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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2017

OR

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

For the transition period from _____ to _____

Commission File Number: 1-37499

BARNES & NOBLE EDUCATION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of
Incorporation or Organization)

120 Mountain View Blvd., Basking Ridge, NJ

(Address of Principal Executive Offices)

46-0599018

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

07920

(Zip Code)

(Registrant's Telephone Number, Including Area Code): **(908) 991-2665**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes ☒ No ☐

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

Large accelerated filer ☐ Accelerated filer ☒

Non-accelerated filer ☐ (Do not check if a smaller reporting company) 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 ☒

As of August 18, 2017, 46,517,960 shares of Common Stock, par value \$0.01 per share, were outstanding.

EXPLANATORY NOTE

Effective with the acquisition of MBS Textbook Exchange, LLC ("MBS") on February 27, 2017, we determined that we have two reportable segments: Barnes & Noble College Booksellers, LLC ("BNC") and MBS, whereas BNC was previously our only reportable segment prior to the acquisition. The condensed consolidated financial statements for the 13 weeks ended July 29, 2017 include the financial results of MBS and all material intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements for the 13 weeks ended July 30, 2016 exclude the financial results of MBS.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Fiscal Quarter Ended July 29, 2017
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PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES **Condensed Consolidated Statements of Operations** (In thousands, except per share data) (unaudited)

	13 weeks ended	
	July 29, 2017	July 30, 2016
Sales:		
Product sales and other	\$ 334,502	\$ 217,736
Rental income	21,209	21,501
Total sales	355,711	239,237
Cost of sales:		
Product and other cost of sales	277,741	177,994
Rental cost of sales	13,257	13,830
Total cost of sales	290,998	191,824
Gross profit	64,713	47,413
Selling and administrative expenses	99,410	83,937
Depreciation and amortization expense	15,017	12,921
Restructuring and other charges	5,236	1,790
Transaction costs	589	1,527
Operating loss	(55,539)	(52,762)
Interest expense, net	3,038	666
Loss before income taxes	(58,577)	(53,428)
Income tax benefit	(23,794)	(25,512)
Net loss	\$ (34,783)	\$ (27,916)
Loss per share of Common Stock:		
Basic	\$ (0.75)	\$ (0.60)
Diluted	\$ (0.75)	\$ (0.60)
Weighted average shares of Common Stock outstanding:		
Basic	46,517	46,349
Diluted	46,517	46,349

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(In thousands, except per share data)

	July 29, 2017	July 30, 2016	April 29, 2017
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 14,192	\$ 8,906	\$ 19,003
Receivables, net	112,472	38,898	86,040
Merchandise inventories, net	780,414	724,329	434,064
Textbook rental inventories	6,931	7,527	52,826
Prepaid expenses and other current assets	13,537	8,614	10,698
Total current assets	927,546	788,274	602,631
Property and equipment, net	112,799	107,347	116,613
Intangible assets, net	206,382	197,508	209,885
Goodwill	329,467	281,337	329,467
Other noncurrent assets	42,481	39,003	41,236
Total assets	\$ 1,618,675	\$ 1,413,469	\$ 1,299,832
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 511,488	\$ 560,163	\$ 192,742
Accrued liabilities	89,934	41,949	120,478
Short-term borrowings	100,000	—	100,000
Total current liabilities	701,422	602,112	413,220
Long-term deferred taxes, net	19,791	35,636	16,871
Other long-term liabilities	96,457	74,976	96,433
Long-term borrowings	120,100	25,000	59,600
Total liabilities	937,770	737,724	586,124
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, \$0.01 par value; authorized, 5,000 shares; issued and outstanding, none	—	—	—
Common stock, \$0.01 par value; authorized, 200,000 shares; issued, 49,372, 48,655 and 49,372 shares, respectively; outstanding, 46,517, 46,086 and 46,517 shares, respectively	494	487	494
Additional paid-in capital	710,851	701,393	708,871
Retained earnings	(2,420)	(914)	32,363
Treasury stock, at cost	(28,020)	(25,221)	(28,020)
Total stockholders' equity	680,905	675,745	713,708
Total liabilities and stockholders' equity	\$ 1,618,675	\$ 1,413,469	\$ 1,299,832

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows
(In thousands)
(unaudited)

	13 weeks ended	
	July 29, 2017	July 30, 2016
Cash flows from operating activities:		
Net loss	\$ (34,783)	\$ (27,916)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization expense	15,017	12,921
Amortization of deferred financing costs	376	163
Deferred taxes	2,920	5,772
Stock-based compensation expense	1,980	1,890
Change in other long-term liabilities	43	(410)
Changes in other operating assets and liabilities, net	(41,523)	(17,628)
Net cash flows used in operating activities	(55,970)	(25,208)
Cash flows from investing activities:		
Purchases of property and equipment	(7,881)	(6,183)
Acquisition of business	—	(975)
Net increase in other noncurrent assets	(1,460)	(5,690)
Net cash flows used in investing activities	(9,341)	(12,848)
Cash flows from financing activities:		
Proceeds from borrowings under Credit Agreement	110,300	25,900
Repayments of borrowings under Credit Agreement	(49,800)	(900)
Purchase of treasury shares	—	(6,606)
Net cash flows provided by financing activities	60,500	18,394
Net increase in cash, cash equivalents and restricted cash	(4,811)	(19,662)
Cash, cash equivalents and restricted cash at beginning of period	21,697	30,866
Cash, cash equivalents and restricted cash at end of period	\$ 16,886	\$ 11,204
Changes in other operating assets and liabilities, net:		
Receivables, net	\$ (26,431)	\$ 12,566
Merchandise inventories	(346,349)	(411,585)
Textbook rental inventories	45,895	40,233
Prepaid expenses and other current assets	(2,839)	(2,062)
Accounts payable and accrued liabilities	288,201	343,220
Changes in other operating assets and liabilities, net	\$ (41,523)	\$ (17,628)

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Condensed Consolidated Statements of Equity
(In thousands)
(unaudited)

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount	Equity
Balance at April 30, 2016	48,645	\$ 486	\$ 699,513	\$ 27,002	1,890	\$ (18,615)	\$ 708,386
Stock-based compensation expense			1,890				1,890
Vested equity awards	10	1	(1)				—
Common stock repurchased					676	(6,567)	(6,567)
Shares repurchased for tax withholdings for vested stock awards					3	(39)	(39)
Net loss			(9)	(27,916)			(27,925)
Balance at July 30, 2016	48,655	\$ 487	\$ 701,393	\$ (914)	2,569	\$ (25,221)	\$ 675,745

	Common Stock		Additional	Retained	Treasury Stock		Total
	Shares	Amount	Paid-In Capital	Earnings	Shares	Amount	Equity
Balance at April 29, 2017	49,372	\$ 494	\$ 708,871	\$ 32,363	2,855	\$ (28,020)	\$ 713,708
Stock-based compensation expense			1,980				1,980
Net loss				(34,783)			(34,783)
Balance at July 29, 2017	49,372	\$ 494	\$ 710,851	\$ (2,420)	2,855	\$ (28,020)	\$ 680,905

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2017 and July 30, 2016
(Thousands of dollars, except share and per share data)
(unaudited)

Unless the context otherwise indicates, references to “we,” “us,” “our” and “the Company” refer to Barnes & Noble Education, Inc., a Delaware corporation. References to “Barnes & Noble College” refer to our college bookstore business operated through our subsidiary Barnes & Noble College Booksellers, LLC. References to “MBS” refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC, a Delaware corporation.

This Form 10-Q should be read in conjunction with our Audited Consolidated Financial Statements and accompanying Notes to consolidated financial statements in our Annual Report on Form 10-K for the year ended April 29, 2017, which includes consolidated financial statements for the Company for each of the three fiscal years ended April 29, 2017, April 30, 2016 and May 2, 2015 (Fiscal 2017, Fiscal 2016 and Fiscal 2015, respectively).

Note 1. Organization

Description of Business

Barnes & Noble Education, Inc. (“BNED”) is one of the largest contract operators of physical and virtual bookstores for higher education and K-12 institutions across the United States, one of the largest textbook wholesalers, and a leading provider of digital education services. Through its Barnes & Noble College (“BNC”) and MBS Textbook Exchange (“MBS”) subsidiaries, Barnes & Noble Education operates 1,495 physical and virtual bookstores and serves more than 6 million students, delivering essential educational content and tools within a dynamic retail environment. Through LoudCloud, its digital education platform, Barnes & Noble Education offers a suite of digital software, content and services that include predictive analytics, open educational resources (“OER”) courseware, competency-based solutions and a learning management system. We have two reportable segments: BNC and MBS.

BNC operates 781 physical campus bookstores as of July 29, 2017, the majority of which also have school-branded e-commerce sites operated by BNC, and BNC also includes our digital education operations. Our campus stores are a social and academic hub through which students can access affordable course materials and affinity products, including new and used print and digital textbooks, which are available for sale or rent; emblematic apparel and gifts; trade books; computer products; school and dorm supplies; café offerings; convenience food and beverages; and graduation products. BNC product offerings also include a suite of digital content, software, and services through our LoudCloud platform, such as predictive analytics, a variety of courseware built on a foundation of open educational resources, and competency-based learning solutions.

Our MBS subsidiary operates two highly integrated businesses. The MBS Direct business is the largest contract operator of virtual bookstores for college and university campuses, and private/parochial K-12 schools. MBS Direct operates 714 virtual bookstores as of July 29, 2017, offering new and used print and digital textbooks, which are available for sale or rent. Additionally, MBS Direct sells textbooks directly to students through textbooks.comSM, one of the largest e-commerce sites for new and used textbooks. MBS Wholesale is one of the largest textbook wholesalers in the country, providing a comprehensive selection of new and used textbooks at a low cost of supply to more than 3,700 physical bookstores (as of April 29, 2017), including BNC’s 781 campus bookstores.

Educational institutions increasingly are outsourcing bookstore operations, investing in data-driven analytical tools, and offering students more affordable options for textbooks and other learning tools. Given these continuing trends, we are well-positioned to capture new market share and partner with an increasing number of schools across the country. As demand for new, improved, and more affordable products and services increase in the rapidly changing education landscape, we are working to evolve our business model and enhance our solutions. We aim to be an even stronger partner for schools and meet customer needs by expanding our physical and virtual bookstore service capabilities, courseware offerings and digital platform services. We believe that our recent strategic actions, including the acquisition of LoudCloud, Promoversity, MBS, and Student Brands and development of courseware, have substantially enhanced our competitive position. We continue to aggressively innovate and collaborate with our partners to provide solutions that extend well beyond course materials sourcing and sales to include new digital services that support successful student outcomes.

