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

FORM 10-Q

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

For the quarterly period ended November 27, 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	11-2250488
(State of incorporation)	(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:

Title of each class	Trading Symbol	Name of each exchange on which registered
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	☒	Accelerated filer	☐
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

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

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:

Class	Outstanding at November 27, 2021
Common Stock - $0.01 par value	96,337,713

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)

	November 27, 2021	February 27, 2021
Assets		
Current assets:		
Cash and cash equivalents	**$ 509,054**	$ 1,352,984
Merchandise inventories	**1,911,859**	1,671,909
Prepaid expenses and other current assets	**526,540**	595,152
Total current assets	**2,947,453**	3,620,045
Long term investment securities	**19,237**	19,545
Property and equipment, net	**923,977**	918,418
Operating lease assets	**1,603,536**	1,587,101
Other assets	**162,435**	311,821
Total assets	**$ 5,656,638**	$ 6,456,930
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	**$ 908,070**	$ 986,045
Accrued expenses and other current liabilities	**649,204**	636,329
Merchandise credit and gift card liabilities	**313,968**	312,486
Current operating lease liabilities	**347,721**	360,061
Total current liabilities	**2,218,963**	2,294,921
Other liabilities	**69,972**	82,279
Operating lease liabilities	**1,532,873**	1,509,767
Income taxes payable	**101,535**	102,664
Long term debt	**1,179,682**	1,190,363
Total liabilities	**5,103,025**	5,179,994
Shareholders' equity:		
Preferred stock - $0.01 par value; authorized - 1,000 shares; no shares issued or outstanding	**—**	—
Common stock - $0.01 par value; authorized - 900,000 shares; issued 344,140 and 343,241, respectively; outstanding 96,338 and 109,621 shares, respectively	**3,441**	3,432
Additional paid-in capital	**2,227,469**	2,152,135
Retained earnings	**9,825,156**	10,225,253
Treasury stock, at cost; 247,802 and 233,620 shares, respectively	**(11,454,757)**	(11,048,284)
Accumulated other comprehensive loss	**(47,696)**	(55,600)
Total shareholders' equity	**553,613**	1,276,936
Total liabilities and shareholders' equity	**$ 5,656,638**	$ 6,456,930

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		Nine Months Ended	
	November 27, 2021	**November 28, 2020**	**November 27, 2021**	**November 28, 2020**
Net sales	**$ 1,877,874**	$ 2,618,472	**$ 5,816,382**	$ 6,613,887
Cost of sales	**1,208,954**	1,661,905	**3,912,699**	4,321,294
Gross profit	**668,920**	956,567	**1,903,683**	2,292,593
Selling, general and administrative expenses	**697,953**	890,740	**2,009,687**	2,461,365
Impairments, including on assets held for sale	**1,759**	57,997	**18,472**	172,434
Restructuring and transformation initiative expenses	**41,219**	16,770	**99,400**	47,648
Loss (gain) on sale of businesses	**14,100**	113,909	**18,221**	(75,619)
Operating loss	**(86,111)**	(122,849)	**(242,097)**	(313,235)
Interest expense, net	**15,772**	17,805	**47,893**	58,347
Loss (gain) on extinguishment of debt	**—**	—	**376**	(77,038)
Loss before provision (benefit) for income taxes	**(101,883)**	(140,654)	**(290,366)**	(294,544)
Provision (benefit) for income taxes	**174,546**	(65,213)	**110,152**	(134,712)
Net loss	**$ (276,429)**	$ (75,441)	**$ (400,518)**	$ (159,832)
Net loss per share - Basic	**$ (2.78)**	$ (0.61)	**$ (3.90)**	$ (1.29)
Net loss per share - Diluted	**$ (2.78)**	$ (0.61)	**$ (3.90)**	$ (1.29)
Weighted average shares outstanding - Basic	**99,591**	122,885	**102,772**	123,576
Weighted average shares outstanding - Diluted	**99,591**	122,885	**102,772**	123,576

See accompanying Notes to Consolidated Financial Statements.

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

	Three Months Ended		Nine Months Ended	
	November 27, 2021	**November 28, 2020**	**November 27, 2021**	**November 28, 2020**
Net loss	**$ (276,429)**	$ (75,441)	**$ (400,518)**	$ (159,832)
Other comprehensive (loss) income:				
Change in temporary impairment of auction rate securities, net of taxes	**(186)**	215	**(226)**	(397)
Pension adjustment, net of taxes	**(1,786)**	(5,183)	**(1,562)**	(5,174)
Reclassification adjustment on settlement of pension plan, net of taxes	**9,938**	—	**9,938**	—
Currency translation adjustment	**(2,383)**	2,332	**(246)**	5,745
Other comprehensive income (loss)	**5,583**	(2,636)	**7,904**	174
Comprehensive loss	**$ (270,846)**	$ (78,077)	**$ (392,614)**	$ (159,658)

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(in thousands, unaudited)

	Three Months Ended November 27, 2021							
	Common Stock		Additional Paid-in Capital	Retained Earnings	Treasury Stock		Accumulated Other Comprehensive Loss	Total
	Shares	Amount			Shares	Amount		
Balance at August 28, 2021	343,596	$ 3,436	$ 2,218,400	$ 10,101,522	(242,536)	$ (11,335,845)	$ (53,279)	$ 934,234
Net loss	—	—	—	(276,429)	—	—	—	(276,429)
Other comprehensive income, net of tax	—	—	—	—	—	—	5,583	5,583
Dividends forfeited	—	—	—	63	—	—	—	63
Issuance of restricted shares, net	270	2	(2)	—	—	—	—	—
Payment and vesting of performance stock units	274	3	(3)	—	—	—	—	—
Stock-based compensation expense, net	—	—	9,074	—	—	—	—	9,074
Accelerated share repurchase program	—	—	—		—	—	—	—
Director fees paid in stock	—	—	—	—	—	—	—	—
Repurchase of common stock, including fees	—	—	—	—	(5,266)	(118,912)	—	(118,912)
Balance at November 27, 2021	**344,140**	**$ 3,441**	**$ 2,227,469**	**$ 9,825,156**	**(247,802)**	**$ (11,454,757)**	**$ (47,696)**	**$ 553,613**

	Nine Months Ended November 27, 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	—	—	—	(400,518)	—	—	—	(400,518)
Other comprehensive income, net of tax	—	—	—	—	—	—	7,904	7,904
Dividends forfeited	—	—	—	421	—	—	—	421
Issuance of restricted shares, net	618	6	(6)	—	—	—	—	—
Payment and vesting of performance stock units	274	3	(3)	—	—	—	—	—
Stock-based compensation expense, net	—	—	27,655	—	—	—	—	27,655
Accelerated share repurchase program	—	—	47,550	—	(200)	(47,550)	—	—
Director fees paid in stock	7	—	138	—	—	—	—	138
Repurchase of common stock, including fees	—	—	—	—	(13,982)	(358,923)	—	(358,923)
Balance at November 27, 2021	**344,140**	**$ 3,441**	**$ 2,227,469**	**$ 9,825,156**	**(247,802)**	**$ (11,454,757)**	**$ (47,696)**	**$ 553,613**

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Shareholders' Equity
(in thousands, unaudited)

	Three Months Ended November 28, 2020							
	Common Stock				Treasury Stock			
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Loss	Total
Balance at August 29, 2020	343,676	$ 3,436	$ 2,183,564	$ 10,290,896	(217,668)	$ (10,718,789)	$ (62,099)	$ 1,697,008
Net loss	—	—	—	(75,441)	—	—	—	(75,441)
Other comprehensive loss, net of tax	—	—	—	—	—	—	(2,636)	(2,636)
Dividends forfeited	—	—	—	288	—	—	—	288
Forfeiture of restricted shares, net	(192)	(2)	2	—	—	—	—	—
Payment and vesting of performance stock units	—	—	—	—	—	—	—	—
Stock-based compensation expense, net	—	—	7,407	—	—	—	—	7,407
Accelerated share repurchase program	—	—	(132,615)	—	(4,500)	(92,385)	—	(225,000)
Director fees paid in stock	—	—	—	—	—	—	—	—
Repurchase of common stock, including fees	—	—	—	—	(101)	(1,667)	—	(1,667)
Balance at November 28, 2020	**343,484**	**$ 3,434**	**$ 2,058,358**	**$ 10,215,743**	**(222,269)**	**$ (10,812,841)**	**$ (64,735)**	**$ 1,399,959**

	Nine Months Ended November 28, 2020							
	Common Stock				Treasury Stock			
	Shares	Amount	Additional Paid-in Capital	Retained Earnings	Shares	Amount	Accumulated Other Comprehensive Loss	Total
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	—	—	—	(159,832)	—	—	—	(159,832)
Other comprehensive income, net of tax	—	—	—	—	—	—	174	174
Dividends forfeited	—	—	—	749	—	—	—	749
Forfeiture of restricted shares, net	(542)	(6)	6	—	—	—	—	—
Payment and vesting of performance stock units	343	4	(4)	—	—	—	—	—
Stock-based compensation expense, net	—	—	23,634	—	—	—	—	23,634
Accelerated share repurchase program	—	—	(132,615)	—	(4,500)	(92,385)	—	(225,000)
Director fees paid in stock	—	—	—	—	—	—	—	—
Repurchase of common stock, including fees	—	—	—	—	(614)	(4,701)	—	(4,701)
Balance at November 28, 2020	**343,484**	**$ 3,434**	**$ 2,058,358**	**$ 10,215,743**	**(222,269)**	**$ (10,812,841)**	**$ (64,735)**	**$ 1,399,959**

See accompanying Notes to Consolidated Financial Statements.

