers of the Company's securities from October 2, 2019 through February 11, 2020. The Complaint alleges that certain of the Company's disclosures about financial performance and certain other public statements during the putative class period were materially false or misleading. A similar putative securities class action, asserting the same claims on behalf of the same putative class against the same defendants, was filed on April 30, 2020. That case, captioned *Kirkland v. Bed Bath & Beyond Inc., et al.*, Case No. 1:20-cv-05339-MCA-MAH, is also pending in the United States District Court for the District of New Jersey. On August 14, 2020, the court consolidated the two cases and appointed Kavin Bakhda as lead plaintiff pursuant to the Private Securities Litigation Reform Act of 1995. Lead plaintiff and additional named plaintiff Richard Lipka filed an Amended Class Action Complaint on October 20, 2020, on behalf of a putative class of purchasers of the Company's securities from September 4, 2019 through February 11, 2020. Defendants moved to dismiss the Amended Complaint on December 21, 2020.

On July 10, 2020, the first of three related shareholder derivative actions was filed in the New Jersey federal court on behalf of the Company against various present and former directors and officers. The case, which is captioned *Salu v. Tritton, et al.*, Case No. 2:20-cv-08673-MCA-MAH (D.N.J.), asserts claims under §§ 10(b) and 20(a) of the Exchange Act and for breach of fiduciary duty, unjust enrichment, and waste of corporate assets under state law arising from the events underlying the securities class actions described above and from the Company's repurchases of its own shares during the class period pled in the securities cases. The two other derivative actions, which assert similar claims, are captioned *Grooms v. Tritton, et al.*, Case No. 2:20-cv-09610-SDW-RDW (D.N.J.) (filed July 29, 2020), and *Mantia v. Fleming, et al.*, Case No. 2:20-cv-09763-MCA-MAH (D.N.J.) (filed July 31, 2020). On August 5, 2020, the court signed a stipulation by the parties in the *Salu* case to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms outlined in the stipulation. The parties in all three derivative cases have moved to consolidate them and to apply the *Salu* stay of proceedings to all three actions. The court granted the motion on October 14, 2020.

On August 28, 2020, another related shareholder derivative action, captioned *Schneider v. Tritton, et al.*, Index No 516051/2020, was filed in the Supreme Court of the State of New York, County of Kings. The claims pled in the *Schneider* case are similar to those pled in the three federal derivative cases, except that the *Schneider* complaint does not plead claims under the Exchange Act. On September 21, 2020, the parties filed a stipulation seeking to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms and conditions.

On June 11, 2021, a third related derivative action was filed on behalf of the Company against certain present and former directors and officers. This Complaint is entitled *Michael Anthony v Mark Tritton et. al.*, Index No. 514167/2021 and was filed in the Supreme Court of the State of New York, Kings County. The claims are essentially the same as in the other two derivative actions. The Company is seeking a consensual stay of this case.

At this time, the Company is unable to estimate any potential losses that may be incurred and has not recorded a liability for the above matters.

The District Attorney's office for the County of Ventura, together with District Attorneys for other counties in California (together, the "District Attorneys"), recently concluded an investigation regarding the management and disposal at the Company's stores in California of certain materials that may be deemed hazardous or universal waste under California law. On March 19, 2019, the District Attorneys provided the Company with a settlement demand that included a proposed civil penalty, reimbursement of investigation costs, and certain injunctive relief, including modifications to the Company's existing compliance program, which already includes associate training, on-going review of disposal rules applicable to various product categories, and specialized third-party disposal. During fiscal 2020, the Company and the District Attorneys agreed to final terms on a settlement payment of approximately \$1.5 million to resolve the matter, which was made in the fourth quarter of fiscal 2020. The Company has also agreed to spend \$171,000 over a 36 months period on refinements to its compliance program. The Company and District Attorneys executed a Stipulated Judgment to this effect, which was recently filed with the court.

On April 21, 2019, Warren Eisenberg and Leonard Feinstein transitioned to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company. As a result of this transition, Mr. Eisenberg and Mr. Feinstein ceased to be officers of the Company effective as of April 21, 2019, and became entitled to the payments and benefits provided under their employment agreements that apply in the case of a termination without cause, which generally include continued senior status payments until May 2027 and continued participation for the Co-Founders (and their spouses, if applicable) at the Company's expense in employee plans and programs. In addition, the Co-Founders remain entitled to supplemental pension payments specified in their employment agreements of \$200,000 per year (as adjusted for a cost of living increase), until the death of the survivor of the applicable Co-Founder and his spouse, reduced by the continued senior status payments referenced above.

Pursuant to their respective restricted stock and performance stock unit agreements, shares of restricted stock and performance-based stock units granted to Messrs. Eisenberg and Feinstein vested upon their resignation as members of the Board of Directors effective May 1, 2019, subject, however, to attainment of any applicable performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under their award agreements.

The Company's former Chief Executive Officer ("Former CEO") departed the Company effective as of May 12, 2019. In accordance with the terms of the Former CEO's employment and equity award agreements, the Former CEO was entitled to three times his then-current salary, payable over three years in normal payroll installments, except that any amount due prior to the six months after his departure, was paid in a lump sum after such six-month period. Such amounts will be reduced by any compensation earned with any subsequent employer or otherwise and will be subject to the Former CEO's compliance with a one-year non-competition and non-solicitation covenant. On October 21, 2019, the Former CEO entered into an agreement (the "Former CEO PSU settlement agreement") with the Company to reduce the PSUs held by him by an excess amount of outstanding PSUs granted to the Former CEO in the Company's 2018 fiscal year as a result of the use of the fiscal 2017 peer group in lieu of the fiscal 2018 peer group. Further, as a result of this departure, the time-vesting component of the Former CEO's stock-based awards accelerated, including (i) stock options (which were "underwater" and expired without having been exercised by the Former CEO), (ii) PSU awards which had previously met the related performance-based test, had been certified by the Compensation Committee, and remained subject solely to time-vesting, and (iii) PSU awards (assuming target level of performance) which remain subject to attainment of any performance goals and the certification of the applicable performance-based tests by the Compensation Committee, as provided under his award agreements and subject to the terms of the Former CEO PSU settlement agreement.

The former CEO was also party to a supplemental executive retirement benefit agreement (“SERP”) and a related escrow agreement, pursuant to which the Former CEO was entitled to receive a supplemental retirement benefit as a result of the separation from service from the Company. Pursuant to the SERP, as a result of the separation from service with the Company as of May 12, 2019 being treated as a termination without cause, the Former CEO was entitled to a lump sum payment equal to the present value of an annual amount equal to 50% of the Former CEO’s annual base salary on the date of termination of employment if such annual amount were paid for a period of 10 years in accordance with the Company’s normal payroll practices, subject to the Former CEO’s timely execution and non-revocation of a release of claims in favor of the Company (which occurred). This amount was paid on November 13, 2019, the first business day following the six-month anniversary of the Former CEO’s termination of service. The Company has no further obligations to the Former CEO under the SERP.