For information about our recent acquisition of Student Brands, LLC, see *Note 16. Subsequent Event* of this Form 10-Q.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2017 and July 30, 2016
(Thousands of dollars, except share and per share data)
(unaudited)

Growth Drivers

The primary factors that we expect will enable us to grow our business are as follows:

- Increasing market share with new accounts.
- Adapting our merchandising strategy and product and service offerings.
- Providing a scalable and leading digital product and solution set.
- Expanding strategic opportunities through acquisitions and partnerships.

For additional information related to the growth drivers for our business, see *Part I - Item 1. Business - Overview - Growth Drivers* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Our condensed consolidated financial statements reflect our condensed consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (“GAAP”). In the opinion of the Company’s management, the accompanying unaudited condensed consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position and the results of its operations and cash flows for the periods reported. These condensed consolidated financial statements are condensed and therefore do not include all of the information and footnotes required by GAAP.

The condensed consolidated financial statements are presented on a consolidated basis for the 13 weeks ended July 29, 2017 and include the financial results of MBS (which was acquired on February 27, 2017). All material intercompany accounts and transactions have been eliminated in consolidation. The condensed consolidated financial statements for the 13 weeks ended July 30, 2016 exclude the financial results of MBS.

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. Our retail business (BNC and MBS Direct) is seasonal, with sales generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming semesters, and lowest in the first and fourth fiscal quarters. Sales attributable to the MBS wholesale business are generally highest in our first, second and third quarter as it sells textbooks for retail distribution, which somewhat offsets the decreased first quarter sales attributable to our retail business. MBS has significantly lower operating profit or operating loss realized during the fourth quarter. Due to the seasonal nature of the business, the results of operations for the 13 weeks ended July 29, 2017 are not indicative of the results expected for the 52 weeks ending April 28, 2018 (Fiscal 2018).

Use of Estimates

In preparing financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts in the condensed consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory.

Cost is determined primarily by the retail inventory method for our BNC segment and last-in first out, or “LIFO”, method for our MBS segment. Our textbook inventories, for BNC and MBS, and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories.

For our BNC segment, we also estimate and accrue shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

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Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

Revenue Recognition and Deferred Revenue

Revenue from sales of our products at physical locations is recognized at the time of sale. Revenue from sales of products ordered through our websites is recognized upon receipt of our products by our customers. Revenue from the sale of physical textbooks from our wholesale and virtual bookstores is recognized at the time of shipment. Additional revenue is recognized for shipping charges billed to customers.

We rent both physical and digital textbooks. Revenue from the rental of physical textbooks is deferred and recognized over the rental period commencing at point of sale. We offer a buyout option to allow the purchase of a rented physical textbook at the end of the rental period. We record the buyout purchase when the customer exercises and pays the buyout option price. In these instances, we would accelerate any remaining deferred rental revenue at the point of sale.

Revenue from the rental of digital textbooks is recognized at the time of sale. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the rental term the customer is no longer able to access the content. While the digital rental allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete. We primarily record digital textbook rental sales on a net basis in accordance with *ASC 605-45-45, Reporting Revenue Gross as a Principal versus Net as an Agent*.

Sales taxes collected from our customers are excluded from reported revenues. All of our sales are recognized as revenue on a “net” basis, including sales in connection with any periodic promotions offered to customers. We do not treat any promotional offers as expenses.

Cost of Sales

Our cost of sales primarily include costs such as merchandise costs, textbook rental amortization, warehouse costs related to inventory management and order fulfillment, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Selling and Administrative Expenses

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as executive oversight, merchandising, field support, finance, human resources, benefits, training, legal, and information technology, as well as our investments in our digital platform.

Goodwill

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying condensed consolidated balance sheets. As of July 29, 2017, we had \$329,467 of goodwill.

ASC No. 350-30, Goodwill and Other Intangible Assets ("ASC 350-30"), requires that goodwill be tested for impairment at least annually or earlier if there are impairment indicators. We perform a two-step process for impairment testing of goodwill as required by *ASC 350-30*. The first step of this test, used to identify potential impairment, compares the fair value of a reporting unit with its carrying amount. The second step (if necessary) measures the amount of the impairment.

We completed our annual goodwill impairment test as of the first day of the third quarter of Fiscal 2017. In performing the valuation, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions. Based on the results of the Step 1 testing, fair value of the one reporting unit exceeded its carrying value; therefore, the second step of the impairment test was not required to be performed and no goodwill impairment was recognized.

As of the date of our annual goodwill impairment test, the excess fair value over carrying value was approximately 5%. Goodwill is subject to further risk of impairment if comparable store sales decline, store closings accelerate or digital projections

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fall short of expectations. Additionally, changes in the structure of our business as a result of future reorganizations, acquisitions or divestitures of assets or businesses could result in future impairments of goodwill. For additional information related to key assumptions used in our testing, refer to *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Income Taxes

As of July 29, 2017, other long-term liabilities includes \$77,141 related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and inventory levels. Management believes it is remote that the long-term tax payable associated with the LIFO reserve will be payable or will result in a cash tax payment in the foreseeable future, assuming that the historical CPI and inventory trends continue and LIFO will continue to be an acceptable inventory method for tax purposes.

Note 3. Recent Accounting Pronouncements

In January 2017, the Financial Accounting Standards Board ("FASB") issued *Accounting Standard Update ("ASU") No. 2017-04, Intangibles - Goodwill and Other (Topic 350)* to simplify the test for Goodwill Impairment. The revised guidance eliminates the existing Step 2 of the goodwill impairment test which required an entity to compute the implied fair value of its goodwill at the testing date in order to measure the amount of the impairment charge when the fair value of the reporting unit failed Step 1 of the goodwill impairment test. Under the revised guidance, an entity would recognize an impairment charge for the amount by which the carrying amount of the reporting unit exceeds its fair value; however, the loss recognized would not exceed the total amount of goodwill allocated to the reporting unit. The guidance will be applied on a prospective basis. We are required to adopt this standard in the first quarter of Fiscal 2021 and early adoption is permitted for interim or annual goodwill impairment tests performed on testing dates after January 1, 2017. We plan to early adopt this standard for our next goodwill testing date.

In February 2016, the FASB issued *ASU No. 2016-02, Leases (Topic 842) ("ASU 2016-01")* to increase transparency and comparability by providing additional information to users of financial statements regarding an entity's leasing activities. The revised guidance seeks to achieve this objective by requiring reporting entities to recognize lease assets and lease liabilities on the balance sheet for substantially all lease arrangements. We are required to adopt this standard in the first quarter of Fiscal 2020 and early adoption is permitted. The guidance will be applied on a modified retrospective basis beginning with the earliest period presented. We are currently evaluating this standard to determine the impact of adoption on our condensed consolidated financial statements.

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers ("ASU 2014-09")*. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required. In 2016, the FASB issued final amendments to clarify the implementation guidance for principal versus agent considerations, identifying performance obligations and the accounting for licenses of intellectual property. In August 2015, FASB issued *ASU No. 2015-14, Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*, which effectively delayed the adoption date by one year. We are required to adopt ASU 2014-09 in the first quarter of Fiscal 2019 and early adoption is permitted. The new standard is required to be applied retrospectively to each prior reporting period (full retrospective method) or retrospectively with the cumulative effect of initially applying the standard recognized as an adjustment to opening retained earnings at the date of initial adoption (modified retrospective method).

We are in the process of analyzing the impacts of the guidance across all of our revenue streams. This includes reviewing current accounting policies and practices to identify potential differences that would result from applying the guidance. The majority of our revenue is generated from sales of finished products, which will continue to be recognized when control is transferred to the customer. Our assessment includes an evaluation of the impact that the guidance will have on our accounting for marketing revenue and other income streams. We are evaluating the guidance for our software license revenue, which is currently not material and is recognized over time, but may be recognized at a point in time under the new guidance. We are continuing to evaluate our revenue streams related to our digital product offerings and subscription-based services. We do not have loyalty programs or gift

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
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(unaudited)

cards. While our assessment of the impacts of the guidance is still in process, we believe the adoption of the guidance is not expected to have a material impact on our condensed consolidated financial statements, other than the additional disclosure requirements. We plan to adopt the standard in the first quarter of Fiscal 2019 using the modified retrospective method.

Note 4. Acquisitions

MBS Textbook Exchange, LLC

On February 27, 2017, we completed the purchase of all issued and outstanding units of MBS Textbook Exchange, LLC. MBS operates two highly integrated businesses. The MBS Direct business is the largest contract operator of 714 virtual bookstores for college and university campuses and private/parochial K-12 schools. MBS Wholesale is one of the largest textbook wholesalers in the country, providing a comprehensive selection of new and used textbooks at a low cost of supply to more than 3,700 physical bookstores (as of April 29, 2017), including BNC's 781 campus bookstores. Refer to *Note 1. Organization* of this Form 10-Q for additional information about MBS.

We acquired 100% of the equity interests of MBS for cash consideration of \$186,974, including cash and restricted cash acquired of \$1,171, and the acquisition was financed with cash from operations as well as proceeds from our existing credit facility. The preliminary allocation of the purchase price was based upon a preliminary valuation and our estimates and assumptions are subject to change within the measurement period (generally one year from the acquisition date). We are still in the process of valuing the assets acquired and liabilities to be assumed; thus, allocation of the acquisition consideration is subject to change.

