

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended July 29, 2023

OR

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

For the transition period from _____ to _____
Commission File Number: 1-37499

BARNES & NOBLE EDUCATION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

120 Mountain View Blvd., Basking Ridge, NJ
(Address of Principal Executive Offices)

46-0599018
(I.R.S. Employer
Identification No.)

07920
(Zip Code)

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

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 September 1, 2023, 52,705,377 shares of Common Stock, par value \$0.01 per share, were outstanding.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Fiscal Quarter Ended July 29, 2023
Index to Form 10-Q

	Page No.
PART I -	<u>FINANCIAL INFORMATION</u>
Item 1.	<u>Financial Statements (Unaudited)</u>
	<u>Condensed Consolidated Statements of Operations – For the 13 weeks ended July 29, 2023 and July 30, 2022</u>
	3
	<u>Condensed Consolidated Balance Sheets – As of July 29, 2023, July 30, 2022, and April 29, 2023</u>
	4
	<u>Condensed Consolidated Statements of Cash Flows – For the 13 weeks ended July 29, 2023 and July 30, 2022</u>
	5
	<u>Condensed Consolidated Statements of Equity – As of July 29, 2023 and July 30, 2022</u>
	7
	<u>Notes to Condensed Consolidated Financial Statements</u>
	8
	<u>Note 1. Organization</u>
	8
	<u>Note 2. Summary of Significant Accounting Policies</u>
	9
	<u>Note 3. Revenue</u>
	15
	<u>Note 4. Segment Reporting</u>
	17
	<u>Note 5. Equity and Earnings Per Share</u>
	19
	<u>Note 6. Fair Value Measurements</u>
	19
	<u>Note 7. Debt</u>
	20
	<u>Note 8. Leases</u>
	23
	<u>Note 9. Supplementary Information</u>
	24
	<u>Note 10. Long-Term Incentive Plan Compensation Expense</u>
	25
	<u>Note 11. Employee Benefit Plans</u>
	25
	<u>Note 12. Income Taxes</u>
	25
	<u>Note 13. Legal Proceedings</u>
	26
Item 2.	<u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>
	27
	<u>Overview</u>
	27
	<u>Results of Operations</u>
	32
	<u>Non-GAAP Measures</u>
	39
	<u>Liquidity and Capital Resources</u>
	42
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>
	49
Item 4.	<u>Controls and Procedures</u>
	50
PART II -	<u>OTHER INFORMATION</u>
Item 1.	<u>Legal Proceedings</u>
	51
Item 1A.	<u>Risk Factors</u>
	51
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>
	51
Item 5.	<u>Other Information</u>
	51
Item 6.	<u>Exhibits</u>
	52
	<u>SIGNATURES</u>
	53

PART I - FINANCIAL INFORMATION

Item 1: Financial Statements

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

	13 weeks ended	
	July 29, 2023	July 30, 2022
Sales:		
Product sales and other	\$ 252,650	\$ 243,762
Rental income	11,511	10,912
Total sales	264,161	254,674
Cost of sales (exclusive of depreciation and amortization expense):		
Product and other cost of sales	207,014	192,404
Rental cost of sales	6,513	6,265
Total cost of sales	213,527	198,669
Gross profit	50,634	56,005
Selling and administrative expenses	77,476	90,341
Depreciation and amortization expense	10,253	10,896
Restructuring and other charges	4,633	375
Operating loss	(41,728)	(45,607)
Interest expense, net	8,254	3,868
Loss from continuing operations before income taxes	(49,982)	(49,475)
Income tax (benefit) expense	(11)	847
Loss from continuing operations	\$ (49,971)	\$ (50,322)
Loss from discontinued operations, net of tax \$20 and \$86, respectively	\$ (417)	\$ (2,385)
Net loss	\$ (50,388)	\$ (52,707)
Loss per share of common stock:		
Basic and Diluted:		
Continuing operations	\$ (0.95)	\$ (0.96)
Discontinued operations	\$ (0.01)	\$ (0.05)
Total Basic and Diluted Earnings per share	\$ (0.96)	\$ (1.01)
Weighted average common shares outstanding - Basic and Diluted	52,642	52,172

See accompanying notes to condensed consolidated financial statements.

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

	July 29, 2023	July 30, 2022	April 29, 2023
	(unaudited)	(unaudited)	(audited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 7,657	\$ 7,615	\$ 14,219
Receivables, net	140,858	118,954	92,512
Merchandise inventories, net	384,185	463,555	322,979
Textbook rental inventories	6,860	8,501	30,349
Prepaid expenses and other current assets	59,012	57,184	49,512
Assets held for sale, current	—	30,425	27,430
Total current assets	598,572	686,234	537,001
Property and equipment, net	64,438	73,734	68,153
Operating lease right-of-use assets	283,096	318,070	246,972
Intangible assets, net	107,413	123,339	110,632
Deferred tax assets, net	—	—	132
Other noncurrent assets	17,298	22,242	17,889
Total assets	\$ 1,070,817	\$ 1,223,619	\$ 980,779
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 275,380	\$ 324,397	\$ 267,923
Accrued liabilities	89,792	88,982	85,759
Current operating lease liabilities	150,917	149,587	99,980
Short-term borrowings	—	40,000	—
Liabilities held for sale	—	5,482	8,423
Total current liabilities	516,089	608,448	462,085
Long-term deferred taxes, net	1,836	1,430	1,970
Long-term operating lease liabilities	171,154	197,407	184,754
Other long-term liabilities	23,016	20,938	19,068
Long-term borrowings	277,663	218,550	182,151
Total liabilities	989,758	1,046,773	850,028
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, 55,319, 54,774 and 55,140 shares, respectively; outstanding, 52,705, 52,348 and 52,604 shares, respectively	553	547	551
Additional paid-in capital	746,724	742,624	745,932
Accumulated deficit	(643,744)	(544,201)	(593,356)
Treasury stock, at cost	(22,474)	(22,124)	(22,376)
Total stockholders' equity	81,059	176,846	130,751
Total liabilities and stockholders' equity	\$ 1,070,817	\$ 1,223,619	\$ 980,779

See accompanying notes to condensed consolidated financial statements.

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

	13 weeks ended	
	July 29, 2023	July 30, 2022
Cash flows from operating activities:		
Net loss	\$ (50,388)	\$ (52,707)
Less: Loss from discontinued operations, net of tax	(417)	(2,385)
Loss from continuing operations	(49,971)	(50,322)
Adjustments to reconcile net loss from continuing operations to net cash flows from operating activities from continuing operations:		
Depreciation and amortization expense	10,253	10,896
Content amortization expense	—	26
Amortization of deferred financing costs	1,244	555
Deferred taxes	(3)	—
Stock-based compensation expense	957	1,576
Changes in operating lease right-of-use assets and liabilities	721	(1,230)
Changes in other long-term assets and liabilities, net	4,056	1,782
Changes in other operating assets and liabilities, net		
Receivables, net	(48,346)	17,048
Merchandise inventories	(61,206)	(169,701)
Textbook rental inventories	23,489	21,110
Prepaid expenses and other current assets	(12,168)	(782)
Accounts payable and accrued liabilities	11,116	140,435
Changes in other operating assets and liabilities, net	(87,115)	8,110
Net cash flows used in operating activities from continuing operations	(119,858)	(28,607)
Net cash flows used in operating activities from discontinued operations	(3,266)	(392)
Net cash flow used in operating activities	\$ (123,124)	\$ (28,999)
Cash flows from investing activities:		
Purchases of property and equipment	\$ (4,219)	\$ (7,530)
Net change in other noncurrent assets	78	—
Net cash flows used in investing activities from continuing operations	(4,141)	(7,530)
Net cash flows provided by (used in) investing activities from discontinued operations	21,395	(2,196)
Net cash flow used in investing activities	\$ 17,254	\$ (9,726)
Cash flows from financing activities:		
Proceeds from borrowings	\$ 145,187	\$ 147,200
Repayments of borrowings	(49,606)	(112,600)
Payment of deferred financing costs	(2,307)	(559)
Purchase of treasury shares	(98)	(612)
Net cash flows provided by financing activities from continuing operations	93,176	33,429
Net cash flows provided by financing activities from discontinued operations	—	—
Net cash flows provided by financing activities	\$ 93,176	\$ 33,429
Net decrease in cash, cash equivalents and restricted cash	(12,694)	(5,296)
Cash, cash equivalents and restricted cash at beginning of period	31,988	21,036
Cash, cash equivalents and restricted cash at end of period	19,294	15,740