During fiscal 2019, the Company expensed pre-tax charges related to both the transition of Messrs. Eisenberg and Feinstein to the role of Co-Founders and Co-Chairmen Emeriti of the Board of Directors of the Company and the departure of the Former CEO of approximately \$36.8 million.

In addition, the Company maintains employment agreements with other executives which provide for severance pay.

The Company records an estimated liability related to its various claims and legal actions arising in the ordinary course of business when and to the extent that it concludes a liability is probable and the amount of the loss can be reasonably estimated. Such estimated loss is based on available information and advice from outside counsel, where appropriate. As additional information becomes available, the Company reassesses the potential liability related to claims and legal actions and revises its estimated liabilities, as appropriate. The Company expects the ultimate disposition of these matters will not have a material adverse effect on the Company’s consolidated financial position, results of operations or liquidity. The Company also cannot predict the nature and validity of claims which could be asserted in the future, and future claims could have a material impact on its earnings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

Bed Bath & Beyond Inc. and subsidiaries (the "Company", "we", "our", "us", "ourselves") is an omnichannel retailer that makes it easy for our customers to feel at home. We sell a wide assortment of merchandise in the Home, Baby, Beauty & Wellness markets and operate under the names Bed Bath & Beyond ("BBB"), Harmon, Harmon Face Values, or Face Values (collectively, "Harmon"), and buybuy BABY ("BABY"). We also operate Decorist, an online interior design platform that provides personalized home design services. In addition, we are a partner in a joint venture, which operates retail stores in Mexico under the name Bed Bath & Beyond.

For fiscal 2021, we accounted for our operations as one operating segment, North American Retail. For fiscal 2020 until the divestiture of Linen Holdings in October 2020, we accounted for our operations as two operating segments: North American Retail and Institutional Sales (which is comprised of Linen Holdings), which did not meet the quantitative thresholds under U.S. generally accepted accounting principles and, therefore, was not a reportable segment.

We are driving a digital-first, omni-always growth strategy and optimizing our digital and physical store channels to provide our customers with a seamless omni-channel shopping experience. Digital purchases, including web and mobile, can be shipped to a customer from our distribution facilities, directly from vendors, or from a store. Store purchases are primarily fulfilled from that store's inventory or may also be shipped to a customer from one of our distribution facilities, from a vendor, or from another store. Customers can also choose to pick up orders using our Buy Online Pickup In Store ("BOPIS") and contactless Curbside Pickup services, as well as return online purchases to a store. Customers can also make purchases through one of our customer contact centers and in-store through The Beyond Store, our proprietary web-based platform. These capabilities allow us to better serve our customers across various channels.

Across our banners, we carry a wide variety of domestics and home furnishings merchandise. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings (including furniture and wall décor), consumables and certain juvenile products.

Business Transformation and Restructuring

Since 2019, we have undertaken significant changes to transform our business and adapt to the dynamic retail environment and the evolving needs of our customers in order to position ourselves for long-term success. As part of these changes, our management team, led by President and Chief Executive Officer (CEO) Mark Tritton who was appointed in November 2019, has been focused on driving an omni-always, customer-inspired strategy to re-establish our authority in the Home, Baby, Beauty & Wellness markets. We have created a more focused portfolio through the divestiture of non-core assets and further strengthened our financial flexibility through key actions such as corporate restructurings and operating expense control to re-set our cost structure and support our ongoing business transformation.

We are implementing a growth strategy that will harness the power of data and insights to engage customers across our four core banners (BBB, BABY, Harmon and Decorist) in an enterprise-wide plan to accelerate our omnichannel transformation. Our strategy is underpinned by five key pillars of strategic focus and investment: product, price, promise, place and people. Through this approach, we are becoming a digital-first, customer-focused omnichannel retailer with a more curated, inspirational and differentiated product collection across categories, and creating a more convenient and inspirational shopping experience.

Additionally, in March 2021, we announced our plan to introduce at least eight new Owned Brands during fiscal year 2021, of which six Owned Brands will be launched sequentially in the first six months of fiscal 2021. The assortment will include thousands of new products across our key Destination Categories of Bed, Bath, Kitchen Food Prep, Home Organization, and Indoor Decor. During the first quarter of fiscal 2021, we launched the Owned Brands of Nestwell, Haven and Simply Essential and Our Table and Wild Sage were launched in June 2021, subsequent to the end of the first quarter of fiscal 2021. Additionally, in June 2021, we announced that Squared Away would be launched in July 2021.

We will continue to build on this strong foundation as we execute our three-year growth strategy to further elevate the shopping experience, modernize our operations and unlock strong and sustainable shareholder value.

As part of our business transformation plan, we are also pursuing a comprehensive cost restructuring program, to drive improved financial performance over the next two-to-three years. We expect to reinvest a portion of the expected cost savings into future growth initiatives. Key components of the expected financial improvement include:

- Approximately \$100 million in annual savings from our previously disclosed store network optimization project which includes the planned closure of approximately 200 mostly BBB stores by the end of fiscal 2021. During the three months ended May 29, 2021, we closed 16 stores (bringing the total store closures to 160 since the project's inception) and expect to close an additional 40 BBB stores by the end of fiscal 2021 (not including the 16 stores closed in the first quarter of fiscal 2021). We continue to believe that our physical store channel is an asset for our transformation into a digital-first company, especially with new omni-fulfillment capabilities in BOPIS, Curbside Pickup, Same Day Delivery and fulfill-from-store.
- Approximately \$200 million in annual savings from product sourcing, through renegotiations with existing vendors.
- Approximately \$100 to \$150 million in annual selling, general and administrative expense savings from continued optimization of our corporate overhead cost structure and reductions in other discretionary expense. During the second quarter of fiscal 2020, we implemented a workforce reduction of approximately 2,800 roles from across our corporate headquarters and retail stores, designed to further reduce layers at the corporate level, significantly reposition field operations to better serve customers in a digital-first environment and realign our technology, supply chain and merchandising teams to support our strategic growth initiatives.

In connection with the above restructuring and transformation initiatives, during the three months ended May 29, 2021, we recorded total expense of \$81.0 million, including \$47.3 million within cost of sales associated with the transition of product assortment to Owned Brands and \$33.7 million within restructuring and transformation initiative expenses for costs associated with our planned store closures as part of the network optimization plan and other transformation initiatives. At this point, we are unable to estimate the amount or range of amounts expected to be incurred in connection with future restructuring and transformation initiatives, including further Owned Brand introductions and further store closures, and will provide such estimates as they become available.