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

	Nine Months Ended	
	November 27, 2021	**November 28, 2020**
Cash Flows from Operating Activities:		
Net loss	**$ (400,518)**	$ (159,832)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:		
Depreciation and amortization	**214,742**	262,584
Impairments, including on assets held for sale	**18,472**	172,434
Stock-based compensation	**26,875**	23,064
Deferred income taxes	**126,437**	(43,354)
Loss (gain) on sale of businesses	**18,221**	(75,619)
Loss (gain) on debt extinguishment	**376**	(77,038)
Other	**(7,516)**	128
Decrease (increase) in assets:		
Merchandise inventories	**(240,522)**	(91,235)
Other current assets	**60,582**	(1,680)
Other assets	**(82)**	323
Increase (decrease) in liabilities:		
Accounts payable	**(72,408)**	97,713
Accrued expenses and other current liabilities	**20,385**	97,755
Merchandise credit and gift card liabilities	**1,551**	(21,199)
Income taxes payable	**(1,160)**	(8,876)
Operating lease assets and liabilities, net	**(16,707)**	10,808
Other liabilities	**(13,468)**	6,426
Net cash (used in) provided by operating activities	**(264,740)**	192,402
Cash Flows from Investing Activities:		
Purchases of held-to-maturity investment securities	**(29,997)**	—
Redemption of held-to-maturity investment securities	**30,000**	386,500
Net proceeds from sale of business	**—**	482,709
Net proceeds from sale of property	**5,000**	—
Capital expenditures	**(232,470)**	(117,316)
Net cash (used in) provided by investing activities	**(227,467)**	751,893
Cash Flows from Financing Activities:		
Borrowing of long-term debt	**—**	236,400
Repayments of long-term debt	**(11,355)**	(457,827)
Prepayment under share repurchase agreement	**—**	(132,615)
Repurchase of common stock, including fees	**(358,923)**	(97,086)
Payment of dividends	**(767)**	(23,063)
Payment of deferred financing fees	**(3,443)**	(7,690)
Net cash used in financing activities	**(374,488)**	(481,881)
Effect of exchange rate changes on cash, cash equivalents and restricted cash	**(88)**	3,328
Net (decrease) increase in cash, cash equivalents and restricted cash	**(866,783)**	465,742
Change in cash balances classified as held-for-sale	**—**	4,815
Net (decrease) increase in cash, cash equivalents and restricted cash	**(866,783)**	470,557
Cash, cash equivalents and restricted cash:		
Beginning of period	**1,407,224**	1,023,650
End of period	**$ 540,441**	$ 1,494,207

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 November 27, 2021 and February 27, 2021 and the results of its operations, shareholders' equity, and comprehensive (loss) income for the three and nine months ended November 27, 2021 and November 28, 2020 and its cash flows for the nine months ended November 27, 2021 and November 28, 2020.

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 and nine months ended November 27, 2021 and November 28, 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. During portions of fiscal 2021, a limited number of stores in Canada either closed temporarily or continued to operate under restrictions in compliance with local governmental orders. As of November 27, 2021, all of the Company's stores were operating without restriction subject to compliance with mask and vaccine requirements.

In the first half of fiscal 2020, 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 also withheld portions of and/or delayed payments to certain of its 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 both November 27, 2021 and February 27, 2021, the Company has deferred $3.1 million of employer payroll taxes, of which approximately 50% was deposited during December 2021 with the remaining 50% required to be deposited by December 2022. During the three and nine months ended November 27, 2021, under the CARES Act, the Company recorded income tax benefits of $2.4 million and $18.6 million, respectively, as a result of the fiscal 2020 and fiscal 2019 net operating losses that were carried back to prior years during which the federal tax rate was 35%. During the three and nine months ended November 28, 2020, under the CARES Act, the Company recorded income tax benefits of $0.7 million and $43.7 million, respectively.

In addition, during the three and nine months ended November 27, 2021, the Company recorded credits of approximately $0.8 million and $3.7 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. During three and nine months ended November 28, 2020, the Company recorded credits of approximately $1.0 million and $28.3 million, respectively.

The COVID-19 pandemic materially adversely impacted the Company's results of operations and cash flows for the three and nine months ended November 28, 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 II, Item 1A of this Form 10-Q and 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 nine months ended November 27, 2021 and November 28, 2020, the Company recognized net sales for gift card and merchandise credit redemptions of approximately $60.5 million and $79.4 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 November 27, 2021 and February 27, 2021, the Company recorded a liability for estimated returns of $32.0 million and $36.2 million, respectively, in accrued expenses and other current liabilities, and the corresponding right of return asset for merchandise of $19.6 million and $23.4 million, respectively, in 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 37.6% and 62.4% of net sales, respectively, for the three months ended November 27, 2021, and approximately 35.7% and 64.3% of net sales, respectively, for the three months ended November 28, 2020. Sales of domestics merchandise and home furnishings accounted for approximately 38.4% and 61.6% of net sales, respectively, for the nine months ended November 27, 2021, and approximately 35.4% and 64.6% of net sales, respectively, for the nine months ended November 28, 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 November 27, 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 November 27, 2021 and February 27, 2021, the fair value of the Company's long term debt was approximately $1.097 billion and $1.118 billion, respectively, which is based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation), compared with the carrying value of approximately $1.184 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 $138.9 million and $64.0 million as of November 27, 2021 and February 27, 2021, respectively.

There was no short-term restricted cash as of November 27, 2021. Short-term restricted cash of $5.0 million, as of February 27, 2021, is included in prepaid expenses and other current assets on the consolidated balance sheet. Long-term restricted cash of $31.4 million and $49.2 million, respectively, as of November 27, 2021 and February 27, 2021, respectively, is included in other long-term assets on the consolidated balance sheet.

6) INVESTMENT SECURITIES

The Company’s investment securities as of November 27, 2021 and February 27, 2021 are as follows:

(in millions)	November 27, 2021	February 27, 2021
Available-for-sale securities:		
Long term	**$ 19.1**	$ 19.4
Held-to-maturity securities:		
Short term	**—**	—
Total investment securities	**$ 19.1**	$ 19.4

Auction Rate Securities

As of November 27, 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 $1.1 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 November 27, 2021 and February 27, 2021, the Company had no 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 based on quoted prices in active markets for identical instruments (i.e., Level 1 valuation).

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 and nine months ended November 27, 2021, the Company recorded $1.6 million and $15.6 million, respectively, of non-cash pre-tax impairment charges in impairments in its consolidated statement of operations for certain store-level assets, including leasehold improvements and operating lease assets. For the three and nine months ended November 28, 2020, the Company recorded $1.6 million and $84.0 million, respectively, of non-cash pre-tax impairment charges in impairments, including on assets held for sale, 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 November 27, 2021 and February 27, 2021, included in property and equipment, net is accumulated depreciation of approximately $1.8 billion and $1.7 billion, respectively.

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 and nine months ended November 27, 2021 and November 28, 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 to 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.

The Company regularly negotiates lease terms with landlords, including in connection with its transformation initiatives. Beginning in the first quarter of 2020, in order to maintain liquidity given temporary store closures as a result of the COVID-19 pandemic (See "Impact of the COVID-19 Pandemic," Note 2), the Company withheld portions of and/or delayed or deferred payments to certain landlords, including in connection with renegotiations of lease terms. In some instances, the renegotiations led to agreements with landlords for rent abatements or rental deferrals. In fiscal 2021, the Company has continued to withhold payments to certain landlords in connection with certain negotiations of payment terms. Total payments withheld and/or delayed or deferred as of November 27, 2021 and February 27, 2021 were approximately $3.0 million and $9.6 million, respectively, and are included in current liabilities.

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 and nine months ended November 27, 2021, the Company recognized reduced rent expense of $0.3 million and $2.6 million, respectively, related to rent abatement concessions. The Company recognized $3.4 million and $7.8 million, respectively, of reduced rent expense during each of the three and nine months ended November 28, 2020.

The components of total lease cost for the three and nine months ended November 27, 2021 and November 28, 2020, were as follows:

		Three Months Ended		Nine Months Ended	
(in thousands)	**Statement of Operations Location**	**November 27, 2021**	**November 28, 2020**	**November 27, 2021**	**November 28, 2020**
Operating lease cost	Cost of sales and SG&A	$ 105,230	$ 152,402	$ 332,952	$ 442,120
Finance lease cost:					
Depreciation of property	SG&A	—	642	—	1,938
Interest on lease liabilities	Interest expense, net	—	2,234	—	6,692
Variable lease cost	Cost of sales and SG&A	40,753	50,060	112,270	149,755
Sublease income	SG&A	(9,929)	(1,852)	(34,735)	(2,408)
Total lease cost		$ 136,054	$ 203,486	$ 410,487	$ 598,097

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

(in thousands)	**Consolidated Balance Sheet Location**	**November 27, 2021**	**February 27, 2021**
Assets			
Operating leases	Operating lease assets	$ 1,603,536	$ 1,587,101
Total lease assets		$ 1,603,536	$ 1,587,101
Liabilities			
Current:			
Operating leases	Current operating lease liabilities	$ 347,721	$ 360,061
Noncurrent:			
Operating leases	Operating lease liabilities	1,532,873	1,509,767
Total lease liabilities		$ 1,880,594	$ 1,869,828

As of November 27, 2021, the Company's lease liabilities mature as follows:

(in thousands)	Operating Leases
Fiscal Year:	
Remainder of 2021	$ 108,467
2022	440,898
2023	377,833
2024	323,075
2025	261,771
2026	191,406
Thereafter	598,862
Total lease payments	$ 2,302,312
Less imputed interest	(421,718)
Present value of lease liabilities	$ 1,880,594

At November 27, 2021, the Company has entered into one lease, which has not yet commenced, for a regional distribution center planned to open in fiscal 2022. The aggregate minimum rental payments over the term of the lease of approximately $107.2 million are not included in the above table.

