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 30, 2022

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	**46-0599018**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
120 Mountain View Blvd., Basking Ridge, NJ	**07920**
(Address of Principal Executive Offices)	**(Zip Code)**

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

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

Title of Class	Trading Symbol	Name of Exchange on which registered
Common Stock, $0.01 par value per share	BNED	New York Stock Exchange

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

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

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging Growth Company	☐

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

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

As of August 26, 2022, 52,347,979 shares of Common Stock, par value $0.01 per share, were outstanding.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Fiscal Quarter Ended July 30, 2022
Index to Form 10-Q

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 30, 2022	July 31, 2021
Sales:		
Product sales and other	$ 252,946	$ 227,770
Rental income	10,912	13,024
Total sales	263,858	240,794
Cost of sales (exclusive of depreciation and amortization expense):		
Product and other cost of sales	194,105	174,161
Rental cost of sales	6,265	6,604
Total cost of sales	200,370	180,765
Gross profit	63,488	60,029
Selling and administrative expenses	98,486	86,235
Depreciation and amortization expense	12,533	12,624
Restructuring and other charges	375	1,905
Operating loss	(47,906)	(40,735)
Interest expense, net	3,868	2,494
Loss before income taxes	(51,774)	(43,229)
Income tax expense	933	399
Net loss	$ (52,707)	$ (43,628)
Loss per share of common stock:		
Basic	$ (1.01)	$ (0.85)
Diluted	$ (1.01)	$ (0.85)
Weighted average shares of common stock outstanding:		
Basic	52,172	51,474
Diluted	52,172	51,474

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 30, 2022	July 31, 2021	April 30, 2022
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents	$ 9,147	$ 7,649	$ 10,388
Receivables, net	119,603	118,254	137,039
Merchandise inventories, net	463,555	472,461	293,854
Textbook rental inventories	8,501	6,657	29,612
Prepaid expenses and other current assets	60,181	64,724	61,709
Total current assets	660,987	669,745	532,602
Property and equipment, net	94,638	91,080	94,072
Operating lease right-of-use assets	318,070	289,102	286,584
Intangible assets, net	124,569	146,035	129,624
Goodwill	4,700	4,700	4,700
Deferred tax assets, net	—	15,943	—
Other noncurrent assets	22,405	27,405	23,971
Total assets	$ 1,225,369	$ 1,244,010	$ 1,071,553
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 324,613	$ 331,055	$ 182,790
Accrued liabilities	94,217	92,061	95,387
Current operating lease liabilities	149,587	135,937	97,143
Short-term borrowings	40,000	50,000	40,000
Total current liabilities	608,417	609,053	415,320
Long-term deferred taxes, net	1,430	—	1,430
Long-term operating lease liabilities	197,407	179,540	219,594
Other long-term liabilities	20,969	52,427	21,135
Long-term borrowings	220,300	153,700	185,700
Total liabilities	1,048,523	994,720	843,179
Commitments and contingencies	—	—	—
Stockholders' equity:			
Preferred stock, $0.01 par value; authorized, 5,000 shares; 0 shares issued and 0 shares outstanding	—	—	—
Common stock, $0.01 par value; authorized, 200,000 shares; issued, 54,774, 53,665 and 54,234 shares, respectively; outstanding, 52,348, 51,587 and 52,046 shares, respectively	547	536	542
Additional paid-in capital	742,624	735,376	740,838
Accumulated deficit	(544,201)	(466,265)	(491,494)
Treasury stock, at cost	(22,124)	(20,357)	(21,512)
Total stockholders' equity	176,846	249,290	228,374
Total liabilities and stockholders' equity	$ 1,225,369	$ 1,244,010	$ 1,071,553

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 30, 2022	July 31, 2021
Cash flows from operating activities:		
Net loss	$ (52,707)	$ (43,628)
Adjustments to reconcile net loss to net cash flows from operating activities:		
Depreciation and amortization expense	12,533	12,624
Content amortization expense	1,577	1,275
Amortization of deferred financing costs	555	362
Merchandise inventory loss	—	434
Stock-based compensation expense	1,791	1,122
Changes in other long-term assets and liabilities, net	992	1,972
Changes in operating lease right-of-use assets and liabilities	(1,230)	(10,464)
Changes in other operating assets and liabilities, net	7,491	18,999
Net cash flows used in operating activities	(28,998)	(17,304)
Cash flows from investing activities:		
Purchases of property and equipment	(9,726)	(11,370)
Net change in other noncurrent assets	—	192
Net cash flows used in investing activities	(9,726)	(11,178)
Cash flows from financing activities:		
Proceeds from borrowings	147,200	71,720
Repayments of borrowings	(112,600)	(45,620)
Payment of deferred financing costs	(559)	—
Purchase of treasury shares	(612)	(1,215)
Net cash flows provided by financing activities	33,429	24,885
Net decrease in cash, cash equivalents and restricted cash	(5,295)	(3,597)
Cash, cash equivalents and restricted cash at beginning of period	21,934	16,814
Cash, cash equivalents and restricted cash at end of period	$ 16,639	$ 13,217
Changes in other operating assets and liabilities, net:		
Receivables, net	$ 17,436	$ 2,818
Merchandise inventories	(169,701)	(191,783)
Textbook rental inventories	21,111	22,035
Prepaid expenses and other current assets	(1,969)	(6,012)
Accounts payable and accrued liabilities	140,614	191,941
Changes in other operating assets and liabilities, net	$ 7,491	$ 18,999

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 Paid-In	Accumulated	Treasury Stock		Total
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance at May 1, 2021	53,327	$ 533	$ 734,257	$ (422,637)	1,948	$ (19,142)	$ 293,011
Stock-based compensation expense			1,122				1,122
Vested equity awards	338	3	(3)				—
Shares repurchased for tax withholdings for vested stock awards					130	(1,215)	(1,215)
Net loss				(43,628)			(43,628)
Balance July 31, 2021	53,665	$ 536	$ 735,376	$ (466,265)	2,078	$ (20,357)	$ 249,290

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		Total
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance at April 30, 2022	54,234	$ 542	$ 740,838	$ (491,494)	2,188	$ (21,512)	$ 228,374
Stock-based compensation expense			1,791				1,791
Vested equity awards	540	5	(5)				—
Shares repurchased for tax withholdings for vested stock awards					238	(612)	(612)
Net loss				(52,707)			(52,707)
Balance July 30, 2022	54,774	$ 547	$ 742,624	$ (544,201)	2,426	$ (22,124)	$ 176,846

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 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
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Unless the context otherwise indicates, references in these Notes to the accompanying condensed consolidated financial statements to "we," "us," "our" and "the Company" refer to Barnes & Noble Education or "BNED", 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.

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 fiscal year ended April 30, 2022, which includes consolidated financial statements for the Company for each of the three fiscal years ended April 30, 2022, May 1, 2021 and May 2, 2020 (Fiscal 2022, Fiscal 2021 and Fiscal 2020, 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 college and university campuses and K-12 institutions across the United States. We are also one of the largest textbook wholesalers, inventory management hardware and software providers, and a leading provider of digital education solutions. We operate 1,406 physical, virtual, and custom bookstores and serve more than 6 million students, delivering essential educational content, tools and general merchandise within a dynamic omnichannel retail environment. Additionally, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We expect to continue to introduce scalable and advanced digital solutions focused largely on the student, expand our e-commerce capabilities and accelerate such capabilities through our merchandising partnership with Fanatics Retail Group Fulfillment, LLC, Inc. ("Fanatics") and Fanatics Lids College, Inc. ("FLC") (collectively referred to herein as the "FLC Partnership"), increase market share with new accounts, and expand our strategic opportunities through acquisitions and partnerships.

We expect gross general merchandise sales to increase over the long term, as our product assortments continue to emphasize and reflect changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online, which we expect to be further enhanced and accelerated through the FLC Partnership. Through this partnership, we receive unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of our logo and emblematic general merchandise business.

The *Barnes & Noble* brand (licensed from our former parent) along with our subsidiary brands, *BNC* and *MBS,* are synonymous with innovation in bookselling and campus retailing, and are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important to our relationship with leading publishers who rely on us as one of their primary distribution channels, and for being a trusted source for students in our direct-to-student digital solutions business.

We have three reportable segments: Retail, Wholesale and DSS. For additional information related to our strategies, operations and segments, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

First Day Inclusive Access Programs

We provide product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. We offer our *BNC First Day*® inclusive access programs, consisting of *First Day* and *First Day Complete*, in which course materials, including both physical and digital content, are offered at a reduced price through a course fee or included in tuition, and delivered to students on or before the first day of class.

- Through *First Day*, digital course materials are adopted by a faculty member for a single course, and students receive their materials through their learning management system.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
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- *First Day Complete* is adopted by an institution and includes all classes, providing students both physical and digital materials. The *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.

Offering courseware sales through our inclusive access *First Day* and *First Day Complete* models is a key, and increasingly important strategic initiative of ours to meet the market demands of substantially reduced pricing to students, as well as the opportunity to improve student outcomes, while, at the same time, increasing our market share, revenue and relative gross profits of courseware sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales. We expect these programs to allow us to ultimately reverse historical long-term trends in courseware revenue declines, which has occurred at those schools where such programs have been adopted.

Partnership with Fanatics and FLC

In December 2020, we entered into the FLC Partnership. Through this partnership, we receive unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of our general merchandise business. Fanatics' cutting-edge e-commerce and technology expertise offers our campus stores expanded product selection, a world-class online and mobile experience, and a progressive direct-to-consumer platform. Coupled with Lids (FLC's parent company), the leading standalone brick and mortar retailer focused exclusively on licensed fan and alumni products, our campus stores have improved access to trend and sales performance data on licensees, product styles, and design treatments.

We maintain our relationships with campus partners and remain responsible for staffing and managing the day-to-day operations of our campus bookstores. We also work closely with our campus partners to ensure that each campus store maintains unique aspects of in-store merchandising, including localized product assortments and specific styles and designs that reflect each campus's brand. We leverage Fanatics' e-commerce technology and expertise for the operational management of the emblematic merchandise and gift sections of our campus store websites. FLC manages in-store assortment planning and merchandising of emblematic apparel, headwear, and gift products for our partner campus stores.

COVID-19 Business Impact

Our business has been significantly negatively impacted by the COVID-19 pandemic, as many schools adjusted their learning models and on-campus activities. Despite the introduction of COVID-19 vaccines, the pandemic remains highly volatile and continues to evolve. However, on campus traffic continues to grow from increased campus events and activities, as compared to the last two years. We cannot accurately predict the duration or extent of the impact of the COVID-19 virus, including variants, on enrollments, campus activities, university budgets, athletics and other areas that directly affect our business operations. Although most four year schools returned to a traditional on-campus environment, there is still uncertainty about the duration and extent of the impact of the COVID-19 pandemic, including on enrollments at community colleges and by international students, the continuation of remote and hybrid class offerings, and its effect on our ability to source products, including textbooks and general merchandise offerings.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation and Consolidation

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. All material intercompany accounts and transactions have been eliminated in consolidation.

Our business is highly seasonal. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods. For certain of our retail operations, sales are generally highest in the second and third fiscal quarters, when students purchase and rent textbooks and other course materials for the typical academic year, and lowest in the first and fourth fiscal quarters. Sales attributable to our wholesale business are generally highest in our first, second and third quarters, as MBS sells textbooks and other course materials for retail distribution. Our DSS segment sales and operating profit are realized relatively consistently throughout the year.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. Due to the seasonal nature of the business, the results of operations for the 13 weeks ended July 30, 2022 are not indicative of the results expected for the 52 weeks ending April 29, 2023 (Fiscal 2023).

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.