Less: Cash, cash equivalents and restricted cash of discontinued operations at end of period	—	(633)
Cash, cash equivalents, and restricted cash of continuing operations at end of period	<u>\$ 19,294</u>	<u>\$ 15,107</u>

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 Capital	Accumulated Deficit	Treasury Stock		Total Equity
	Shares	Amount			Shares	Amount	
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	<u>54,774</u>	<u>\$ 547</u>	<u>\$ 742,624</u>	<u>\$ (544,201)</u>	<u>2,426</u>	<u>\$ (22,124)</u>	<u>\$ 176,846</u>

	Common Stock		Additional Paid-In Capital	Accumulated Deficit	Treasury Stock		Total Equity
	Shares	Amount			Shares	Amount	
Balance at April 29, 2023	55,140	\$ 551	\$ 745,932	\$ (593,356)	2,536	\$ (22,376)	\$ 130,751
Stock-based compensation expense			794				794
Vested equity awards	179	2	(2)				—
Shares repurchased for tax withholdings for vested stock awards					78	(98)	(98)
Net loss				(50,388)			(50,388)
Balance July 29, 2023	<u>55,319</u>	<u>\$ 553</u>	<u>\$ 746,724</u>	<u>\$ (643,744)</u>	<u>2,614</u>	<u>\$ (22,474)</u>	<u>\$ 81,059</u>

See accompanying notes to condensed consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

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 29, 2023, which includes consolidated financial statements for the Company as of April 29, 2023, and April 30, 2022 and for each of the three fiscal years ended April 29, 2023, April 30, 2022 and May 1, 2021 (Fiscal 2023, Fiscal 2022 and Fiscal 2021, 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. We operate 1,289 physical, virtual, and custom bookstores and serve more than 5.8 million students, delivering essential educational content, tools and general merchandise within a dynamic omnichannel retail environment.

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 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*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition. During the first quarter ended July 29, 2023, *BNC First Day* total revenue increased by \$16,715, or 37%, to \$61,773 compared to \$45,057 during the prior year period.

We expect to continue to introduce scalable and advanced solutions focused largely on the student and customer experience, 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. D/B/A “Lids” (“Lids”) (collectively referred to herein as the “F/L Partnership”), win new accounts, and expand our strategic opportunities through 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 F/L 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 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.

During the fourth quarter of Fiscal 2023, assets related to our DSS Segment met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. We have two reportable segments: Retail and Wholesale. 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 29, 2023.

BNC First Day Equitable and 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*® equitable and inclusive access

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition.

- *First Day Complete* is adopted by an institution and includes all undergraduate classes (and on occasion graduate classes), providing students both physical and digital materials. The *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.
- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

Offering course materials through our equitable and inclusive access *First Day Complete* and *First Day* 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 course material 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. These programs have allowed us to reverse historical long-term trends in course materials revenue declines, which have been observed at those schools where such programs have been adopted. We are moving quickly and decisively to accelerate our *First Day Complete* strategy. We plan to move many institutions to *First Day Complete* in Fiscal 2024 and the majority of our schools by Fiscal 2025, with continued relative adoption of this model thereafter.

In the Fall of 2023, 157 campus stores are utilizing *First Day[®] Complete* representing enrollment of nearly 800,000 undergraduate and post graduate students (as reported by National Center for Education Statistics), an increase of approximately 46% compared to Fall of 2022. During the 13 weeks ended July 29, 2023, *First Day Complete* sales increased by \$9,058, or 55%, to \$25,522 as compared to \$16,464 in the prior year period. During the 13 weeks ended July 29, 2023, *First Day* sales increased by \$7,657, or 27%, to \$36,251 as compared to \$28,593 in the prior year period.

Partnership with Fanatics and Lids

In December 2020, we entered into the F/L 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, 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. Lids manages in-store assortment planning and merchandising of emblematic apparel, headwear, and gift products for our partner campus stores, and Lids owns the inventory it manages, relieving us of the obligation to finance inventory purchases from working capital.

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"). Net income (loss) is equal to comprehensive income (loss) on our condensed consolidated statement of operations. 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 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 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 29, 2023 are not indicative of the results expected for the 52 weeks ending April 27, 2024 (Fiscal 2024).

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Liquidity and Going Concern

The accompanying condensed consolidated financial statements are prepared in accordance with U.S. GAAP applicable to a going concern. This presentation contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described below.

Pursuant to ASC 205-40, *Presentation of Financial Statements — Going Concern* (“ASC 205-40”), management must evaluate whether there are conditions and events, considered in aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that these condensed consolidated financial statements are issued. In accordance with ASC 205-40, management’s analysis can only include the potential mitigating impact of management’s plans that have not been fully implemented as of the issuance date of these condensed consolidated financial statements if (a) it is probable that management’s plans will be effectively implemented on a timely basis, and (b) it is probable that the plans, when implemented, will alleviate the relevant conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern.

Our primary sources of cash are net cash flows from operating activities, funds available under our Credit Agreement, Term Loan Agreement, and short-term vendor financing. Our liquidity is highly dependent on the seasonal nature of our business, particularly with respect to course material sales, as sales are generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming Fall and Spring semesters, respectively. As of July 29, 2023, we had \$19,294 of cash on hand, including \$10,704 of restricted cash related to segregated funds for commission due to Fanatics for logo merchandise sales as per the merchandising partnership agreement.

Our business was significantly negatively impacted by the COVID-19 pandemic during the years ended April 30, 2022 and May 1, 2021, as many schools adjusted their learning models and on-campus activities. Although most academic institutions have since reopened after the COVID-19 pandemic, the lingering impacts of the pandemic have resulted in changes in customer behaviors, lower enrollments, and an evolving educational landscape which continued to impact our financial results during the year ended April 29, 2023. Some institutions are still providing alternatives to traditional in-person instruction, including online and hybrid learning options and significantly reduced classroom sizes. The impact of COVID-19 store closings, as well as lower earnings during the year ended April 29, 2023, resulted in the loss of cash flows and increased borrowings that we would not otherwise have expected to incur.

We incurred a Net Loss from Continuing Operations of \$(49,971) and \$(50,322) for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively, and we incurred a Net Loss from Continuing Operations of \$(90,140), \$(61,559), and \$(133,569) for the years ended April 29, 2023, April 30, 2022, and May 1, 2021, respectively. Our Cash Flow Used In Operating Activities from Continuing Operations were \$(119,858) and \$(28,607) for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively, and were \$90,513, \$(16,195), and \$27,049, for the years ended April 29, 2023, April 30, 2022, and May 1, 2021, respectively. The tightening of our available credit commitments, including the elimination and repayment of our seasonal borrowing facility (FILO Facility) of \$40,000, has had a significant impact on our liquidity during the year ended April 29, 2023, including our ability to make timely vendor payments and school commission payments, resulting in a positive cash flow from operations offset by a use of cash for financing activities.

Our losses and projected cash needs, combined with our current liquidity level, raised substantial doubt about our ability to continue as a going concern as of the year ended April 29, 2023, which Management subsequently remediated by implementing a plan to improve the Company’s liquidity and successfully alleviate substantial doubt including (1) raising additional liquidity and (2) taking additional operational restructuring actions.

Debt amendments

On July 28, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement to December 28, 2024, (ii) reduce advance rates with respect to the borrowing base by 1000 basis points on September 2, 2024 (in lieu of the reductions previously contemplated for September 2023), (iii) subject to the conditions set forth in such amendment, add a CARES Act tax refund claim to the borrowing base, from April 1, 2024 through July 31, 2024, (iv) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) at all times greater than the greater of (x) 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and (y) (A) \$32,500 minus, subject to the conditions set forth in such amendment, (B) (a) \$7,500 for the period of April 1, 2024 through and including April 30, 2024, (b) \$2,500 for the period of May 1, 2024 through and including May 31, 2024 and (c) \$0 at all other times, (v) add a minimum Consolidated EBITDA (as defined in the Credit Agreement) financial maintenance covenant, and (vi) amend certain negative and affirmative

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

covenants and add certain additional covenants, all as more particularly set forth in such amendment. The amendment also requires that we appoint a Chief Restructuring Officer and that, by August 11, 2023, we (i) appoint two independent members to the board of directors of the Company from prospective candidates that have been previously disclosed to the Administrative Agent and the Lenders and (ii) appoint a committee of the board of directors of the Company to consist of three board members (two of whom will be the new independent directors), and as of the date of this filing, we have satisfied such requirements. The committee's responsibilities will include, among other things, to explore, consider, solicit expressions of interest or proposals for, respond to any communications, inquiries or proposals regarding, and advise as to all strategic alternatives to effect a "Specified Liquidity Transaction" (as defined in the Credit Agreement). There can be no guarantee or assurances that any such transaction or transactions be consummated. We must pay (i) a fee of 0.50% of the outstanding principal amount of the commitments under the Credit Agreement March 2023 amendment (as defined in the Credit Agreement) on the closing date (in lieu of the deferred fee previously contemplated in connection with the March 2023 amendment (as defined in the Credit Agreement)) and (ii) a fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement as of the closing date on the earlier to occur of September 2, 2024 and an Event of Default (as defined in the Credit Agreement).