Divestitures and Other Cash Generating Activities

On December 14, 2020, we announced that we entered into a definitive agreement to sell Cost Plus World Market to Kingswood Capital Management, a Los Angeles-based private equity firm. The transaction closed during the fourth quarter of fiscal 2020, generating approximately \$63.7 million in proceeds, subject to certain working capital and other adjustments.

On October 11, 2020, we entered into definitive agreements to sell Christmas Tree Shops ("CTS") to Handil Holdings LLC and to sell one of the CTS distribution facilities to an institutional buyer, with a leaseback term of nine months, to provide business continuity for some of our operations currently using the facility. These transactions were completed during the third quarter of fiscal 2020, generating approximately \$233.3 million in proceeds, subject to certain working capital and other adjustments.

On October 11, 2020, we entered into a definitive agreement to sell Linen Holdings to The Linen Group, LLC, an affiliate of Lion Equity Partners. On October 24, 2020, we completed the sale of Linen Holdings for approximately \$10.1 million, subject to certain working capital and other adjustments.

On February 14, 2020, we entered into a definitive agreement to sell PersonalizationMall.com ("PMall") to 1-800-FLOWERS.COM for \$252 million, subject to certain working capital and other adjustments. The buyer was required to close the PMall transaction on March 30, 2020, but failed to do so. Accordingly, we filed an action to require the buyer to close the transaction. On July 20, 2020, we entered into a settlement agreement with respect to the litigation. Under this agreement, 1-800-FLOWERS.COM agreed to move forward with its purchase of PMall for \$244.6 million, subject to certain working capital and other adjustments. The transaction closed on August 3, 2020.

During the first quarter of fiscal 2020, we also sold One Kings Lane to a third party for an amount that was not material.

During the three months ended May 29, 2021, we recognized approximately \$4.0 million of loss on the sale of businesses, associated with certain working capital and other adjustments related to the above divestitures.

The net proceeds from these transactions have been included in the Company's cash and short-term investments and were reinvested in our core business operations to drive growth, fund share repurchases and reduce our outstanding debt.

Impact of the COVID-19 Pandemic

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. That same month, as a result of the COVID-19 pandemic, the Company began to temporarily close certain store locations that did not have a health and personal care department, and as of March 23, 2020, all of the Company's retail stores across the U.S. and Canada were temporarily closed except for most stand-alone buybuy BABY and Harmon stores, subject to state and local regulations. In May 2020, the Company announced a phased approach to re-open its stores in compliance with relevant government directives, and as of the end of July 2020, nearly all of its stores re-opened and remained open through the first quarter of 2021; however, a limited number of stores either closed temporarily or continued to operate under restrictions based on local governmental orders.

In the first quarter of 2020, the Company initiated actions to strengthen its financial position and liquidity, including, among other actions: (i) renegotiating payment terms for goods, services and rent, managing to lower inventory levels, and reducing discretionary spending such as business travel, advertising and expenses associated with the maintenance of stores that were temporarily closed; (ii) deferring other previously planned capital expenditures; (iii) suspending dividends; and (iv) prioritizing spending on essential capital expenditures to drive strategic growth plans, including investments in digital, Buy Online Pick Up In Store ("BOPIS") and contactless Curbside Pickup services. The Company had also suspended its plans for debt reduction and postponed share repurchases, but lifted the debt repurchase suspension in August 2020 and the postponement of share repurchases in October 2020.

Similar to other retailers, we have also withheld portions of and/or delayed payments to certain of our business partners as we negotiate revisions to our payment terms, in order to further maintain liquidity given the temporary store closures (see "Leases," Note 9 to the accompanying consolidated financial statements).

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act") was enacted in the United States, which provided for certain changes to tax laws, which impacted the Company's results of operations, financial position and cash flows. The Company implemented certain provisions of the CARES Act, such as deferring employer payroll taxes and utilizing the ability to carry back and deduct losses to offset prior income in previously filed tax returns. As of May 29, 2021 and February 27, 2021, the Company has deferred \$3.1 million in each period, of employer payroll taxes, of which 50% are required to be deposited by December 2021 and the remaining 50% by December 2022. During the three months ended May 29, 2021 and May 30, 2020, under the CARES Act, the Company recorded income tax benefits of approximately \$15.6 million benefit and \$43.0 million, respectively, as a result of the fiscal 2020 and fiscal 2019 net operating losses that can now be carried back to prior years during which the federal tax rate was 35%. In addition, during the three months ended May 29, 2021 and May 30, 2020, the Company recorded credits of approximately \$2.4 million and \$22.9 million, respectively, as an offset to selling, general and administrative expenses as a result of the employee retention credits made available under the CARES Act for U.S. employees and under the Canada Emergency Wage Subsidy for Canadian employees.

The COVID-19 pandemic materially adversely impacted the Company's results of operations and cash flows for the first three months of fiscal 2020. Numerous uncertainties continue to surround the pandemic and its ultimate impact on the Company. Further discussion of the risks and uncertainties posed by the COVID-19 pandemic are disclosed in "Risk Factors" under Part I, Item 1A of the Company's 2020 Form 10-K.

Summary of Financial Performance

The following represents an overview of our financial performance for the periods indicated:

- Net sales for the three months ended May 29, 2021 were \$1.954 billion, an increase of approximately 49.4% as compared with the three months ended May 30, 2020. Excluding the impact of the business divestitures described above, which represented \$179.1 million in net sales in the three months ended May 30, 2020, net sales for our four core banners increased by 73%. The growth in net sales also includes an offsetting negative effect of the planned closure of certain stores in connection with our store network optimization project.
- Net sales consummated through digital channels represented approximately 38% of our sales for the three months ended May 29, 2021 compared with approximately two thirds of our sales for the three months ended May 30, 2020.