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

	November 27, 2021	February 27, 2021
Weighted-average remaining lease term (in years)		
Operating leases	6.9	6.8
Weighted-average discount rate		
Operating leases	6.0 %	6.4 %

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

	Nine Months Ended	
(in thousands)	November 27, 2021	November 28, 2020
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows for operating leases	$ 340,314	431,679
Operating cash flows for finance leases	—	7,875
Operating lease assets obtained in exchange for new operating lease liabilities	293,824	236,222

10) INCOME TAXES

The effective income tax rate for the three months ended November 27, 2021 was (171.3)% compared with 46.4% for the three months ended November 28, 2020. The effective income tax rate for the three months ended November 27, 2021 reflects the impact of a charge to record a valuation allowance in the fiscal third quarter of $181.5 million, discussed below, as well as a benefit of $2.4 million resulting from an adjustment to the estimated net operating loss incurred in fiscal 2020 which was carried back, under the provisions of the CARES Act, to a year in which the tax rate was 35%. For the three months ended November 28, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a $0.7 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act and other discrete tax items.

The effective income tax rate for the nine months ended November 27, 2021 was (37.9)% compared with 45.7% for the nine months ended November 28, 2020. The effective income tax rate for the nine months ended November 27, 2021 reflects the impact of a charge to record a valuation allowance in the fiscal third quarter of $181.5 million, discussed below, as well as a benefit of $18.6 million resulting from an adjustment to the estimated net operating loss incurred in fiscal 2020 which was carried back, under the provisions of the CARES Act, to a year in which the tax rate was 35%. For the nine months ended November 28, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a $43.7 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act and other discrete tax items.

In assessing the recoverability of its deferred tax assets, the Company evaluates the available objective positive and negative evidence to estimate whether it is more likely than not that sufficient future taxable income will be generated to permit use of existing deferred tax assets in each taxpaying jurisdiction. For any deferred tax asset in excess of the amount for which it is more likely than not that the Company will realize a benefit, the Company establishes a valuation allowance. A valuation allowance is a non-cash charge, and does not limit the Company's ability to utilize its deferred tax assets, including its ability to utilize tax loss and credit carryforward amounts, against future taxable income.

During the three months ended November 27, 2021, the Company concluded that, based on its evaluation of available objective positive and negative evidence, it is no longer more likely than not that its net U.S. federal and state deferred tax assets are recoverable. In assessing the realizability of deferred tax assets, the key assumptions used to determine positive and negative evidence included the Company’s cumulative taxable loss for the past three years, current trends related to actual taxable earnings or losses, and expected future reversals of existing taxable temporary differences, as well as timing and cost of the Company's transformation initiatives and their expected associated benefits. Accordingly, the Company recorded a charge of $181.5 million in the third fiscal quarter of 2021 as a reserve against its net U.S. federal and state deferred tax assets. As of November 27, 2021 and February 27, 2021, the total valuation allowance relative to U.S. federal and state deferred tax assets was $192.0 million and $10.5 million, respectively.

As of November 27, 2021 and February 27, 2021, the Company had also recorded a valuation allowance of $15.5 million relative to the Company's Canadian net deferred tax asset, as the Company did not believe the deferred tax assets in that jurisdiction were more likely than not to be realized.

The amount of the deferred tax assets considered realizable, and the associated valuation allowance, could be adjusted in a future period if estimates of future taxable income change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

During the three and nine months ended November 27, 2021, the change in the gross amount of unrecognized tax benefits and accrued interest and penalties was not significant.

As of November 27, 2021, the Company operated in all 50 states, the District of Columbia, Puerto Rico, Canada and Mexico 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 2014. The Company is open to examination for state, foreign and local jurisdictions with varying statutes of limitations, generally ranging from 3 to 9 years.

11) INDEFINITE LIVED INTANGIBLE ASSETS

Included in other assets in the accompanying consolidated balance sheets as of November 27, 2021 and February 27, 2021, respectively, are $19.1 million and $22.0 million for indefinite lived tradenames and trademarks.

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. During the three and nine months ended November 27, 2021, 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 $0.2 million and $2.9 million, respectively, in impairments, including on assets held for sale, in its consolidated statements of operations. During the three and nine months ended November 28, 2020, the Company recorded tradename impairment charges of $2.4 million and $35.1 million, respectively, in impairments, including on assets held for sale, in its consolidated statements of operations. As of November 27, 2021, for the remaining indefinite lived intangible 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.

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 November 27, 2021.

The Company did not purchase any of its outstanding unsecured notes during the three months ended November 27, 2021. During the nine months ended November 27, 2021, the Company purchased approximately $11.0 million aggregate principal amount of its outstanding 3.749% senior unsecured notes due August 1, 2024. The total consideration paid for the notes accepted for purchase of $11.4 million during the nine months ended November 27, 2021 included accrued and unpaid interest up to, but not including, the early settlement date. The Company recorded a loss on extinguishment of debt of $0.4 million in its consolidated statement of operations for the nine months ended November 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.

During the second quarter of fiscal 2020, the Company purchased $75.0 million aggregate principal amount of its outstanding 4.915% senior unsecured notes due 2034 and approximately $225.0 million aggregate principal amount of its outstanding 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 nine months ended November 28, 2020, 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 November 27, 2021 and February 27, 2021, unamortized deferred financing costs associated with the Company’s Notes were $4.7 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 August 9, 2021, the Company amended its asset-based credit agreement (the “Amended 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 $850.0 million which was due to mature on June 19, 2023.

The Amended Credit Agreement provides for an asset-based revolving credit facility (the “ABL Facility”) with aggregate revolving commitments established at closing of $1.0 billion, including a swingline subfacility and a letter of credit subfacility. The Amended Credit Agreement has an uncommitted expansion feature which allows the borrowers 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 Amended Credit Agreement matures on August 9, 2026.

As of November 27, 2021, the Company had no loans outstanding under the ABL Facility, but had outstanding letters of credit of $92.2 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 Amended 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.

Outstanding amounts under the Amended 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, such loans shall be comprised entirely of Alternate Base Rate ("ABR") loans and London Inter-Bank Offered ("LIBO") Rate loans and (ii) in the case of loans denominated in Canadian dollars, such loans shall be comprised entirely of Canadian Prime Rate loans and Canadian Dollar Offered Rate ("CDOR") loans, in each case as set forth in the Amended Credit Agreement, plus an interest rate margin based on average quarterly availability ranging from (i) in the case of ABR loans and Canadian Prime Rate loans, 0.25% to 0.75%; provided that if ABR or the Canadian Prime Rate is less than 1.00%, such rate shall be deemed to be 1.00%, as applicable, and (ii) in the case of LIBO Rate loans and CDOR Loans, 1.25% to 1.75%; provided that if the LIBO Rate is less than 0.00%, such rate shall be deemed to be 0.00%, as applicable.

The Amended 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, and restrictions on indebtedness, liens, investments and acquisitions, asset dispositions, restricted payments and prepayment of certain indebtedness. The Company was in compliance with all covenants related to the Amended Credit Agreement as of November 27, 2021.

As of November 27, 2021 and February 27, 2021, deferred financing costs associated with the Company's ABL Facility were $7.9 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 $16.1 million and $15.9 million, respectively, for the three months ended November 27, 2021 and November 28, 2020 and $49.0 million and $55.8 million, respectively, for the nine months ended November 27, 2021 and November 28, 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 247.8 million shares for a total cost of approximately $11.5 billion. The Company had approximately $1.5 billion remaining of authorized share repurchases as of November 27, 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 ABL Facility (See “Long Term Debt,” Note 12).

In connection with its share repurchase program, during the three and nine months ended November 27, 2021, the Company repurchased approximately 5.1 million and 13.4 million shares, respectively, of its common stock, at a total cost of approximately $113.4 million and $344.6 million, respectively, including fees. Additionally, during the three and nine months ended November 27, 2021, the Company repurchased approximately 0.2 million and 0.6 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 $5.5 million and $14.3 million, respectively.

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 and nine months ended November 28, 2020, the Company also repurchased approximately 0.1 million and 0.6 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 $1.7 million and $4.7 million, respectively.

During fiscal 2016, the Company’s Board of Directors authorized a quarterly dividend program. In March 2020, the Company suspended its future quarterly declarations of cash dividends as a result of the COVID-19 pandemic. During the three and nine months ended November 27, 2021, total cash dividends of $0.1 million and $0.8 million (consisting of dividends paid on restricted shares that vested in fiscal 2021), respectively, were paid. During the three and nine months ended November 28, 2020, total cash dividends of $0.1 million and $23.1 million, respectively, were paid. 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 Amended 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 and nine months ended November 27, 2021 was approximately $8.9 million and $26.9 million, respectively. Stock-based compensation expense for the three and nine months ended November 28, 2020 was approximately $7.2 million and $23.1 million, respectively. In addition, the amount of stock-based compensation cost capitalized for the three and nine months ended November 27, 2021 was approximately $0.2 million and $0.8 million, respectively. Stock-based compensation cost capitalized for the three and nine months ended November 28, 2020 was approximately $0.3 million and $0.6 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 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. 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 November 27, 2021, unrecognized compensation expense related to the unvested portion of the Company’s restricted stock awards was $11.4 million, which is expected to be recognized over a weighted average period of 2.3 years.