On July 28, 2023, we amended our Term Loan to (i) extend the maturity date of the Term Loan Agreement to April 7, 2025, (ii) allow for interest to be paid in kind until September 2, 2024, (iii) amend the 1.50% anniversary fee to recur on June 7 of each year that the Term Loan Agreement remains outstanding, with 2024 fee deferred to the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement) and (iv) amend certain negative covenants and affirmative and add certain additional covenants. We must pay a fee of \$50,000 to the lenders under the Term Loan Agreement on the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement).

Operational restructuring plans

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. We have taken steps to significantly reduce our workforce, eliminated duplicate administrative headcounts at all levels, implemented improved system development processes to reduce maintenance costs, reduced capital expenditures, and evaluated operating contractual obligations for cost savings. We have achieved meaningful cost savings from this program of approximately \$17,000 during the second half of the year ended April 29, 2023. These initiatives are expected to provide annualized savings of \$30,000 to \$35,000 in Fiscal 2024. Management's plans over the next twelve months include the further reduction of gross capital expenditures and other cost saving measures of approximately \$25,000. Management believes that these plans are within its control and probable of being implemented on a timely basis.

During the 13 weeks ended July 29, 2023, Net Loss from Continuing Operations decreased by \$351 compared to the prior year period. During the 13 weeks ended July 29, 2023, Net Loss from Continuing Operations, excluding interest expense and restructuring and other charges, improved by \$8,995 primarily due to operational improvements and cost savings initiatives. As discussed below, our first quarter is generally a low sales period, as the majority of sales and operating profit will be realized during the second and third quarters.

Management believes that the expected impact on our liquidity and cash flows resulting from the debt amendments and the operational initiatives outlined above are sufficient to enable the Company to meet its obligations for at least twelve months from the issuance date of these condensed consolidated financial statements and to continue to alleviate the conditions that initially raised substantial doubt about the Company's ability to continue as a going concern.

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 retail business is highly seasonal, with the major portion of sales and operating profit realized during the second and third fiscal quarters, when college students generally purchase and rent textbooks for the upcoming semesters. Sales attributable to our wholesale business are generally highest in our first, second and third quarters, as it sells textbooks and other course materials for retail distribution. See Revenue Recognition and Deferred Revenue discussion below.

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.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Discontinued Operations

During the fourth quarter of Fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. Certain assets and liabilities associated with the DSS Segment are presented in our condensed consolidated balance sheets as "Assets Held for Sale" and "Liabilities Held for Sale". The results of operations related to the DSS Segment are included in the condensed consolidated statements of operations as "Loss from discontinued operations, net of tax." The cash flows of the DSS Segment are also presented separately in our condensed consolidated statements of cash flows. All corresponding prior year periods presented in our financial statements and related information in the accompanying notes have been reclassified to reflect the Asset Held for Sale and Discontinued Operations presentation.

On May 31, 2023, we completed the sale of these assets related to our DSS Segment for cash proceeds of \$20,000, net of certain transaction fees, severance costs, escrow, and other considerations. During the 13 weeks ended July 29, 2023, we recorded a Gain on Sale of Business of \$3,068 in Net Loss from Discontinued Operations related to the sale. Net cash proceeds from the sale were used for debt repayment and provided additional funds for working capital needs under our Credit Facility. The following table summarizes the operating results of the discontinued operations for the periods indicated:

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Total sales	\$ 2,784	\$ 9,184
Cost of sales ^(a)	76	1,700
Gross profit ^(a)	2,708	7,484
Selling and administrative expenses	2,281	8,146
Depreciation and amortization	—	1,637
Gain on sale of business	(3,068)	—
Impairment loss (non-cash) ^(b)	610	—
Restructuring costs ^(c)	3,287	—
Transaction costs	(5)	—
Operating loss	(397)	(2,299)
Income tax expense	20	86
Loss from discontinued operations, net of tax	\$ (417)	\$ (2,385)

(a) Cost of sales and Gross margin for the DSS Segment includes amortization expense (non-cash) related to content development costs of \$0 and \$1,551 for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively.

(b) During the 13 weeks ended July 29, 2023, we recognized an impairment loss (non-cash) of \$610 (both pre-tax and after-tax), comprised of \$119 and \$491 of property and equipment and operating lease right-of-use assets, respectively, on the condensed consolidated statement of operations as part of discontinued operations.

(c) During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges of \$3,287 comprised of severance and other employee termination costs.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

The following table summarizes the assets and liabilities of the Assets Held for Sale included in the condensed consolidated balance sheets:

	As of	
	April 29, 2023	July 30, 2022
Cash and cash equivalents	\$ 1,057	\$ 633
Receivables, net	480	649
Prepaid expenses and other current assets	901	2,043
Property and equipment, net	19,523	20,904
Intangible assets, net	402	1,230
Goodwill	4,700	4,700
Deferred tax assets, net	130	—
Other noncurrent assets	237	266
Assets held for sale	<u>\$ 27,430</u>	<u>\$ 30,425</u>
Accounts payable	\$ 211	\$ 216
Accrued liabilities	8,212	5,235
Other long-term liabilities	—	31
Liabilities held for sale	<u>\$ 8,423</u>	<u>\$ 5,482</u>

Restricted Cash

As of July 29, 2023 and July 30, 2022, we had restricted cash of \$11,637 and \$7,492, respectively, comprised of \$10,704 and \$6,593, respectively, in prepaid and other current assets in the condensed consolidated balance sheet related to segregated funds for commission due to Lids for logo merchandise sales as per the Lids Partnership's merchandising agreement, and \$933 and \$899, 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. Our textbook and trade book inventories, for Retail and Wholesale, are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories. There were no LIFO adjustments in Fiscal 2023, Fiscal 2022 and Fiscal 2021.

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.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

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 sale of digital textbooks, which contains a single performance obligation, is recognized at the point of sale as product revenue in our condensed consolidated financial statements. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the term the customer is no longer able to access the content. While the sale of the digital textbook 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.

Revenue from the rental of physical textbooks 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 and is recognized as rental income in our condensed consolidated financial statements. 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 for our *BNC First Day* offerings are recognized consistent with our policies outlined above for product, digital and rental sales, net of an anticipated opt-out or return provision. Given the growth of *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day* equitable and inclusive access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, 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.

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

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

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 F/L Partnership's merchandising agreement and e-commerce agreement, we began to transition the fulfillment of our logo general merchandise sales to Lids and Fanatics. The transition to Lids for campus stores was effective in April 2021, and the e-commerce websites transitioned to Fanatics throughout Fiscal 2022. As the logo general merchandise sales are fulfilled by Lids 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 general merchandise 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 partnership marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers, shipping and handling, and revenue from other programs.

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. 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.

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.

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.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Disaggregation of Revenue

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

	13 weeks ended	
	July 29, 2023	July 30, 2022
Retail		
Course Materials Product Sales	\$ 138,536	\$ 127,493
General Merchandise Product Sales ^(a)	88,680	88,824
Service and Other Revenue ^(b)	6,733	9,278
Retail Product and Other Sales sub-total	233,949	225,595
Course Materials Rental Income	11,511	10,912
Retail Total Sales	\$ 245,460	\$ 236,507
Wholesale Sales	\$ 38,791	\$ 37,083
Eliminations ^(c)	\$ (20,090)	\$ (18,916)
Total Sales	\$ 264,161	\$ 254,674

- (a) Logo general merchandise sales for the Retail Segment are recognized on a net basis as commission revenue in the condensed consolidated financial statements.
- (b) Service and other revenue primarily relates to brand partnerships and other service revenues.
- (c) 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 Liabilities

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 performance obligations, which are recognized ratably over the terms of the related rental period;
- 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 Lids, respectively.