- As noted above, the majority of our stores was closed beginning March 23, 2020, except for most stand-alone BABY and Harmon stores, which remained open during such period, subject to state and local regulations. Nearly all stores reopened as of July 2020. As a result of the extended closure of the majority of the our stores due to the COVID-19 pandemic and our policy of excluding extended store closures from our comparable sales calculation, we believe that comparable sales was not a meaningful metric for the first quarter of fiscal 2020 and, therefore, are not a meaningful metric for comparing the three months ended May 29, 2021 and May 30, 2020.
- Gross profit for the three months ended May 29, 2021 was \$633.7 million, or 32.4% of net sales, compared with \$348.5 million, or 26.7% of net sales, for the three months ended May 30, 2020. Gross profit for the three months ended May 29, 2021 also includes the impact of approximately \$47.3 million, or 2.4% of net sales, in charges to reduce inventory that will be removed from the product assortment as part of the introduction of Owned Brand products to its estimated realizable value.
- SG&A for the three months ended May 29, 2021 was \$658.8 million, or 33.7% of net sales, compared with \$724.2 million, or 55.4% of net sales, for the three months ended May 30, 2020.
- Restructuring and transformation initiative expenses during the three months ended May 29, 2021 were \$33.7 million, primarily related to costs recorded in connection with the store network optimization program described above, as well as costs associated with other transformation initiatives.
- Interest expense, net for the three months ended May 29, 2021 was \$16.0 million, compared with \$17.2 million for the three months ended May 30, 2020.
- The effective tax rate for the three months ended May 29, 2021 was 42.3%, compared with 36.8% for the three months ended May 30, 2020. The tax rate for both periods reflects the impact of charges for impairments and restructuring and transformation initiatives as well as the impact of the provisions of the CARES Act.
- As a result of the above, net loss for the three months ended May 29, 2021 was \$50.9 million, or \$0.48 per diluted share, as compared with net loss of \$302.3 million, or \$2.44 per diluted share, for the three months ended May 30, 2020.
- Capital expenditures for the three months ended May 29, 2021 and May 30, 2020 were \$73.5 million and \$42.4 million, respectively. In the first three months of fiscal 2021, capital expenditures related to pre-planned technology projects, including inventory and warehouse management capabilities such as advanced allocation logic and replenishment strategies, as well as investments in renovations of existing stores.
- During the three months ended May 29, 2021, we did not open any new stores and we closed 16 stores. As part of our transformation initiative, we are executing against our store network optimization program to close approximately 200 mostly BBB locations by the end of fiscal 2021 and of which 144 were closed in fiscal 2020. We have approximately 90 store leases that are up for renewal in the remainder of 2021, which provide the opportunity to evaluate additional store closures and relocations. Some portion of these stores will be included in our store network optimization program discussed above.
- During the three months ended May 29, 2021 and May 30, 2020, we repurchased approximately 5.0 million and 0.5 million shares, respectively, of our common stock, at a total cost of approximately \$130.4 million and \$2.5 million, respectively. Additionally, in the first quarter of fiscal 2021, we also received 0.2 million shares in a final settlement of an accelerated share repurchase program entered into in January 2021.

Results of Operations

Net Sales

Net sales for the three months ended May 29, 2021 were \$1.954 billion, an increase of \$646.4 million, or approximately 49.4%, compared to net sales of \$1.307 billion for the corresponding three months last year. Excluding the business divestitures described above, which represented \$179.1 million in net sales in the three months ended May 30, 2020, net sales for our four core banners increased by 73%. The growth in net sales also includes an offsetting negative effect of the plan closure of certain stores in connection with our store network optimization project. In addition, beginning March 23, 2020, the majority of the Company's stores due to the COVID-19 pandemic, except for most stand-alone BABY and Harmon stores, which remained open during such period, subject to state and local regulations. Nearly all of the Company's stores reopened as of July 2020 and remained opened through the first quarter of fiscal 2021; however, a limited number of stores either closed temporarily or continued to operate under restrictions based on local governmental orders.

Net sales consummated through digital channels represented approximately 38.0% of our sales for the three months ended May 29, 2021 compared with approximately two thirds of our sales for the three months ended May 30, 2020.

Sales consummated on a mobile device while physically in a store location and BOPIS orders are recorded as customer facing digital channel sales. Customer orders taken in-store by an associate through The Beyond Store, our proprietary, web-based platform, are recorded as in-store sales. Prior to implementation of BOPIS and contactless Curbside Pickup services, customer orders reserved online and picked up in a store were recorded as in-store sales. Sales originally consummated from customer facing digital channels and subsequently returned in-store are recorded as a reduction of in-store sales.

As a result of the extended closure of the majority of our stores in the first quarter of fiscal 2020 due to the COVID-19 pandemic and our policy of excluding extended store closures from our comparable sales calculation, we believe that comparable sales* was not a meaningful metric for the first quarter of fiscal 2020 and, therefore, are not a meaningful metric for the three months ended May 29, 2021 and May 30, 2020.

* Comparable sales normally includes sales consummated through all retail channels that have been operating for twelve full months following the opening period (typically four to six weeks), excluding the impact of store network optimization program. We are an omnichannel retailer with capabilities that allow a customer to use more than one channel when making a purchase, including in-store, online, with a mobile device or through a customer contact center, and have it fulfilled, in most cases, either through in-store customer pickup or by direct shipment to the customer from one of our distribution facilities, stores or vendors.

Sales of domestics merchandise and home furnishings accounted for approximately 37.9% and 62.1% of net sales, respectively, for the three months ended May 29, 2021, and approximately 30.6% and 69.4% of net sales, respectively, for the three months ended May 30, 2020.

Gross Profit

Gross profit for the three months ended May 29, 2021 was \$633.7 million, or 32.4% of net sales, compared with \$348.5 million, or 26.7% of net sales, for the three months ended May 30, 2020. The increase in gross profit margin as a percentage of net sales for the three months ended May 29, 2021 was primarily attributable to: (i) the effect of channel mix (a higher percentage of digital sales in 2020) largely due to the impact of COVID-related store closures on net sales in 2020; (ii) improved leverage of a lower cost base for store fulfillment costs, also impacted by COVID-related store closures in 2020; as well as (iii) improved product mix, including a shift to Owned Brand merchandise. Gross profit for the three months ended May 29, 2021 also includes the impact of approximately \$47.3 million in charges to reduce inventory that will be removed from the product assortment as part of the introduction of Owned Brand products to its estimated realizable value.

Selling, General and Administrative Expenses

SG&A for the three months ended May 29, 2021 was \$658.8 million, or 33.7% of net sales, compared with \$724.2 million, or 55.4% of net sales, for the three months ended May 30, 2020. The decrease in SG&A as a percentage of net sales was primarily attributable to reductions in fixed costs such as rent and occupancy and depreciation, due to both banner divestitures and our store network optimization program. Additionally, there was a reduction in payroll expenses as a percentage of sales, primarily attributable to the COVID-related closure of stores during fiscal 2020 and the favorable impact of cost reduction initiatives.

Impairments

Impairments for the three months ended May 29, 2021, were \$9.1 million, compared with \$85.3 million during the comparable period last year. Impairment charges for the three months ended May 29, 2021 and May 30, 2020 included \$7.0 million and \$80.4 million, respectively, relating to certain store-level assets (including leasehold improvements and operating lease assets) and tradename impairments of \$2.1 million and \$5.5 million, respectively.

Restructuring and Transformation Initiative Expenses

During the three months ended May 29, 2021, we recorded charges of \$33.7 million in connection with our restructuring and transformation initiatives, primarily related to costs recorded in connection with the store network optimization program described above as well as costs associated with other transformation initiatives (see “Restructuring and Transformation Initiative Expenses,” Note 17 to the accompanying consolidated financial statements).