Restricted Cash

As of July 30, 2022 and July 31, 2021, we had restricted cash of $7,492 and $5,568, respectively, comprised of $6,593 and $4,671, respectively, in prepaid and other current assets in the condensed consolidated balance sheet related to segregated funds for commission due to FLC for logo merchandise sales as per the FLC Partnership's merchandising agreement, and $899 and $897, respectively, in other noncurrent assets in the condensed consolidated balance sheet related to amounts held in trust for future distributions related to employee benefit plans.

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, which includes certain significant assumptions, including markdowns, sales below cost, inventory aging and expected demand.

Cost is determined primarily by the retail inventory method for our Retail segment and last-in first out, or “LIFO”, method for our Wholesale segment. Our textbook inventories, for Retail and Wholesale, 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 physical bookstores, 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.

The Retail Segment fulfillment order is directed first to our wholesale business before other sources of inventory are utilized. The products that we sell originate from a wide variety of domestic and international vendors. After internal sourcing, the bookstore purchases textbooks from outside suppliers and publishers.

As contemplated by the FLC Partnership merchandising agreement, we sold our logo and emblematic general merchandise inventory to FLC and received proceeds of $41,773, and recognized a merchandise inventory loss on the sale of $10,262 in cost of goods sold in the condensed consolidated statement of operations during the 52 weeks ended May 1, 2021 for the Retail Segment. The final inventory sale price was determined during the 13 weeks ended July 31, 2021, at which time, we received additional proceeds of $1,906, and recognized a merchandise inventory loss on the sale of $434 in cost of goods sold in the condensed consolidated statement of operations for the Retail Segment.

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.

Leases

We recognize lease assets and lease liabilities on the condensed consolidated balance sheet for all operating lease arrangements based on the present value of future lease payments as required by *Accounting Standards Codification ("ASC") Topic 842, Leases*. We do not recognize lease assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less). We recognize lease expense on a straight-line basis over the lease term for contracts with fixed lease payments, including those with fixed annual minimums, or over a rolling twelve-month period for leases where the annual guarantee resets at the start of each contract year, in order to best reflect the pattern of usage of the underlying leased asset. For additional information, see *Note 8. Leases*.

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of our revenue is derived from the sale of products through our bookstore locations, including virtual bookstores, and our bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of our products is recognized at the point in time when control of the products is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for the products. For additional information, see *Note 3. Revenue.*

Retail product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Wholesale product revenue is recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of goods sold.

Revenue from the rental of physical textbooks, which contains a single performance obligation, is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer. Rental periods are typically for a single semester and are always less than one year in duration. We offer a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. We record the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, we accelerate any remaining deferred rental revenue at the point of sale.

Revenue from the rental of digital textbooks, which contains a single performance obligation, is recognized at the point 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 estimate returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis. Effective in April 2021, as contemplated by the FLC Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of logo and emblematic general merchandise sales to FLC and Fanatics. The transition to FLC for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo and emblematic general merchandise sales are fulfilled by FLC and Fanatics, we recognize commission revenue earned for these sales on a net basis in our condensed consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis in the periods prior to the transition.

We do not have gift card or customer loyalty programs. We do not treat any promotional offers as expenses. Sales tax collected from our customers is excluded from reported revenues. Our payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue is primarily derived from DSS segment subscription-based service revenues and partnership marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers.

Subscription-based revenue, which contains a single performance obligation, is deferred and recognized based on the passage of time over the subscription period commencing at the point of sale, when control of the service transfers to the customer. The majority of subscriptions sold are one month in duration.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
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Partnership marketing agreements often include multiple performance obligations which are individually negotiated with our customers. For these arrangements that contain distinct performance obligations, we allocate the transaction price based on the relative standalone selling price method by comparing the standalone selling price (“SSP”) of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for partnership marketing service and overtime for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

Cost of Sales

Our cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, content development cost amortization, warehouse costs related to inventory management and order fulfillment, insurance, 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 long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, finance and accounting, and operating costs related to our DSS segment subscription-based services business. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to any specific reporting segment and are recorded in Corporate Services.

Evaluation of Goodwill and Other Long-Lived Assets

As of July 30, 2022, we had $0, $0 and $4,700 of goodwill on our condensed consolidated balance sheet related to our Retail, Wholesale and DSS reporting units, respectively. In accordance with *ASC 350-10, Intangibles - Goodwill and Other,* we complete our annual goodwill impairment test as of the first day of the third quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*. As of July 30, 2022, our other long-lived assets include property and equipment, operating lease right-of-use assets, amortizable intangibles, and other noncurrent assets of $94,638, $318,070, $124,569, and $22,405, respectively, on our condensed consolidated balance sheet.

Our business has been significantly negatively impacted by the COVID-19 pandemic, as many schools adjusted their learning models and on-campus activities. Despite the introduction of COVID-19 vaccines, the pandemic remains highly volatile and continues to evolve. However, on campus traffic continues to grow from increased campus events and activities, as compared to the last two years. In Fiscal 2022, we continued to experience the ongoing effects of COVID-19 with the surge of the Omicron variant further impacting students return to campus and on-campus activities. While the majority of schools brought students back to campus, some schools chose to conduct classes virtually. During Fiscal 2022 and Fiscal 2021, we recognized an impairment loss (non-cash) of $6,411 (both pre-tax and after-tax) and $27,630 ($20,506 after-tax), respectively, comprised of property and equipment, operating lease right-of-use assets, amortizable intangibles, and other noncurrent assets, on the condensed consolidated statement of operations.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. We regularly review deferred tax assets for recoverability and establish a valuation allowance, if determined to be necessary.

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Notes to Condensed Consolidated Financial Statements
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(unaudited)

Note 3. Revenue

Revenue from sales of our products and services is recognized either at the point in time when control of the products is transferred to our customers or over time as services are provided in an amount that reflects the consideration we expect to be entitled to in exchange for the products or services. See *Note 2. Summary of Significant Accounting Policies* for additional information related to our revenue recognition policies and *Note 4. Segment Reporting* for a description of each segment's product and service offerings.

Disaggregation of Revenue

The following table disaggregates the revenue associated with our major product and service offerings:

	13 weeks ended	
	July 30, 2022	July 31, 2021
Retail		
Course Materials Product Sales	$ 127,493	$ 122,217
General Merchandise Product Sales [(a)]	88,824	65,423
Service and Other Revenue [(b)]	9,278	9,805
Retail Product and Other Sales sub-total	225,595	197,445
Course Materials Rental Income	10,912	13,024
Retail Total Sales	$ 236,507	$ 210,469
Wholesale Sales	$ 37,083	$ 44,484
DSS Sales [(c)]	$ 9,184	$ 8,303
Eliminations [(d)]	$ (18,916)	$ (22,462)
Total Sales	$ 263,858	$ 240,794

(a) Effective in April 2021, as contemplated by the FLC Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of logo and emblematic general merchandise sales to FLC and Fanatics. The transition to FLC for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo and emblematic general merchandise sales are fulfilled by FLC and Fanatics, we recognize commission revenue earned for these sales on a net basis in our condensed consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis in the periods prior to the transition.
(b) Service and other revenue primarily relates to brand partnerships and other service revenues.
(c) DSS sales primarily relate to direct-to-student subscription-based revenue.
(d) The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

Contract Assets and Contract Liabilities

Contract assets represent the sale of goods or services to a customer before we have the right to obtain consideration from the customer. Contract assets consist of unbilled amounts at the reporting date and are transferred to accounts receivable when the rights become unconditional. Contract assets (unbilled receivables) were $0 as of July 30, 2022, July 31, 2021 and April 30, 2022 on our condensed consolidated balance sheets.

Contract liabilities represent an obligation to transfer goods or services to a customer for which we have received consideration and consists of our deferred revenue liability (deferred revenue). Deferred revenue consists of the following:

- advanced payments from customers related to textbook rental and subscription-based performance obligations, which are recognized ratably over the terms of the related rental or subscription periods;
- unsatisfied performance obligations associated with partnership marketing services, which are recognized when the contracted services are provided to our partnership marketing customers; and
- unsatisfied performance obligations associated with the premium paid for the sale of treasury shares, which are expected to be recognized over the term of the e-commerce and merchandising contracts for Fanatics and FLC, respectively.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Deferred revenue of $20,964 and $4,586 is recorded in accrued liabilities and other long-term liabilities on our condensed consolidated balance sheets, respectively, as of July 30, 2022 and $16,028, and $4,561 is recorded in accrued liabilities and other long-term liabilities on our condensed consolidated balance sheets, respectively, as of July 31, 2021. As of July 30, 2022, we expect to recognize $20,964 of the deferred revenue balance within the next 12 months. The following table presents changes in deferred revenue associated with our contract liabilities:

	13 weeks ended	
	July 30, 2022	July 31, 2021
Deferred revenue at the beginning of period	$ 19,722	$ 18,139
Additions to deferred revenue during the period	28,629	21,857
Reductions to deferred revenue for revenue recognized during the period	(22,801)	(19,407)
Deferred revenue balance at the end of period	$ 25,550	$ 20,589

Note 4. <u>Segment Reporting</u>

We have three reportable segments: Retail, Wholesale and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, continue to be presented as “Corporate Services”.

We identify our segments in accordance with 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. The following summarizes the three segments. For additional information about each segment's operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

Retail

The *Retail Segment* operates 1,406 college, university, and K-12 school bookstores, comprised of 793 physical bookstores and 613 virtual bookstores. Our bookstores typically operate under agreements with the college, university, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce websites which we operate independently or along with our merchant partners, and which offer students access to affordable course materials and affinity products, including emblematic apparel and gifts. The Retail Segment also offers inclusive access programs, in which course materials are offered at a reduced price through a fee charged by the institution or included in tuition, and delivered to students on or before the first day of class. Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

Wholesale

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 3,100 physical bookstores (including our Retail Segment's 793 physical bookstores) and sources and distributes new and used textbooks to our 613 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 350 college bookstores.

DSS

The *Digital Student Solutions (“DSS”) Segment* includes products and services to assist students to study more effectively and improve academic performance. The DSS Segment is comprised of the operations of Student Brands, LLC, a leading direct-to-student subscription-based writing services business, and *bartleby*®, an institutional and direct-to-student subscription-based offering providing textbook solutions, expert questions and answers, writing and tutoring.

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Intercompany Eliminations

The eliminations are primarily related to the following intercompany activities:

- The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale, and
- These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

Our international operations are not material, and the majority of the revenue and total assets are within the United States.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Summarized financial information for our reportable segments is reported below:

	13 weeks ended	
	July 30, 2022	July 31, 2021
Sales:		
Retail	$ 236,507	$ 210,469
Wholesale	37,083	44,484
DSS	9,184	8,303
Elimination	(18,916)	(22,462)
Total Sales	$ 263,858	$ 240,794
Gross Profit		
Retail [(a)]	$ 53,993	$ 48,143
Wholesale	6,899	10,405
DSS	7,483	7,030
Elimination	(4,887)	(5,549)
Total Gross Profit	$ 63,488	$ 60,029
Selling and Administrative Expenses		
Retail	$ 79,004	$ 68,365
Wholesale	4,131	3,991
DSS	8,145	6,447
Corporate Services	7,214	7,444
Elimination	(8)	(12)
Total Selling and Administrative Expenses	$ 98,486	$ 86,235
Depreciation and Amortization		
Retail	$ 9,529	$ 9,407
Wholesale	1,349	1,300
DSS	1,637	1,899
Corporate Services	18	18
Total Depreciation and Amortization	$ 12,533	$ 12,624
Operating (Loss) Income		
Retail	$ (34,540)	$ (30,637)
Wholesale	1,419	5,114
DSS	(2,299)	(1,316)
Corporate Services	(7,607)	(8,359)
Elimination	(4,879)	(5,537)
Total Operating Loss	$ (47,906)	$ (40,735)

	13 weeks ended	
Reconciliation of segment Operating Loss to consolidated Loss Before Income Taxes:	July 30, 2022	July 31, 2021
Total Operating Loss	$ (47,906)	$ (40,735)
Interest Expense, net	3,868	2,494
Loss Before Income Taxes	$ (51,774)	$ (43,229)

(a) For the 13 weeks ended July 31, 2021, gross margin includes a merchandise inventory loss of $434 in the Retail Segment. See *Note 2. Summary of Significant Accounting Policies - Merchandise Inventories*.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Note 5. Equity and Earnings Per Share

Equity

Share Repurchases

During the 13 weeks ended July 30, 2022, we did not repurchase shares of our Common Stock under the stock repurchase program and as of July 30, 2022, approximately $26,669 remains available under the stock repurchase program.