The following is a summary of consideration paid for the acquisition:

Cash paid to Seller or escrow	\$	165,499
Consideration to Seller for pre-closing costs		4,657
Cash paid for Seller closing costs		4,044
Contract purchase price	\$	174,200
Consideration for payment to settle Seller's outstanding short-term borrowings		24,437
Consideration for reimbursement of pre-acquisition tax liability to Seller		14,668
Less: Consideration to Seller for pre-closing costs		(4,657)
Less: Consideration for settlement of pre-existing payable to Seller		(21,674)
Total value of consideration transferred	\$	186,974

The following is a summary of the preliminary estimated fair values of the net assets acquired:

Total estimated consideration transferred	\$	186,974
Cash and cash equivalents	\$	472
Accounts receivable, net		28,177
Merchandise inventory		128,431
Property and equipment		12,403
Intangible assets		21,576
Prepaid and other assets		4,748
Total assets	\$	195,807
Accounts payable	\$	35,383
Accrued expenses		8,799
Other long-term liabilities		12,769
Total liabilities	\$	56,951
Net assets to be acquired	\$	138,856
Goodwill	\$	48,118

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Identified intangible assets include the following:

Type of Intangible	Amount	Estimated Useful Life
Favorable Lease	\$ 1,076	6.5
Trade Name	3,500	10
Technology	1,500	3
Book Store Relationship	13,000	13
Direct Customer Relationship	2,000	15
Non-Compete Agreements	500	3
Total Intangibles:	<u>\$ 21,576</u>	

Student Brands, LLC

On August 3, 2017 (subsequent to the end of our first quarter), we acquired 100% of the equity interests of Student Brands, LLC, a leading direct-to-student subscription-based writing skills services business. For additional information, refer to *Note 16. Subsequent Event* of this Form 10-Q.

Note 5. Segment Reporting

We identified our segments based on the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker allocates resources and assesses financial performance. Effective with the acquisition of MBS on February 27, 2017, we have determined that we operate two reportable segments: BNC and MBS. Prior to the acquisition of MBS, BNC was previously our only reportable segment. Our international operations are not material and the majority of the revenue and total assets are within the United States. For a description of the BNC and MBS businesses, refer to *Note 1. Organization* of this Form 10-Q.

The condensed consolidated financial statements for the 13 weeks ended July 29, 2017 include the accounts of MBS and all material intercompany accounts and transactions have been eliminated in consolidation. The eliminations are primarily related to the following intercompany activities:

- BNC purchases new and used textbooks from MBS for distribution at BNC's physical college bookstores. We eliminate the net sales from MBS and the intercompany profit in ending inventory, and
- MBS pays commissions to BNC for certain textbooks its sells to MBS that cannot be returned to suppliers or used in their stores. The commission is based on the volume of textbooks sold to MBS and with respect to the textbook requirements of certain distance learning programs that MBS fulfills on BNC's behalf.

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Summarized financial information for our reportable segments is reported below:

	13 weeks ended	
	July 29, 2017	July 30, 2016
Sales:		
BNC	\$ 249,977	\$ 239,237
MBS	139,801	—
Elimination	(34,067)	—
Total Sales	\$ 355,711	\$ 239,237
Gross Profit		
BNC	\$ 48,737	\$ 47,413
MBS	27,589	—
Elimination	(11,613)	—
Total Gross Profit	\$ 64,713	\$ 47,413
Depreciation and Amortization		
BNC	\$ 13,382	\$ 12,921
MBS	1,635	—
Total Depreciation and Amortization	\$ 15,017	\$ 12,921
Operating Income (Loss)		
BNC ^(a)	\$ (56,112)	\$ (52,762)
MBS	12,186	—
Elimination	(11,613)	—
Total Operating Loss	\$ (55,539)	\$ (52,762)
The following is a reconciliation of segment Operating Loss to consolidated Loss Before Income Taxes:		
Total Operating Loss	\$ (55,539)	\$ (52,762)
Interest Expense, net	(3,038)	(666)
Total Loss Before Income Taxes	\$ (58,577)	\$ (53,428)

(a) During the 13 weeks ended July 29, 2017, we recognized expenses totaling approximately \$5,236 related to the resignation of Mr. Max J. Roberts as Chief Executive Officer of the Company and the appointment of Mr. Michael P. Huseby to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. For additional information, refer to *Note 9. Supplemental Information - Restructuring and Other Charges* of this Form 10-Q.

	As of	
	July 29, 2017	July 30, 2016
Total Assets		
BNC (includes goodwill of \$281,349 and \$281,337, respectively)	\$ 1,335,607	\$ 1,413,469
MBS (includes goodwill of \$48,118 and \$0, respectively)	283,068	—
Total Assets	\$ 1,618,675	\$ 1,413,469

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	13 weeks ended	
	July 29, 2017	July 30, 2016
Capital Expenditures		
BNC	\$ 6,841	\$ 6,183
MBS	1,040	—
Total Capital Expenditures	\$ 7,881	\$ 6,183

Note 6. Equity and Earnings Per Share

Equity

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50,000, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 13 weeks ended July 29, 2017, we did not repurchase shares of our common stock. As of July 29, 2017, approximately \$26,669 remains available under the stock repurchase program.

Earnings Per Share

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of our common stock for the year. We include participating securities (unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. The following is a reconciliation of the basic and diluted loss per share calculation:

	13 weeks ended	
	July 29, 2017	July 30, 2016
Numerator for basic and diluted earnings per share:		
Net loss available to common shareholders	\$ (34,783)	\$ (27,916)
Denominator for basic and diluted earnings per share:		
Basic and diluted weighted average shares of Common Stock	46,517	46,349
Loss per share of Common Stock:		
Basic	\$ (0.75)	\$ (0.60)
Diluted	\$ (0.75)	\$ (0.60)

Note 7. Fair Values of Financial Instruments

In accordance with *ASC No. 820, Fair Value Measurements and Disclosures*, the fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value.

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These tiers include:

Level 1—Observable inputs that reflect quoted prices in active markets

Level 2—Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3—Unobservable inputs in which little or no market data exists, therefore requiring us to develop our own assumptions

Our financial instruments include cash and cash equivalents, receivables, accrued liabilities and accounts payable. The fair values of cash and cash equivalents, receivables, accrued liabilities and accounts payable approximates their carrying values because of the short-term nature of these instruments, which are all considered Level 1. The fair value of short-term and long-term debt approximates its carrying value.

Note 8. Credit Facility

On August 3, 2015, we and certain of our subsidiaries, entered into a credit agreement (the “Credit Agreement”) under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of \$400,000 (the “Credit Facility”). The Company has the option to request an increase in commitments under the Credit Facility of up to \$100,000 subject to certain restrictions.

On February 27, 2017, in connection with the acquisition of MBS, we amended the Credit Agreement with our current lenders to add a new \$100,000 incremental first in, last out seasonal loan facility (the “FILO Facility”) increasing the maximum availability under the Credit Agreement to \$500,000 .

For additional information including interest terms and covenant requirements related to the Credit Facility, refer to *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity* in our Annual Report on Form 10-K for the year ended April 29, 2017.

During the 13 weeks ended July 29, 2017 , we borrowed \$110,300 and repaid \$49,800 under the Credit Agreement, for a net total of \$220,100 of outstanding borrowings as of July 29, 2017 , comprised of outstanding borrowings of \$120,100 and \$100,000 under the Credit Facility and FILO Facility, respectively. As of July 29, 2017 , we have issued \$4,298 in letters of credit under the Credit Facility.

Note 9. Supplementary Information

Restructuring and other charges

Restructuring

In Fiscal 2016, we implemented a plan to restructure our digital education operations which was completed in the first quarter of Fiscal 2017, and was primarily comprised of costs related to employee matters. We recorded restructuring costs of \$1,790 during the 13 weeks ended July 30, 2016.

Other Charges

On July 19, 2017, Mr. Max J. Roberts resigned as Chief Executive Officer of the Company and Mr. Michael P. Huseby was appointed to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. Pursuant to the terms of the Retirement Letter Agreement and consistent with Mr. Roberts’s employment agreement, Mr. Roberts will receive an aggregate payment of approximately \$4,424 , comprised of salary, bonus and benefits. In addition, the Company will pay Mr. Roberts and Mr. Huseby a one-time cash transition payment of approximately \$562 and \$250 , respectively, at the time of the transition. During the 13 weeks ended July 29, 2017, we recognized expenses totaling approximately \$5,236 , which is comprised of the liability for the termination and transition payments. For additional information, see the Form 8-K dated July 19, 2017, filed with the SEC on July 20, 2017.

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Note 10. Barnes & Noble, Inc. Transactions

Our History with Barnes & Noble, Inc.

On August 2, 2015, we completed the legal separation from Barnes & Noble, Inc. ("Spin-Off") at which time we began to operate as an independent publicly-traded company. In connection with the separation from Barnes & Noble, we entered into a Separation and Distribution Agreement with Barnes & Noble which governs the relationship between the parties after the separation and allocates between the parties various assets, liabilities, rights and obligations following the separation, including inventory purchases, employee benefits, intellectual property, information technology, insurance and tax-related assets and liabilities. The agreements also describe Barnes & Noble's future commitments to provide us with certain transition services following the Spin-Off. For information about our history with Barnes & Noble, Inc., see *Part II - Item 8. Financial Statements and Supplementary Data - Note 10. Barnes & Noble, Inc. Transactions* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Summary of Transactions with Barnes & Noble, Inc.

During the 13 weeks ended July 29, 2017 and July 30, 2016, we were billed \$6,828 and \$8,213, respectively, for purchases of inventory and direct costs incurred under the agreements discussed above which are included as cost of sales, and selling and administrative expenses in the condensed consolidated statement of operations.

As of July 29, 2017 and July 30, 2016, amounts due to Barnes & Noble, Inc. for book purchases and direct costs incurred under the agreements discussed above of \$7,353 and \$8,089 were included in accounts payable in the condensed consolidated balance sheets, respectively.

Note 11. Related Party Transactions

Prior to the acquisition of MBS on February 27, 2017, MBS was considered a related-party as they were majority-owned by Leonard Riggio, who is a principal owner holding a substantial percentage of shares of our common stock, and other members of the Riggio family.