The following table presents changes in deferred revenue associated with our contract liabilities:

	13 weeks ended	
	July 29, 2023	July 30, 2022
Deferred revenue at the beginning of period	\$ 15,356	\$ 16,475
Additions to deferred revenue during the period	12,856	17,502
Reductions to deferred revenue for revenue recognized during the period	(12,444)	(15,302)
Deferred revenue balance at the end of period:	\$ 15,768	\$ 18,675
Balance Sheet classification:		
Accrued liabilities	\$ 11,769	\$ 14,120
Other long-term liabilities	3,999	4,555
Deferred revenue balance at the end of period:	\$ 15,768	\$ 18,675

As of July 29, 2023, we expect to recognize \$11,769 of the deferred revenue balance within the next 12 months.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Note 4. Segment Reporting

During the fourth quarter of Fiscal 2023, assets related to our DSS Segment met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. For additional information, see *Note 2. Summary of Significant Accounting Policies*.

We have two reportable segments: Retail and Wholesale. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, are not allocated to any specific reporting segment and 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 two 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 29, 2023.

Retail Segment

The *Retail Segment* operates 1,289 college, university, and K-12 school bookstores, comprised of 726 physical bookstores and 563 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 offers our *BNC First Day*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition. 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 2,900 physical bookstores (including our Retail Segment's 726 physical bookstores) and sources and distributes new and used textbooks to our 563 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 330 college bookstores.

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.

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 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Summarized financial information for our reportable segments is reported below:

	13 weeks ended	
	July 29, 2023	July 30, 2022
Sales		
Retail	\$ 245,460	\$ 236,507
Wholesale	38,791	37,083
Eliminations	(20,090)	(18,916)
Total Sales	<u>\$ 264,161</u>	<u>\$ 254,674</u>
Gross Profit		
Retail	\$ 50,291	\$ 53,993
Wholesale	5,794	6,899
Eliminations	(5,451)	(4,887)
Total Gross Profit	<u>\$ 50,634</u>	<u>\$ 56,005</u>
Selling and Administrative Expenses		
Retail	\$ 69,173	\$ 79,004
Wholesale	3,388	4,131
Corporate Services	4,918	7,214
Eliminations	(3)	(8)
Total Selling and Administrative Expenses	<u>\$ 77,476</u>	<u>\$ 90,341</u>
Depreciation and Amortization		
Retail	\$ 8,966	\$ 9,529
Wholesale	1,277	1,349
Corporate Services	10	18
Total Depreciation and Amortization	<u>\$ 10,253</u>	<u>\$ 10,896</u>
Restructuring and Other Charges		
Retail	\$ 526	\$ —
Wholesale	526	—
Corporate Services	3,581	375
Total Restructuring and Other Charges	<u>\$ 4,633</u>	<u>\$ 375</u>
Operating Loss		
Retail	\$ (28,374)	\$ (34,540)
Wholesale	603	1,419
Corporate Services	(8,509)	(7,607)
Elimination	(5,448)	(4,879)
Total Operating Loss	<u>\$ (41,728)</u>	<u>\$ (45,607)</u>
Reconciliation of segment Operating Loss from Continuing Operations to Loss from Continuing Operations Before Income Taxes:		
Total Operating Loss	<u>\$ (41,728)</u>	<u>\$ (45,607)</u>
Interest Expense, net	8,254	3,868
Total Loss from Continuing Operations Before Income Taxes	<u>\$ (49,982)</u>	<u>\$ (49,475)</u>

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(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 29, 2023, we did not repurchase shares of our Common Stock under the stock repurchase program and as of July 29, 2023, approximately \$26,669 remains available under the stock repurchase program.

During the 13 weeks ended July 29, 2023, we repurchased 77,898 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 29, 2023 and July 30, 2022, average shares of 3,698,357 and 4,722,668 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	
	July 29, 2023	July 30, 2022
<i>(shares in thousands)</i>		
Numerator for basic and diluted earnings per share:		
Loss from continuing operations, net of tax	\$ (49,971)	\$ (50,322)
Loss from discontinued operations, net of tax	(417)	(2,385)
Net loss available to common shareholders	<u>\$ (50,388)</u>	<u>\$ (52,707)</u>
Denominator for basic and diluted earnings per share:		
Basic and diluted weighted average shares of Common Stock	<u>52,642</u>	<u>52,172</u>
Loss per share of Common Stock:		
Basic and Diluted		
Continuing operations	\$ (0.95)	\$ (0.96)
Discontinued operations	(0.01)	(0.05)
Basic and diluted loss per share of Common Stock	<u>\$ (0.96)</u>	<u>\$ (1.01)</u>

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

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

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.

Non-Financial Assets and Liabilities

Our non-financial assets include 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 29, 2023, we recorded a liability of \$633 (Level 2 input) which is reflected in accrued liabilities (\$595) and other long-term liabilities (\$38) on the condensed consolidated balance sheet. 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. For additional information, see *Note 10. Long-Term Incentive Plan Compensation Expense*.

Note 7. Debt

	As of	
	July 29, 2023	July 30, 2022
Credit Facility	\$ 249,735	\$ 190,300
FILO Facility	—	40,000
Term Loan	30,000	30,000
sub-total	279,735	260,300
Less: Deferred financing costs	(2,072)	(1,750)
Total debt	\$ 277,663	\$ 258,550
Balance Sheet classification:		
Short-term borrowings	\$ —	\$ 40,000
Long-term borrowings	277,663	218,550
Total debt	\$ 277,663	\$ 258,550

Credit Facility

We have a credit agreement (the “Credit Agreement”), amended from time to time including on July 28, 2023, May 24, 2023, March 8, 2023, March 31, 2021 and March 1, 2019, under which the lenders originally 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 March 1, 2019 amendment. We had 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 included an incremental first in, last out seasonal loan facility (the “FILO Facility”) for a \$100,000 maintaining the maximum availability under the Credit Agreement at \$500,000. As of July 31, 2022, the FILO Facility was repaid and eliminated according to its terms and future commitments under the FILO Facility were reduced to \$0.

March 2023 Credit Agreement Amendment

On March 8, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement by six months to August 29, 2024, (ii) reduce the commitments under the Credit Agreement by \$20,000 to \$380,000, (iii) increase the applicable margin with respect to the interest rate under the Credit Agreement to 3.375% per annum, in the case of interest accruing based on a Secured Overnight Financing Rate, and 2.375%, in the case of interest accruing based on an alternative base rate, in each case, without regard to a pricing grid, (iv) reduce advance rates with respect to the borrowing base (x) by 500

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

basis points upon the achievement of certain liquidity events, which may include a sale of equity interests or of assets (a “Specified Event”), or, if such a Specified Event shall not have occurred, on May 31, 2023 (see discussion below) and (y) by an additional 500 basis points on September 29, 2023, (v) amend certain negative covenants and add certain additional covenants, (vi) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) to be at all times greater than the greater of 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and \$32,500 and (vii) require repayment of the loans under the Credit Agreement upon a Specified Event. For additional information related to the Credit Agreement amendment, see the Company’s Report on Form 8-K dated March 8, 2023 and filed with the SEC on March 9, 2023.

As noted above, the amendment requires the achievement of a Special Event by no later than May 31, 2023 (as such date may be extended pursuant to the terms of the Credit Agreement). See *Note 2. Summary of Significant Accounting Policies* for information related to the sale of our DSS segment on May 31, 2023.

We paid a fee of 0.25% of the outstanding principal amount of the commitments under the Credit Agreement on the amendment closing date and we will pay an additional fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement on September 29, 2023.

During the 52 weeks ended April 29, 2023, we incurred debt issuance costs totaling \$4,081 related to the March 2023 Credit Agreement amendment. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

May 2023 Credit Agreement Amendment

On May 24, 2023, we amended our existing Credit Agreement to (i) increase the applicable margin with respect to the interest rate under the Credit Agreement to 3.75% per annum, in the case of interest accruing based on SOFR, and 2.75%, in the case of interest accruing based on an alternative base rate, in each case, without regard to a pricing grid, (ii) defer the reduction of advance rates used to calculate our borrowing capacity by an amount equal to 500 basis points previously required on May 31, 2023 to September 1, 2023, (iii) require cash flow reporting and variance testing commencing June 3, 2023 and (iv) defer partial prepayment of the term loan from the DSS segment sale proceeds to September 1, 2023. We did not incur debt issuance costs related to the May 2023 Credit Agreement amendment. For additional information related to the Credit Agreement amendment, see the Company’s Report on Form 8-K dated May 24, 2023 and filed with the SEC on May 31, 2023.