Changes in the Company’s restricted stock for the nine months ended November 27, 2021 were as follows:

(Shares in thousands)	**Number of Restricted Shares**	**Weighted Average Grant-Date Fair Value**
Unvested restricted stock awards, beginning of period	935	$ 34.34
Granted	47	29.58
Vested	(269)	41.02
Forfeited	(164)	29.66
Unvested restricted stock awards, end of period	549	$ 31.99

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 November 27, 2021, unrecognized compensation expense related to the unvested portion of the Company’s RSUs was $33.7 million, which is expected to be recognized over a weighted average period of 2.1 years.

Changes in the Company's RSUs for the nine months ended November 27, 2021 were as follows:

(Shares in thousands)	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	2,270	$ 14.04
Granted	1,026	25.59
Vested	(391)	16.58
Forfeited	(306)	21.85
Unvested restricted stock units, end of period	2,599	$ 17.30

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 November 27, 2021, there was $18.1 million of unrecognized compensation expense associated with these awards, which is expected to be recognized over a weighted average period of 2.3 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 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	Nine Months Ended November 27, 2021
Risk Free Interest Rate	0.29 %
Expected Dividend Yield	— %
Expected Volatility	52.21 %
Expected Term	3 years

Changes in the Company’s PSUs for the nine months ended November 27, 2021 were as follows:

(Shares in thousands)	Number of Performance Stock Units	Weighted Average Grant-Date Fair Value
Unvested performance stock units, beginning of period	1,475	$ 14.36
Granted	635	29.00
Vested	(17)	12.38
Forfeited or performance condition adjustments	(783)	17.44
Unvested performance stock units, end of period	1,310	$ 19.64

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 nine months ended November 27, 2021 were as follows:

(Shares in thousands)	Number of Restricted Stock Units	Weighted Average Grant-Date Fair Value
Unvested restricted stock units, beginning of period	949	$ 7.36
Granted	—	—
Vested	(512)	8.43
Forfeited	—	—
Unvested restricted stock units, end of period	437	$ 6.09

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 vested over two years, 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. Vesting of the PSUs was also subject, in general, to the President and CEO remaining in the Company’s service through the vesting date of November 4, 2021. On November 2, 2021, the Compensation Committee of the Board of Directors determined that the performance goals established for the awards had been met, and the awards vested in full.

Other than with respect to the vesting terms described above for the inducement awards to the Company's President and Chief Executive Officer, inducement awards are generally subject to substantially the same terms and conditions as awards that are made under the 2018 Plan. As of November 27, 2021, unrecognized compensation expense related to the unvested portion of the Company's inducement awards was $1.9 million and is expected to be recognized over a weighted average period of 1.5 years. 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 and nine months ended November 27, 2021 of approximately 2.9 million and 2.9 million shares, respectively, and for the three and nine months ended November 28, 2020 of approximately 1.3 million and 2.3 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 $4.0 million and $5.1 million in the first nine months of fiscal 2021 and 2020, respectively. In addition, the Company made interest payments of approximately $34.5 million and $44.4 million in the first nine months of fiscal 2021 and 2020, respectively.

The Company recorded an accrual for capital expenditures of $39.1 million and $16.2 million as of November 27, 2021 and November 28, 2020, respectively. The Company's accrual for dividends payable was $0.9 million and $2.6 million, respectively, as of November 27, 2021 and November 28, 2020.

17) RESTRUCTURING AND TRANSFORMATION INITIATIVE EXPENSES

Fiscal 2021 Restructuring and Transformation Initiative Expenses

The Company recorded $47.3 million and $226.5 million in its consolidated statements of operations for the three and nine months ended November 27, 2021 for costs associated with restructuring and other transformation initiatives, of which approximately $6.1 million and $127.1 million is included in cost of sales and approximately $41.2 million and $99.4 million is included in restructuring and transformation initiative expenses in the consolidated statements of operations. These charges were comprised of, and classified in the Company's consolidated statement of operations, as follows:

Cost of Sales

- $6.1 million and $127.1 million for the three and nine months ended November 27, 2021, respectively, related to the Company's initiatives to introduce certain new proprietary Owned Brand merchandise and, to a lesser extent, to redefine certain existing proprietary Owned Brands and to rationalize product assortment across the Bed Bath & Beyond banner store base. The costs incurred in connection with these activities included higher markdowns on inventory sold in the three and nine month periods of fiscal 2021, as well as an adjustment to reduce to its estimated realizable value inventory on hand as of November 27, 2021 that will be removed from the product assortment as part of these initiatives.

Restructuring and Transformation Initiative Expenses

- *Store Closures*. During the three and nine months ended November 27, 2021, the Company had store closing activities for 5 and 26 Bed Bath & Beyond stores, respectively, as part of its store network optimization program which commenced in fiscal 2020 and includes the planned closure of approximately 200 mostly Bed Bath & Beyond stores by the end of fiscal 2021, which includes the 144 stores closed in fiscal 2020. As of November 27, 2021, the Company had closed a total of 170 stores under this program, including the 26 store closures in the first nine months of 2021. For the three and nine months ended November 27, 2021, the Company recorded costs associated with planned store closures for which the store closing process has commenced of approximately $6.9 million and $28.3 million, respectively, 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*. During the three and nine months ended November 27, 2021, the Company recorded costs of $34.3 million and $71.1 million, respectively, which include costs recorded in connection with termination of facility leases, including in connection with the store network optimization program described above, as well as costs associated with 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 & 2019 Restructuring Expenses

Additionally, in fiscal 2020 and fiscal 2019, the Company recorded $149.3 million and $102.5 million, respectively, primarily for severance and related costs in conjunction with its transformation initiatives and extensive leadership changes, in selling, general and administrative expenses in its consolidated statement of operations.

As of November 27, 2021, the remaining accrual for severance and related costs related to these various initiatives from fiscal 2020 and 2019 was $13.6 million.

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. As of November 27, 2021, the Company did not have any businesses classified as held for sale. As of November 28, 2020, certain assets and liabilities related to Cost Plus World Market were classified as held for sale on the Company's consolidated balance sheet.

Divestitures

Cost Plus World Market. 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 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. The $72.0 million loss on sale includes an impairment 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, recorded in impairments, including on assets held for sale.

Christmas Tree Shops. 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.

Upon the divestiture of CTS, the Company retained liability for a non-contributory defined benefit pension plan for CTS employees hired on or before July 31, 2003, who met specified age and length-of-service requirements. During the three months ended November 27, 2021, the Company received final approval to terminate the plan, upon which the Company contributed $5.1 million to the plan. Using plan assets, the Company purchased a non-participating group annuity contract for certain participants and made lump sum distributions to all remaining participants. Net periodic pension cost included in the consolidated statement of operations includes the pre-tax release of $13.5 million from other comprehensive income in connection with the settlement of the plan, which is recorded within loss on sale of businesses. The remaining net periodic pension cost recorded during the three and nine months ended November 27, 2021 was not material to the Company's results of operations.

Linen Holdings. 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.

PersonalizationMall.com. On February 14, 2020, the Company entered into a definitive agreement to sell PersonalizationMall.com ("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.

In connection with the sale of PMall, the Company agreed to indemnify 1-800-FLOWERS.COM for certain litigation matters then existing at the time of the close of the transaction, including certain matters for which the Company is entitled to indemnification from the former owner of PMall in connection with the Company's purchase of PMall in fiscal 2016. (See Note 19, "Commitments and Contingencies" for additional information.)

One Kings Lane. On April 13, 2020, the Company completed the sale of One Kings Lane ("OKL"). Proceeds from the sale were not material.

During the three and nine months ended November 27, 2021, the Company recognized approximately $14.1 million and $18.2 million of loss on the sale of businesses, respectively, primarily associated with the fiscal 2021 settlement of the CTS pension plan as described above and 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 (as consolidated, the "Securities Class Action"). 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.

After a mediation held in August 2021, a settlement in principle was reached between the Company and lead plaintiff in the Securities Class Action. The settlement remains subject to formal documentation and must be approved by the New Jersey federal court. If the settlement is approved, all claims in the Securities Class Action will be fully resolved and the matter will be dismissed.

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, which has been subsequently lifted. On January 4, 2022, the Defendants filed a motion to dismiss this case.

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 has obtained a consensual stay of this case.

The derivative cases were not included in the August 2021 settlement referred to above, and the stay related to those matters has been lifted.

The Company has recorded a liability for the Securities Class Action, based on the agreed settlement amount and insurance coverage available. At this time, the Company is unable to estimate any potential losses that may be incurred for the derivative cases and has not recorded a liability for those matters.

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.