Loss on Sale of Business

During the three months ended May 29, 2021, we recognized approximately \$4.0 million of loss on the sale of businesses, associated with certain working capital and other adjustments related to the fiscal 2020 divestitures. We did not incur a gain or loss on sale of business for the three months ended May 30, 2020.

Operating Loss

For the three months ended May 29, 2021, operating loss was \$71.9 million, or 3.7% of net sales, compared with an operating loss of \$460.9 million, or 35.3% of net sales for the three months ended May 30, 2020. Operating loss for the three months ended May 29, 2021 included the impact of pre-tax charges of \$81.0 million associated with restructuring and other transformation initiatives, \$9.1 million for non-cash impairments, \$4.0 million for loss on sale of business and \$0.3 million for losses on debt extinguishments (each as discussed above or below). Operating loss for the three months ended May 30, 2020 includes the impact of pre-tax charges of \$85.3 million for non-cash impairments and \$0.9 million of restructuring and other transformation initiatives. The remaining change in operating loss as a percentage of net sales for the three months ended May 29, 2021 was primarily due to the effect of store closures in the first quarter of fiscal 2020.

Interest Expense, net

Interest expense, net for the three months ended May 29, 2021 was \$16.0 million as compared to \$17.2 million for the three months ended May 30, 2020. For the three months ended May 29, 2021 the decrease in interest expense, net was primarily driven by decreased interest costs attributable to our revolving credit facilities and the impact of the repurchase of a portion of our senior unsecured notes in 2020.

Loss on Extinguishment of Debt

Loss on extinguishment of debt for the three months ended May 29, 2021 of \$0.3 million related to partial repayment of senior unsecured notes.

Income Taxes

The effective tax rate for the three months ended May 29, 2021 was 42.3%, compared with 36.8% for the three months ended May 30, 2020. For the three months ended May 29, 2021, the effective tax rate reflects the impact of charges for restructuring and transformation initiatives as well as a benefit of \$15.6 million resulting from an adjustment to the estimated net operating loss incurred in fiscal 2020 which will be carried back, under the provisions of the CARES Act, to a year in which the tax rate was 35%. For the three months ended May 30, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a \$43.0 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act, and other discrete tax items.

Potential volatility in the effective tax rate from year to year may occur as we are required each year to determine whether new information changes the assessment of both the probability that a tax position will effectively be sustained and the appropriateness of the amount of recognized benefit.

Net Loss

As a result of the factors described above, net loss for the three months ended May 29, 2021 was \$50.9 million, or \$0.48 per diluted share, compared with net loss of \$302.3 million, or \$2.44 per diluted share for the three months ended May 30, 2020. Net loss for the three months ended May 29, 2021 included an impact of \$0.52 per diluted share associated with restructuring and other transformation initiatives, non-cash impairments, loss of sale of business, loss on debt extinguishment (each as discussed above), as well as the associated tax effects. Net loss for the three months ended May 30, 2020 included an impact of \$0.48 per diluted share associated with non-cash impairments and restructuring and other transformation initiatives (each as discussed above), as well as the associated tax effects.

Liquidity and Capital Resources

We ended the first quarter of fiscal 2021 in a solid cash position, which we anticipate maintaining, to provide us the flexibility to fund our ongoing initiatives and act upon other opportunities that may arise. As of May 29, 2021, we had approximately \$1.1 billion in cash and investment securities, a decrease of approximately \$225.8 million compared with February 27, 2021. We believe that we can continue to finance our operations through existing and internally generated funds for the next twelve months. In addition, if necessary, we have the ability to borrow under our ABL Facility, subject to customary conditions, including no default, the accuracy of representations and warranties, and borrowing base availability. The ABL Facility contains an anti-cash hoarding provision which limits the availability of loans under the credit facility to \$600 million (plus the amount of any incremental first-in-last-out loans) if, after giving effect to any borrowing and the application of proceeds thereof, we have greater than \$100 million in unrestricted cash or cash equivalents in the aggregate as of the date of such borrowing. The ABL Facility matures on June 19, 2023 and provides us with additional liquidity. Our ability to borrow under the ABL Facility is based upon a specified borrowing base consisting of a percentage of our eligible inventory and credit card receivables as defined in the ABL Facility, net of applicable reserves (See “Long Term Debt,” Note 12 to the accompanying consolidated financial statements).

In fiscal 2020, similar to other retailers, we withheld portions of and/or delayed payments to certain of our business partners as we sought to renegotiate payment terms, in order to further maintain liquidity during 2020. In some instances, the renegotiations of lease terms have led to agreements with landlords for rent abatements or rental deferrals. Total payments withheld and/or delayed or deferred as of May 29, 2021 were approximately \$5.5 million and are included in current liabilities. During the three months ended May 29, 2021, we recognized reduced rent expense of \$1.3 million related to rent abatement concessions. Additional negotiations of payment terms are still in process, and there can be no assurance that we will be able to successfully renegotiate payment terms with all such business partners, and the ultimate outcome of these activities including the responses of certain business partners are not yet known. We are also executing on our business transformation program, which is designed to improve our profitability and includes the planned closure of 200 mostly Bed Bath & Beyond stores under our store network optimization program and the introduction of new Owned Brand products in a number of categories.

Capital Expenditures

Capital expenditures for fiscal 2021 are projected to be approximately \$400 million related to digital and omni-channel capabilities, store remodels and investments in technology across a number of areas including supply chain, merchandising, and finance. In addition, we review our alternatives with respect to our capital structure on an ongoing basis. Our liquidity may continue to be negatively impacted by the uncertainty regarding the spread of COVID-19 and the timing of economic recovery.

We continue to review and prioritize our capital needs and remain committed to making the required investments in our infrastructure to help position us for continued growth and success. Key areas of investment include: continuing to improve the presentation and content as well as the functionality, general search and navigation across our customer facing digital channels; improving customer data integration and customer relations management capabilities; continuing to enhance service offerings to our customers; continuing to strengthen and deepen our information technology, analytics, marketing, e-commerce, merchandising and finance capabilities; and creating more flexible fulfillment options designed to improve our delivery capabilities and lower our shipping costs. These and other investments are expected to, among other things, provide a seamless and compelling customer experience across our omnichannel retail platform.

Stock Repurchases

During the three months ended May 29, 2021 and May 30, 2020, we repurchased approximately 5.2 million and 0.5 million shares, respectively, of our common stock, at a total cost of approximately \$138.7 million and \$2.5 million, respectively. In the first quarter of fiscal 2021, this primarily consisted of 4.9 million shares, at a total cost of \$130.4 million, repurchased under our share repurchase programs as authorized by our Board of Directors, and in both periods included shares repurchased related to employee taxes withheld on vested restricted stock, restricted stock unit awards and performance stock unit awards.