During the 13 weeks ended July 30, 2022, we repurchased 238,210 shares of our Common Stock outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

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. During the 13 weeks ended July 30, 2022 and July 31, 2021, average shares of 4,722,668 and 3,665,606 were excluded from the diluted earnings per share calculation as their inclusion would have been antidilutive, respectively.

The following is a reconciliation of the basic and diluted earnings per share calculation:

	13 weeks ended	
(shares in thousands)	July 30, 2022	July 31, 2021
Numerator for basic and diluted earnings per share:		
Net loss available to common shareholders	$ (52,707)	$ (43,628)
Denominator for basic and diluted earnings per share:		
Basic and diluted weighted average shares of Common Stock	52,172	51,474
Loss per share of Common Stock:		
Basic	$ (1.01)	$ (0.85)
Diluted	$ (1.01)	$ (0.85)

Note 6. Fair Value Measurements

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. 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.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

Non-Financial Assets and Liabilities

Our non-financial assets include goodwill, property and equipment, operating lease right-of-use assets, and intangible assets. Such assets are reported at their carrying values and are not subject to recurring fair value measurements. We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*.

Other Non-Financial Liabilities

We granted phantom share units as long-term incentive awards which are settled in cash based on the fair market value of a share of common stock of the Company at each vesting date. The fair value of the liability for the cash-settled phantom share unit awards will be remeasured at the end of each reporting period through settlement to reflect current risk-free rate and volatility assumptions. As of July 30, 2022, we recorded a liability of $2,976 (Level 2 input) which is reflected in accrued liabilities ($1,810) and other long-term liabilities ($1,166) on the condensed consolidated balance sheet. As of July 31, 2021, we recorded a liability of $6,317 (Level 2 input) which is reflected in accrued liabilities $4,173 and other long-term liabilities $2,144 on the condensed consolidated balance sheet. For additional information, see *Note 10. Long-Term Incentive Plan Compensation Expense*.

Note 7. Debt

Credit Facility

We have a credit agreement (the "Credit Agreement"), amended March 31, 2021 and March 1, 2019, under which the lenders committed to provide us with a 5 year asset-backed revolving credit facility in an aggregate committed principal amount of $400,000 (the "Credit Facility") effective from the date of the amendment. We have the option to request an increase in commitments under the Credit Facility of up to $100,000, subject to certain restrictions. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs. The agreement includes an incremental first in, last out seasonal loan facility (the "FILO Facility") for a $100,000 incremental facility maintaining the maximum availability under the Credit Agreement at $500,000. As of July 30, 2022, we were in compliance with all debt covenants under the Credit Agreement.

On March 4, 2022, we were granted a waiver to the condition to the draw scheduled for April 2022 under the FILO Facility, that Consolidated EBITDA (as defined in the Credit Agreement) minus Restricted Payments (as defined in the Credit Agreement) equal at least $110,000. Under the waiver amendment, the commitment under the FILO Facility of $25,000 was increased to $40,000, with all remaining terms unchanged.

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 fiscal year ended April 30, 2022.

During the 13 weeks ended July 30, 2022, we borrowed $117,200 and repaid $112,600 under the Credit Agreement, with $230,300 of outstanding borrowings as of July 30, 2022, comprised of $190,300 and $40,000 of borrowings under the Credit Facility and FILO Facility, respectively. During the 13 weeks ended July 31, 2021, we borrowed $71,720 and repaid $45,620 under the Credit Agreement, with $203,700 of outstanding borrowings as of July 31, 2021, comprised of $153,700 and $50,000 of borrowings under the Credit Facility and FILO Facility, respectively. As of both July 30, 2022 and July 31, 2021, we have issued $4,759 in letters of credit under the Credit Facility.

Term Loan

On June 7, 2022, we entered into a Term Loan Credit Agreement (the "Term Loan Credit Agreement") with TopLids LendCo, LLC and Vital Fundco, LLC and we entered an amendment to our existing Credit Agreement. For additional information, see the Company's Report on Form 8-K dated June 7, 2022 and filed with the SEC on June 10, 2022.

The Term Loan Credit Agreement provides for term loans in an amount equal to $30,000 (the "Term Loan Facility" and, the loans thereunder, the "Term Loans"). The proceeds of the Term Loans are being used to finance working capital, and to pay fees and expenses related to the Term Loan Facility. During the 13 weeks ended July 30, 2022, we borrowed $30,000 and repaid $0 under the Term Loan Credit Agreement, with $30,000 of outstanding borrowings as of July 30, 2022.

During the 13 weeks ended July 30, 2022, we incurred debt issuance costs totaling $1,909 related to the Term Loan Credit Agreement. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the consolidated balance sheets, and subsequently amortized ratably over the term of the Term Loan Facility.

The Term Loans accrue interest at a rate equal to 11.25% and mature on June 7, 2024. We have the right, through December 31, 2022, to pay all or a portion of the interest on the Term Loans in kind. The Term Loans do not amortize prior to maturity. Solely to the extent that any Term Loans remain outstanding on June 7, 2023, we must pay a fee of 1.5% of the outstanding principal amount of the Term Loans on such date.

The Term Loans are required to be repaid (i) after repayment of the FILO Facility under the Credit Agreement, with up to 100% of the proceeds of the sale of a non-core business line of the Company generating net proceeds in excess of $1,000, other than ordinary course dispositions and (ii) in full in connection with a debt or equity financing transaction generating net proceeds in excess of an amount sufficient to repay the FILO Facility under the Credit Agreement.

The Term Loan Credit Agreement does not contain a financial covenant, but otherwise contains representations and warranties, covenants and events of default that are substantially the same as those in the Credit Agreement, including restrictions on the ability of the Company and its subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and make dividends and distributions. The Term Loan Facility is secured by second-priority liens on all assets securing the obligations under the Credit Agreement, which is all of the assets of the Company and the Guarantors, subject to customary exclusions and limitations set forth in the Term Loan Credit Agreement and the other loan documents executed in connection therewith.

The Credit Agreement amendment permitted us to incur the Term Loan Facility and also provides that, upon repayment of the Term Loan Credit Agreement (and, if applicable, any replacement credit facility thereof), we may incur second lien secured debt in an aggregate principal amount not to exceed $75,000.

Note 8. Leases

We recognize lease assets and lease liabilities on the condensed consolidated balance sheets for substantially all lease arrangements as required by FASB *ASC 842, Leases* (Topic 842). Our portfolio of leases consists of operating leases comprised of operations agreements which grant us the right to operate on-campus bookstores at colleges and universities; real estate leases for office and warehouse operations; and vehicle leases. We do not have finance leases or short-term leases (i.e., those with a term of twelve months or less).

We recognize a right of use ("ROU") asset and lease liability in our condensed consolidated balance sheets for leases with a term greater than twelve months. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability when it is reasonably certain that such options will be exercised. Our lease terms generally range from one year to fifteen years and a number of agreements contain minimum annual guarantees, many of which are adjusted at the start of each contract year based on the actual sales activity of the leased premises for the most recently completed contract year.

Payment terms are based on the fixed rates explicit in the lease, including minimum annual guarantees, and/or variable rates based on: i) a percentage of revenues or sales arising at the relevant premises ("variable commissions"), and/or ii) operating expenses, such as common area charges, real estate taxes and insurance. For contracts with fixed lease payments, including those with minimum annual guarantees, we recognize lease expense on a straight-line basis over the lease term or over the contract year in order to best reflect the pattern of usage of the underlying leased asset and our minimum obligations arising from these types of leases. Our lease agreements do not contain any material residual value guarantees, material restrictions or covenants.

We used our incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable. We utilized an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

The following table summarizes lease expense:

	13 weeks ended	
	July 30, 2022	July 31, 2021
Variable lease expense	$ 15,183	$ 11,702
Operating lease expense	22,862	16,373
Net lease expense	$ 38,045	$ 28,075

The increase in lease expense during the 13 weeks ended July 30, 2022 is primarily due to higher sales for contracts based on a percentage of revenue during the 13 weeks ended July 30, 2022, the impact of the timing due to contract renewals, and the increase in minimum contractual guarantees which were temporarily eliminated in the prior year due to limited on campus store traffic resulting from the COVID pandemic.

The following table summarizes our minimum fixed lease obligations, excluding variable commissions, as of July 30, 2022:

	As of July 30, 2022
Remainder of Fiscal 2022	$ 142,036
Fiscal 2023	52,402
Fiscal 2024	47,903
Fiscal 2025	36,605
Fiscal 2026	28,864
Thereafter	83,013
Total lease payments	390,823
Less: imputed interest	(43,829)
Operating lease liabilities at period end	$ 346,994

Future lease payment obligations related to leases that were entered into, but did not commence as of July 30, 2022, were not material.

The following summarizes additional information related to our operating leases:

	As of	
	July 30, 2022	July 31, 2021
Weighted average remaining lease term (in years)	5.3 years	5.1 years
Weighted average discount rate	4.2 %	4.3 %
Supplemental cash flow information:		
Cash payments for lease liabilities within operating activities	$ 25,073	$ 27,378
ROU assets obtained in exchange for lease liabilities from initial recognition	$ 64,221	$ 67,106

Note 9. Supplementary Information

Restructuring and other charges

During the 13 weeks ended July 30, 2022, we recognized restructuring and other charges totaling $375, comprised primarily of costs associated with professional service costs for restructuring and process improvements.

During the 13 weeks ended July 31, 2021, we recognized restructuring and other charges totaling $1,905, comprised primarily of $832 for severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction objectives, ($1,651 is included in accrued liabilities in the condensed consolidated balance sheet as of July 31, 2021), $1,073 for costs associated with professional service costs for restructuring, process improvements, development and integration associated with the FLC Partnership, shareholder activist activities, and liabilities for a facility closure.

(Thousands of dollars, except share and per share data)

Note 10. Long-Term Incentive Plan Compensation Expense

We recognize compensation expense for restricted stock awards and performance share awards ratably over the requisite service period of the award, which is generally three years. We recognize compensation expense for these awards based on the number of awards expected to vest, which includes an estimated average forfeiture rate. We calculate the fair value of these awards based on the closing stock price on the date the award was granted. For those awards with market conditions, we have determined the grant date fair value using the Monte Carlo simulation model and compensation expense is recognized ratably over the requisite service period regardless of whether the market condition is satisfied.

For stock options granted with an "at market" exercise price, we determined the grant fair value using the Black-Scholes model and for stock options granted with "a premium" exercise price, we determined the grant date fair value using the Monte Carlo simulation model. The fair value models for stock options use assumptions that include the risk-free interest rate, expected volatility, expected dividend yield and expected term of the options.