Prior to the acquisition (as discussed in *Note 4. Acquisitions* of this Form 10Q), we had a long-term supply agreement ("Supply Agreement") with MBS, under which and subject to availability and competitive terms and conditions, we purchased new and used printed textbooks for a given academic term from MBS prior to buying them from other suppliers, other than in connection with student buy-back programs. During the 13 weeks ended July 30, 2016, total net purchases from MBS were \$55,005. Additionally, the Supply Agreement provided that we may sell to MBS certain textbooks that we cannot return to suppliers or use in our stores. MBS paid us commissions based on the volume of these textbooks sold to MBS each year and with respect to the textbook requirements of certain distance learning programs that MBS fulfills on our behalf. During the 13 weeks ended July 30, 2016, MBS paid us \$1,870 related to these commissions. In addition, the Supply Agreement contains restrictive covenants that limited our ability to become a used textbook wholesaler and that place certain limitations on MBS's business activities. We also previously entered into an agreement with MBS pursuant to which MBS purchased books from us, which have no resale value for a flat rate per box. During the 13 weeks ended July 30, 2016, total sales to MBS under this program were \$54. Total outstanding amounts payable to MBS for all arrangements net of any amounts due was \$73,377 as of July 30, 2016.

Subsequent to the acquisition, the condensed consolidated financial statements include the accounts of MBS and all material intercompany accounts and transactions have been eliminated in consolidation.

MBS leases its main warehouse and distribution facility located in Columbia, Missouri from MBS Realty Partners L.P. which is majority-owned by Leonard Riggio, with the remaining ownership by other sellers of MBS. The lease was originally entered into in 1991 and included a renewal option which extended the lease through September 1, 2023. Based upon a valuation performed as of the acquisition date, the lease was determined to be favorable from a lessee perspective with below market rent. For additional information, see *Note 4. Acquisitions* of this Form 10Q. Rent payments to MBS Realty Partners L.P. were approximately \$345 during the 13 weeks ended July 29, 2017.

Note 12. Employee Benefit Plans

BNC

BNC has a defined contribution plan for its employees ("Savings Plan"). BNC is responsible for employer contributions to the Savings Plan and to fund the contributions directly. Total contributions charged to employee benefit expenses for this plan was \$1,211 and \$1,249 during the 13 weeks ended July 29, 2017 and July 30, 2016, respectively.

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MBS

MBS maintains a defined contribution and profit sharing plan ("Profit Sharing Plan") covering substantially all full-time employees of MBS. MBS transfers employee contributions to the account balances of their employees and is responsible to fund the employer contributions directly. Total employee benefit expenses for the Profit Sharing Plan was \$788 during the 13 weeks ended July 29, 2017.

Note 13. Stock-Based Compensation

We recognize compensation expense for awards ratably over the requisite service period of the award, which is generally three years. We recognize compensation expense based on the number of awards expected to vest using an estimated average forfeiture rate. We calculate the fair value of stock-based awards based on the closing price on the date the award was granted.

During the 13 weeks ended July 29, 2017, we granted 537,756 performance share units ("PSU") awards to employees that will only vest based upon the achievement of pre-established performance goals related to Adjusted EBITDA and new business achieved measured over a period of time. The PSU awards will vest based on company performance during Fiscal 2018 - Fiscal 2019 with one additional year of time-based vesting. The number of PSU awards that will vest range from 0%-150% of the target award based on actual performance.

We recognized stock-based compensation expense for equity-based awards in selling and administrative expenses as follows:

	13 weeks ended	
	July 29, 2017	July 30, 2016
Restricted stock expense	\$ 30	\$ 150
Restricted stock units expense ^(a)	1,900	1,596
Performance shares expense ^(a)	(68)	144
Performance share units expense	118	—
Stock-based compensation expense	<u>\$ 1,980</u>	<u>\$ 1,890</u>

(a) The stock-based compensation expense for the restricted stock units and the performance shares reflect the forfeiture adjustment for unvested shares related to the CEO transition. See *Note 9. Supplementary Information - Restructuring and Other Charges* of this Form 10-Q for additional information.

Total unrecognized compensation cost related to unvested awards as of July 29, 2017 was \$14,271 and is expected to be recognized over a weighted-average period of 2.2 years.

Note 14. Income Taxes

We recorded an income tax benefit of \$(23,794) on pre-tax loss of \$(58,577) during the 13 weeks ended July 29, 2017, which represented an effective income tax rate of 40.6% and an income tax benefit of \$(25,512) on a pre-tax loss of \$(53,428) during the 13 weeks ended July 30, 2016, which represented an effective income tax rate of 47.8%. The income tax provision for the 13 weeks ended July 29, 2017 reflects the impact of nondeductible expenses, principally nondeductible compensation expense, partially offset by income tax credits.

Management expects nondeductible compensation expense for the current fiscal year to be significantly lower compared to the prior fiscal year as components of our executive compensation program now qualify as deductible under Section 162(m) of the Internal Revenue Code. In addition, our income tax provision for the preceding two fiscal years reflected certain non-recurring tax benefits arising from the Spin-Off. Management does not expect any similar non-recurring tax benefits associated with the Spin-Off to impact our effective tax rate either in the current fiscal year or in future fiscal years.

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Note 15. Legal Proceedings

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. The results of these proceedings in the ordinary course of business are not expected to have a material adverse effect on our condensed consolidated financial position, results of operations, or cash flows.

Note 16. Subsequent Event

Acquisition of Student Brands, LLC

On August 3, 2017, we acquired 100% of the equity interests of Student Brands, LLC ("Student Brands"), a leading direct-to-student subscription-based writing skills services business, for \$58,500 in cash. The transaction was funded from cash on-hand and availability under our existing Credit Agreement.

Student Brands is an education technology company that operates multiple direct-to-student businesses focused on Study Tools, Writing Help, and Literary Research, all centered around assisting students with the writing process. Student Brands has a substantial and growing community of online learners, with over 20 million unique monthly users across its digital properties, which include 123HelpMe.com, Bartleby.com and StudyMode.com in the United States and TrabalhosFeitos.com, Etudier.com and Monografias.com in Brazil, France and Mexico, respectively. Student Brands utilizes deep data analytics and artificial intelligence to drive its content management system, the Content Brain. The Content Brain sifts through millions of pieces of content and provides the best answer for virtually any assignment a student is tackling. Student Brands generates revenue predominantly through its subscription-based services and digital advertisements.

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

Unless the context otherwise indicates, references to "we," "us," "our" and "the Company" refer to Barnes & Noble Education, Inc., a Delaware corporation. References to "Barnes & Noble College" refer to our college bookstore business operated through our subsidiary Barnes & Noble College Booksellers, LLC. References to "MBS" refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC, a Delaware corporation.

Overview

Description of business

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for higher education and K-12 institutions across the United States, one of the largest textbook wholesalers, and a leading provider of digital education services. Through its Barnes & Noble College ("BNC") and MBS Textbook Exchange ("MBS") subsidiaries, Barnes & Noble Education operates 1,495 physical and virtual bookstores and serves more than 6 million students, delivering essential educational content and tools within a dynamic retail environment. Through LoudCloud, its digital education platform, Barnes & Noble Education offers a suite of digital software, content and services that include predictive analytics, open educational resources ("OER") courseware, competency-based solutions, and a learning management system.

We believe our product offerings and services for students, faculty and administrators enable a more personalized learning experience, which improves student success rates and retention. We strive to be the first stop for students, educators and administrators by offering the most comprehensive resources available with our flexible physical and/or virtual bookstore options. The strengths of our business include our large footprint with well-recognized brand; our ability to meet students' affordability needs; our comprehensive suite of course materials; our well-established, deep relationships with partners; direct access to students and faculty; integrated systems with our customers; and stable, long-term contracts. We expect to continue to grow our business by increasing market share with new accounts, introducing scalable and advanced digital solutions and expanding our strategic opportunities through acquisitions and partnerships.

Educational institutions increasingly are outsourcing bookstore operations, investing in data-driven analytical tools, and offering students more affordable options for textbooks and other learning tools. Given these continuing trends, we are well-positioned to capture new market share and partner with an increasing number of schools across the country. As demand for new, improved, and more affordable products and services increase in the rapidly changing education landscape, we are working to evolve our business model and enhance our solutions. We aim to be an even stronger partner for schools and meet customer needs by expanding our physical and virtual bookstore service capabilities, courseware offerings and digital platform services. We believe that our strategic actions, including the acquisition of LoudCloud, Promoversity, MBS, and Student Brands (discussed below) and development of courseware, have substantially enhanced our competitive position. We continue to aggressively innovate and collaborate with our partners to provide solutions that extend well beyond course materials sourcing and sales to include new digital services that support successful student outcomes.

For additional information related to our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Acquisition of Student Brands, LLC

On August 3, 2017 (subsequent to the end of our first quarter), we acquired Student Brands, LLC ("Student Brands"), a leading direct-to-student subscription-based writing skills services business, for \$58.5 million. Student Brands is an education technology company that operates multiple direct-to-student businesses focused on Study Tools, Writing Help, and Literary Research, all centered around assisting students with the writing process. Student Brands generates revenue predominantly through its subscription-based services and digital advertisements. Student Brands has over 20 million unique monthly users across its digital properties, which include 123HelpMe.com, Bartleby.com and StudyMode.com in the United States and TrabalhosFeitos.com, Etudier.com and Monografias.com in Brazil, France and Mexico, respectively.

Segments

We have two reportable segments: BNC and MBS:

BNC operates 781 physical campus bookstores as of July 29, 2017, the majority of which also have school-branded e-commerce sites operated by BNC, and BNC also includes our digital education operations. Our campus stores are a social and academic hub through which students can access affordable course materials and affinity products, including new and used print and digital textbooks, which are available for sale or rent; emblematic apparel and gifts; trade books; computer products; school and dorm supplies; café offerings; convenience food and beverages; and graduation products. BNC product offerings also include a suite of digital content, software, and services through our LoudCloud platform, such as predictive analytics, a variety of courseware built on a foundation of open educational resources, and competency-based learning solutions. During the 13 weeks ended July 29, 2017, BNC opened 24 stores, with estimated annual first year sales of \$49 million.

Our MBS subsidiary operates two highly integrated businesses. The MBS Direct business is the largest contract operator of virtual bookstores for college and university campuses, and private/parochial K-12 schools. MBS Direct operates 714 virtual bookstores as of July 29, 2017, offering new and used print and digital textbooks, which are available for sale or rent. Additionally, MBS Direct sells textbooks directly to students through textbooks.comSM, one of the largest e-commerce sites for new and used textbooks. MBS Wholesale is one of the largest textbook wholesalers in the country, providing a comprehensive selection of new and used textbooks at a low cost of supply to more than 3,700 physical bookstores (as of April 29, 2017), including BNC's 781 campus bookstores. During the 13 weeks ended July 29, 2017, MBS Direct opened 10 stores, with estimated annual first year sales of \$3.8 million.