July 2023 Credit Agreement Amendment

On July 28, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement to December 28, 2024, (ii) reduce advance rates with respect to the borrowing base by 1000 basis points on September 2, 2024 (in lieu of the reductions previously contemplated for September 2023), (iii) subject to the conditions set forth in such amendment, add a CARES Act tax refund claim to the borrowing base, from April 1, 2024 through July 31, 2024, (iv) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) at all times greater than the greater of (x) 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and (y) (A) \$32,500 minus, subject to the conditions set forth in such amendment, (B) (a) \$7,500 for the period of April 1, 2024 through and including April 30, 2024, (b) \$2,500 for the period of May 1, 2024 through and including May 31, 2024 and (c) \$0 at all other times, (v) add a minimum Consolidated EBITDA (as defined in the Credit Agreement) financial maintenance covenant, and (vi) amend certain negative and affirmative covenants and add certain additional covenants, all as more particularly set forth in such amendment. The amendment also requires that we appoint a Chief Restructuring Officer and that, by August 11, 2023, we (i) appoint two independent members to the board of directors of the Company from prospective candidates that have been previously disclosed to the Administrative Agent and the Lenders and (ii) appoint a committee of the board of directors of the Company to consist of three board members (two of whom will be the new independent directors). The committee’s responsibilities will include, among other things, to explore, consider, solicit expressions of interest or proposals for, respond to any communications, inquiries or proposals regarding, and advise as to all strategic alternatives to effect a “Specified Liquidity Transaction” (as defined in the Credit Agreement). There can be no guarantee or assurances that any such transaction or transactions be consummated. We must pay (i) a fee of 0.50% of the outstanding principal amount of the commitments under the Credit Agreement March 2023 amendment (as defined in the Credit Agreement) on the closing date (in lieu of the deferred fee previously contemplated in connection with the March 2023 amendment (as defined in the Credit Agreement)) and (ii) a fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement as of the closing date on the earlier to occur of September 2, 2024 and an Event of Default (as defined in the Credit Agreement).

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

During the 13 weeks ended July 29, 2023, we incurred debt issuance costs totaling \$10,979 related to the July 2023 Credit Agreement amendment. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

As of July 29, 2023, and through the date of this filing, we were in compliance with all debt covenants under the Credit Agreement.

The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility. This is considered an all asset lien (inclusive of proceeds from tax refunds payable to the Company and a pledge of equity from subsidiaries, exclusive of real estate).

During the 13 weeks ended July 29, 2023, we borrowed \$145,187 and repaid \$49,606 under the Credit Agreement, and had outstanding borrowings of \$249,735 as of July 29, 2023, comprised entirely of borrowings under the Credit Facility. During the 13 weeks ended July 30, 2022, we borrowed \$117,200 and repaid \$112,600 under the Credit Agreement, and had outstanding borrowings of \$230,300 as of July 30, 2022, comprised \$190,300 and \$40,000 of borrowings under the Credit Facility and FILO Facility, respectively. As of July 29, 2023 and July 30, 2022, we have issued \$575 and \$4,759, respectively, 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 into an amendment to our existing Credit Agreement, which permitted us to incur the Term Loan Facility (as defined below). 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”) and matures on June 7, 2024. 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 29, 2023, we borrowed \$0 and repaid \$0 under the Term Loan Credit Agreement, with \$30,000 of outstanding borrowings as of July 29, 2023. During the 13 weeks ended July 30, 2022, we borrowed \$30,000 and repaid \$0 under the Term Loan Credit Agreement.

March 2023 Term Loan Credit Agreement Amendment

On March 8, 2023, we amended the Term Loan Credit Agreement to (i) extend the maturity date of the Term Loan Credit Agreement by six months to December 7, 2024, (ii) permit the application of certain proceeds to the repayment of the loans under Credit Agreement and (iii) amend certain negative covenants and add certain additional covenants to conform to the Credit Agreement. In addition, the amendment requires the achievement of a Specified Event (as described above) by no later than May 31, 2023 (as such date may be extended under the Credit Agreement, but no later than August 31, 2023 without consent from lenders under the Term Loan Credit Agreement).

During the 52 weeks ended April 29, 2023, we incurred debt issuance costs totaling \$431 related to the March 2023 Term Loan Credit Agreement amendment. We paid a fee of \$50 on the amendment closing date to the lenders under 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 condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

July 2023 Term Loan Credit Agreement Amendment

On July 28, 2023, we amended our Term Loan to (i) extend the maturity date of the Term Loan Agreement to April 7, 2025, (ii) allow for interest to be paid in kind until September 2, 2024, (iii) amend the 1.50% anniversary fee to recur on June 7 of each year that the Term Loan Agreement remains outstanding, with 2024 fee deferred to the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement) and (iv) amend certain negative covenants and affirmative and add certain additional covenants. We must pay a fee of \$50 to the lenders under the Term Loan Agreement on the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement).

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

During the 13 weeks ended July 29, 2023, we incurred debt issuance costs totaling \$369 related to the July 2023 Term Loan Credit Agreement amendment. The debt issuance costs have been deferred and are presented as a reduction to long-term borrowings in the condensed 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%, payable quarterly. To date, all interest on the term loan has been paid in cash. The Term Loans do not amortize prior to maturity.

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.

The following table summarizes lease expense:

	13 weeks ended	
	July 29, 2023	July 30, 2022
Variable lease expense	\$ 12,229	\$ 15,183
Operating lease expense	22,389	22,862
Net lease expense	<u>\$ 34,618</u>	<u>\$ 38,045</u>

The decrease in lease expense during the 13 weeks ended July 29, 2023 is primarily due to lower commission rates related to the shift to from physical to digital course materials and the impact of the timing due to contract renewals, partially offset by higher sales for contracts based on a percentage of sales.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

The following table summarizes our minimum fixed lease obligations, excluding variable commissions:

	As of July 29, 2023
Remainder of Fiscal 2024	\$ 148,353
Fiscal 2025	53,542
Fiscal 2026	39,072
Fiscal 2027	31,399
Fiscal 2028	24,316
Thereafter	59,227
Total lease payments	355,909
Less: imputed interest	(33,838)
Operating lease liabilities at period end	\$ 322,071

Future lease payment obligations related to leases that were entered into, but did not commence as of July 29, 2023, were not material. The following summarizes additional information related to our operating leases:

	As of	
	July 29, 2023	July 30, 2022
Weighted average remaining lease term (in years)	4.6 years	5.3 years
Weighted average discount rate	4.1 %	4.2 %
Supplemental cash flow information:		
Cash payments for lease liabilities within operating activities	\$ 22,804	\$ 25,073
Right-of-use assets obtained in exchange for lease liabilities from initial recognition	\$ 59,304	\$ 64,211

Note 9. Supplementary Information

Restructuring and other charges

During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges totaling \$4,633 comprised primarily of \$1,051 for severance and other employee termination and benefit costs associated with elimination of various positions as part of cost reduction objectives, (\$1,007 is included in accrued liabilities in the condensed consolidated balance sheet as of July 29, 2023), and \$3,582, respectively, for costs primarily associated with professional service costs for restructuring.

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, process improvements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

Note 10. Long-Term Incentive Plan Compensation Expense

During the 13 weeks ended July 29, 2023, we did not grant any long-term incentive plan awards. We recognized compensation expense for previously granted long-term incentive plan awards in selling and administrative expenses as follows:

	13 weeks ended	
	July 29, 2023	July 30, 2022
<i>Stock-based awards</i>		
Restricted stock expense	\$ 7	\$ 94
Restricted stock units expense	568	866
Performance share units expense	—	10
Stock option expense	382	606
Sub-total stock-based awards:	\$ 957	\$ 1,576
<i>Cash settled awards</i>		
Phantom share units expense	\$ (89)	\$ 188
Total compensation expense for long-term incentive awards	\$ 868	\$ 1,764

Total unrecognized compensation cost related to unvested awards as of July 29, 2023 was \$5,131 and is expected to be recognized over a weighted-average period of 1.6 years.

Note 11. Employee Benefit Plans

We sponsor defined contribution plans for the benefit of substantially all of the employees of BNC. 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 \$1,097 and \$1,259 during the 13 weeks ended July 29, 2023 and July 30, 2022, respectively.

Commencing in September 2023, we revised the 401(k)-retirement savings plan to an annual end of plan year discretionary match, in lieu of the current pay period match.