Between December 2004 and April 2021, our Board of Directors authorized, through several share repurchase programs, the repurchase of up to \$12.950 billion of our shares of common stock. We also acquire shares of our common stock to cover employee related taxes withheld on vested restricted stock, restricted stock units and performance stock unit awards. Since the initial authorization in December 2004, the aggregate total of common stock repurchased is approximately 239.1 million shares for a total cost of approximately \$11.2 billion. We had approximately \$1.7 billion remaining of authorized share repurchases as of May 29, 2021.

Decisions regarding share repurchases are within the discretion of the Board of Directors, and are influenced by a number of factors, including the price of our common stock, general business and economic conditions, our financial condition and operating results, the emergence of alternative investment or acquisition opportunities, changes in business strategy and other factors. Our share repurchase program could change, and could be influenced by several factors, including business and market conditions, such as the impact of the COVID-19 pandemic on our stock price. We review our alternatives with respect to our capital structure on an ongoing basis. Any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business conditions and other factors, including the restrictions on share repurchases under the secured asset-based revolving credit facility (see "Long Term Debt," Note 12 to the accompanying consolidated financial statements).

In the first quarter of fiscal 2020, we had postponed share repurchases, but lifted this postponement in October 2020. In October 2020, we entered into an accelerated share repurchase agreement with JPMorgan Chase Bank, National Association to repurchase \$225.0 million of our common stock, subject to market conditions, which settled in the fourth quarter of fiscal 2020, resulting in the repurchase of a total of 10.8 million shares. In January 2021, we entered into a second accelerated share repurchase agreement to repurchase an aggregate \$150.0 million of our common stock, subject to market conditions. This resulted in the repurchase of 5.0 million shares in the fourth quarter of fiscal 2020, and an additional 0.2 million shares received upon final settlement in the first quarter of fiscal 2021.

Debt Repurchases

During the three months ended May 29, 2021, we purchased approximately \$7.9 million aggregate principal amount of our outstanding 3.749% senior unsecured notes due August 1, 2024. During the second quarter of fiscal 2020, we paid approximately \$220.9 million to repurchase \$300.0 million aggregate principal amount of our outstanding 4.915% Senior Notes due 2034 and 5.165% Senior Notes due 2044.

Cash Flow

Fiscal 2021 compared to Fiscal 2020

Net cash used in operating activities for the three months ended May 29, 2021 was \$28.7 million, compared with \$394.6 million in the corresponding period in fiscal 2020. The year-over-year change in operating cash flow was primarily due to a reduction in net loss, as well as favorable changes in working capital.

Retail inventory, which includes inventory in our distribution facilities for direct to customer shipments, was approximately \$1.564 billion at May 29, 2021, a decrease of 6.5% compared to retail inventory at February 27, 2021. We continue to focus on our inventory optimization strategies.

Net cash used in investing activities for the three months ended May 29, 2021 was \$103.5 million, compared with net cash provided by investing activities of \$314.6 million in the corresponding period of fiscal 2020. For the three months ended May 29, 2021, net cash used in investing activities included \$73.5 million of capital expenditure and \$30.0 million of purchases of held-to-maturity investment securities. For the three months ended May 30, 2020, net cash provided by investing activities was comprised of \$357.0 million of redemptions of investment securities, partially offset by \$42.4 million of capital expenditures.

Net cash used in financing activities for the three months ended May 29, 2021 was \$147.4 million, compared with net cash provided by financing activities of \$212.7 million in the corresponding period of fiscal 2020. Net cash used in financing activities in the three months ended May 29, 2021 was comprised of repurchases of common stock of \$138.7 million, of which \$130.4 million is related to the Company's share repurchase program, repayments of long-term debt of \$8.2 million, and dividend payments of \$0.6 million.

Seasonality

Our business is subject to seasonal influences. Generally, our sales volumes are higher in the calendar months of August, November and December, and lower in February.

Critical Accounting Policies

See "Critical Accounting Policies" under Item 7 of our Annual Report on Form 10-K for the fiscal year ended February 27, 2021 ("2020 Form 10-K"), filed with the Securities and Exchange Commission ("SEC").

Forward-Looking Statements

This Form 10-Q and Management's Discussion and Analysis of Financial Condition and Results of Operations contain forward-looking statements within the meaning of Section 21 E of the Securities Exchange Act of 1934 including, but not limited to, our progress and anticipated progress towards our long-term objectives, as well as more generally the status of our future liquidity and financial condition and our outlook for our fiscal 2021 second quarter and for our 2021 fiscal year. Many of these forward-looking statements can be identified by use of words such as may, will, expect, anticipate, approximate, estimate, assume, continue, model, project, plan, goal, preliminary, and similar words and phrases, although the absence of those words does not necessarily mean that statements are not forward-looking. Our actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include, without limitation: general economic conditions including the housing market, a challenging overall macroeconomic environment and related changes in the retailing environment; risks associated with the COVID-19 pandemic and the governmental responses to it, including its impacts across our businesses on demand and operations, as well as on the operations of our suppliers and other business partners, and the effectiveness of our actions taken in response to these risks; consumer preferences, spending habits and adoption of new technologies; demographics and other macroeconomic factors that may impact the level of spending for the types of merchandise sold by us; civil disturbances and terrorist acts; unusual weather patterns and natural disasters; competition from existing and potential competitors across all channels; pricing pressures; liquidity; the ability to achieve anticipated cost savings, and to not exceed anticipated costs, associated with organizational changes and investments, including our strategic restructuring program and store network optimization strategies; the ability to attract and retain qualified employees in all areas of the organization; the cost of labor, merchandise and other costs and expenses; potential supply chain disruption due to trade restrictions, and other factors such as natural disasters, pandemics, including the COVID-19 pandemic, political instability, labor disturbances, product recalls, financial or operational instability of suppliers or carriers, and other items; the ability to find suitable locations at acceptable occupancy costs and other terms to support our plans for new stores; the ability to establish and profitably maintain the appropriate mix of digital and physical presence in the markets we serve; the ability to assess and implement technologies in support of our development of our omnichannel capabilities; the ability to effectively and timely adjust our plans in the face of the rapidly changing retail and economic environment, including in response to the COVID-19 pandemic; uncertainty in financial markets; volatility in the price of our common stock and its effect, and the effect of other factors, including the COVID-19 pandemic, on our capital allocation strategy; risks associated with the ability to achieve a successful outcome for our business concepts and to otherwise achieve our business strategies; the impact of intangible asset and other impairments; disruptions to our information technology systems, including but not limited to security breaches of systems protecting consumer and employee information or other types of cybercrimes or cybersecurity attacks; reputational risk arising from challenges to our or a third party product or service supplier's compliance with various laws, regulations or standards, including those related to labor, health, safety, privacy or the environment; reputational risk arising from third-party merchandise or service vendor performance in direct home delivery or assembly of product for customers; changes to statutory, regulatory and legal requirements, including without limitation proposed changes affecting international trade; changes to, or new, tax laws or interpretation of existing tax laws; new, or developments in existing, litigation, claims or assessments; changes to, or new, accounting standards; and foreign currency exchange rate fluctuations. Except as required by law, we do not undertake any obligation to update our forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our exposure to market risk for changes in interest rates relates primarily to our investment securities and the ABL facility. Our market risks at May 29, 2021 are similar to those disclosed in Item 7A of our 2020 Form 10-K.