In connection with the sale of PMall (see Note 18, "Assets held for Sale and Divestitures"), the Company agreed to indemnify 1-800-FLOWERS.COM for certain litigation matters then existing at the time of the close of the transaction, including certain matters for which the Company is entitled to indemnification from the former owner of PMall in connection with the Company's purchase of PMall in fiscal 2016. In the third quarter of fiscal 2021, the Company recorded a liability for one such matter and a corresponding asset based on the Company's assessment of the ability to recover the expected loss under the indemnification provided at the time of its purchase of PMall.

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" or the "group") is an omni-channel 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, 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 the operations of the group 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 (Bed Bath & Beyond, buybuy BABY, Harmon and Decorist) in an enterprise-wide plan to accelerate our omni-channel 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 omni-channel retailer with a more curated, inspirational and differentiated product collection across categories, and creating a more convenient and inspirational shopping experience.

In March 2021, we announced our plan to introduce at least eight new Owned Brands during fiscal year 2021. During the first three quarters of fiscal 2021 the following eight Owned Brands were launched:

First Quarter	Second Quarter	Third Quarter
Nestwell™	Our Table™	Studio 3B™
Haven™	Wild Sage™	H For Happy™
Simply Essential™	Squared Away™	

The assortment for these Owned Brands includes thousands of new products across our key Destination Categories of Bed, Bath, Kitchen Food Prep, Home Organization, and Indoor Decor. We also continue to redefine certain of our existing proprietary Owned Brands, such as Bee & Willow™ and Marmalade™, including new brand imagery and packaging as well as refined product assortment and presentation.

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 program which includes the planned closure of approximately 200 mostly Bed Bath & Beyond stores by the end of fiscal 2021, including the 144 stores closed in fiscal 2020. During the three months ended November 27, 2021, we closed 5 stores (bringing the total store closures to 170 since the program's inception) and expect to close an additional 35 Bed Bath & Beyond stores by the end of fiscal 2021 (not including the 26 stores closed in the first nine months 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 and nine months ended November 27, 2021, we recorded total expense of $47.3 million and $226.5 million, respectively, including $6.1 million and $127.1 million, respectively, in cost of sales associated with the transition of our product assortment to Owned Brands and, to a lesser extent, to redefine certain existing proprietary Owned Brands, as well as $41.2 million and $99.4 million, respectively, in 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 additional Owned Brand introductions and further store closures, and will provide such estimates as they become available.

Additionally, as part of these efforts, we completed the divestitures of the following banners:

- In December 2020, we entered into a definitive agreement to sell Cost Plus World Market to Kingswood Capital Management, a Los Angeles-based private equity firm.

- In October 2020, we entered into definitive agreements to sell Christmas Tree Shops ("CTS") to Handil Holdings LLC.

- In October 2020, we entered into a definitive agreement to sell Linen Holdings to The Linen Group, LLC, an affiliate of Lion Equity Partners.

- In February 2020, we entered into a definitive agreement to sell PersonalizationMall.com ("PMall") to 1-800-FLOWERS.COM.

- During the first quarter of fiscal 2020, we also sold One Kings Lane to a third party.

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

During the three and nine months ended November 27, 2021, we recognized approximately $14.1 million and $18.2 million of loss on the sale of businesses, respectively, primarily associated with the fiscal 2021 settlement of the CTS pension plan (See “Assets Held for Sale and Divestitures,” Note 18 to the accompanying consolidated financial statements) and certain working capital and other adjustments related to the above divestitures. During the three and nine months ended November 28, 2020, we recognized a loss of approximately $113.9 million and a gain of approximately $75.6 million, respectively, on the sale of businesses related to certain of the above divestitures.

Executive Summary

The following represents a summary of key financial results and related business developments for the periods indicated:

- Net sales for the three months ended November 27, 2021 were $1.878 billion, a decrease of approximately 28.3% as compared with the three months ended November 28, 2020. Net sales for the nine months ended November 27, 2021 were $5.816 billion, a decrease of approximately 12.1% as compared with the nine months ended November 28, 2020.

- Excluding the impact of the business divestitures described above, which represented net sales of $432.5 million for the three months ended November 28, 2020, net sales for our four core banners for the three months ended November 27, 2021 decreased by 14.1% compared with the three months ended November 28, 2020. Excluding the impact of the business divestitures described above, which represented net sales of $1.061 billion for the nine months ended November 28, 2020, net sales for our four core banners for the nine months ended November 27, 2021 increased by 4.7% compared with the nine months ended November 28, 2020.

- Comparable sales* for the three months ended November 27, 2021 decreased by approximately 7%, compared to an increase of approximately 2% for the three months ended November 28, 2020.

  * See “Results of Operations - Net Sales” in this Management’s Discussion and Analysis for the definition and further information related to Comparable Sales.

- During the third quarter of fiscal 2021, we continued to execute against key initiatives under our transformation program, including:

  - *Owned Brands.* During the third quarter of fiscal 2021 we launched two new Owned Brands – Studio 3B™ and H for Happy™, bringing the total launches of new Owned Brands for the first three quarters of fiscal 2021 to eight.
  - *Omni-Channel Capabilities.* We continued our focus on being a digital-first, omni-always retailer. During the third quarter of fiscal 2021, we announced separate partnerships with DoorDash and Uber to provide on-demand delivery of essential homeware products and items from more than 700 Bed Bath & Beyond locations and nearly 120 BABY locations nationwide**.** Additionally, in November 2021, we launched our new digital marketplace to build on our existing authority in key Home & Baby categories with an assortment of products from a highly curated selection of third-party brand partners that will be seamlessly integrated into our digital platform.
  - *Additional Product Initiatives.* Our Bed Bath & Beyond banner launched the ***Home, Happier Team***, the brand's first-ever curated advisory panel of industry experts who will serve as "host and hostesses of the home," providing ideas, innovative solutions and compelling content to help customers personalize their living spaces and make it easy to feel at home. Our buybuy BABY banner introduced its “welcome to parenthood” program of in-store and online through educational resources, reimagined shopping experiences, a revised registry, new digital offerings and a new marketing campaign to inspire customers to embrace every aspect of parenthood.
  - *Store Network Optimization*. During the third quarter of fiscal 2021, we closed an additional 5 stores in connection with our store network optimization program, bringing total store closures in the nine months ended November 27, 2021 to 26 and for the overall program to 170.
  - *Supply Chain Transformation*. During the third quarter of fiscal 2021, we started operations at our first regional distribution center, an approximately one million square foot facility in Frackville, Pennsylvania, and executed a lease for our second regional distribution center in California. Ryder Systems, Inc. will operate these two regional distribution centers under a strategic partnership, with the objective of reducing product replenishment times and improving the customer experience.

  - *Strategic Collaboration with The Kroger Co.* In November 2021, we announced a strategic collaboration with The Kroger Co. to directly offer Kroger customers an extensive selection of the most sought-after goods for the Home & Baby products carried by the Bed Bath & Beyond and buybuy BABY banners through Kroger.com as well as a small-scale physical store pilot at select Kroger Family of Companies stores beginning in fiscal 2022.

- In connection with these restructuring and transformation initiatives, during the three and nine months ended November 27, 2021, we recorded total expense of $47.3 million and $226.5 million, respectively, including $6.1 million and $127.1 million, respectively, in cost of sales, and $41.2 million and $99.4 million, respectively, in restructuring and transformation initiative expenses in the consolidated statement of operations.

- During the three and nine months ended November 27, 2021, we repurchased approximately 5.1 million and 13.6 million shares, respectively, of our common stock under the share repurchase plan approved by our Board of Directors, at a total cost of approximately 113.4 million and $392.2 million, respectively. During the third quarter of fiscal 2021, we announced that we expect to complete our $1 billion three-year repurchase plan by the end of fiscal 2021, two years ahead of schedule.

- Net loss for the three months ended November 27, 2021 was $276.4 million, or $2.78 per diluted share, compared with net loss of $75.4 million, or $0.61 per diluted share, for the three months ended November 28, 2020. Net loss for the three months ended November 27, 2021 included a net unfavorable impact of $2.53 per diluted share associated with restructuring and other transformation initiatives, non-cash impairments and loss on sale of business, and the impact of recording a valuation allowance against the Company's U.S. federal and state deferred tax assets (See “Income Taxes,” Note 10 to the accompanying consolidated financial statements). Net earnings for the three months ended November 28, 2020 included a net favorable impact of $0.69 per diluted share related to the gain on sale of business, gain on extinguishment of debt and decrease in the incremental inventory reserve for future markdowns recorded in fiscal 2019, partially offset by non-cash impairment charges and charges associated with restructuring program and transformation initiatives, as well as the associated tax effects.

- Net loss for the nine months ended November 27, 2021 was $400.5 million, or $3.90 per diluted share, compared with net loss of $159.8 million, or $1.29 per diluted share, for the nine months ended November 28, 2020. Net loss for the nine months ended November 27, 2021 included a net unfavorable impact of $3.74 per diluted share associated with restructuring and other transformation initiatives, non-cash impairments, loss on sale of business and loss on debt extinguishment, partially offset by a gain on the sale of property, and the impact of recording a valuation allowance against the Company's U.S. federal and state deferred tax assets (See “Income Taxes,” Note 10 to the accompanying consolidated financial statements). Net loss for the nine months ended November 28, 2020 included a net favorable impact of $0.09 per diluted share associated with the gain on sale of business, gain on extinguishment of debt and decrease in the incremental inventory reserve for future markdowns recorded in fiscal 2019, partially offset by non-cash impairments and charges recorded in connection with the restructuring program and transformation initiatives, as well as the associated tax effects.