During the 13 weeks ended July 30, 2022, we granted the following awards:

- 878,247 restricted stock units ("RSU") awards to employees with a three year vesting period.
- 322,495 stock options with an exercise price of $2.36 per stock option, which was the fair market value on the date of grant (Stock Option Grant #1) and 348,723 stock options with an exercise price of $4.86 per stock option, which was above the fair market value on the date of grant, (Stock Option Grant #2) granted to employees. The stock options are exercisable in four equal annual installments commencing one year after the date of grant and have a ten year term. Holders are not entitled to receive dividends (if any) prior to vesting and exercise of the options. The following summarizes the stock option fair value assumptions:

	Stock Option Grant #1	Stock Option Grant #2
Exercise Price	$ 2.36	$ 4.86
Valuation method utilized	Black-Scholes	Monte Carlo
Risk-free interest rate	3.28 %	3.28 %
Expected option term	6.3 years	10.0 years
Company volatility	74 %	74 %
Dividend yield	— %	— %
Grant date fair value per award	$ 1.61	$ 1.28

The risk-free interest rate is based on United States Treasury yields in effect at the date of grant for periods corresponding to the expected stock option term. For Stock Option Grant #1, we are permitted to use the simplified approach to estimate the expected term of the stock options, which typically assumes exercise occurs at the mid-point between the end of the vesting period and the expiration date. The simplified approach is not allowed for premium-priced options (Stock Option Grant #2), which were estimated using a stock price multiple, as there is no option exercise history which to base an early exercise option. The expected stock option term represents the weighted average period of time that stock options granted are expected to be outstanding, based on vesting schedules and the contractual term of the stock options. Volatility is based on the historical volatility of the Company's common stock over a period of time corresponding to the expected stock option term.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 30, 2022 and July 31, 2021
(Thousands of dollars, except share and per share data)
(unaudited)

We recognized compensation expense for long-term incentive plan awards in selling and administrative expenses as follows:

	13 weeks ended	
	July 30, 2022	July 31, 2021
Stock-based awards		
Restricted stock expense	$ 94	$ 88
Restricted stock units expense	1,023	730
Performance share units expense	10	34
Stock option expense	664	270
Sub-total stock-based awards:	$ 1,791	$ 1,122
Cash settled awards		
Phantom share units expense	$ 202	$ 2,472
Total compensation expense for long-term incentive awards	$ 1,993	$ 3,594

Total unrecognized compensation cost related to unvested awards as of July 30, 2022 was $15,133 and is expected to be recognized over a weighted-average period of 2.5 years.

Note 11. Employee Benefit Plans

We sponsor defined contribution plans for the benefit of substantially all of the employees of BNC and DSS. MBS maintains a profit sharing plan covering substantially all full-time employees of MBS. For all plans, we are responsible to fund the employer contributions directly. Total employee benefit expense for these plans was $1,325 and $44 during the 13 weeks ended July 30, 2022 and July 31, 2021, respectively.

Effective April 2020, due to the significant impact as a result of COVID-19 related campus store closures, we temporarily suspended employer matching contributions into our 401(k) plans. The matching contributions were reinstated effective July 25, 2021.

Note 12. Income Taxes

We recorded an income tax expense of $933 on pre-tax loss of $(51,774) during the 13 weeks ended July 30, 2022, which represented an effective income tax rate of (1.8)% and an income tax expense of $399 on pre-tax loss of $(43,229) during the 13 weeks ended July 31, 2021, which represented an effective income tax rate of (0.9)%.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. As of July 30, 2022, we determined that it was more likely than not that we would not realize certain deferred tax assets and our tax rate for the current fiscal year reflects this determination. We will continue to evaluate this position.

The effective tax rate for the 13 weeks ended July 30, 2022 is higher as compared to the prior year comparable period due to foreign taxes and lower projected annual taxable loss in the current year.

Note 13. 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 14. Subsequent Event

We have filed our federal income tax returns for the tax year ended January 2021, as well claims for refunds for cash taxes paid in prior years. We received refunds of $7,842 in Fiscal 2022 and $15,770 on August 29, 2022 (Fiscal 2023). We expect to receive additional refunds of approximately $6,881.

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. or "BNED", a Delaware corporation. References to "Barnes & Noble College" or "BNC" refer to our subsidiary Barnes & Noble College Booksellers, LLC. References to "MBS" refer to our subsidiary MBS Textbook Exchange, LLC.

Overview

Description of Business

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also one of the largest textbook wholesalers, inventory management hardware and software providers, and a leading provider of digital education solutions. We operate 1,406 physical, virtual, and custom bookstores and serve more than 6 million students, delivering essential educational content, tools and general merchandise within a dynamic omnichannel retail environment. Additionally, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We expect to continue to introduce scalable and advanced digital solutions focused largely on the student, expand our e-commerce capabilities and accelerate such capabilities through our merchandising partnership with Fanatics Retail Group Fulfillment, LLC, Inc. ("Fanatics") and Fanatics Lids College, Inc. ("FLC") (collectively referred to herein as the "FLC Partnership"), increase market share with new accounts, and expand our strategic opportunities through acquisitions and partnerships.

We expect gross general merchandise sales to continue to increase over the long term, as our product assortments continue to emphasize and reflect changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online, which we expect to be further enhanced and accelerated through the FLC Partnership. Through this partnership, we receive unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of our logo and emblematic general merchandise business.

The *Barnes & Noble* brand (licensed from our former parent) along with our subsidiary brands, *BNC* and *MBS,* are synonymous with innovation in bookselling and campus retailing, and are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important to our relationship with leading publishers who rely on us as one of their primary distribution channels, and for being a trusted source for students in our direct-to-student digital solutions business.

For additional information related to our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

First Day Inclusive Access Programs

We provide product and service offerings designed to address the most pressing issues in higher education, including equitable access, enhanced convenience and improved affordability through innovative course material delivery models designed to drive improved student experiences and outcomes. We offer our BNC First Day® inclusive access programs, consisting of First Day and First Day Complete, in which course materials, including both physical and digital content, are offered at a reduced price through a course fee or included in tuition, and delivered to students on or before the first day of class.

- Through First Day, digital course materials are adopted by a faculty member for a single course, and students receive their materials through their learning management system.
- First Day Complete is adopted by an institution and includes all classes, providing students both physical and digital materials. The First Day Complete model drives substantially greater unit sales and sell-through for the bookstore.

Offering courseware sales through our inclusive access First Day and First Day Complete models is a key, and increasingly important strategic initiative of ours to meet the market demands of substantially reduced pricing to students, as well as the opportunity to improve student outcomes, while, at the same time, increasing our market share, revenue and relative gross profits of courseware sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales. We expect these programs to allow us to ultimately reverse historical long-term trends in courseware revenue declines, which has been observed at those schools where such programs have been adopted.

Partnership with Fanatics and FLC

In December 2020, we entered into the FLC Partnership. Through this partnership, we receive unparalleled product assortment, e-commerce capabilities and powerful digital marketing tools to drive increased value for customers and accelerate growth of our general merchandise business. Fanatics' cutting-edge e-commerce and technology expertise offers our campus stores expanded product selection, a world-class online and mobile experience, and a progressive direct-to-consumer platform. Coupled with Lids (FLC's parent company), the leading standalone brick and mortar retailer focused exclusively on licensed fan and alumni products, our campus stores have improved access to trend and sales performance data on licensees, product styles, and design treatments.

We maintain our relationships with campus partners and remain responsible for staffing and managing the day-to-day operations of our campus bookstores. We also work closely with our campus partners to ensure that each campus store maintains unique aspects of in-store merchandising, including localized product assortments and specific styles and designs that reflect each campus's brand. We leverage Fanatics' e-commerce technology and expertise for the operational management of the emblematic merchandise and gift sections of our campus store websites. FLC manages in-store assortment planning and merchandising of emblematic apparel, headwear, and gift products for our partner campus stores.

COVID-19 Business Impact

Our business has been significantly negatively impacted by the COVID-19 pandemic, as many schools adjusted their learning models and on-campus activities. Despite the introduction of COVID-19 vaccines, the pandemic remains highly volatile and continues to evolve. However, on campus traffic continues to grow from increased campus events and activities, as compared to the last two years. We cannot accurately predict the duration or extent of the impact of the COVID-19 virus, including variants, on enrollments, campus activities, university budgets, athletics and other areas that directly affect our business operations. Although most four year schools returned to a traditional on-campus environment, there is still uncertainty about the duration and extent of the impact of the COVID-19 pandemic, including on enrollments at community colleges and by international students, the continuation of remote and hybrid class offerings, and its effect on our ability to source products, including textbooks and general merchandise offerings.

Segments

We have three reportable segments: Retail, Wholesale and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, continue to be presented as "Corporate Services".

We identify our segments in accordance with 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. The following summarizes the three segments. For additional information about each segment's operations, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

Retail Segment

The *Retail Segment* operates 1,406 college, university, and K-12 school bookstores, comprised of 793 physical bookstores and 613 virtual bookstores. Our bookstores typically operate under agreements with the college, university, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce websites which we operate independently or along with our merchant partners, and which offer students access to affordable course materials and affinity products, including emblematic apparel and gifts. The Retail Segment also offers inclusive access programs, in which course materials are offered at a reduced price through a fee charged by the institution or included in tuition, and delivered to students on or before the first day of class. Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

Wholesale Segment

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 3,100 physical bookstores (including our Retail Segment's 793 physical bookstores) and sources and distributes new and used textbooks to our 613 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 350 college bookstores.

DSS Segment

The *Digital Student Solutions ("DSS") Segment* includes products and services to assist students to study more effectively and improve academic performance. The DSS Segment is comprised of the operations of Student Brands, LLC, a leading direct-to-student subscription-based writing services business, and *bartleby*®, an institutional and direct-to-student subscription-based offering providing textbook solutions, expert questions and answers, writing and tutoring.

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

Seasonality

Our business is highly seasonal. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods. Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April.

For our retail operations, sales are generally highest in the second and third fiscal quarters, when students generally purchase and rent textbooks and other course materials, and lowest in the first and fourth fiscal quarters. Sales attributable to our wholesale business are generally highest in our first, second and third quarter, as it sells textbooks and other course materials for retail distribution. For our DSS segment, or direct-to-student business, sales and operating profit are realized relatively consistently throughout the year.

Trends, Competition and Other Business Conditions Affecting Our Business

The market for educational materials is undergoing unprecedented change. As tuition and other costs rise, colleges and universities face increasing pressure to attract and retain students and provide them with innovative, affordable educational content and tools that support their educational development. Current trends, competition and other factors affecting our business include:

- *Overall Economic Environment, College Enrollment and Consumer Spending Patterns.* Our business is affected by the impact of the COVID-19 pandemic, the overall economic environment, funding levels at colleges and universities, by changes in enrollments at colleges and universities, and spending on course materials and general merchandise.
    - *Impact of the COVID-19 Pandemic*: The COVID-19 pandemic has materially and adversely impacted certain segments of the U.S. economy, with legislative and regulatory responses including unprecedented monetary and fiscal policy actions across all sectors. Many colleges and K-12 schools had been required to cease in-person classes in an attempt to limit the spread of the COVID-19 virus and ensure the safety of their students. Although many academic institutions have since reopened, some are providing alternatives to traditional in-person instruction, including online and hybrid learning options and significantly reduced classroom sizes. While many athletic conferences resumed their sport activities, other events, such as parent and alumni weekends and prospective student campus tour activities, some may still be curtailed. Additionally, our business, like many others has been affected by the challenging labor market and the ability to recruit employees.
    - *Economic Environment:* Retail general merchandise sales are subject to short-term fluctuations driven by the broader retail environment and other economic factors, such as interest rate fluctuations and inflationary considerations. The broader macro-economic global supply chain issues have impacted our ability to source textbooks, school supplies and general merchandise sold in our campus bookstores, including technology-related products and emblematic clothing. A significant reduction in U.S. economic activity could lead to decreased consumer spending.
    - *Enrollment Trends:* The growth of our business depends on our ability to attract new customers and to increase the level of engagement by our current student customers. We continue to see downward enrollment trends. Enrollment trends, specifically at community colleges, generally correlate with changes in the economy and unemployment factors, e.g., low unemployment tends to lead to low enrollment and higher unemployment rates tend to lead to higher enrollment trends, as students generally enroll to obtain skills that are in demand in the workforce. Enrollment trends have been negatively impacted overall by COVID-19 concerns at physical campuses. Additionally, enrollment trends are impacted by the dip in the United States birth rate resulting in fewer students at the traditional 18-24 year-old college age. Online degree program enrollments continue to grow, even in the face of declining overall higher education enrollment.
- *Increased Use of Online and Digital Platforms as Companions or Alternatives to Printed Course Materials.* Students and faculty can now choose from a wider variety of educational content and tools than ever before, delivered across both print and digital platforms.
- *Increasing Costs Associated with Defending Against Security Breaches and Other Data Loss, Including Cyber-Attacks.* We are increasingly dependent upon information technology systems, infrastructure and data. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. We continue to invest in data protection, including insurance, and information technology to prevent or minimize these risks and, to date, we have not experienced any material service interruptions and are not aware of any material breaches.