Note 12. Income Taxes

Our provision for income taxes during interim reporting periods has historically been calculated by applying an estimate of the annual effective tax rate for the full fiscal year to ordinary income (loss) (pre-tax income (loss) excluding unusual or infrequently occurring discrete items) for the reporting period. For the 13 weeks ended July 29, 2023, and in accordance with ASC 740-270-30-18 "Income Taxes - Interim Reporting - Initial Measurement," and paragraph 82 of FASB interpretation No. 18, "Accounting for Income Taxes in Interim Periods" ("FIN 18"), we computed our provision for income taxes based on the actual effective tax rate for the year-to-date period by applying the discrete method. We determined that as small changes in estimated ordinary income would result in significant changes in the estimated annual effective tax rate, the historical method would not provide a reliable estimate for the 13 weeks ended July 29, 2023. We believe that, at this time, the use of this discrete method represents the best estimate of our annual effective tax rate.

We recorded an income tax benefit of \$(11) on pre-tax loss of \$(49,982) during the 13 weeks ended July 29, 2023, which represented an effective income tax rate of 0% and an income tax expense of \$847 on pre-tax loss of \$(49,475) during the 13 weeks ended July 30, 2022, which represented an effective income tax rate of (1.7)%. The effective tax rate for the 13 weeks ended July 29, 2023 is lower than the prior year comparable period due to utilization of the discrete tax provision methodology discussed above.

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 29, 2023, we determined that it was more likely than not that we would not realize all deferred tax assets and our tax rate for the current fiscal year reflects this determination. We will continue to evaluate this position.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Condensed Consolidated Financial Statements
For the 13 weeks ended July 29, 2023 and July 30, 2022
(Thousands of dollars, except share and per share data)
(unaudited)

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.

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. We operate 1,289 physical, virtual, and custom bookstores and serve more than 5.8 million students, delivering essential educational content, tools and general merchandise within a dynamic omnichannel retail environment.

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 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*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition. During the first quarter ended July 29, 2023, *BNC First Day* total revenue increased by \$16.7 million, or 37%, to \$61.7 million compared to \$45.1 million during the prior year period.

We expect to continue to introduce scalable and advanced solutions focused largely on the student and customer experience, 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. D/B/A "Lids" ("Lids") (collectively referred to herein as the "F/L Partnership"), win new accounts, and expand our strategic opportunities through 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 F/L 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 general merchandise business. During the 13 weeks ended July 29, 2023, Retail Gross Comparable Store general merchandise sales increased by 5.3%.

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.

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 29, 2023.

Financing Arrangements

During the 13 weeks ended July 29, 2023, we amended our existing Credit Agreement and Term Loan Agreement to, extend the maturity dates and modify various terms to provide additional liquidity. For additional information, see *Item 1. Financial Statements - Note 7. Debt*.

Sale of DSS Segment

During the fourth quarter of Fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. On May 31, 2023, we completed the sale of these assets related to our DSS Segment for cash proceeds of \$20 million, net of certain transaction fees, severance costs, escrow, and other considerations. During the 13 weeks ended July 29, 2023, we recorded a Gain on Sale of Business of \$3.1 million in Net Loss from Discontinued Operations related to the sale. Net cash proceeds from the sale were used for debt repayment and provided additional funds for working capital needs under our Credit Facility. For additional information, see *Note 2. Summary of Significant Accounting Policies*.

Cost Savings Initiative

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. We have taken steps to significantly reduce our workforce, eliminated duplicate administrative headcounts at all levels, implemented improved system development processes to reduce maintenance costs, reduced capital expenditures, and evaluated operating contractual obligations for cost savings. We have achieved meaningful cost savings from this program of approximately \$17 million during the second half of the year ended April 29, 2023. These initiatives are expected to provide annualized savings of \$30 million to \$35 million in Fiscal 2024. Management's plans over the next twelve months include the further reduction of gross capital expenditures and other cost saving measures of approximately \$25 million. Management believes that these plans are within its control and probable of being implemented on a timely basis.

BNC First Day Equitable and 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*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition.

- *First Day Complete* is adopted by an institution and includes all undergraduate classes (and on occasion graduate classes), providing students both physical and digital materials. The *First Day Complete* model drives substantially greater unit sales and sell-through for the bookstore.
- *First Day* is adopted by a faculty member for a single course, and students receive primarily digital course materials through their school's learning management system ("LMS").

Offering course materials through our equitable and inclusive access *First Day Complete* and *First Day* 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 course material 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. These programs have allowed us to reverse historical long-term trends in course materials revenue declines, which have been observed at those schools where such programs have been adopted. We are moving quickly and decisively to accelerate our *First Day Complete* strategy. We plan to move many institutions to *First Day Complete* in Fiscal 2024 and the majority of our schools by Fiscal 2025, with continued relative adoption of this model thereafter.

In the Fall of 2023, 157 campus stores are utilizing *First Day*® Complete representing enrollment of nearly 800,000 undergraduate and post graduate students (as reported by National Center for Education Statistics), an increase of approximately 46% compared to Fall of 2022. During the 13 weeks ended July 29, 2023, *First Day Complete* sales increased by \$9.1 million, or 55%, to \$25.5 million as compared to \$16.5 million in the prior year period. During the 13 weeks ended July 29, 2023, *First Day* sales increased by \$7.7 million, or 27%, to \$36.3 million as compared to \$28.6 million in the prior year period.

Partnership with Fanatics and Lids

In December 2020, we entered into the F/L 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, 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. Lids manages in-store assortment planning and merchandising of emblematic apparel, headwear, and gift products for our partner campus stores, and Lids owns the inventory it manages, relieving us of the obligation to finance inventory purchases from working capital.

Segments

During the fourth quarter of Fiscal 2023, assets related to our DSS Segment met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. We completed the sale of the previous DSS Segment during the first quarter of Fiscal 2024. For additional information, see *Note 2. Summary of Significant Accounting Policies*.

We have two reportable segments: Retail and Wholesale. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, are not allocated to any specific reporting segment and 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 29, 2023.

Retail Segment

The *Retail Segment* operates 1,289 college, university, and K-12 school bookstores, comprised of 726 physical bookstores and 563 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 offers our *BNC First Day*® equitable and inclusive access programs, consisting of *First Day Complete* and *First Day*, which provide faculty required course materials on or before the first day of class at a discounted rate, as compared to the total retail price for the same course materials if purchased separately. The *BNC First Day* discounted price is offered as a course fee or included in tuition. 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.

During the 13 weeks ended July 29, 2023, we opened 20 stores and closed 97 stores in the Retail Segment, with estimated net annual sales of \$52 million as we pruned some under-performing, less profitable stores, satellite stores, and certain other contracts were awarded to competitors. We plan to move many institutions to First Day Complete in Fiscal 2024 and the majority of our stores by Fiscal 2025, with continued relative adoption of this model thereafter.

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 2,900 physical bookstores (including our Retail Segment's 726 physical bookstores) and sources and distributes new and used textbooks to our 563 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 330 college bookstores.

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.

Our retail business is highly seasonal, with the major portion of sales and operating profit realized during the second and third fiscal quarters, when college students generally purchase and rent textbooks for the upcoming semesters.

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. Revenue from the sale of digital textbooks, which contains a single performance obligation, is recognized at the point of sale as product revenue in our condensed consolidated financial statements. Revenue from the rental of physical textbooks 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 and is recognized as rental income in our condensed consolidated financial statements. Depending on the product mix offered under the *BNC First*

Day offerings, revenue recognized is consistent with our policies for product, digital and rental sales, net of an anticipated opt-out or return provision.

Given the growth of *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day* equitable and inclusive access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, 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 *BNC First Day* equitable and inclusive access offerings, we are focused on efforts to better align the timing of our cash outflows to course material vendors and schools with cash inflows collected from schools, including modifying payment terms in existing and future school contracts.

Sales attributable to our wholesale business are generally highest in our first, second and third quarters, as it sells textbooks and other course materials for retail distribution.