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, we 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 our 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, we announced a phased approach to re-open our stores in compliance with relevant government directives, and as of the end of July 2020, nearly all of our stores re-opened. During portions of fiscal 2021, a limited number of stores in Canada either closed temporarily or continued to operate under restrictions in compliance with local governmental orders. As of November 27, 2021, all of our stores were operating without restriction subject to compliance with mask and vaccine requirements.

The COVID-19 pandemic materially adversely impacted our results of operations and cash flows for the three and nine months ended November 28, 2020. In addition, numerous significant uncertainties continue to surround the pandemic and its ultimate impact on us, including:

- the timing and extent of recovery in consumer traffic and spending;

- potential delays, interruptions and disruptions in our supply chain, including higher freight charges;

- labor shortages and competition for talent;

- the extent of dissemination and adoption of COVID-19 vaccines and their effectiveness against COVID-19 and its evolving strains, some of which may be more transmissible or virulent than the initial strain;
- additional widespread resurgences in COVID-19 infections; and
- evolving safety protocols such as requirements for proof of vaccination or regular testing in certain of our markets.

Further discussion of the risks and uncertainties posed by the COVID-19 pandemic is included in “Risk Factors” under Part II, Item 1A of this Form 10-Q and Part I, Item 1A of our 2020 Form 10-K.

Results of Operations

Net Sales

Net sales for the three months ended November 27, 2021 were $1.878 billion, a decrease of approximately $740.6 million, or approximately 28.3%, compared with net sales of $2.618 billion for the three months ended November 28, 2020. Net sales for the nine months ended November 27, 2021 were $5.816 billion, a decrease of $797.5 million, or approximately 12.1%, compared with net sales of $6.614 billion for the nine months ended November 28, 2020. Excluding the impact of the business divestitures described above, which represented net sales of $432.5 million for the three months ended November 28, 2020, net sales for our four core banners for the three months ended November 27, 2021 decreased by 14.1% compared with the three months ended November 28, 2020, due to the decrease in comparable sales noted below and the impact of fleet optimization. Excluding the impact of the business divestitures described above, which represented net sales of $1.061 billion for the nine months ended November 28, 2020, net sales for our four core banners for the nine months ended November 27, 2021 increased by 4.7% compared with the nine months ended November 28, 2020, as fiscal 2020 was impacted by store closures in the first quarter of fiscal 2020 as a result of the COVID-19 pandemic.

In addition, beginning March 23, 2020, the majority of our stores were closed 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. Most of our stores had reopened by the end of July of 2020; however, during portions of the remainder of fiscal 2020 and in the first six months of fiscal 2021, a limited number of stores in Canada either closed temporarily or continued to operate under restrictions in compliance with local governmental orders. As of November 27, 2021, all of our stores were operating without restriction.

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. Net sales consummated through digital channels represented approximately 35.1% and 35.8%, respectively, of our sales for the three and nine months ended November 27, 2021 compared with approximately 31.2% and 38.0%, respectively, of our sales for the three and nine months ended November 28, 2020.

Comparable sales* for the three months ended November 27, 2021 decreased by approximately 7%, compared to an increase of approximately 2% for the three months ended November 28, 2020. Management attributes a portion of this decline to the lack of inventory availability in key product areas, due in part to supply chain challenges. As a result of the extended closure of the majority of our stores in the first quarter of fiscal 2020, as well as the month of June in the second 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 as well as for the month of June 2020 and, therefore, are not a meaningful metric for the nine months ended November 27, 2021 and November 28, 2020.

* Comparable sales normally include sales consummated through all retail channels that have been operating for twelve full months following the opening period (typically six to eight weeks), excluding the impact of store network optimization program. We are an omni-channel 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 37.6% and 62.4% of net sales, respectively, for the three months ended November 27, 2021, and approximately 35.7% and 64.3% of net sales, respectively, for the three months ended November 28, 2020. Sales of domestics merchandise and home furnishings accounted for approximately 38.4% and 61.6% of net sales, respectively, for the nine months ended November 27, 2021 and approximately 35.4% and 64.6% of net sales, respectively, for the nine months ended November 28, 2020.

Gross Profit

Gross profit for the three months ended November 27, 2021 was $668.9 million, or 35.6% of net sales, compared with $956.6 million, or 36.5% of net sales, for the three months ended November 28, 2020. Gross profit for the nine months ended November 27, 2021 was $1.904 billion, or 32.7% of net sales, compared with $2.293 billion, or 34.7% of net sales, for the nine months ended November 28, 2020. Gross profit margin as a percentage of net sales for the three and nine months ended November 27, 2021 compared with the three and nine months ended November 28, 2020 was negatively impacted by markdown activity associated with inventory being removed from our assortment in connection with the launches of new Owned Brands and, to a lesser extent, the redefinition of certain existing Owned Brands. Gross profit for the three and nine months ended November 27, 2021 included the impact of $6.1 million and $127.1 million, respectively, of higher markdowns on inventory sold in the three and nine month periods, as well as an adjustment to reduce inventory on hand as of November 27, 2021 that will be removed from the product assortment as part of these initiatives to its estimated realizable value. In addition, higher freight expenses, both for inbound product shipments and direct-to-customer fulfillment and in part due to industry wide, global supply chain challenges, also negatively impacted the gross margin in the three and nine months ended November 27, 2021 compared with the prior year, which offset the favorable impacts of product mix from our new Owned Brands and a more normalized mix of digital sales. Additionally, for the three months ended November 27, 2021, gross profit margin as a percentage of net sales was favorably impacted by the implementation of new pricing strategies in the quarter in response to ongoing inflationary pressures and global supply chain challenges, as well as lower clearance activity relative to the first two quarters of fiscal 2021.

Selling, General and Administrative Expenses

SG&A for the three months ended November 27, 2021 was $698.0 million, or 37.2% of net sales, compared with $890.7 million, or 34.0% of net sales, for the three months ended November 28, 2020. SG&A for the nine months ended November 27, 2021 was $2.010 billion, or 34.6% of net sales, compared with $2.461 billion, or 37.2% of net sales, for the nine months ended November 28, 2020. The decrease in SG&A for the three and nine months ended November 27, 2021 compared with the three and nine months ended November 28, 2020 was primarily attributable to cost reductions including divestitures of non-core assets and lower rent and occupancy expenses as a result of our fleet optimization program, while the increase in SG&A as a percentage of net sales for the three months ended November 27, 2021 was primarily due to the impact of de-leveraging of SG&A due to the declines in sales noted above.

In addition, during the three and nine months ended November 27, 2021, we recorded credits of approximately $0.8 million and $3.7 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. During three and nine months ended November 28, 2020, we recorded credits of approximately $1.0 million and $28.3 million, respectively.

Impairments, Including on Assets Held For Sale

Impairments for the three and nine months ended November 27, 2021 were $1.8 million and $18.5 million, respectively, compared with $58.0 million and $172.4 million, respectively, during the comparable periods last year. Impairment charges for both the three months ended November 27, 2021 and November 28, 2020 also included $1.6 million, relating to certain store-level assets (including leasehold improvements and operating lease assets) and tradename impairments of $0.2 million and $2.4 million, respectively. During the third quarter of fiscal 2020, we also recorded a loss on business held for sale of $54.0 million to remeasure Cost Plus World Market to the lower of its carrying value or fair value less costs to sell. Impairment charges for the nine months ended November 27, 2021 and November 28, 2020 included $15.6 million and $84.0 million, respectively, relating to certain store-level assets (including leasehold improvements and operating lease assets) and tradename impairments of $2.9 million and $35.1 million, respectively.

Restructuring and Transformation Initiative Expenses

During the three and nine months ended November 27, 2021, restructuring and transformation initiative expenses were $41.2 million and $99.4 million, respectively, which included costs recorded in connection with termination of facilities leases, including in connection with the store network optimization program described above, as well as costs associated with other transformation initiatives. During the three and nine months ended November 28, 2020, restructuring and transformation initiative expenses were $16.8 million and $47.6 million, respectively, primarily related to severance costs recorded in connection with the workforce reduction program (See “Restructuring and Transformation Initiative Expenses,” Note 17 to the accompanying consolidated financial statements).

Loss (Gain) on Sale of Businesses

During the three and nine months ended November 27, 2021, we recognized approximately $14.1 million and $18.2 million, respectively, of loss on the sale of businesses, primarily related to a $13.5 million charge associated with the fiscal 2021 settlement of the CTS pension plan (See "Assets Held for Sale and Divestitures," Note 18 to the accompanying consolidated financial statements), as well as certain working capital and other adjustments related to the fiscal 2020 divestitures. During the three and nine months ended November 28, 2020, we recognized a loss of approximately $113.9 million and a gain of approximately $75.6 million, respectively, on the sale of businesses related to the fiscal 2020 divestitures.

Operating Loss

Operating loss for the three months ended November 27, 2021 was $86.1 million, or 4.6% of net sales, compared with an operating loss of $122.8 million, or 4.7% of net sales, during the comparable period last year. Operating loss for three months ended November 27, 2021 included the impact of pre-tax charges of $6.1 million included in gross profit associated with the transition of our product assortment, primarily related to launches of new Owned Brands, as well as $41.2 million associated with restructuring and other transformation initiatives, $1.8 million for non-cash impairments and $14.1 million for loss on sale of business (each as discussed above or below). The remaining change in operating loss as a percentage of net sales for the three months ended November 27, 2021 was primarily due to the effects of sales decline and an increase in selling, general and administrative expenses as a percentage of sales in fiscal 2021.