- *Distribution Network Evolving.* The way course materials are distributed and consumed is changing significantly, a trend that is expected to continue. The market for course materials, including textbooks and supplemental materials, is intensely competitive and subject to rapid change.
    - *Disintermediation*. We are experiencing growing competition from alternative media and alternative sources of textbooks and other course materials. In addition to the official physical or virtual campus bookstore, course materials are also sold through off-campus bookstores, e-commerce outlets, digital platform companies, publishers, including Cengage, Pearson and McGraw Hill, bypassing the bookstore distribution channel by selling or renting directly to students and educational institutions, and student-to-student transactions over the Internet.
    - *Supply Chain and Inventory.* Since the demand for used textbooks has historically been greater than the available supply, our financial results are highly dependent upon Wholesale's ability to build its textbook inventory from suppliers in advance of the selling season. Recently, the impact of fewer students on campus due to COVID-19 has significantly impacted our on-campus buyback programs which supplies Wholesale's used textbook inventory for future selling periods. Some textbook publishers have begun to supply textbooks pursuant to consignment or rental programs which could impact used textbook supplies in the future. Additionally, Wholesale is a national distributor for rental textbooks offered through McGraw-Hill Education's and Pearson Education's consignment rental program, both of which are relatively nascent. The broader macro-economic global supply chain issues may also impact our ability to source school supplies and general merchandise sold in our campus bookstores, including technology-related products and emblematic clothing.
    - *Price Competition.* In addition to the competition in the services we provide to our customers, our textbook and other course materials business faces significant price competition. Students purchase textbooks and other course materials from multiple providers, are highly price sensitive, and can easily shift spending from one provider or format to another.
- *A Large Number of Traditional Campus Bookstores Have Yet to be Outsourced.*
    - *Outsourcing Trends.* We continue to see the trend towards outsourcing in the campus bookstore market and also continue to see a variety of business models being pursued for the provision of course materials (such as inclusive access programs and publisher subscription models) and general merchandise.
    - *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 also expect that certain less profitable or essential bookstores we operate may close. Such stores could be included in contracts for stores we operate that may be deemed non-essential; and such stores could be operated by others or independently by schools. The scope of any such store closures remains uncertain, although we are not aware, at this time, of any significant volume of stores which we operate that are likely to close or have informed us of upcoming closures.

For additional discussion of our trends and other factors affecting our business, see *Part I - Item 1. Business* in our Annual Report on Form 10-K for the year ended April 30, 2022.

Elements of Results of Operations

Our condensed consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). The results of operations reflected in our consolidated financial statements are presented on a consolidated basis. All material intercompany accounts and transactions have been eliminated in consolidation.

Our sales are primarily derived from the sale of course materials, which include new, used and digital textbooks, and at college and university bookstores which we operate, we sell high margin general merchandise, including emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. Our rental income is primarily derived from the rental of physical textbooks. We also derive revenue from other sources, such as sales of inventory management, hardware and point-of-sale software, direct-to-student subscription-based services, and other services.

Our cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, content development cost amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, 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 long-term incentive plan compensation expense and general office expenses, such as merchandising, procurement, field support, finance and accounting, and operating costs related to our direct-to-student subscription-based services business. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to any specific reporting segment and are recorded in Corporate Services as discussed in the *Overview - Segments* discussion above.

Results of Operations - Summary

Dollars in thousands	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Sales:		
Product sales and other [(a)]	$ 252,946	$ 227,770
Rental income	10,912	13,024
Total sales	$ 263,858	$ 240,794
Net loss	$ (52,707)	$ (43,628)
Adjusted Earnings (non-GAAP) [(b)]	$ (50,755)	$ (40,014)
Adjusted EBITDA by Segment (non-GAAP) [(b)]		
Retail	$ (24,985)	$ (19,622)
Wholesale	2,768	6,414
DSS	889	1,692
Corporate Services	(7,214)	(7,444)
Elimination	(4,879)	(5,537)
Total Adjusted EBITDA (non-GAAP)	$ (33,421)	$ (24,497)

(a) Effective in April 2021, as contemplated by the FLC Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of logo and emblematic general merchandise sales to FLC and Fanatics. The transition to FLC for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo and emblematic general merchandise sales are fulfilled by FLC and Fanatics, we recognize commission revenue earned for these sales on a net basis in our consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis in the periods prior to the transition. For Retail Gross Comparable Store Sales details, see below.

(b) Adjusted Earnings, Adjusted EBITDA, and Adjusted EBITDA by Segment are non-GAAP financial measures. See *Use of Non-GAAP Measures* discussion below.

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

	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Sales:		
Product sales and other	95.9 %	94.6 %
Rental income	4.1	5.4
Total sales	100.0	100.0
Cost of sales (exclusive of depreciation and amortization expense):		
Product and other cost of sales [(a)]	76.7	76.5
Rental cost of sales [(a)]	57.4	50.7
Total cost of sales	75.9	75.1
Gross margin	24.1	24.9
Selling and administrative expenses	37.3	35.8
Depreciation and amortization expense	4.7	5.2
Restructuring and other charges	0.1	0.8
Operating loss	(18.0)%	(16.9)%

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

Results of Operations - 13 weeks ended July 30, 2022 compared with the 13 weeks ended July 31, 2021

	13 weeks ended July 30, 2022					
Dollars in thousands	Retail	Wholesale	DSS	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	$ 225,595	$ 37,083	$ 9,184	$ —	$ (18,916)	$ 252,946
Rental income	10,912	—	—	—	—	10,912
Total sales	236,507	37,083	9,184	—	(18,916)	263,858
Cost of sales (exclusive of depreciation and amortization expense):						
Product and other cost of sales	176,249	30,184	1,701	—	(14,029)	194,105
Rental cost of sales	6,265	—	—	—	—	6,265
Total cost of sales	182,514	30,184	1,701	—	(14,029)	200,370
Gross profit	53,993	6,899	7,483	—	(4,887)	63,488
Selling and administrative expenses	79,004	4,131	8,145	7,214	(8)	98,486
Depreciation and amortization expense	9,529	1,349	1,637	18	—	12,533
Sub-Total:	(34,540)	1,419	(2,299)	(7,232)	(4,879)	(47,531)
Restructuring and other charges	—	—	—	375	—	375
Operating (loss) income	$ (34,540)	$ 1,419	$ (2,299)	$ (7,607)	$ (4,879)	$ (47,906)

	13 weeks ended July 31, 2021					
Dollars in thousands	Retail	Wholesale	DSS	Corporate Services	Eliminations	Total
Sales:						
Product sales and other	$ 197,445	$ 44,484	$ 8,303	$ —	$ (22,462)	$ 227,770
Rental income	13,024	—	—	—	—	13,024
Total sales	210,469	44,484	8,303	—	(22,462)	240,794
Cost of sales (exclusive of depreciation and amortization expense):						
Product and other cost of sales	155,722	34,079	1,273	—	(16,913)	174,161
Rental cost of sales	6,604	—	—	—	—	6,604
Total cost of sales	162,326	34,079	1,273	—	(16,913)	180,765
Gross profit	48,143	10,405	7,030	—	(5,549)	60,029
Selling and administrative expenses	68,365	3,991	6,447	7,444	(12)	86,235
Depreciation and amortization expense	9,407	1,300	1,899	18	—	12,624
Sub-Total:	(29,629)	5,114	(1,316)	(7,462)	(5,537)	(38,830)
Restructuring and other charges	1,008	—	—	897	—	1,905
Operating (loss) income	$ (30,637)	$ 5,114	$ (1,316)	$ (8,359)	$ (5,537)	$ (40,735)

Sales

The following table summarizes our sales for the 13 weeks ended July 30, 2022 and July 31, 2021:

	13 weeks ended		
Dollars in thousands	July 30, 2022	July 31, 2021	%
Product sales and other	$ 252,946	$ 227,770	11.1%
Rental income	10,912	13,024	(16.2)%
Total Sales	$ 263,858	$ 240,794	9.6%

Sales increased by $23.1 million, or 9.6%, to $263.9 million during the 13 weeks ended July 30, 2022 from $240.8 million during the 13 weeks ended July 31, 2021. The sales increase is primarily related to higher general merchandise sales as many schools approach a more traditional on campus learning experience.

The components of the variances for the 13 week periods are reflected in the table below.

Sales variances	13 weeks ended	
Dollars in millions	July 30, 2022	July 31, 2021
Retail Sales		
New stores	$ 11.8	$ 10.3
Closed stores	(5.2)	(4.5)
Comparable stores [(a)]	21.2	44.6
Textbook rental deferral	(1.2)	0.2
Service revenue [(b)]	(0.5)	2.3
Other [(c)]	(0.1)	(1.2)
Retail sales subtotal:	$ 26.0	$ 51.7
Wholesale Sales	$ (7.4)	$ (35.8)
DSS Sales	$ 0.9	$ 2.4
Eliminations [(d)]	$ 3.6	$ 18.5
Total sales variance:	$ 23.1	$ 36.8

(a) In December 2020, we entered into merchandising partnership with Fanatics Retail Group Fulfillment, LLC, Inc. (“Fanatics”) and Fanatics Lids College, Inc. (“FLC”) (collectively referred to herein as the “FLC Partnership”). Effective in April 2021, as contemplated by the FLC Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of logo and emblematic general merchandise sales to FLC and Fanatics. The transition to FLC for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo and emblematic general merchandise sales are fulfilled by FLC and Fanatics, we recognize commission revenue earned for these sales on a net basis in our consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis in the periods prior to the transition. For Retail Gross Comparable Store Sales details, see below.

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

(c) Other includes inventory liquidation sales to third parties, marketplace sales and certain accounting adjusting items related to return reserves, and other deferred items.

(d) Eliminates Wholesale sales and service fees to Retail and Retail commissions earned from Wholesale. See discussion of intercompany activities and eliminations below.

Retail

Retail sales increased by $26.0 million, or 12.4%, to $236.5 million during the 13 weeks ended July 30, 2022 from $210.5 million during the 13 weeks ended July 31, 2021.

The comparability of Products and other sales, specifically logo and emblematic sales, is impacted by the recognition of logo and emblematic sales on a net basis in our condensed consolidated financial statements during the 13 weeks ended July 30, 2022, as compared to on a gross basis for the majority of our e-commerce websites during the 13 weeks ended July 31, 2021. See the *Retail Gross Comparable Store Sales* discussion below.

Retail added 40 new stores and closed 61 stores during the 13 weeks ended July 30, 2022, ending the period with a total of 1,406 stores. Many of the store closings relate to closing less profitable stores, including satellite store locations.