For additional information related to product and platform offerings for BNC and MBS, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Trends and Other Factors Affecting Our Business

Current trends and other factors affecting our business include:

- *Overall Economic Environment, College Enrollment and Consumer Spending Patterns:* Our business is affected by funding levels at colleges and universities, by changes in enrollments at colleges and universities, and spending on textbooks and general merchandise. The growth of our business depends on our ability to attract new students and to increase the level of engagement by existing students. For the 13 weeks ended July 29, 2017, our comparable store sales declined for textbooks primarily due to lower community college enrollment, increased consumer purchases directly from publishers and other online providers, and general weakness in the retail environment.
- *Supply Chain and Inventory:* Since the demand for used and new textbooks has historically been greater than the available supply, our financial results are highly dependent upon MBS Wholesale's ability to build its textbook inventory from suppliers in advance of the selling season.
- *Demand for Digital Offerings:* Over the longer-term, we anticipate significant new opportunities for our digital product offerings. Through our LoudCloud platform, we address the growing demand for alternative forms of educational materials and learning tools.
- *New and Existing Bookstore Contracts:* We expect awards of new accounts resulting in new physical and virtual store openings will continue to be an important driver of future growth in our business. We expect to continue to successfully renew our current contracts on favorable terms.
- *Campus Bookstore Outsourcing:* We continue to see increasing trends towards outsourcing in the campus bookstore market, including virtual bookstores and online marketplace websites. We also continue to see a variety of business models being pursued for the provision of textbooks, course materials and general merchandise. Contract costs, which are included in cost of sales, and primarily consist of the payments we make to the colleges and universities to operate their official bookstores (management service agreement costs), including rent expense, have generally increased as a percentage of sales as a result of increased competition for renewals and new store contracts.
- *Course Materials Market:* In addition to the competition in the services we provide to our customers, our textbook business faces significant price competition. Many students purchase from multiple textbook providers, are highly price sensitive and can easily shift spending from one provider or format to another. Some of our competitors have adopted, and may continue to adopt, aggressive pricing policies and devote substantial resources to marketing, website and systems development. As we expanded our textbook rental offerings, students have been shifting away from higher priced textbook purchases to lower priced rental options, which has resulted in lower textbook sales and increasing rental income.
- *Retail Environment:* BNC general merchandise sales, which are subject to short-term fluctuations driven by the broader retail environment, continue to increase over the long term as our product assortments continue to emphasize and reflect the changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online. During the 13 weeks ended July 29, 2017, our comparable store sales trends improved for general merchandise.

For additional information related to factors affecting our business, see *Part I - Item 1. Business - Trends and Other Factors Affecting Our Business* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Elements of Results of Operations

Our condensed consolidated financial statements reflect our condensed consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). On February 27, 2017, we acquired MBS Textbook Exchange, LLC. The results of operations for the 13 weeks ended July 29, 2017 include the financial results of MBS and all material intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the 13 weeks ended July 30, 2016 exclude the financial results of MBS.

Our sales are primarily derived from the sale of course materials (which include new and used textbooks and digital textbooks). Our rental income is primarily derived from the rental of physical and digital textbooks. At college and university bookstores which we operate, we sell emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. We also derive revenue from sales related to inventory management, hardware and point-of-sale software.

Our cost of sales primarily include costs such as merchandise costs, textbook rental amortization, payroll costs, as well as warehouse costs related to inventory management and order fulfillment, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as executive oversight, merchandising, procurement, field support, finance, human resources, benefits, training, legal, and information technology, as well as our investments in our digital platform.

Results of Operations - Summary

	13 weeks ended	
	July 29, 2017	July 30, 2016
<i>Dollars in thousands</i>		
Sales:		
Product sales and other	\$ 334,502	\$ 217,736
Rental income	21,209	21,501
Total sales	<u>\$ 355,711</u>	<u>\$ 239,237</u>
Net loss	<u>\$ (34,783)</u>	<u>\$ (27,916)</u>
Adjusted Earnings (non-GAAP) ^(a)	<u>\$ (29,777)</u>	<u>\$ (25,885)</u>
Adjusted EBITDA (non-GAAP) ^(a)		
BNC	\$ (36,905)	\$ (36,524)
MBS	16,069	—
Elimination	(11,613)	—
Total Adjusted EBITDA (non-GAAP)	<u>\$ (32,449)</u>	<u>\$ (36,524)</u>

(a) Adjusted Earnings and Adjusted EBITDA are a non-GAAP financial measures. See *Adjusted Earnings (non-GAAP)* and *Adjusted EBITDA (non-GAAP)* discussion below.

Store Count

	13 weeks ended July 29, 2017		13 weeks ended July 30, 2016
	BNC Stores	MBS Direct Stores	BNC Stores
Stores opened	24	10	33
Stores closed	12	8	14
Number of stores open at end of period	781	714	770
Comparable store sales decrease ^(a)	(2.5)%	N/A	(2.8)%

(a) For BNC, effective for the first quarter of Fiscal 2017, comparable store sales includes sales from stores that have been open for an entire fiscal year period, does not include sales from closed stores for all periods presented, and digital agency sales are included on a gross basis. We believe the current comparable store sales calculation method better reflects the manner in which management views comparable sales, as well as the seasonal nature of our business.

The following table sets forth, for the periods indicated, the percentage relationship that certain items bear to total sales:

	13 weeks ended	
	July 29, 2017	July 30, 2016
Sales:		
Product sales and other	94.0 %	91.0 %
Rental income	6.0	9.0
Total sales	100.0	100.0
Cost of sales:		
Product and other cost of sales ^(a)	83.0	81.7
Rental cost of sales ^(a)	62.5	64.3
Total cost of sales	81.8	80.2
Gross margin	18.2	19.8
Selling and administrative expenses	27.9	35.1
Depreciation and amortization expense	4.2	5.4
Restructuring and other charges	1.5	0.7
Transaction costs	0.2	0.6
Operating loss	(15.6)%	(22.0)%

(a) Represents the percentage these costs bear to the related sales, instead of total sales.

Results of Operations - 13 weeks ended July 29, 2017 compared with the 13 weeks ended July 30, 2016

	13 weeks ended, July 29, 2017				13 weeks ended
	BNC	MBS ^(a)	Eliminations	July 29, 2017 ^(a)	July 30, 2016
<i>Dollars in thousands</i>					
Sales:					
Product sales and other	\$ 229,543	\$ 139,026	\$ (34,067)	\$ 334,502	\$ 217,736
Rental income	20,434	775	—	21,209	21,501
Total sales	249,977	139,801	(34,067)	355,711	239,237
Cost of sales:					
Product and other cost of sales	188,396	111,799	(22,454)	277,741	177,994
Rental cost of sales	12,844	413	—	13,257	13,830
Total cost of sales	201,240	112,212	(22,454)	290,998	191,824
Gross profit	48,737	27,589	(11,613)	64,713	47,413
Selling and administrative expenses	85,642	13,768	—	99,410	83,937
Depreciation and amortization expense	13,382	1,635	—	15,017	12,921
Restructuring and other charges	5,236	—	—	5,236	1,790
Transaction costs	589	—	—	589	1,527
Operating (loss) income	\$ (56,112)	\$ 12,186	\$ (11,613)	\$ (55,539)	\$ (52,762)

(a) On February 27, 2017, we acquired MBS. The results of operations for the 13 weeks ended July 29, 2017 include the financial results of MBS and all material intercompany accounts and transactions have been eliminated in consolidation. The results of operations for the 13 weeks ended July 30, 2016 exclude the financial results of MBS.

Sales

The following table summarizes our sales for the 13 weeks ended July 29, 2017 and July 30, 2016 :

<i>Dollars in thousands</i>	13 weeks ended		
	July 29, 2017	July 30, 2016	%
Product sales and other	\$ 334,502	\$ 217,736	53.6%
Rental income	21,209	21,501	(1.4)%
Total Sales	\$ 355,711	\$ 239,237	48.7%

Our sales increased \$116.5 million, or 48.7%, to \$355.7 million during the 13 weeks ended July 29, 2017 from \$239.2 million during the 13 weeks ended July 30, 2016 . The components of the variances are reflected in the table below.

Sales variances		13 weeks ended	
<i>Dollars in millions</i>		July 29, 2017	July 30, 2016
MBS Sales ^(a)			
Wholesale	\$	92.5	\$ —
Direct		47.3	—
MBS Sales subtotal:	\$	139.8	\$ —
BNC Sales			
New stores	\$	15.4	\$ 8.5
Closed stores		(2.3)	(1.8)
Comparable stores		(5.5)	(6.2)
Textbook rental deferral		1.3	1.4
Service revenue ^(b)		1.9	0.1
Other ^(c)		(0.1)	(1.8)
BNC Sales subtotal:	\$	10.7	\$ 0.2
Eliminations ^(d)	\$	(34.0)	\$ —
Total sales variance	\$	116.5	\$ 0.2

(a) Represents sales for MBS for the 13 weeks ended July 29, 2017. MBS's business is highly seasonal. For MBS's retail operations (virtual bookstores), a major portion of sales and operating profit are realized during the second and third quarters, when students generally purchase and rent textbooks for the upcoming semesters. For MBS's wholesale business, a major portion of sales and operating profit is realized during the first, second and third fiscal quarters, as it sells textbooks for retail distribution, which somewhat offsets the decreased first quarter sales attributable to our retail business. MBS has significantly lower operating profit or operating loss realized during the fourth quarter.

(b) Service revenue includes Promoversity, LoudCloud, brand partnerships, shipping and handling and revenue from other programs.

(c) Other includes certain adjusting items related to return reserves and other deferred items.

(d) Eliminates MBS sales to BNC and BNC commissions earned from MBS. See *Part I - Item 1. Financial Statements - Note 5. Segment Reporting* of this Form 10-Q for a discussion of intercompany activities and eliminations.

Rental income for BNC for the 13 weeks ended July 29, 2017 decreased by \$1.1 million, or 5.0%. For the 13 weeks ended July 29, 2017 , rental income for BNC was impacted by an increase in the recognition of our previously deferred rental revenue of \$1.3 million and decreased rental activity. Excluding the impact of the deferred revenue, rental income decreased by \$2.4 million, or 15.6%.