Trends, Competition and Other Business Conditions Affecting Our Business

The market for educational materials continues to undergo significant 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 Capital Markets, Economic Environment, College Enrollment and Consumer Spending Patterns.* Our business is affected by capital markets, 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.
- *Capital Market Trends:* We may require additional capital in the future to sustain or grow our business, including implementation of our strategic initiatives. The future availability of financing will depend on a variety of factors, such as economic and market conditions, and the availability of credit. These factors have and could continue to materially adversely affect our costs of borrowing, and our financial position and results of operations would be adversely impacted. Volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions.
- *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. Broader macro-economic global supply chain issues could impact our ability to source textbooks, school supplies and general merchandise sold in our campus bookstores, including technology-related products and emblematic clothing. Union and labor market issues may also impact our ability to provide services and products to our customers. 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 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. 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 Open Educational Resources ("OER"), Online and Digital Platforms as Companions or Alternatives to Traditional Course Materials, Including Artificial Intelligence ("AI") Technologies.* 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, including student-to-student transactions over the Internet, and multi-title subscription access.
- *Suppliers, Supply Chain and Inventory.* The products that we sell originate from a wide variety of domestic and international vendors. During Fiscal 2023, our four largest retail suppliers, excluding our wholesale business which fulfills orders for all our physical and virtual bookstores, accounted for approximately 28% of our merchandise purchased, with the largest supplier accounting for approximately 8% of our merchandise purchased. 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. In Fiscal 2021 and Fiscal 2022, during the COVID-19 pandemic, the impact of fewer students on campus, and the resulting increase in transition to digital materials, 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. We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, content or services, particular payment terms or the extension of credit limits. If our current suppliers were to stop selling merchandise, content or services to us on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions or refusal by such suppliers to ship products to us due to delayed or extended payment windows as a result of our own liquidity constraints, we may be unable to procure the same merchandise, content or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all. Additionally, delayed or incomplete publisher shipments of physical textbook orders, or delays in receiving digital courseware access codes, could have an adverse impact on sales, including our First Day Complete equitable access program, which relies upon timely receipt of inventory in advance of class start dates each academic term. 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.
- *First Day Complete and First Day Models.* Offering course materials sales through our equitable and inclusive access *First Day Complete* and *First Day* models is a key, and increasingly important, strategic initiative of ours to meet the market demands of substantially reduced pricing to students. Our *First Day Complete* and *First Day* programs contribute to improved student outcomes, while increasing our market share, revenue and relative gross profits of course materials 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. These programs have allowed us to reverse historical long-term trends in course materials revenue declines, which have been observed at those schools where such programs have been adopted. We are moving quickly and decisively to accelerate our *First Day Complete* strategy. While we plan to move many institutions to *First Day Complete* in Fiscal 2024, and the majority of our schools by Fiscal 2025, we cannot guarantee that we will be able to achieve these plans within these timeframes or at all.
- *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 equitable and 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 non-essential bookstores we operate may close. 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 fiscal year ended April 29, 2023.

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 condensed consolidated financial statements are presented on a consolidated basis. All material intercompany accounts and transactions have been eliminated in consolidation.

During the fourth quarter of Fiscal 2023, assets related to our DSS Segment met the criteria for classification as Assets Held for Sale and Discontinued Operations. Certain assets and liabilities associated with the DSS Segment are presented in our condensed consolidated balance sheets as current "Assets Held for Sale" and current "Liabilities Held for Sale". The results of operations related to the DSS Segment are included in the condensed consolidated statements of operations as "Loss from discontinued operations, net of tax." The cash flows of the DSS Segment are also presented separately in our condensed consolidated statements of cash flows.

Our sales are primarily derived from the sale of course materials, which include new, used, rental and digital textbooks. Additionally, at college and university bookstores which we operate, we sell 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, 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, and finance and accounting. 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 - Continuing Operations ^(a)

	13 weeks ended ^(a)	
	July 29, 2023	July 30, 2022
<i>Dollars in thousands</i>		
Sales:		
Product sales and other ^(b)	\$ 252,650	\$ 243,762
Rental income	11,511	10,912
Total sales	<u>\$ 264,161</u>	<u>\$ 254,674</u>
Net loss from continuing operations	<u>\$ (49,971)</u>	<u>\$ (50,322)</u>
Adjusted Earnings (non-GAAP) - Continuing Operations ^(c)	<u>\$ (45,338)</u>	<u>\$ (49,921)</u>
Adjusted EBITDA by Segment (non-GAAP) - Continuing Operations ^(c)		
Retail	\$ (18,882)	\$ (24,985)
Wholesale	2,406	2,768
Corporate Services	(4,918)	(7,214)
Elimination	(5,448)	(4,879)
Total Adjusted EBITDA (non-GAAP)	<u>\$ (26,842)</u>	<u>\$ (34,310)</u>

(a) During the fourth quarter of Fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations. Net Loss from Continuing Operations excludes the results of operations related to the DSS Segment for all periods reported above.

(b) Logo general merchandise sales for the Retail Segment are recognized on a net basis as commission revenue in the condensed consolidated financial statements. For Retail Gross Comparable Store Sales details, see below.

(c) 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 29, 2023	July 30, 2022
Sales:		
Product sales and other	95.6 %	95.7 %
Rental income	4.4	4.3
Total sales	100.0	100.0
Cost of sales (exclusive of depreciation and amortization expense):		
Product and other cost of sales ^(a)	81.9	78.9
Rental cost of sales ^(a)	56.6	57.4
Total cost of sales	80.8	78.0
Gross margin	19.2	22.0
Selling and administrative expenses	29.3	35.5
Depreciation and amortization expense	3.9	4.3
Restructuring and other charges	1.8	0.1
Operating loss from continuing operations	(15.8)%	(17.9)%

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

Results of Operations - Discontinued Operations

During the fourth quarter of fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations and is no longer a reportable segment. Certain assets and liabilities associated with the DSS Segment are presented in our condensed consolidated balance sheets as "Assets Held for Sale" and "Liabilities Held for Sale". The results of operations related to the DSS Segment are included in the condensed consolidated statements of operations as "Loss from discontinued operations, net of tax." The cash flows of the DSS Segment are also presented separately in our condensed consolidated statements of cash flows.

On May 31, 2023, we completed the sale of these assets related to our DSS Segment for cash proceeds of \$20 million, net of certain transaction fees, severance costs, escrow, and other considerations. During the 13 weeks ended July 29, 2023, we recorded a Gain on Sale of Business of \$3.1 million in Net Loss from Discontinued Operations related to the sale. Net cash proceeds from the sale were used for debt repayment and to provide additional funds for working capital needs under our Credit Facility.

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Total sales	2,784	9,184
Cost of sales ^(a)	76	1,701
Gross profit ^(a)	2,708	7,483
Selling and administrative expenses	2,281	8,145
Depreciation and amortization	—	1,637
Gain on sale of business	(3,068)	—
Impairment loss (non-cash) ^(b)	610	—
Restructuring costs ^(c)	3,287	—
Transaction costs	(5)	—
Operating loss	(397)	(2,299)
Income tax expense	20	86
Loss from discontinued operations, net of tax	\$ (417)	\$ (2,385)

(a) Cost of sales and Gross margin for the DSS Segment includes amortization expense (non-cash) related to content development costs of \$0 and \$1.6 million for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively.

- (b) During the 13 weeks ended July 29, 2023, we recognized an impairment loss (non-cash) of \$0.6 million (both pre-tax and after-tax), comprised of \$0.1 million and \$0.5 million of property and equipment and operating lease right-of-use assets, respectively, on the condensed consolidated statement of operations as part of discontinued operations.
- (c) During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges of \$3.3 million comprised of severance and other employee termination costs.

Results of Operations - Continuing Operations - 13 weeks ended July 29, 2023 compared with the 13 weeks ended July 30, 2022

13 weeks ended July 29, 2023					
<i>Dollars in thousands</i>	Retail	Wholesale	Corporate Services	Eliminations	Total
Sales:					
Product sales and other	\$ 233,949	\$ 38,791	\$ —	\$ (20,090)	\$ 252,650
Rental income	11,511	—	—	—	11,511
Total sales	245,460	38,791	—	(20,090)	264,161
Cost of sales (exclusive of depreciation and amortization expense):					
Product and other cost of sales	188,656	32,997	—	(14,639)	207,014
Rental cost of sales	6,513	—	—	—	6,513
Total cost of sales	195,169	32,997	—	(14,639)	213,527
Gross profit	50,291	5,794	—	(5,451)	50,634
Selling and administrative expenses	69,173	3,388	4,918	(3)	77,476
Depreciation and amortization expense	8,966	1,277	10	—	10,253
Restructuring and other charges	526	526	3,581	—	4,633
Operating (loss) income	\$ (28,374)	\$ 603	\$ (8,509)	\$ (5,448)	\$ (41,728)

13 weeks ended July 30, 2022					
<i>Dollars in thousands</i>	Retail	Wholesale	Corporate Services	Eliminations	Total
Sales:					
Product sales and other	\$ 225,595	\$ 37,083	\$ —	\$ (18,916)	\$ 243,762
Rental income	10,912	—	—	—	10,912
Total sales	236,507	37,083	—	(18,916)	254,674
Cost of sales (exclusive of depreciation and amortization expense):					
Product and other cost of sales	176,249	30,184	—	(14,029)	192,404
Rental cost of sales	6,265	—	—	—	6,265
Total cost of sales	182,514	30,184	—	(14,029)	198,669
Gross profit	53,993	6,899	—	(4,887)	56,005
Selling and administrative expenses	79,004	4,131	7,214	(8)	90,341
Depreciation and amortization expense	9,529	1,349	18	—	10,896
Restructuring and other charges	—	—	375	—	375
Operating (loss) income	\$ (34,540)	\$ 1,419	\$ (7,607)	\$ (4,879)	\$ (45,607)

Sales

The following table summarizes our sales for the 13 weeks ended July 29, 2023 and July 30, 2022:

13 weeks ended				
<i>Dollars in thousands</i>	July 29, 2023	July 30, 2022	Var \$	Var %
Product sales and other	\$ 252,650	\$ 243,762	\$ 8,888	3.6%
Rental income	11,511	10,912	\$ 599	5.5%
Total Sales	\$ 264,161	\$ 254,674	\$ 9,487	3.7%

The sales increase during the 13 weeks ended July 29, 2023 is primarily related to higher course material sales, primarily at our *First Day* programs. During the first quarter ended July 29, 2023, *BNC First Day* total revenue increased by \$16.7 million, or 37%, to \$61.7 million compared to \$45.1 million during the prior year period. The components of the variances for the 13 week periods are reflected in the table below.