For the nine months ended November 27, 2021, operating loss was $242.1 million, or 4.2% of net sales, compared with an operating loss of $313.2 million, or 4.7% of net sales, for the nine months ended November 28, 2020. Operating loss for nine months ended November 27, 2021 included the impact of pre-tax charges of $127.1 million included in gross profit associated with the transition of our product assortment to Owned Brands, as well as $99.4 million associated with restructuring and other transformation initiatives, $18.5 million for non-cash impairments, $18.2 million for loss on sale of business, and $0.4 million for losses on debt extinguishments (each as discussed above or below). The remaining change in operating loss as a percentage of net sales for the nine months ended November 27, 2021 was primarily due to the effect of store closures in the first six months of fiscal 2020.

Interest Expense, net

Interest expense, net for the three and nine months ended November 27, 2021 was $15.8 million and $47.9 million, respectively, compared with $17.8 million and $58.3 million, respectively, for the three and nine months ended November 28, 2020. For the three and nine months ended November 27, 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) Gain on Extinguishment of Debt

Loss on extinguishment of debt for the nine months ended November 27, 2021 of $0.4 million related to partial repayment of senior unsecured notes. We did not record a gain or loss on extinguishment during the three months ended November 27, 2021.

During the nine months ended November 28, 2020, we recorded a $77.0 million gain on the repurchase of approximately $75.0 million principal amount of 4.915% senior unsecured notes due August 1, 2034 and $225.0 million principal of 5.165% senior unsecured notes due August 1, 2044. We did not record a gain or loss on extinguishment of debt during the three months ended November 28, 2020.

Income Taxes

The effective tax rate for the three months ended November 27, 2021 was (171.3)%, compared with 46.4% for the three months ended November 28, 2020. For the three months ended November 27, 2021, the effective tax rate reflects the impact of a charge to record a valuation allowance in the fiscal third quarter of $181.5 million, discussed below, charges for restructuring and transformation initiatives as well as a benefit under the provisions of the CARES Act. For the three months ended November 28, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a $0.7 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act and other discrete tax items.

The effective tax rate for the nine months ended November 27, 2021 was (37.9)%, compared with 45.7% for the nine months ended November 28, 2020. For the nine months ended November 27, 2021, the effective tax rate reflects the impact of a charge to record a valuation allowance in the fiscal third quarter of $181.5 million, discussed below, charges for restructuring and transformation initiatives as well as a benefit under the provisions of the CARES Act. For the nine months ended November 28, 2020, the effective tax rate included the impact of impairment charges for leasehold improvements and lease assets, a $43.7 million benefit related to fiscal 2019 net operating loss carry-back under the CARES Act and other discrete tax items.

In assessing the recoverability of our deferred tax assets, we evaluated the available objective positive and negative evidence to estimate whether it is more likely than not that sufficient future taxable income will be generated to permit use of existing deferred tax assets in each taxpaying jurisdiction. For any deferred tax asset in excess of the amount for which it is more likely than not that we will realize a benefit, we established a valuation allowance. A valuation allowance is a non-cash charge, and does not limit the our ability to utilize our deferred tax assets, including our ability to utilize tax loss and credit carryforward amounts, against future taxable income.

During the three months ended November 27, 2021, we concluded that, based on our evaluation of available objective positive and negative evidence, it is no longer more likely than not that our net U.S. federal and state deferred tax assets are recoverable. In assessing the realizability of deferred tax assets, the key assumptions used to determine positive and negative evidence included our cumulative taxable loss for the past three years, current trends related to actual taxable earnings or losses, and expected future reversals of existing taxable temporary differences, as well as timing and cost of our transformation initiatives and their expected associated benefits. Accordingly, we recorded a charge of $181.5 million in the third fiscal quarter of 2021 as a reserve against our net U.S. federal and state deferred tax assets. As of November 27, 2021, the total valuation allowance relative to U.S. federal and state deferred tax assets was $192.0 million.

The amount of the deferred tax assets considered realizable, and the associated valuation allowance, could be adjusted in a future period if estimates of future taxable income change or if objective negative evidence in the form of cumulative losses is no longer present and additional weight is given to subjective evidence such as projections for future growth.

On March 27, 2020, the CARES Act was enacted in the United States, which provided for certain changes to tax laws, which impacted our results of operations, financial position and cash flows. We 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 both November 27, 2021 and February 27, 2021, we deferred $3.1 million of employer payroll taxes, of which approximately 50% was deposited during December 2021 with the remaining 50% required to be deposited by December 2022. During the three and nine months ended November 27, 2021, under the CARES Act, we recorded income tax benefits of $2.4 million and $18.6 million, respectively, as a result of the fiscal 2020 and fiscal 2019 net operating losses were carried back to prior years during which the federal tax rate was 35%.

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 our 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 November 27, 2021 was $276.4 million, or $2.78 per diluted share, compared with net loss of $75.4 million, or $0.61 per diluted share, for the three months ended November 28, 2020. Net loss for the three months ended November 27, 2021 included a net unfavorable impact of $2.53 per diluted share associated with restructuring and other transformation initiatives, non-cash impairments and loss on sale of business, and the impact of recording a valuation allowance against our U.S. federal and state deferred tax assets (See "Income Taxes," Note 10 to the accompanying consolidated financial statements). Net loss for the three months ended November 28, 2020 included a net unfavorable impact of $0.69 per diluted share related to the loss on sale of businesses, non-cash impairment charges and charges associated with restructuring program and transformation initiatives (each as discussed above). These charges were partially offset by a reduction in the incremental inventory reserve for future markdowns recorded in fiscal 2019, as well as the associated tax effects.

As a result of the factors described above, net loss for the nine months ended November 27, 2021 was $400.5 million, or $3.90 per diluted share, compared with net loss of $159.8 million, or $1.29 per diluted share, for the nine months ended November 28, 2020. Net loss for the nine months ended November 27, 2021 included a net unfavorable impact of $3.74 per diluted share associated with restructuring and other transformation initiatives, non-cash impairments, loss on sale of business and loss on debt extinguishment, partially offset by a gain on the sale of property, and the impact of recording a valuation allowance against our U.S. federal and state deferred tax assets (See “Income Taxes,” Note 10 to the accompanying consolidated financial statements). Net loss for the nine months ended November 28, 2020 included a net favorable impact of $0.09 per diluted share associated with the gain on sale of businesses, gain on partial extinguishment of debt and decrease in the incremental inventory reserve for future markdowns recorded in fiscal 2019, partially offset by non-cash impairments and charges recorded in connection with the restructuring program and transformation initiatives (each as discussed above), as well as the associated tax effects.

Liquidity and Capital Resources

We ended the third 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 November 27, 2021, we had approximately $0.5 billion in cash and short-term investment securities, a decrease of approximately $840.0 million as compared with February 27, 2021, which included $358.9 million for share repurchases. We believe that existing and internally generated funds will be sufficient to continue to finance our operations 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 matures on August 9, 2026 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 November 27, 2021 were approximately $3.0 million and are included in current liabilities. During the three and nine months ended November 27, 2021, we recognized reduced rent expense of $0.3 million and $2.6 million, respectively, 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.

Our liquidity may continue to be negatively impacted by the uncertainty regarding the spread of COVID-19 and the timing of economic recovery.

Capital Expenditures

Capital expenditures for nine months ended November 27, 2021 were $232.5 million, and for fiscal 2021 are projected to be approximately $350 million to $375 million. Our capital expenditures are related to digital and omni-channel capabilities, store remodels and investments in technology across a number of areas including supply chain, merchandising, and finance.

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 omni-channel retail platform.

Stock Repurchases

During the three and nine months ended November 27, 2021, we repurchased approximately 5.3 million and 14.0 million shares, respectively, of our common stock, at a total cost of approximately $118.9 million and $358.9 million, respectively, which included approximately 5.1 million and 13.4 million shares, respectively, at a total cost of approximately $113.4 million and $344.6 million, respectively, repurchased under our share repurchase programs as authorized by our Board of Directors, as well as approximately 0.2 million and 0.6 million shares, respectively, 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 $5.5 million and $14.3 million, respectively. During the third quarter of fiscal 2021, we announced that we expect to complete our $1 billion three-year share repurchase plan by the end of fiscal 2021, two years ahead of schedule.

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 ("ASR 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. During the three and nine months ended November 28, 2020, we also repurchased approximately 0.1 million and 0.6 million shares, respectively, of our 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 $1.7 million and $4.7 million, respectively, including fees.

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 247.8 million shares for a total cost of approximately $11.5 billion. We had approximately $1.5 billion remaining of authorized share repurchases as of November 27, 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 business operations or 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).

Debt Repurchases

During the nine months ended November 27, 2021, we purchased approximately $11.0 million aggregate principal amount of our outstanding 3.749% senior unsecured notes due August 1, 2024. During the nine months ended November 28, 2020, we purchased approximately $300.0 million aggregate principal amount of our outstanding 4.915% Senior Notes due 2034 and 5.165% Senior Notes due 2044. There were no debt repurchases made during the three months ended November 27, 2021 and November 28, 2020.

Cash Flow

Fiscal 2021 compared with Fiscal 2020

Net cash used in operating activities for the nine months ended November 27, 2021 was $264.7 million, compared with cash provided by operating activities of $192.4 million in the corresponding period in fiscal 2020. The year-over-year change in operating cash flow was primarily due to an increase in inventory in anticipation of the holiday season, including as a result of changing the timing of purchasing in response to the potential impact of global supply chain disruptions on timing of inventory receipts.