BNC added 24 new stores and closed 12 stores during the 13 weeks ended July 29, 2017 , ending the period with a total of 781 stores.

Comparable store sales variances for BNC by category for the 13 week period are as follows:

Comparable Store Sales variances for BNC

<i>Dollars in millions</i>	13 weeks ended			
	July 29, 2017		July 30, 2016	
Textbooks	\$ (8.4)	(8.5)%	\$ (6.9)	(6.8)%
General Merchandise	3.6	3.3 %	1.6	1.6 %
Trade Books	(0.7)	(5.4)%	(0.6)	(4.7)%
Other	—	— %	(0.3)	(89.3)%
Total Comparable Store Sales	<u>\$ (5.5)</u>	<u>(2.5)%</u>	<u>\$ (6.2)</u>	<u>(2.8)%</u>

Comparable store sales for BNC decreased for the 13 week sales periods. Comparable store sales were negatively impacted primarily by lower student enrollment, specifically in two-year community colleges, increased consumer purchases directly from publishers and other online providers, and other recent negative retail trends. The components of the variances are reflected in the table above.

Textbook revenue for BNC for the 13 weeks ended July 29, 2017 decreased primarily due to lower new and used textbook sales and rentals, while eTextbook revenue increased. General merchandise sales for BNC increased for the 13 weeks ended July 29, 2017 primarily due to higher emblematic apparel and graduation products sales, partially offset by a decrease in convenience and computer product sales.

Cost of Sales and Gross Margin

Our cost of sales increased as a percentage of sales to 81.8% during the 13 weeks ended July 29, 2017 compared to 80.2% during the 13 weeks ended July 30, 2016 . Our gross margin increased by \$17.3 million, or 36.5%, to \$64.7 million, or 18.2% of sales, during the 13 weeks ended July 29, 2017 from \$47.4 million, or 19.8% of sales, during the 13 weeks ended July 30, 2016 . The cost of sales elimination of \$22.5 million represents the elimination of intercompany profit in ending inventory.

The cost of sales and gross margin for MBS was \$112.2 million or 80.3% of sales and \$27.6 million or 19.7% of sales, respectively, during the 13 weeks ended July 29, 2017 . The MBS gross margin as a percentage of sales is impacted by the seasonality of their business. For MBS's retail operations (virtual bookstores), a major portion of sales and operating profit are realized during the second and third quarters, when students generally purchase and rent textbooks for the upcoming semesters. For MBS's wholesale business, a major portion of sales and operating profit is realized during the first, second and third fiscal quarters, as it sells textbooks for retail distribution, which somewhat offsets the decreased first quarter sales attributable to our retail business. For the first quarter, the margin impact was primarily due to certain fixed warehouse facility and operation costs, as well as the incremental cost of sales of \$2.2 million during the 13 weeks ended Jul 29, 2017 related to recording MBS inventory at fair value as of the acquisition date. The non-cash fair value inventory adjustment of \$3.7 million for MBS will be recognized over six months from the date of acquisition and is allocated based on monthly sales. Excluding the \$2.2 million inventory fair value amortization, cost of sales and gross margin for MBS was \$110.0 million or 78.7% of sales and \$29.8 million or 21.3% of sales, respectively, during the 13 weeks ended July 29, 2017.

The following table summarizes the BNC cost of sales for the 13 weeks ended July 29, 2017 and July 30, 2016 :

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2017	% of Related Sales	July 30, 2016	% of Related Sales
Product and other cost of sales	\$ 188,396	82.1%	\$ 177,994	81.7%
Rental cost of sales	12,844	62.9%	13,830	64.3%
Total Cost of Sales	<u>\$ 201,240</u>	<u>80.5%</u>	<u>\$ 191,824</u>	<u>80.2%</u>

The following table summarizes the BNC gross margin for the 13 weeks ended July 29, 2017 and July 30, 2016 :

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2017	% of Related Sales	July 30, 2016	% of Related Sales
Product and other gross margin	\$ 41,147	17.9%	\$ 39,742	18.3%
Rental gross margin	7,590	37.1%	7,671	35.7%
Gross Margin	<u>\$ 48,737</u>	<u>19.5%</u>	<u>\$ 47,413</u>	<u>19.8%</u>

For the 13 weeks ended July 29, 2017, the BNC gross margin as a percentage of sales decreased as discussed below:

- Product and other gross margin decreased (35 basis points), driven primarily by lower margin rates (135 basis points) related to increased markdowns on textbooks. This decrease was partially offset by a favorable sales mix (75 basis points) resulting from higher margin general merchandise sales and lower costs related to our college and university contracts (25 basis points) resulting from contract renewals and new store contracts.
- Rental gross margin increased (145 basis points), driven primarily by higher rental margin rates (300 basis points), partially offset by increased costs (in relation to total rental sales) related to our college and university contracts (145 basis points) resulting from contract renewals and new store contracts and an unfavorable rental mix (10 basis points).

Selling and Administrative Expenses

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2017	% of Sales	July 30, 2016	% of Sales
Total Selling and Administrative Expenses	\$ 99,410	27.9%	\$ 83,937	35.1%

During the 13 weeks ended July 29, 2017, selling and administrative expenses increased by \$15.5 million, or 18.4%, to \$99.4 million from \$83.9 million during the 13 weeks ended July 30, 2016. The increase was primarily due to the selling and administrative expenses for MBS of \$13.8 million, which includes a \$1.7 million selling and administrative expense allocation from BNC for shared corporate overhead, during the 13 weeks ended July 29, 2017.

BNC's selling and administrative expenses increased by \$1.7 million, or 2.0%, to \$85.6 million from \$83.9 million during the 13 weeks ended July 29, 2017. The increase was primarily due a \$2.3 million increase in new store payroll and operating expenses (net of closed stores), as a result of a \$13.1 million increase in new store sales (net of closed stores), and a \$1.0 million increase in corporate overhead, including digital expenses. These increases were partially offset by a \$0.8 million decrease in comparable store payroll and operating expenses and \$1.7 million of shared corporate overhead costs allocated to MBS.

Depreciation and Amortization Expense

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2017	% of Sales	July 30, 2016	% of Sales
Total Depreciation and Amortization Expense	\$ 15,017	4.2%	\$ 12,921	5.4%

Depreciation and amortization expense increased by \$2.1 million, or 16.2%, to \$15.0 million during the 13 weeks ended July 29, 2017 from \$12.9 million during the 13 weeks ended July 30, 2016. This increase was primarily attributable to incremental depreciation and amortization expense resulting from recording MBS property and equipment and identified intangibles at fair value as of the acquisition date and additional capital expenditures for BNC.

Restructuring and other charges

Restructuring

In Fiscal 2016, in our BNC segment, we implemented a plan to restructure our digital education operations and we announced a reduction in staff and closure of the facilities in Mountain View, California, and Redmond, Washington, which was completed during the first quarter of Fiscal 2017. We recorded restructuring costs of \$1.8 million during the 13 weeks ended July 30, 2016.

Other Charges

On July 19, 2017, Mr. Max J. Roberts resigned as Chief Executive Officer of the Company and Mr. Michael P. Huseby was appointed to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. During the 13 weeks ended July 29, 2017, we recognized expenses totaling approximately \$5.2 million, which is comprised of the liability for the termination and transition payments. For additional information, see *Part I - Item 1. Financial Statements - Note 9. Supplementary Information* in this Form 10-Q or the Form 8-K dated July 19, 2017, filed with the SEC on July 20, 2017.

Transaction Costs

Transaction costs were \$0.6 million during the 13 weeks ended July 29, 2017 compared to \$1.5 million during the 13 weeks ended July 30, 2016. We incur transaction costs for business development and acquisitions. For additional information related to our recent acquisitions, see *Part I - Item 1. Financial Statements - Note 4. Acquisitions* in this Form 10-Q.

Operating Loss

Dollars in thousands	13 weeks ended			
	July 29, 2017	% of Sales	July 30, 2016	% of Sales
Total Operating Loss	\$ (55,539)	(15.6)%	\$ (52,762)	(22.0)%

Our operating loss was \$55.5 million during the 13 weeks ended July 29, 2017 compared to operating loss of \$52.8 million during the 13 weeks ended July 30, 2016. This increase was due to the matters discussed above. For the 13 weeks ended July 29, 2017, excluding the \$2.2 million of incremental cost of sales related to amortization of the MBS inventory fair value adjustment, the CEO separation costs of \$5.2 million (recorded in restructuring and other charges) and transaction costs of \$0.6 million, all discussed above, operating loss was \$47.5 million (or 13.3% of sales). For the 13 weeks ended July 30, 2016, excluding the transaction costs of \$1.5 million and restructuring costs and other charges of \$1.8 million, discussed above, operating loss was \$49.4 million (or 20.7% of sales) during the 13 weeks ended July 30, 2016.

Interest Expense, Net

Dollars in thousands	13 weeks ended	
	July 29, 2017	July 30, 2016
Interest Expense, Net	\$ 3,038	\$ 666

Net interest expense increased by \$2.4 million to \$3.0 million during the 13 weeks ended July 29, 2017 from \$0.6 million during the 13 weeks ended July 30, 2016 primarily due to increased borrowings under the Credit Facility and the FILO Facility (which was entered into during Fiscal 2017).

Income Tax Expense (Benefit)

Dollars in thousands	13 weeks ended			
	July 29, 2017	Effective Rate	July 30, 2016	Effective Rate
Income Tax Expense (Benefit)	\$ (23,794)	40.6%	\$ (25,512)	47.8%

We recorded an income tax benefit of \$(23.8) million on pre-tax loss \$(58.6) million of during the 13 weeks ended July 29, 2017, which represented an effective income tax rate of 40.6% and an income tax benefit of \$(25.5) million on pre-tax loss of \$(53.4) million during the 13 weeks ended July 30, 2016, which represented an effective income tax rate of 47.8%. The income tax provision for the 13 weeks ended July 29, 2017 reflects the impact of nondeductible expenses, principally nondeductible compensation expense, partially offset by income tax credits.