As of May 29, 2021, our investments include cash and cash equivalents of approximately \$1.1 billion, short-term investment securities of \$30.0 million, and long term investments in auction rate securities of approximately \$19.4 million at weighted average interest rates of 0.01%, 0.03% and 0.10%, respectively. The book value of these investments is representative of their fair values.

Our senior unsecured notes have fixed interest rates and are not subject to interest rate risk. As of May 29, 2021, the fair value of the senior unsecured notes was \$1.1 billion, which is based on quoted prices in active markets, compared to the carrying value of approximately \$1.2 billion.

ITEM 4. CONTROLS AND PROCEDURES

(a) *Disclosure Controls and Procedures*

Our management, with the participation of our Principal Executive Officer and Principal Financial Officer, have reviewed and evaluated the effectiveness of our disclosure controls and procedures (as defined in Exchange Act Rules 240.13a-15(e) and 15d-15(e)) as of May 29, 2021 (the end of the period covered by this quarterly report on Form 10-Q). Based on that evaluation, the Principal Executive Officer and the Principal Financial Officer have concluded that our current disclosure controls and procedures are effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and (ii) accumulated and communicated to our management, including our Principal Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

(b) *Changes in Internal Control over Financial Reporting*

There were no changes in our internal controls over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal controls over financial reporting.

PART II - OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

A putative securities class action was filed on April 14, 2020 against our Company and three of our officers and/or directors (Mark Tritton, Mary Winston (the Company's former Interim Chief Executive Officer) and Robyn D'Elia (the Company's former Chief Financial Officer and Treasurer)) in the United States District Court for the District of New Jersey (the "New Jersey federal court"). The case, which is captioned *Vitiello v. Bed Bath & Beyond Inc., et al.*, Case No. 2:20-cv-04240-MCA-MAH, asserts claims under §§ 10(b) and 20(a) of the Securities Exchange Act of 1934 (the "Exchange Act") on behalf of a putative class of purchasers of our securities from October 2, 2019 through February 11, 2020. The Complaint alleges that certain of our disclosures about financial performance and certain other public statements during the putative class period were materially false or misleading. A similar putative securities class action, asserting the same claims on behalf of the same putative class against the same defendants, was filed on April 30, 2020. That case, captioned *Kirkland v. Bed Bath & Beyond Inc., et al.*, Case No. 1:20-cv-05339-MCA-MAH, is also pending in the United States District Court for the District of New Jersey. On August 14, 2020, the court consolidated the two cases and appointed Kavin Bakhda as lead plaintiff pursuant to the Private Securities Litigation Reform Act of 1995. Lead plaintiff and additional named plaintiff Richard Lipka filed an Amended Class Action Complaint on October 20, 2020, on behalf of a putative class of purchasers of the Company's securities from September 4, 2019 through February 11, 2020. Defendants moved to dismiss the Amended Complaint on December 21, 2020.

On July 10, 2020, the first of three related shareholder derivative actions was filed in the New Jersey federal court on behalf of our Company against various present and former directors and officers. The case, which is captioned *Salu v. Tritton, et al.*, Case No. 2:20-cv-08673-MCA-MAH (D.N.J.), asserts claims under §§ 10(b) and 20(a) of the Exchange Act and for breach of fiduciary duty, unjust enrichment, and waste of corporate assets under state law arising from the events underlying the securities class actions described above and from our repurchases of our own shares during the class period pled in the securities cases. The two other derivative actions, which assert similar claims, are captioned *Grooms v. Tritton, et al.*, Case No. 2:20-cv-09610-SDW-RDW (D.N.J.) (filed July 29, 2020), and *Mantia v. Fleming, et al.*, Case No. 2:20-cv-09763-MCA-MAH (D.N.J.) (filed July 31, 2020). On August 5, 2020, the court signed a stipulation by the parties in the *Salu* case to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms outlined in the stipulation. The parties in all three derivative cases have moved to consolidate them and to apply the *Salu* stay of proceedings to all three actions. The court granted the motion on October 14, 2020.

On August 28, 2020, another related shareholder derivative action, captioned *Schneider v. Tritton, et al.*, Index No. 516051/2020, was filed in the Supreme Court of the State of New York, County of Kings. The claims pled in the *Schneider* case are similar to those pled in the three federal derivative cases, except that the *Schneider* complaint does not plead claims under the Exchange Act. On September 21, 2020, the parties filed a stipulation seeking to stay that action pending disposition of a motion to dismiss in the securities class action, subject to various terms and conditions.

On June 11, 2021, a third related derivative action was filed on behalf of the Company against certain present and former directors and officers. This Complaint is entitled *Michael Anthony v Mark Tritton et. al.*, Index No. 514167/2021 and was filed in the Supreme Court of the State of New York, Kings County. The claims are essentially the same as in the other two derivative actions. The Company is seeking a consensual stay of this case.

At this time, the Company is unable to estimate any potential losses that may be incurred and has not recorded a liability for the above matters.

The District Attorney's office for the County of Ventura, together with District Attorneys for other counties in California (together, the "District Attorneys"), recently concluded an investigation regarding the management and disposal at our stores in California of certain materials that may be deemed hazardous or universal waste under California law. On March 19, 2019, the District Attorneys provided us with a settlement demand that included a proposed civil penalty, reimbursement of investigation costs, and certain injunctive relief, including modifications to our existing compliance program, which already includes associate training, on-going review of disposal rules applicable to various product categories, and specialized third-party disposal. During fiscal 2020, we agreed with the District Attorneys on a settlement payment of approximately \$1.5 million to resolve the matter, which was paid in the fourth quarter of fiscal 2020. We have also agreed to spend \$171,000 over a 36 month period on refinements to our compliance program. Our Company and District Attorneys executed a Stipulated Judgment to this effect, which was recently filed with the court.

While no assurance can be given as to the ultimate outcome of these matters, we do not believe that the final resolution will have a material adverse effect on the Company's consolidated financial position, results or liquidity. We are also a party to various legal proceedings arising in the ordinary course of business, which we do not believe to be material to the Company's consolidated financial position, results of operations or liquidity.