Retail inventory, which includes inventory in our distribution facilities for direct to customer shipments, was approximately $1.912 billion at November 27, 2021, an increase of 14.4% compared with retail inventory at February 27, 2021. We continue to focus on our inventory optimization strategies.

Net cash used in investing activities for the nine months ended November 27, 2021 was $227.5 million, compared with net cash provided by investing activities of $751.9 million in the corresponding period of fiscal 2020. For the nine months ended November 27, 2021, net cash used in investing activities included $232.5 million of capital expenditures, partially offset by $5.0 million in proceeds from the sale of property. For the nine months ended November 28, 2020, net cash provided by investing activities was comprised of $386.5 million of redemptions of investment securities and $482.7 million in proceeds from the sale of PMall, CTS and Linen Holdings businesses, partially offset by $117.3 million of capital expenditures.

Net cash used in financing activities for the nine months ended November 27, 2021 was $374.5 million, compared with $481.9 million in the corresponding period of fiscal 2020. Net cash used in financing activities in the nine months ended November 27, 2021 was comprised of repurchases of common stock of $358.9 million, of which $344.6 million is related to our share repurchase program, repayments of long-term debt of $11.4 million, payments of deferred financing costs of $3.4 million and dividend payments of $0.8 million. Net cash used in financing activities in the nine months ended November 28, 2020 was comprised of net repayments of long-term debt of $221.4 million, a $132.6 million prepayment under the ASR Agreement, repurchases of our common stock of $97.1 million, payments of deferred financing costs of $7.7 million and dividend payments of $23.1 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 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, logistical costs and other costs and expenses; potential supply chain disruption due to trade restrictions or otherwise, 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 omni-channel 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 November 27, 2021 are similar to those disclosed in Item 7A of our 2020 Form 10-K.

As of November 27, 2021, our investments include cash and cash equivalents of approximately $509.1 million and long-term investments in auction rate securities of approximately $19.1 million at weighted average interest rates of 0.01% and 0.08%, 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 November 27, 2021, the fair value of the senior unsecured notes was $1.097 billion, which is based on quoted prices in active markets, compared with the carrying value of approximately $1.184 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 November 27, 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 (as consolidated, the "Securities Class Action"). 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.

After a mediation held in August 2021, a settlement in principle was reached between the Company and lead plaintiff in the Securities Class Action. The settlement remains subject to documentation and must be approved by the New Jersey federal court. If the settlement is approved, all claims in the Securities Class Action will be fully resolved and the matter will be dismissed.

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, which had been subsequently lifted. On January 4, 2022 the Defendants filed a motion to dismiss this case.

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 has obtained a consensual stay of this case.

The derivative cases were not included in the August 2021 settlement referred to above, and the stay related to those matters has been lifted.

The Company has recorded a liability for the Securities Class Action, based on the agreed settlement amount and insurance coverage available. At this time, the Company is unable to estimate any potential losses that may be incurred for the derivative cases and has not recorded a liability for those matters.

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.

General economic factors beyond our control, including the impact of COVID-19, and changes in the economic climate could adversely affect, and have materially adversely affected, and could continue to materially adversely affect, our business, results of operations, financial condition and liquidity.

General economic factors that are beyond our control could adversely affect our business, results, or operations, financial condition and liquidity. These factors include, but are not limited to, housing markets, recession, inflation, deflation, consumer credit availability, consumer debt levels, fuel and energy costs, interest rates, tax rates and policy, unemployment trends, the impact of natural disasters such as pandemics, civil disturbances and terrorist activities, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products sold by us and other matters that influence consumer spending and preferences. Changes in the economic climate and the impact of the COVID-19 pandemic have materially adversely affected, and could continue to materially adversely affect, our business, results of operations, financial condition and liquidity.

In March 2020, the World Health Organization declared the COVID-19 outbreak a global pandemic. In an effort to slow the spread of COVID-19, national and local governments in regions in which we operate have enacted various measures, including travel restrictions or bans, restrictions on events and gatherings and various other “social distancing” requirements. In response to COVID-19, we temporarily closed all retail store locations from March 2020 to July 2020 (other than BABY and Harmon Face Values stores) and have since reopened all our stores. Despite the re-opening of stores, the extent, severity and overall duration of the COVID-19 pandemic, including its phases of resurgence and the introduction of new variants, are unknown, and the overall impact of COVID-19 has had a material adverse effect, and may continue to have a material adverse effect, on our business and could also result in the recording of additional non-cash impairment charges. In future periods, our business, results of operations, financial condition and liquidity may be materially adversely impacted by reduced store traffic and consumer spending due to, among other things, significant continued unemployment and economic downturn, as well as consumer anxiety regarding shopping in physical stores.

The impacts and potential impacts from the COVID-19 pandemic that could directly or indirectly materially affect our business, results of operations, financial condition and liquidity also include, but are not limited to:

- Potential inability of third parties on which we rely, including our suppliers, commercial banks and other external business partners, to meet their obligations to us, or significant disruptions in their ability to do so, which may be caused by their own financial or operational difficulties, or by travel restrictions and border closures;

- Negative impact on our employees. The spread of COVID-19 has caused us to modify our business practices (including employee travel and work locations, cancellation of physical participation in meetings, events and conferences and a furlough of the majority of store associates and a portion of corporate associates, nearly all of whom have returned as of the third quarter of fiscal 2020), and we may take further actions as may be required by government authorities or that we determine are in the best interests of our employees;

- Potential impact on our ability to meet our obligations to business partners, including under our secured asset-based revolving credit facility (the "ABL Facility"), which contains a springing minimum fixed charge coverage ratio, customary representations, warranties and affirmative and negative covenants, and under our current lease obligations. We have renegotiated and continue to renegotiate payment terms for goods, services and rent. 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. 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 all business partners, is not yet known;

- Significant reductions in demand or significant volatility in demand for our products, which have been and may continue to be caused by, among other things, the temporary inability or reluctance of consumers to shop at our stores or buy our products due to illness, quarantine or other travel restrictions, unemployment or other financial hardship, and shifts in demand away from one or more of our more discretionary or higher priced products to lower priced products;

- Disruptions in the financial markets may materially adversely affect the value of our common stock and availability and cost of credit, which could negatively affect our liquidity;

- Delays, interruptions and disruptions in our supply chain and higher shipping charges have and could continue to impact our ability to maintain supplies of products and the costs associated with obtaining products;

- Labor shortages and competition for talent;

- The extent of dissemination and adoption of COVID-19 vaccines and their effectiveness against COVID-19 and its evolving strains, some of which may be more transmissible or virulent than the initial strain;

- Additional widespread resurgences in COVID-19 infections; and

- Evolving safety protocols such as requirements for proof of vaccination or regular testing in certain of our markets.

In addition, in November 2021, the Department of Labor's Occupational Safety and Health Administration published a new emergency temporary standard (the "ETS"), which includes new obligations for certain employers with respect to COVID-19 vaccinations, testing and paid time off. The ETS is subject to multiple legal challenges, which have delayed its implementation. Due to the uncertainty of the outcome of the legal challenges to the ETS, as well as the uncertainty in implementation details, such as availability and cost of testing, we cannot anticipate the precise impact it might have on our business. Any such mandate could have a material adverse impact on our business and results of operations, including workforce constraints and increased costs.

The COVID-19 pandemic continues to evolve rapidly, and the extent of the adverse impact of COVID-19 on the economy and us will depend, in part, on the length and severity of the measures taken to limit the spread of the virus, and, in part, on the size and effectiveness of the compensating measures taken by governments. We are closely monitoring the potential effects and impact on our business, results of operations, financial condition and liquidity. For more information on the impact of COVID-19 on our business, see "Item 1 - Business - Impact of the COVID-19 Pandemic."

We may face challenges in executing our omni-channel strategy and expanding our e-commerce operations.

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 omni-channel 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 omni-channel strategy, and our ability to compete and meet customer expectations may suffer if we are unable to provide relevant customer-facing technology and omni-channel 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 third quarter of fiscal 2021 were as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly or Announced Plans Programs (1)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
August 29, 2021 - September 25, 2021	598,000	$ 25.17	598,000	$ 1,601,552,747
September 26, 2021 - October 23, 2021	98,600	$ 20.72	98,600	$ 1,599,510,126
October 24, 2021 - November 27, 2021	4,569,500	$ 22.27	4,569,500	$ 1,497,744,522
Total	5,266,100	$ 22.57	5,266,100	$ 1,497,744,522

(1) 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.

(2) 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	Separation and General Release Agreement Between the Company and Cindy Davis (Dated as of August 30, 2021) (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q filed September 30, 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 November 27, 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: January 6, 2022	By:	*/s/ Gustavo Arnal*
		Gustavo Arnal Chief Financial Officer

Exhibit 31.1

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: January 6, 2022

/s/ Mark J. Tritton
Mark J. Tritton
President and Chief Executive Officer

Exhibit 31.2

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: January 6, 2022

/s/ Gustavo Arnal
Gustavo Arnal
Chief Financial Officer

Exhibit 32

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 November 27, 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: January 6, 2022

/s/ Mark J. Tritton
Mark J. Tritton
President and Chief Executive Officer

/s/ Gustavo Arnal
Gustavo Arnal
Chief Financial Officer