Management expects nondeductible compensation expense for the current fiscal year to be significantly lower compared to the prior fiscal year as components of our executive compensation program now qualify as deductible under Section 162(m) of the Internal Revenue Code. In addition, our income tax provision for the preceding two fiscal years reflected certain non-recurring tax benefits arising from the Spin-Off. Management does not expect any similar non-recurring tax benefits associated with the Spin-Off to impact our effective tax rate either in the current fiscal year or in future fiscal years.

Net Income (Loss)

Dollars in thousands	13 weeks ended	
	July 29, 2017	July 30, 2016
Net Income (Loss)	\$ (34,783)	\$ (27,916)

As a result of the factors discussed above, we reported net loss of \$34.8 million during the 13 weeks ended July 29, 2017, compared with a net loss of \$27.9 million during the 13 weeks ended July 30, 2016. Adjusted Earnings (non-GAAP) is \$(29.8) million during the 13 weeks ended July 29, 2017, compared with \$(25.9) million during the 13 weeks ended July 30, 2016. See *Adjusted Earnings (non-GAAP)* discussion below.

Use of Non-GAAP Measures - Adjusted Earnings and Adjusted EBITDA

To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EBITDA and Adjusted Earnings, which are non-GAAP financial measures under Securities and Exchange Commission (the “SEC”) regulations. We define Adjusted EBITDA as net income plus (1) depreciation and amortization; (2) interest expense and (3) income taxes, (4) as adjusted for additional items and subtracted from or added to net income. We define Adjusted Earnings as net income as adjusted for additional items and subtracted from or added to net income.

To properly and prudently evaluate our business, we encourage you to review our condensed consolidated financial statements included elsewhere in this Form 10-Q, the reconciliation from Adjusted EBITDA to net income, and the reconciliation from Adjusted Earnings to net income, the most directly comparable financial measure presented in accordance with GAAP, set forth in the tables below. All of the items included in the reconciliations below are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance.

These non-GAAP financial measures are not intended as substitutes for and should not be considered superior to measures of financial performance prepared in accordance with GAAP. In addition, our use of these non-GAAP financial measures may be different from similarly named measures used by other companies, limiting their usefulness for comparison purposes. These non-GAAP financial measures should not be considered as alternatives to net income as an indicator of our performance or any other measures of performance derived in accordance with GAAP.

We review these Non-GAAP financial measures as internal measures to evaluate our performance and manage our operations. We believe that these measures are useful performance measures which are used by us to facilitate a comparison of our on-going operating performance on a consistent basis from period-to-period. We believe that these Non-GAAP financial measures provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone, as it excludes certain items that do not reflect the ordinary earnings of our operations. Our Board of Directors and management also use Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance, for evaluating on a quarterly and annual basis actual results against such expectations, and as a measure for performance incentive plans. We believe that the inclusion of Adjusted EBITDA and Adjusted Earnings results provides investors useful and important information regarding our operating results.

Adjusted Earnings (non-GAAP)

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2017	July 30, 2016
Net loss	\$ (34,783)	\$ (27,916)
Reconciling items, after-tax <i>(below)</i>	5,006	2,031
Adjusted Earnings (non-GAAP) ^(a)	<u>\$ (29,777)</u>	<u>\$ (25,885)</u>
Reconciling items, pre-tax		
Inventory valuation amortization (MBS) (non-cash) ^(a)	\$ 2,248	\$ —
Restructuring and other charges ^(a)	5,236	1,790
Transaction costs ^(a)	589	1,527
Reconciling items, pre-tax	<u>8,073</u>	<u>3,317</u>
Less: Pro forma income tax impact ^(b)	3,067	1,286
Reconciling items, after-tax	<u>\$ 5,006</u>	<u>\$ 2,031</u>

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

(b) Represents the income tax effects of the non-GAAP items.

Adjusted EBITDA (non-GAAP)

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2017	July 30, 2016
Net loss	\$ (34,783)	\$ (27,916)
Add:		
Depreciation and amortization expense	15,017	12,921
Interest expense, net	3,038	666
Income tax benefit	(23,794)	(25,512)
Inventory valuation amortization (MBS) (non-cash) ^(a)	2,248	—
Restructuring and other charges ^(a)	5,236	1,790
Transaction costs ^(a)	589	1,527
Adjusted EBITDA (non-GAAP) ^(a)	<u>\$ (32,449)</u>	<u>\$ (36,524)</u>

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

The following is Adjusted EBITDA by segment for the 13 weeks ended July 29, 2017. Prior to the acquisition of MBS on February 27, 2017, we had only one reportable segment.

Adjusted EBITDA - by Segment

<i>Dollars in thousands</i>	13 weeks ended, July 29, 2017			
	BNC	MBS	Elimination ^(a)	Total
Sales	\$ 249,977	\$ 139,801	\$ (34,067)	\$ 355,711
Cost of sales (MBS excludes \$2,248 related to inventory fair value amortization) ^(a)	201,240	109,964	(22,454)	288,750
Gross profit	48,737	29,837	(11,613)	66,961
Selling and administrative expenses	85,642	13,768	—	99,410
Adjusted EBITDA (non-GAAP)	<u>\$ (36,905)</u>	<u>\$ 16,069</u>	<u>\$ (11,613)</u>	<u>\$ (32,449)</u>

(a) See *Management Discussion and Analysis - Results of Operations* discussion above.

Liquidity and Capital Resources

Our primary sources of cash are net cash flows from operating activities, funds available under a credit agreement and short-term vendor financing. As of July 29, 2017, we had a total of \$220.1 million of outstanding borrowings under the Credit Agreement. See *Financing Arrangements* discussion below.

Sources and Uses of Cash Flow

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2017	July 30, 2016
Cash, cash equivalents, and restricted cash at beginning of period	\$ 21,697	\$ 30,866
Net cash flows used in operating activities	(55,970)	(25,208)
Net cash flows used in investing activities	(9,341)	(12,848)
Net cash flows provided by financing activities	60,500	18,394
Cash, cash equivalents, and restricted cash at beginning of period	<u>\$ 16,886</u>	<u>\$ 11,204</u>

Cash Flow from Operating Activities

Our business is highly seasonal. For our retail operations (BNC and MBS Direct), cash flows from operating activities are typically a source of cash in the second and third fiscal quarters, when students generally purchase and rent textbooks for the upcoming semesters. For MBS Wholesale, cash flows from operating activities are typically a source of cash in the second and fourth fiscal quarters, as payments are received from the summer and winter selling season when they sell textbooks for retail distribution. For both BNC and MBS, cash flows from operating activities are typically a use of cash in the fourth fiscal quarter, when sales volumes are materially lower than the other quarters. Our quarterly cash flows also may fluctuate depending on the

timing of the start of the various school's semesters, as well as shifts in fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

Cash flows used in operating activities during the 13 weeks ended July 29, 2017 were \$(56.0) million compared to cash flows used in operating activities of \$(25.2) million during the 13 weeks ended July 30, 2016 . This increase of \$30.8 million was primarily due to the changes in working capital and changes in deferred tax balances.

Cash Flow from Investing Activities

Our investing activities consist principally of capital expenditures for contractual capital investments associated with renewing existing contracts, new store construction, digital initiatives and enhancements to internal systems and our website.

Cash flows used in investing activities during the 13 weeks ended July 29, 2017 were \$(9.3) million compared to \$(12.8) million during the 13 weeks ended July 30, 2016 . The decrease is primarily due to the acquisition of Promoversity during the 13 weeks ended July 30, 2016, lower contract costs and higher capital expenditures primarily for MBS and contractual capital investments associated with renewing existing contracts, and new store construction. Capital expenditures totaled \$7.9 million and \$6.2 million during the 13 weeks ended July 29, 2017 and July 30, 2016 , respectively.

Cash Flow from Financing Activities

Cash flows provided by financing activities during the 13 weeks ended July 29, 2017 were \$60.5 million compared \$18.4 million during the 13 weeks ended July 30, 2016 . This net change of \$42.1 is primarily due to increased net borrowings under the credit agreement of \$35.5 million (primarily to fund acquisitions), and decreased payments for common stock repurchased of \$6.6 million during the 13 weeks ended July 29, 2017 .

Financing Arrangements

On August 3, 2015, we and certain of our subsidiaries, entered into a credit agreement (the "Credit Agreement") under which the lenders committed to provide a five-year asset-backed revolving credit facility in an aggregate committed principal amount of \$400.0 million (the "Credit Facility"). The Company has the option to request an increase in commitments under the Credit Facility of up to \$100.0 million, subject to certain restrictions. On February 27, 2017, in connection with the acquisition of MBS, we amended our existing Credit Agreement to add a new \$100 million incremental first in, last out seasonal loan facility (the "FILO Facility").

During the 13 weeks ended July 29, 2017 , we borrowed \$110.3 million and repaid \$49.8 million under the Credit Agreement, for a net total of \$220.1 million of outstanding borrowings as of July 29, 2017 , comprised of outstanding borrowings of \$120.1 million and \$100.0 million under the Credit Facility and FILO Facility, respectively. As of July 29, 2017 , we have issued \$4.3 million in letters of credit under the facility. During the 13 weeks ended July 30, 2016, we borrowed \$25.9 million and repaid \$0.9 million under the Credit Facility.

For additional information including interest terms and covenant requirements related to the Credit Facility and FILO Facility, refer to *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended April 29, 2017.

We believe that our future cash from operations, access to borrowings under the Credit Agreement and short-term vendor financing will provide adequate resources to fund our operating and financing needs for the foreseeable future. Our access to, and the availability of, financing in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. There can be no assurances that we will have access to capital markets on acceptable terms.

Income Tax Implications on Liquidity

As of July 29, 2017, other long-term liabilities includes \$77.1 million related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and inventory levels. Management believes it is remote that the long-term tax payable associated with the LIFO reserve will be payable or will result in a cash tax payment in the foreseeable future, assuming that the historical CPI and inventory trends continue and LIFO will continue to be an acceptable inventory method for tax purposes.

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50 million, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 13 weeks ended July 29, 2017, we did not repurchase of our common stock. As of July 29, 2017, approximately \$26.7 million remains available under the stock repurchase program.

Contractual Obligations

Our projected contractual obligations are consistent with amounts disclosed in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Liquidity and Capital Resources* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Off-Balance Sheet Arrangements

As of July 29, 2017, we have no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Critical Accounting Policies

Our policies regarding the use of estimates and other critical accounting policies are consistent with the disclosures in *Part II - Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Recent Accounting Pronouncements

See *Item 1. Financial Statements — Note 3. Recent Accounting Pronouncements* of this Form 10-Q for information related to new accounting pronouncements.