	13 weeks ended			
	July 30, 2022		July 31, 2021	
Number of Stores:	Physical	Virtual	Physical	Virtual
Number of stores at beginning of period	805	622	769	648
Opened	26	14	30	23
Closed	38	23	15	26
Number of stores at end of period	793	613	784	645

Product and other sales for Retail increased by $28.1 million, or 14.3%, to $225.6 million during the 13 weeks ended July 30, 2022 from $197.5 million during the 13 weeks ended July 31, 2021. During the 13 weeks ended July 30, 2022, total general merchandise product sales increased by $23.4 million, or 35.8%, to $88.8 million, total course material product sales increased by $5.3 million, or 4.3%, to $127.5 million, offset by a decrease in service and other revenue of $0.5 million, or 5.4%, to $9.3 million. Total course material rental income for Retail decreased by $2.1 million, or 16.2%, to $10.9 million during the 13 weeks ended July 30, 2022 from $13.0 million during the 13 weeks ended July 31, 2021 primarily due to the shift to more digital course materials.

The overall Retail sales increase is primarily related to revenue from net new/closed stores, increased campus traffic, and an increase in the number of on campus activities and events, such as graduations, alumni events and prospective student campus tours, as schools approach a more traditional campus experience. We continued to experience higher general merchandise sales, especially for graduation products, logo and emblematic products, and cafe and convenience products, as on campus traffic continues to grow compared to the prior year. Sales were also negatively impacted by lower enrollments, primarily at community colleges and by international students, and the continuation of remote and hybrid class offerings.

During the 13 weeks ended July 30, 2022, logo and emblematic sales are reflected in sales on a net basis in our condensed consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis for the majority of our e-commerce websites during the 13 weeks ended July 31, 2021. See Retail Gross Comparable Store Sales discussion below. During the 13 weeks ended July 30, 2022, Retail Gross Comparable Store general merchandise sales increased by 34.0%.

During the 13 weeks ended July 30, 2022, Retail Gross Comparable Store course material sales increased by 1.5%. See Retail Gross Comparable Store Sales discussion below. The increase in course material sales was reflective of the growth of *First Day* inclusive access programs, digital and eTextbook revenue increases, due to a shift to lower cost options and more affordable solutions, including digital offerings. During the 13 weeks ended July 30, 2022, revenue for both of our *First Day* models increased to $45.0 million, or 67%, as compared to $27.0 million in the prior year period.

Retail Gross Comparable Store Sales

To supplement the Total Sales table presented above, the Company uses Retail Gross Comparable Store Sales as a key performance indicator. Retail Gross Comparable Store Sales includes sales from physical and virtual stores that have been open for an entire fiscal year period and does not include sales from permanently closed stores for all periods presented. For Retail Gross Comparable Store Sales, sales for logo and emblematic general merchandise fulfilled by FLC, Fanatics and digital agency sales are included on a gross basis for consistent year-over-year comparison.

Effective in April 2021, as contemplated by the FLC Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of logo and emblematic general merchandise sales to FLC and Fanatics. The transition to FLC for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo and emblematic general merchandise sales are fulfilled by FLC and Fanatics, we recognize commission revenue earned for these sales on a net basis in our condensed consolidated financial statements, as compared to the recognition of logo and emblematic sales on a gross basis in the periods prior to the transition.

We believe the current Retail Gross Comparable Store Sales calculation method reflects management’s view that such comparable store sales are an important measure of the growth in sales when evaluating how established stores have performed over time. We present this metric as additional useful information about the Company’s operational and financial performance and to allow greater transparency with respect to important metrics used by management for operating and financial decision-making. Retail Gross Comparable Store Sales are also referred to as "same-store" sales by others within the retail industry and the method of calculating comparable store sales varies across the retail industry. As a result, our calculation of comparable store sales is not necessarily comparable to similarly titled measures reported by other companies and is intended only as supplemental information and is not a substitute for net sales presented in accordance with GAAP.

Retail Gross Comparable Store Sales variances for Retail by category for the 13 week periods are as follows:

	13 weeks ended			
Dollars in millions	July 30, 2022		July 31, 2021	
Textbooks (Course Materials)	$ 1.9	1.5 %	$ 23.1	21.9 %
General Merchandise	31.6	34.0 %	50.5	119.4 %
Total Retail Gross Comparable Store Sales	$ 33.5	15.0 %	$ 73.6	49.8 %

Wholesale

Wholesale sales decreased by $7.4 million, or 16.6% to $37.1 million during the 13 weeks ended July 30, 2022 from $44.5 million during the 13 weeks ended July 31, 2021. The decrease is primarily due to lower gross sales impacted by supply constraints resulting from the lack of textbook purchasing opportunities during the prior fiscal year, a decrease in customer demand resulting from a shift in buying patterns from physical textbooks to digital products, and lower demand from other third-party clients, partially offset by lower returns and allowances.

DSS

DSS total sales increased by $0.9 million, or 10.6% to $9.2 million during the 13 weeks ended July 30, 2022 from $8.3 million during the 13 weeks ended July 31, 2021. Sales increased primarily due to an increase in subscription sales.

Cost of Sales and Gross Margin

Our cost of sales increased as a percentage of sales to 75.9% during the 13 weeks ended July 30, 2022 compared to 75.1% during the 13 weeks ended July 31, 2021. Our gross margin increased by $3.5 million, or 5.8%, to $63.5 million, or 24.1% of sales, during the 13 weeks ended July 30, 2022 from $60.0 million, or 24.9% of sales during the 13 weeks ended July 31, 2021.

During the 13 weeks ended July 31, 2021, we recognized a merchandise inventory loss of $0.4 million in cost of goods sold in the Retail Segment discussed below. For additional information, see *Item 1. Financial Statements - Note 2. Summary of Significant Accounting Policies - Merchandise Inventories.*

Retail

The following table summarizes the Retail cost of sales for the 13 weeks ended July 30, 2022 and July 31, 2021:

	13 weeks ended			
Dollars in thousands	July 30, 2022	% of Related Sales	July 31, 2021	% of Related Sales
Product and other cost of sales	$ 176,249	78.1%	$ 155,722	78.9%
Rental cost of sales	6,265	57.4%	6,604	50.7%
Total Cost of Sales	$ 182,514	77.2%	$ 162,326	77.1%

The following table summarizes the Retail gross margin for the 13 weeks ended July 30, 2022 and July 31, 2021:

	13 weeks ended			
Dollars in thousands	July 30, 2022	% of Related Sales	July 31, 2021	% of Related Sales
Product and other gross margin	$ 49,346	21.9%	$ 41,723	21.1%
Rental gross margin	4,647	42.6%	6,420	49.3%
Gross Margin	$ 53,993	22.8%	$ 48,143	22.9%

For the 13 weeks ended July 30, 2022, the Retail gross margin as a percentage of sales decreased as discussed below:

- Product and other gross margin increased (80 basis points), driven primarily by a favorable sales mix (340 basis points) due to higher general merchandise sales and higher margin rates (250 basis points) due to lower inventory reserves and lower markdowns, partially offset by higher contract costs as a percentage of sales related to our college and university contracts (510 basis points) resulting from contract renewals and new store contracts.

- Rental gross margin decreased (670 basis points), driven primarily by higher contract costs as a percentage of sales related to our college and university contracts (555 basis points) resulting from contract renewals and new store contracts, an unfavorable rental mix (95 basis points) and lower rental margin rates (20 basis points).

Wholesale

The cost of sales and gross margin for Wholesale were $30.2 million, or 81.4% of sales, and $6.9 million, or 18.6% of sales, respectively, during the 13 weeks ended July 30, 2022. The cost of sales and gross margin for Wholesale was $34.1 million or 76.6% of sales and $10.4 million or 23.4% of sales, respectively, during the 13 weeks ended July 31, 2021. The gross margin rate decreased during the 13 weeks ended July 30, 2022 primarily due to higher markdowns.

DSS

The gross margin for the DSS segment was $7.5 million, or 81.5% of sales, during the 13 weeks ended July 30, 2022 and $7.0 million, or 84.7% of sales, during the 13 weeks ended July 31, 2021. The high gross margins are driven primarily by high margin subscription service revenue earned.

Intercompany Eliminations

During the 13 weeks ended July 30, 2022 and July 31, 2021, our sales eliminations were $(18.9) million and $(22.5) million, respectively. These sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

During the 13 weeks ended July 30, 2022 and July 31, 2021, the cost of sales eliminations were $(14.0) million and $(16.9) million, respectively. These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

During the 13 weeks ended July 30, 2022 and July 31, 2021, the gross margin eliminations were $(4.9) million and $(5.5) million, respectively. The gross margin eliminations reflect the net impact of the sales eliminations and cost of sales eliminations during the above mentioned reporting periods.

Selling and Administrative Expenses

	13 weeks ended			
Dollars in thousands	July 30, 2022	% of Sales	July 31, 2021	% of Sales
Total Selling and Administrative Expenses	$ 98,486	37.3%	$ 86,235	35.8%

During the 13 weeks ended July 30, 2022, selling and administrative expenses increased by $12.3 million, or 14.2%, to $98.5 million from $86.2 million during the 13 weeks ended July 31, 2021. The variances by segment are discussed by segment below.

Retail

During the 13 weeks ended July 30, 2022, Retail selling and administrative expenses increased by $10.6 million, or 15.6%, to $79.0 million from $68.4 million during the 13 weeks ended July 31, 2021. This increase was primarily due to a $4.3 million increase in stores payroll and operating expenses including comparable stores, virtual stores and new/closed stores payroll and operating expenses, and a $6.3 million increase in corporate payroll, infrastructure and product development costs. The payroll increase is primarily related to increased staffing at stores that had temporarily or partially closed due to limited on campus activities related to the COVID-19 pandemic in the prior year. The increase is also due to greater on campus activity and related sales during the 13 weeks ended July 30, 2022 and costs incurred in preparation for the anticipated increased activity, including support for the growth in First Day programs, in the upcoming peak fall term in the second quarter of Fiscal 2023.

Wholesale

Wholesale selling and administrative expenses increased by $0.1 million, or 3.5%, to $4.1 million from $4.0 million during the 13 weeks ended July 31, 2021, primarily driven by higher operating costs.

DSS

During the 13 weeks ended July 30, 2022, DSS selling and administrative expenses increased by $1.7 million, or 26.3%, to $8.1 million from $6.4 million during the 13 weeks ended July 31, 2021. The increase in costs was primarily driven by higher compensation expense, higher operating costs invested in the business associated with higher product development and sales costs infrastructure costs aimed at increasing revenue.

Corporate Services

During the 13 weeks ended July 30, 2022, Corporate Services' selling and administrative expenses decreased by $0.2 million, or 3.1%, to $7.2 million during the 13 weeks ended July 29, 2022 from $7.4 million during the 13 weeks ended July 31, 2021. The decrease was primarily due to lower compensation costs, partially offset by higher professional service costs.

Depreciation and Amortization Expense

	13 weeks ended			
Dollars in thousands	July 30, 2022	% of Sales	July 31, 2021	% of Sales
Total Depreciation and Amortization Expense	$ 12,533	4.7%	$ 12,624	5.2%

Depreciation and amortization expense decreased by $0.1 million, or 0.7%, to $12.5 million during the 13 weeks ended July 30, 2022 from $12.6 million during the 13 weeks ended July 31, 2021. The decrease was primarily attributable to lower depreciable assets and intangibles due to the store impairment loss recognized during Fiscal 2022.

Restructuring and other charges

During the 13 weeks ended July 30, 2022, we recognized restructuring and other charges totaling $0.4 million comprised primarily of professional service costs for restructuring and process improvements.