ITEM 1A. RISK FACTORS

In addition to the other information set forth in this Form 10-Q, carefully consider the factors discussed under "Risk Factors" in our 2020 Form 10-K as filed with the Securities and Exchange Commission. Certain factors have also been updated below. These risks could materially adversely affect our business, financial condition and results of operations. These risks are not the only risks we face. Our operations could also be affected by additional factors that are not presently known to us, that apply generally to all sizable businesses or by factors that we currently consider to be immaterial to the business.

We may face challenges in executing our omnichannel strategy and expanding our operations to ecommerce.

During fiscal 2020, we began executing on elements of our new growth strategy, which we comprehensively communicated during our October 2020 Investor Day. Our ability to implement our strategic direction is based on a number of key assumptions regarding the future economic environment and our ability to meet certain ambitions, goals and targets, among other things. If any of these assumptions (including but not limited to our ability to meet certain ambitions, goals and targets) prove inaccurate in whole or in part, our ability to achieve some or all of the expected benefits of this strategy could be limited, including our ability to meet our stated financial objectives and retain key employees. Factors beyond our control, including but not limited to market and economic conditions, execution risk related to the implementation of our strategy and other challenges and risk factors discussed in this annual report, could limit our ability to achieve some or all of the expected benefits of this strategy. If we are unable to implement this strategy successfully in whole or in part or should the components of the strategy that are implemented fail to produce the expected benefits, our business, results of operations, financial condition and financial performance may be materially and adversely affected.

Additionally, an important part of our strategy involves providing customers with a seamless omnichannel shopping experience. Customer expectations about the methods by which they purchase and receive products or services are evolving, including as a result of the COVID-19 pandemic, and they are increasingly using technology to compare and purchase products. Once products are purchased, customers are seeking alternate options for delivery of those products. The coordinated operation of our network of physical stores and online platforms is fundamental to the success of our omnichannel strategy, and our ability to compete and meet customer expectations may suffer if we are unable to provide relevant customer-facing technology and omnichannel experiences. Consequently, our business, results of operations, financial condition and financial performance could be materially adversely affected.

Our strategy also involves the introduction of certain new proprietary Owned Brand merchandise, and the associated removal from our existing product assortment of existing third party merchandise. These proprietary Owned Brands and the associated changes to our product assortment may not be successful in terms of customer acceptance, and/or may not achieve the revenue or margin improvements we anticipate. In addition, maintaining a larger assortment of proprietary Owned Brand products exposes us to additional reputational and regulatory risks, including those related to compliance with product safety and marketing requirements.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Our purchases of our common stock during the first quarter of fiscal 2021 were as follows:

Period	Total Number of Shares Purchased (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly or Announced Plans Programs (2)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (2) (3)
February 28, 2021 - March 27, 2021	522,400	\$ 30.55	522,400	\$ 1,888,079,166
March 28, 2021 - April 24, 2021	2,180,800	\$ 46.83	2,180,800	\$ 1,785,951,537
April 25, 2021 - May 29, 2021	2,733,600	\$ 24.91	2,733,600	\$ 1,717,867,701
Total	5,436,800	\$ 34.24	(1) 5,436,800	\$ 1,717,867,701

⁽¹⁾ The average price paid per share for repurchases, excluding activity related to the accelerated share repurchase program settlement, was \$26.47 for the three months ended May 29, 2021. The average price in the above table is not representative of the actual price paid for share repurchases due to the final settlement of an accelerated share repurchase program in April 2021, as shown below:

	Total Number of Shares Purchased	Average Price Paid per Share
Three Months Ended May 29, 2021:		
Share repurchases in the period (a)	5,236,500	26.47

^(a) Excludes 0.2 million shares delivered to the Company on April 15, 2021 as final settlement of an accelerated share repurchase agreement entered into on January 11, 2021.

⁽²⁾ Between December 2004 and April 2021, our Board of Directors authorized, through several share repurchase programs, the repurchase of \$12.950 billion of our shares of common stock. We have authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. Shares purchased, as indicated in this table, include shares withheld to cover employee related taxes on vested restricted shares, restricted stock units and performance stock unit awards, as well as shares purchased pursuant to accelerated share repurchase agreements. Our share repurchase program could change, and any future share repurchases will be subject to the determination of the Board of Directors, based on an evaluation of our earnings, financial condition and requirements, business and market conditions and other factors, including the restrictions on share repurchases under our secured asset-based revolving credit facility.

⁽³⁾ Excludes brokerage commissions paid by the Company, if any.

ITEM 6. EXHIBITS

The exhibits to this Report are included herein.

Exhibit No.	Exhibit
10.1	Form of Performance Unit Award Agreement (incorporated by reference to Exhibit 10.1 to the Company's 8-K filed on May 14, 2021).
10.2	Form of Restricted Unit Award Agreement (incorporated by reference to Exhibit 10.2 to the Company's 8-K filed on May 14, 2021)
10.3	Bed Bath & Beyond Inc. Amended and Restated Short-Term Incentive Plan (incorporated by reference to Exhibit 10.3 to the Company's 8-K filed on May 14, 2021)
31.1*	Certification of Principal Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Principal Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32*	Certification of Principal Executive Officer and Principal Financial Officer Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	The cover page of Bed Bath & Beyond Inc.'s Quarterly Report on Form 10-Q for the quarter ended May 29, 2021, formatted in Inline XBRL (included within Exhibit 101 attachments)

* Filed herewith.

SIGNATURES

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

BED BATH & BEYOND INC.

(Registrant)

Date: June 30, 2021

By: /s/ Gustavo Arnal

Gustavo Arnal

Chief Financial Officer

CERTIFICATION

I, Mark J. Tritton, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bed Bath & Beyond 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: June 30, 2021

/s/ Mark J. Tritton

Mark J. Tritton

President and Chief Executive Officer

CERTIFICATION

I, Gustavo Arnal, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Bed Bath & Beyond 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: June 30, 2021

/s/ Gustavo Arnal

Gustavo Arnal
Chief Financial Officer

CERTIFICATION

The undersigned, the Principal Executive Officer and Principal Financial Officer of Bed Bath & Beyond Inc. (the "Company"), hereby certify, to the best of their knowledge and belief, that the Form 10-Q of the Company for the quarterly period ended May 29, 2021 (the "Periodic Report") accompanying this certification fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934 (15 U.S.C. 78m or 78o(d)) and that the information contained in the Periodic Report fairly presents, in all material respects, the financial condition and results of operations of the Company. The foregoing certification is provided solely for purposes of complying with the provisions of Section 906 of the Sarbanes - Oxley Act of 2002 and is not intended to be used for any other purposes.

Date: June 30, 2021

/s/ Mark J. Tritton

Mark J. Tritton
President and Chief Executive Officer

/s/ Gustavo Arnal

Gustavo Arnal
Chief Financial Officer