Disclosure Regarding Forward-Looking Statements

This quarterly report on Form 10-Q contains certain “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995 and information relating to us and our business that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this communication, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will,” “forecasts,” “projections,” and similar expressions, as they relate to us or our management, identify forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-Q may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Such statements reflect our current views with respect to future events, the outcome of which is subject to certain risks, including, among others:

- general competitive conditions, including actions our competitors may take to grow their businesses;
- a decline in college enrollment or decreased funding available for students;
- decisions by colleges and universities to outsource their physical and/or online bookstore operations or change the operation of their bookstores;
- the general economic environment and consumer spending patterns;
- decreased consumer demand for our products, low growth or declining sales;
- our ability to continue to successfully integrate the operations of MBS Textbook Exchange, LLC into our Company;
- the strategic objectives, anticipated synergies, and/or other expected potential benefits of various acquisitions may not be fully realized or may take longer than expected;
- the integration of MBS Textbook Exchange, LLC's operations into our own may also increase the risk of our internal controls being found ineffective;
- risks associated with operation or performance of MBS Textbook Exchange, LLC's point-of-sales systems that are sold to college bookstore customers;
- implementation of our digital strategy may not result in the expected growth in our digital sales and/or profitability;
- risk that digital sales growth does not exceed the rate of investment spend;
- the performance of our online, digital and other initiatives, integration of and deployment of, additional products and services including new digital channels, and enhancements to higher education digital products, and the inability to achieve the expected cost savings;

- our ability to successfully implement our strategic initiatives including our ability to identify, compete for and execute upon additional acquisitions and strategic investments;
- technological changes;
- risks associated with counterfeit and piracy of digital and print materials;
- our international operations could result in additional risks;
- our ability to attract and retain employees;
- changes to purchase or rental general terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;
- risks associated with data privacy, information security and intellectual property;
- trends and challenges to our business and in the locations in which we have stores;
- non-renewal of managed bookstore, physical and/or online store contracts and higher-than-anticipated store closings;
- disruptions to our information technology systems, infrastructure and data due to computer malware, viruses, hacking and phishing attacks, resulting in harm to our business and results of operations;
- disruption of or interference with third party web service providers and our own proprietary technology;
- work stoppages or increases in labor costs;
- the risk of price reduction or change in format of course materials by publishers, which could negatively impact revenues and margin;
- possible increases in shipping rates or interruptions in shipping service;
- product shortages, including risks associated with merchandise sourced indirectly from outside the United States;
- changes in law or regulation;
- enactment of laws which may restrict or prohibit our use of emails or similar marketing activities;
- the amount of our indebtedness and ability to comply with covenants applicable to any future debt financing;
- our ability to satisfy future capital and liquidity requirements;
- our ability to access the credit and capital markets at the times and in the amounts needed and on acceptable terms;
- adverse results from litigation, governmental investigations or tax-related proceedings or audits;
- changes in accounting standards; and
- the other risks and uncertainties detailed in the section titled “*Risk Factors*” in *Part I - Item 1A* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-Q.

Item 3: Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the items discussed in *Part II - Item 7A. Quantitative and Qualitative Disclosures About Market Risk* in our Annual Report on Form 10-K for the year ended April 29, 2017.

Item 4: Controls and Procedures

Evaluation of Disclosure Controls and Procedures

An evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act) was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at the reasonable assurance level.

Management has not identified any changes in the Company's internal control over financial reporting that occurred during the quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting other than changes in controls that may be required as a result of the integration of MBS Textbook Exchange, LLC into the Company's internal controls.

PART II - OTHER INFORMATION

Item 1. Legal Proceedings

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. We record a liability when we believe that it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations or cash flows.

The litigation matter described below is the only material legal proceeding in which we are currently involved. Under the Separation Agreement, Barnes & Noble, Inc. is obligated to indemnify us against any expenses and liabilities incurred in connection with the matter; consequently, we do not expect an adverse outcome to this litigation to adversely impact our financial condition, results of operations or cash flows.

Adrea LLC v. Barnes & Noble, Inc., NOOK Digital, LLC (formerly barnesandnoble.com llc) and B&N Education, LLC (formerly Nook Media LLC):

On June 14, 2013, Adrea LLC (“Adrea”) filed a complaint against Barnes & Noble, Inc., NOOK Digital, LLC (formerly barnesandnoble.com llc) and B&N Education, LLC (formerly NOOK Media LLC) (collectively, “B&N”) in the United States District Court for the Southern District of New York alleging that various B&N NOOK products and related online services infringe U.S. Patent Nos. 7,298,851 (the “‘851 patent”), 7,299,501 (the “‘501 patent”) and 7,620,703 (the “‘703 patent”). B&N filed its Answer on August 9, 2013, denying infringement and asserting several affirmative defenses. At the same time, B&N filed counterclaims seeking declaratory judgments of non-infringement and invalidity with respect to each of the patents-in-suit. Discovery was commenced and completed and summary judgment motions were filed. On July 1, 2014, the Court issued a decision granting partial summary judgment in B&N’s favor, and in particular granting B&N’s motion to dismiss one of Adrea’s infringement claims, and granting B&N’s motion to limit any damages award with respect to another of Adrea’s infringement claims. Beginning October 7, 2014, through and including October 22, 2014, the case was tried before a jury in the Southern District of New York. The jury returned its verdict on October 27, 2014. The jury found no infringement with respect to the ‘851 patent, and infringement with respect to the ‘501 patent and ‘703 patent. It awarded damages in the amount of \$1.3 million. The jury further found no willful infringement with respect to any patent.

On July 24, 2015, the Court granted B&N’s post trial application to invalidate one of the two patents (the ‘501 patent) the jury found to have been infringed. The Court heard oral argument on September 28, 2015 on the post-trial motions on the jury’s infringement and validity determinations. On February 24, 2016, the Court issued a decision upholding the jury’s determination of infringement and validity with respect to the ‘703 patent and ordered a new trial on damages with respect to ‘703 patent since the original damages award was a total award for both the ‘501 patent and the ‘703 patent. The court held a trial on June 23-24 and July 15, 2016 to determine the damage award related to the ‘703 patent. The Court awarded Adrea \$266,832 for B&N’s non-willful infringement of the ‘703 patent. By order dated January 12, 2017, the Court granted Adrea \$3,000 in prejudgment interest; initially final judgment was entered against defendants in the total amount of \$269,832. On February 2, 2017, Adrea filed a motion for supplemental damages seeking royalties on all Nook devices sold through the date of final judgment and for an ongoing royalty with respect to post-final judgment sales. B&N filed its responsive brief on February 16, 2017. On March 22, 2017, the court awarded \$12,606 in supplemental damages on old devices only. On April 5, 2017, Adrea re-filed its Bill of Costs seeking to recover costs as the prevailing party. There has been no appeal by either party on the merits and the Court has issued final judgment in the amount of \$282,438, plus post-judgment interest (all totaling \$283,576), which been paid in full. Litigation continues with respect to the award of costs to the plaintiff in the amount of \$45,228.

Item 1A. Risk Factors

There have been no material changes during the 13 weeks ended July 29, 2017 to the risk factors discussed in *Part I - Item 1A. Risk Factors* in our Annual Report on Form 10-K for the year ended April 29, 2017.

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

Issuer Purchases of Equity Securities

The following table provides information as of July 29, 2017 with respect to shares of common stock we purchased during the first quarter of Fiscal 2018:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 30, 2017 - May 27, 2017	—	\$ —	—	\$ 26,669,324
May 28, 2017 - July 1, 2017	—	\$ —	—	\$ 26,669,324
July 2, 2017 - July 29, 2017	—	\$ —	—	\$ 26,669,324
	—	\$ —	—	

(a) This amount represents the average price paid per common share. This price includes a per share commission paid for all repurchases.

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to \$50 million, in the aggregate, of our outstanding Common Stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the 13 weeks ended July 29, 2017, we did not repurchase shares of our common stock.

Item 6. Exhibits

10.1	Retirement Letter Agreement, dated July 19, 2017, between Barnes & Noble Education, Inc., Barnes & Noble College Booksellers, LLC and Max J. Roberts, filed as Exhibit 10.1 to the Report on Form 8-K filed with the SEC on July 20, 2017, and incorporated herein by reference.
10.2	Amended and Restated Employment Agreement, dated July 19, 2017, between Barnes & Noble Education, Inc. and Michael P. Huseby, filed as Exhibit 10.2 to the Report on Form 8-K filed with the SEC on July 20, 2017, and incorporated herein by reference.
31.1	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS	XBRL Instance Document
101.SCH	XBRL Taxonomy Extension Schema Document
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	XBRL Taxonomy Extension Label Linkbase Document
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

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.

BARNES & NOBLE EDUCATION, INC.

(Registrant)

By: / s / BARRY BROVER

Barry Brover

Chief Financial Officer

(principal financial officer)

By: / s / SEEMA PAUL

Seema Paul

Chief Accounting Officer

(principal accounting officer)

August 30, 2017

EXHIBIT INDEX

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101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

**CERTIFICATION BY THE
CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Max J. Roberts, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 29, 2017 of Barnes & Noble Education, 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: August 30, 2017

By: /s/ Max J. Roberts
 Max J. Roberts
Chief Executive Officer
Barnes & Noble Education, Inc.

**CERTIFICATION BY THE
CHIEF FINANCIAL OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Barry Brover, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 29, 2017 of Barnes & Noble Education, 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: August 30, 2017

By: /s/ Barry Brover

Barry Brover

Chief Financial Officer

Barnes & Noble Education, Inc.

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Barnes & Noble Education, Inc. (the “Company”) on Form 10-Q for the period ended July 29, 2017, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Max J. Roberts, Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Max J. Roberts

Max J. Roberts

Chief Executive Officer

Barnes & Noble Education, Inc.

August 30, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO
RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934
AND 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the quarterly report of Barnes & Noble Education, Inc. (the “Company”) on Form 10-Q for the period ended July 29, 2017 , as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Barry Brover, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

- (1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Barry Brover

Barry Brover

Chief Financial Officer

Barnes & Noble Education, Inc.

August 30, 2017

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.