During the 13 weeks ended July 31, 2021, we recognized restructuring and other charges totaling $1.9 million comprised primarily of $0.8 million for severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction objectives, and $1.1 million for costs associated with professional service costs for restructuring, process improvements, development and integration associated with the FLC Partnership, shareholder activist activities, and liabilities for a facility closure.

Operating Loss

	13 weeks ended			
Dollars in thousands	July 30, 2022	% of Sales	July 31, 2021	% of Sales
Total Operating Loss	$ (47,906)	(18.0)%	$ (40,735)	(16.9)%

Our operating loss was $(47.9) million during the 13 weeks ended July 30, 2022, compared to operating loss of $(40.7) million during the 13 weeks ended July 31, 2021. The increase in operating loss is due to the matters discussed above. For the 13 weeks ended July 30, 2022, excluding the $0.4 million of restructuring and other charges, discussed above, operating loss was $(47.5) million (or (18.0)% of sales). For the 13 weeks ended July 31, 2021, excluding the $1.9 million of restructuring and other charges, discussed above, operating loss was $(38.8) million (or (16.1)% of sales).

Interest Expense, Net

	13 weeks ended	
Dollars in thousands	July 30, 2022	July 31, 2021
Interest Expense, Net	$ 3,868	$ 2,494

Net interest expense increased by $1.4 million, or 55.1%, to $3.9 million during the 13 weeks ended July 30, 2022 from $2.5 million during the 13 weeks ended July 31, 2021. The increase was primarily due to higher borrowings and higher interest rates compared to the prior year.

Income Tax Expense

	13 weeks ended			
Dollars in thousands	July 30, 2022	Effective Rate	July 31, 2021	Effective Rate
Income Tax Expense	$ 933	(1.8)%	$ 399	(0.9)%

We recorded an income tax expense of $0.9 million on pre-tax loss of $(51.8) million during the 13 weeks ended July 30, 2022, which represented an effective income tax rate of (1.8)% and we recorded an income tax expense of $0.4 million on a pre-tax loss of $(43.2) million during the 13 weeks ended July 31, 2021, which represented an effective income tax rate of (0.9)%.

The effective tax rate for the 13 weeks ended July 30, 2022 is higher as compared to the prior year comparable period due to foreign taxes and lower projected annual taxable loss in the current year.

Net Loss

	13 weeks ended	
Dollars in thousands	July 30, 2022	July 31, 2021
Net loss	$ (52,707)	$ (43,628)

As a result of the factors discussed above, net loss was $(52.7) million during the 13 weeks ended July 30, 2022, compared with net loss of $(43.6) million during the 13 weeks ended July 31, 2021.

Adjusted Earnings (non-GAAP) is $(50.8) million during the 13 weeks ended July 30, 2022, compared with $(40.0) million during the 13 weeks ended July 31, 2021. See *Adjusted Earnings (non-GAAP)* discussion below.

Use of Non-GAAP Measures - Adjusted Earnings, Adjusted EBITDA, Adjusted EBITDA by Segment, and Free Cash Flow

To supplement our results prepared in accordance with generally accepted accounting principles ("GAAP"), we use the measure of Adjusted Earnings, Adjusted EBITDA, Adjusted EBITDA by Segment, and Free Cash Flow, which are non-GAAP financial measures under Securities and Exchange Commission (the "SEC") regulations. We define Adjusted Earnings as net income adjusted for certain reconciling items that are subtracted from or added to net income (loss). We define Adjusted EBITDA as net income (loss) plus (1) depreciation and amortization; (2) interest expense and (3) income taxes, (4) as adjusted for items that are subtracted from or added to net income (loss). We define Free Cash Flow as Cash Flows from Operating Activities less capital expenditures, cash interest and cash taxes.

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 of Adjusted Earnings to net income (loss), the reconciliation of consolidated Adjusted EBITDA to consolidated net income (loss), and the reconciliation of Adjusted EBITDA by Segment to net income (loss) by segment, 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.

We review these non-GAAP financial measures as internal measures to evaluate our performance at a consolidated level and at a segment level 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 they exclude certain items that management believes do not reflect the ordinary performance of our operations in a particular period. Our Board of Directors and management also use Adjusted EBITDA and Adjusted EBITDA by Segment, at a consolidated and at a segment level, as one of the primary methods for planning and forecasting expected performance, for evaluating on a quarterly and annual basis actual results against such expectations, and as a measure for performance incentive plans. Management also uses Adjusted EBITDA by Segment to determine segment capital allocations. We believe that the inclusion of Adjusted Earnings, Adjusted EBITDA, and Adjusted EBITDA by Segment results provides investors useful and important information regarding our operating results, in a manner that is consistent with management's evaluation of business performance. We believe that Free Cash Flow provides useful additional information concerning cash flow available to meet future debt service obligations and working capital requirements and assists investors in their understanding of our operating profitability and liquidity as we manage the business to maximize margin and cash flow.

Table of Contents

Consolidated Adjusted Earnings (non-GAAP)

Dollars in thousands	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Net loss	$ (52,707)	$ (43,628)
Reconciling items, after-tax *(below)*	1,952	3,614
Adjusted Earnings (non-GAAP)	$ (50,755)	$ (40,014)
Reconciling items, pre-tax		
Merchandise inventory loss [(a)]	$ —	$ 434
Content amortization (non-cash)	1,577	1,275
Restructuring and other charges [(a)]	375	1,905
Reconciling items, pre-tax	1,952	3,614
Less: Pro forma income tax impact [(a)(b)]	—	—
Reconciling items, after-tax	$ 1,952	$ 3,614

(a) See *Management Discussion and Analysis and Results of Operations* discussion above.
(b) Represents the income tax effects of the non-GAAP items.

Consolidated Adjusted EBITDA (non-GAAP)

Dollars in thousands	13 weeks ended July 30, 2022	13 weeks ended July 31, 2021
Net loss	$ (52,707)	$ (43,628)
Add:		
Depreciation and amortization expense	12,533	12,624
Interest expense, net	3,868	2,494
Income tax expense	933	399
Merchandise inventory loss [(a)]	—	434
Content amortization (non-cash)	1,577	1,275
Restructuring and other charges [(a)]	375	1,905
Adjusted EBITDA (non-GAAP)	$ (33,421)	$ (24,497)

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

The following is Adjusted EBITDA by segment for the 13 weeks ended July 30, 2022 and July 31, 2021.

Adjusted EBITDA - by Segment	**13 weeks ended July 30, 2022**					
Dollars in thousands	Retail	Wholesale	DSS	Corporate Services[(a)]	Eliminations	Total
Net (loss) income	$ (34,540)	$ 1,419	$ (2,299)	$ (12,408)	$ (4,879)	$ (52,707)
Add:						
Depreciation and amortization expense	9,529	1,349	1,637	18	—	12,533
Interest expense, net	—	—	—	3,868	—	3,868
Income tax expense	—	—	—	933	—	933
Content amortization (non-cash)	26	—	1,551	—	—	1,577
Restructuring and other charges [(b)]	—	—	—	375	—	375
Adjusted EBITDA (non-GAAP)	$ (24,985)	$ 2,768	$ 889	$ (7,214)	$ (4,879)	$ (33,421)

Adjusted EBITDA - by Segment	**13 weeks ended July 31, 2021**					
Dollars in thousands	Retail	Wholesale	DSS	Corporate Services[a]	Eliminations	Total
Net (loss) income	$ (30,637)	$ 5,114	$ (1,316)	$ (11,252)	$ (5,537)	$ (43,628)
Add:						
Depreciation and amortization expense	9,407	1,300	1,899	18	—	12,624
Interest expense, net	—	—	—	2,494	—	2,494
Income tax expense	—	—	—	399	—	399
Merchandise inventory loss [b]	434	—	—	—	—	434
Content amortization (non-cash)	166	—	1,109	—	—	1,275
Restructuring and other charges [b]	1,008	—	—	897	—	1,905
Adjusted EBITDA (non-GAAP)	$ (19,622)	$ 6,414	$ 1,692	$ (7,444)	$ (5,537)	$ (24,497)

(a) Interest expense is reflected in Corporate Services as it is primarily related to our Credit Agreement and Term Loan Agreement which fund our operating and financing needs across the organization. Income taxes are reflected in Corporate Services as we record our income tax provision on a consolidated basis.

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

Free Cash Flow (non-GAAP)

	13 weeks ended	
Dollars in thousands	July 30, 2022	July 31, 2021
Net cash flows used in operating activities	$ (28,998)	$ (17,304)
Less:		
Capital expenditures [a]	9,726	11,370
Cash interest	2,933	1,682
Cash taxes	122	254
Free Cash Flow (non-GAAP)	$ (41,779)	$ (30,610)

(a) Purchases of property and equipment are also referred to as capital expenditures. 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. The following table provides the components of total purchases of property and equipment:

Capital Expenditures	13 weeks ended	
Dollars in thousands	July 30, 2022	July 31, 2021
Physical store capital expenditures	$ 4,496	$ 3,893
Product and system development	2,665	3,624
Content development costs	2,019	2,847
Other	546	1,006
Total Capital Expenditures	$ 9,726	$ 11,370

Liquidity and Capital Resources

Our primary sources of cash are net cash flows from operating activities, funds available under our credit agreement and short-term vendor financing. As of July 30, 2022, we had $260.3 million and $203.7 million outstanding borrowings under the Credit Agreement and Term Loan Agreement, respectively. See *Financing Arrangements* discussion below.

We believe that our future cash from operations, access to borrowings under the Credit Agreement and Term Loan Agreement will provide adequate resources to fund our operating and financing needs for the foreseeable future. Our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for and pace of sustainable growth in our markets, the levels at which we maintain inventory, the number and timing of new store openings, and any potential acquisitions of other brands or companies including digital properties. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. 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.

COVID-19 Business Impact

Our business has been significantly negatively impacted by the COVID-19 pandemic, as many schools adjusted their learning models and on-campus activities. Despite the introduction of COVID-19 vaccines, the pandemic remains highly volatile and continues to evolve. However, on campus traffic continues to grow from increased campus events and activities, as compared to the last two years. We cannot accurately predict the duration or extent of the impact of the COVID-19 virus, including variants, on enrollments, campus activities, university budgets, athletics and other areas that directly affect our business operations. Although most four year schools returned to a traditional on-campus environment for learning, there is still uncertainty about the duration and extent of the impact of the COVID-19 pandemic, including on enrollments at community colleges and by international students, the continuation of remote and hybrid class offerings, and its effect on our ability to source products, including textbooks and general merchandise offerings.

We will continue to assess our operations and will continue to consider the guidance of local governments and our campus partners to determine how to operate our bookstores in the safest manner for our employees and customers. If economic conditions caused by the pandemic do not recover as currently estimated by management or market factors currently in place change, there could be a further impact on our results of operations, financial condition and cash flows from operations.

Sources and Uses of Cash Flow

	13 weeks ended	
Dollars in thousands	July 30, 2022	July 31, 2021
Cash, cash equivalents, and restricted cash at beginning of period	$ 21,934	$ 16,814
Net cash flows used in operating activities	(28,998)	(17,304)
Net cash flows used in investing activities	(9,726)	(11,178)
Net cash flows provided by financing activities	33,429	24,885
Cash, cash equivalents, and restricted cash at end of period	$ 16,639	$ 13,217

As of July 30, 2022 and July 31, 2021, we had restricted cash of $7.5 million and $5.6 million, respectively, comprised of $6.6 million and $4.7 million, respectively, in prepaid and other current assets in the consolidated balance sheet related to segregated funds for commission due to FLC for logo merchandise sales as per the FLC Partnership's merchandising agreement and $0.9 million for both periods in other noncurrent assets in the condensed consolidated balance sheet related to amounts held in trust for future distributions related to employee benefit plans.

Cash Flow from Operating Activities

Our business is highly seasonal. For our retail operations, 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 and other course materials for the upcoming semesters based on the typical academic semester. When a school adopts our First Day inclusive access offerings, cash collection from the school generally occurs after the student drop/add dates, which is later in the working capital cycle, as compared to direct-to-student point-of-sale transactions where cash is generally collected during the point-of-sale transaction or within a few days from the credit card processor. As a higher percentage of our sales shift to First Day inclusive access offerings, we are focused on efforts to better align the timing of our cash outflows to course material vendors with cash inflows collected from schools. For our wholesale operations, 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 and other course materials for retail distribution. For both retail and wholesale, 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. For our DSS segment, cash flows are not seasonal as cash flows from operating activities are typically consistent throughout the year. 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 our 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 30, 2022 were $(29.0) million compared to $(17.3) million during the 13 weeks ended July 31, 2021. This increase in cash used in operating activities of $11.7 million was primarily due to changes in working capital, including higher inventory purchases as we prepare for the upcoming Fall term, partially offset by lower receivables and lower earnings in the current year period compared to the prior year period.

Cash Flow from Investing Activities

Cash flows used in investing activities during the 13 weeks ended July 30, 2022 were $(9.7) million compared to $(11.2) million during the 13 weeks ended July 31, 2021. The decrease in cash used in investing activities is primarily due to lower capital expenditures and contractual capital investments associated with content development, digital initiatives, enhancements to internal systems and websites, and new store construction. Capital expenditures totaled $9.7 million and $11.4 million during the 13 weeks ended July 30, 2022 and July 31, 2021, respectively.

Cash Flow from Financing Activities

Cash flows provided by financing activities during the 13 weeks ended July 30, 2022 were $33.4 million compared to $24.9 million during the 13 weeks ended July 31, 2021. This net change of $8.5 million is primarily due to higher net borrowings.

Financing Arrangements

Credit Facility

We have a credit agreement (the "Credit Agreement"), amended March 31, 2021 and March 1, 2019, under which the lenders committed to provide us with a 5-year asset-backed revolving credit facility in an aggregate committed principal amount of $400 million (the "Credit Facility"). We have the option to request an increase in commitments under the Credit Facility of up to $100 million, subject to certain restrictions. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs. The agreement includes an incremental first in, last out seasonal loan facility (the "FILO Facility") for a $100 million incremental facility maintaining the maximum availability under the Credit Agreement at $500 million. As of July 30, 2022, we were in compliance with all debt covenants under the Credit Agreement.

On March 4, 2022, we were granted a waiver to the condition to the draw scheduled for April 2022 under the FILO Facility, that Consolidated EBITDA (as defined in the Credit Agreement) minus Restricted Payments (as defined in the Credit Agreement) equal at least $110.0 million. Under the waiver amendment, the commitment under the FILO Facility of $25.0 million was increased to $40.0 million, with all remaining terms unchanged.

During the 13 weeks ended July 30, 2022, we borrowed $117.2 million and repaid $112.6 million under the Credit Agreement, with $230.3 million of outstanding borrowings as of July 30, 2022, comprised of $190.3 million and $40.0 million of borrowings under the Credit Facility and FILO Facility, respectively. During the 13 weeks ended July 31, 2021, we borrowed $71.7 million and repaid $45.6 million under the Credit Agreement, with $203.7 million of outstanding borrowings as of July 31, 2021, comprised of $153.7 million and $50.0 million of borrowings under the Credit Facility and FILO Facility, respectively. As of both July 30, 2022 and July 31, 2021, we have issued $4.8 million in letters of credit 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 fiscal year ended April 30, 2022.

Term Loan

On June 7, 2022, we entered into a Term Loan Credit Agreement (the "Term Loan Credit Agreement") with TopLids LendCo, LLC and Vital Fundco, LLC and we entered an amendment to our existing Credit Agreement. For additional information, see the Company's Report on Form 8-K dated June 7, 2022 and filed with the SEC on June 10, 2022.

The Term Loan Credit Agreement provides for term loans in an amount equal to $30.0 million (the "Term Loan Facility" and, the loans thereunder, the "Term Loans"). The proceeds of the Term Loans are being used to finance working capital, and to pay fees and expenses related to the Term Loan Facility. During the 13 weeks ended July 30, 2022, we borrowed $30.0 million and repaid $0 under the Term Loan Credit Agreement, with $30.0 million of outstanding borrowings as of July 30, 2022.

During the 13 weeks ended July 30, 2022, we incurred debt issuance costs totaling $1.9 million related to the Term Loan Credit Agreement. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the consolidated balance sheets, and subsequently amortized ratably over the term of the Term Loan Facility.

The Term Loans accrue interest at a rate equal to 11.25% and mature on June 7, 2024. We have the right, through December 31, 2022, to pay all or a portion of the interest on the Term Loans in kind. The Term Loans do not amortize prior to maturity. Solely to the extent that any Term Loans remain outstanding on June 7, 2023, we must pay a fee of 1.5% of the outstanding principal amount of the Term Loans on such date.

The Term Loans are required to be repaid (i) after repayment of the FILO Facility under the Credit Agreement, with up to 100% of the proceeds of the sale of a non-core business line of the Company generating net proceeds in excess of $1.0 million, other than ordinary course dispositions and (ii) in full in connection with a debt or equity financing transaction generating net proceeds in excess of an amount sufficient to repay the FILO Facility under the Credit Agreement.

The Term Loan Credit Agreement does not contain a financial covenant, but otherwise contains representations and warranties, covenants and events of default that are substantially the same as those in the Credit Agreement, including restrictions on the ability of the Company and its subsidiaries to incur additional debt, incur or permit liens on assets, make investments and acquisitions, consolidate or merge with any other company, engage in asset sales and make dividends and distributions. The Term Loan Facility is secured by second-priority liens on all assets securing the obligations under the Credit Agreement, which is all of the assets of the Company and the Guarantors, subject to customary exclusions and limitations set forth in the Term Loan Credit Agreement and the other loan documents executed in connection therewith.

The Credit Agreement amendment permitted us to incur the Term Loan Facility and also provides that, upon repayment of the Term Loan Credit Agreement (and, if applicable, any replacement credit facility thereof), we may incur second lien secured debt in an aggregate principal amount not to exceed $75.0 million.

Income Tax Implications on Liquidity

For the fiscal year ended April 30, 2022, we filed an application to change our tax year from January to April under the automatic consent provisions. As a result of the tax year-end change, there is no longer a long-term tax payable associated with the LIFO reserve in other long-term liabilities.

We have filed our federal income tax returns for the tax year ended January 2021, as well claims for refunds for cash taxes paid in prior years. We received refunds of $7.8 million in Fiscal 2022 and $15.8 million on August 29, 2022 (Fiscal 2023). We expect to receive additional refunds of approximately $6.9 million.

Share Repurchases

During the 13 weeks ended July 30, 2022, we did not repurchase any of our Common Stock under the stock repurchase program. As of July 30, 2022, approximately $26.7 million remains available under the stock repurchase program.

During the 13 weeks ended July 30, 2022, we repurchased 238,210 shares of our Common Stock outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

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 fiscal year ended April 30, 2022.

Off-Balance Sheet Arrangements

As of July 30, 2022, 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 fiscal year ended April 30, 2022.

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:

- risks associated with public health crises, epidemics, and pandemics, such as the COVID-19 pandemic, including the duration, spread, severity, and any recurrences thereof, and the impact such public health crises have on the overall demand for BNED products and services, our operations, the operations of our suppliers and other business partners, and the effectiveness of our response to these risks;
- general competitive conditions, including actions our competitors and content providers 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;
- 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;
- the risk of price reduction or change in format of course materials by publishers, which could negatively impact revenues and margin;
- the general economic environment and consumer spending patterns;
- decreased consumer demand for our products, low growth or declining sales;
- the strategic objectives, successful integration, 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 the operations of various acquisitions into our own may also increase the risk of our internal controls being found ineffective;
- changes to purchase or rental terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;
- our ability to successfully implement our strategic initiatives including our ability to identify, compete for and execute upon additional acquisitions and strategic investments;
- risks associated with operation or performance of MBS Textbook Exchange, LLC's point-of-sales systems that are sold to college bookstore customers;
- 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;
- 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;
- possible increases in shipping rates or interruptions in shipping service;
- product shortages, including decreases in the used textbook inventory supply associated with the implementation of publishers' digital offerings and direct to student textbook consignment rental programs, as well as the risks associated with the impacts that public health crises may have on the ability of our suppliers to manufacture or source products, particularly from outside of the United States;
- changes in domestic and international laws or regulations, including U.S. tax reform, changes in tax rates, laws and regulations, as well as related guidance;
- enactment of laws or changes in enforcement practices which may restrict or prohibit our use of texts, emails, interest based online advertising, recurring billing or similar marketing and sales 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, 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 fiscal year ended April 30, 2022.

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 fiscal year ended April 30, 2022.

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.

As disclosed in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022, management concluded that a material weakness existed at April 30, 2022 due to an operating deficiency resulting from insufficient precision applied in the execution of management's review of the analysis of its deferred tax asset valuation allowance. The Company is in the process of implementing its remediation plan, which will occur in the fourth quarter of Fiscal 2023, due to the annual nature of the control. Based on management's 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 not 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 first quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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.

Item 1A. Risk Factors

There have been no material changes during the 13 weeks ended July 30, 2022 to the risk factors discussed in *Part I - Item 1A. Risk Factors* in our Annual Report on Form 10-K for the fiscal year ended April 30, 2022.

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

Issuer Purchases of Equity Securities

The following table provides information as of July 30, 2022 with respect to shares of Common Stock we purchased during the first quarter of Fiscal 2023:

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
May 1, 2022 - May 28, 2022	—	$ —	—	$ 26,669,324
May 29, 2022 - July 2, 2022	—	$ —	—	$ 26,669,324
July 3, 2022 - July 30, 2022	—	$ —	—	$ 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.

During the 13 weeks ended July 30, 2022, we did not repurchase any shares of our Common Stock under the stock repurchase program.

During the 13 weeks ended July 30, 2022, we repurchased 238,210 shares of our Common Stock outside of the stock repurchase program in connection with employee tax withholding obligations for vested stock awards.

Item 5. Other Information

None

Item 6. Exhibits

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 - the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL 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
104	Cover Page Interactive Data File (formatted as Inline XBRL and contained in Exhibit 101)

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/ THOMAS D. DONOHUE
Thomas D. Donohue
Chief Financial Officer
(principal financial officer)

By: /s/ SEEMA C. PAUL
Seema C. Paul
Chief Accounting Officer
(principal accounting officer)

August 31, 2022

Exhibit 31.1

**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, Michael P. Huseby, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 30, 2022 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 31, 2022

By: /s/ Michael P. Huseby
Michael P. Huseby
Chief Executive Officer
Barnes & Noble Education, Inc.

Exhibit 31.2

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, Thomas D. Donohue, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 30, 2022 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 31, 2022

By: /s/ Thomas D. Donohue
Thomas D. Donohue
Chief Financial Officer
Barnes & Noble Education, Inc.

Exhibit 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**

In connection with the quarterly report of Barnes & Noble Education, Inc. (the "Company") on Form 10-Q for the period ended July 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Huseby, 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/ Michael P. Huseby

Michael P. Huseby
Chief Executive Officer
Barnes & Noble Education, Inc.

August 31, 2022

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.

Exhibit 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

In connection with the quarterly report of Barnes & Noble Education, Inc. (the “Company”) on Form 10-Q for the period ended July 30, 2022, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Thomas D. Donohue, 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/ Thomas D. Donohue

Thomas D. Donohue
Chief Financial Officer
Barnes & Noble Education, Inc.

August 31, 2022

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.