Sales variances	13 weeks ended	
<i>Dollars in millions</i>	July 29, 2023	
Retail Sales ^(a)		
New stores	\$	4.7
Closed stores		(7.3)
Comparable stores ^(a)		8.6
Textbook rental deferral		2.1
Service revenue ^(b)		(0.3)
Other ^(c)		1.2
Retail sales subtotal:	\$	9.0
Wholesale Sales	\$	1.7
Eliminations ^(d)	\$	(1.2)
Total sales variance:	\$	9.5

- (a) Logo general merchandise sales for the Retail Segment are recognized on a net basis as commission revenue in the condensed consolidated financial statements. 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

The following is a store count summary for physical stores and virtual stores.

<i>Number of Stores:</i>	13 weeks ended					
	July 29, 2023			July 30, 2022		
	Physical	Virtual	Total	Physical	Virtual	Total
Beginning of period	774	592	1,366	805	622	1,427
Opened	8	12	20	26	14	40
Closed	56	41	97	38	23	61
End of period	726	563	1,289	793	613	1,406

During the 13 weeks ended July 29, 2023, we opened 20 stores and closed 97 stores in the Retail Segment, with estimated net annual sales of \$52 million as we pruned some under-performing, less profitable stores, satellite stores, and certain other contracts were awarded to competitors. We plan to move many institutions to First Day Complete in Fiscal 2024 and the majority of our stores by Fiscal 2025, with continued relative adoption of this model thereafter.

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

Retail sales increased by \$9.0 million, or 3.8%, to \$245.5 million during the 13 weeks ended July 29, 2023 from \$236.5 million during the 13 weeks ended July 30, 2022.

- Product sales and other increased by \$8.4 million, or 3.7%, to \$233.9 million during the 13 weeks ended July 29, 2023 from \$225.6 million during the 13 weeks ended July 30, 2022. During the 13 weeks ended July 29, 2023, total course material product sales increased by \$11.0 million, or 8.7%, to \$138.5 million primarily due to the growth of our *BNC First Day* programs discussed below; total general merchandise product net sales decreased by \$0.1 million, or 0.2%, to

\$88.7 million primarily due to lower commissions for logo general merchandise part of the F/L Partnership agreements, under which the commission rates adjusts as the relationship matured, offset by higher graduation product sales. Effective August 1, 2023, the commission rates for logo general merchandise increases for an estimated one year period under the terms of the July 2023 Term Loan Credit Agreement amendment. Retail Gross Comparable Store Sales for general merchandise increased by 5.3% as discussed below. Service and other revenue decreased by \$2.5 million, to \$6.7 million primarily due to lower other income for non-return rental penalty fees.

- Revenue from both of our *BNC First Day* equitable and inclusive access programs increased by \$16.7 million, or 37%, to \$61.8 million during the 13 weeks ended July 29, 2023, as compared to \$45.1 million during the 13 weeks ended July 30, 2022. *First Day* sales increased by \$7.7 million, or 27%, to \$36.3 million during the 13 weeks ended July 29, 2023, as compared to \$28.6 million during the 13 weeks ended July 30, 2022. *First Day Complete* total sales increased by \$9.0 million, or 55%, to \$25.5 million during the 13 weeks ended July 29, 2023, as compared to \$16.5 million during the 13 weeks ended July 30, 2022. As of July 29, 2023, 157 campus stores are utilizing *First Day Complete* course materials delivery program for the 2023 Fall Term, representing approximately 800,000 in total undergraduate and post graduate student enrollment (as reported by National Center for Education Statistics), compared to 111 campus stores representing approximately 545,000 in total undergraduate student enrollment in the 2022 Fall Term.
- Total course material rental income increased by \$0.6 million, or 5.5%, to \$11.5 million during the 13 weeks ended July 29, 2023 from \$10.9 million during the 13 weeks ended July 30, 2022 primarily due to increased rental textbook activity in our *First Day Complete* program and improved availability of used textbook inventory.

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 general merchandise fulfilled by Lids, Fanatics and digital agency sales are included on a gross basis in Retail Gross Comparable Store Sales compared to a net basis as commission revenue in our condensed consolidated financial statements.

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.

The increase in course material sales was primarily due to the growth of *BNC First Day* equitable and inclusive access programs (as discussed above), partially offset by a shift to lower cost options and more affordable solutions, including digital offerings. The increase in general merchandise sales was primarily due to higher sales related to graduation products and logo products, and cafe and convenience products.

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

<i>Dollars in millions</i>	13 weeks ended			
	July 29, 2023		July 30, 2022	
Textbooks (Course Materials)	\$ 9.0	6.5 %	\$ 1.9	1.5 %
General Merchandise	6.8	5.3 %	31.6	34.0 %
Total Retail Gross Comparable Store Sales	<u>\$ 15.8</u>	<u>5.9 %</u>	<u>\$ 33.5</u>	<u>15.0 %</u>

Wholesale

Wholesale sales increased by \$1.7 million, or 4.6% to \$38.8 million during the 13 weeks ended July 29, 2023 from \$37.1 million during the 13 weeks ended July 30, 2022. The increase is primarily due to higher gross sales of \$5.1 million compared to the prior year period, partially offset by higher returns and allowances of \$3.4 million.

Cost of Sales and Gross Margin

Our cost of sales increased as a percentage of sales to 80.8% during the 13 weeks ended July 29, 2023 compared to 78.0% during the 13 weeks ended July 30, 2022. Our gross margin decreased by \$5.4 million, or 9.6%, to \$50.6 million, or 19.2% of sales, during the 13 weeks ended July 29, 2023 from \$56.0 million, or 22.0% of sales during the 13 weeks ended July 30, 2022.

Retail

The following table summarizes the Retail cost of sales for the 13 weeks ended July 29, 2023 and July 30, 2022:

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2023	% of Related Sales	July 30, 2022	% of Related Sales
Product and other cost of sales	\$ 188,656	80.6%	\$ 176,249	78.1%
Rental cost of sales	6,513	56.6%	6,265	57.4%
Total Cost of Sales	<u>\$ 195,169</u>	<u>79.5%</u>	<u>\$ 182,514</u>	<u>77.2%</u>

The following table summarizes the Retail gross margin for the 13 weeks ended July 29, 2023 and July 30, 2022:

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2023	% of Related Sales	July 30, 2022	% of Related Sales
Product and other gross margin	\$ 45,293	19.4%	\$ 49,346	21.9%
Rental gross margin	4,998	43.4%	4,647	42.6%
Gross Margin	<u>\$ 50,291</u>	<u>20.5%</u>	<u>\$ 53,993</u>	<u>22.8%</u>

For the 13 weeks ended July 29, 2023, the Retail Product and other gross margin as a percentage of sales decreased as discussed below:

- For the 13 weeks ended July 29, 2023, Product and other gross margin decreased (250 basis points), driven primarily by lower margin rates for course materials (200 basis points) due to higher markdowns, including markdowns related to closed stores, and lower margin rates due to the shift to digital course materials; and lower commissions for logo general merchandise (290 basis points) as part of the F/L Partnership agreements, under which the commission rates adjust as the relationship matures. Effective August 1, 2023, the commission rates for logo general merchandise increases for an estimated one year period under the terms of the July 2023 Term Loan Credit Agreement amendment. These decreases were partially offset by lower contract costs as a percentage of sales related to our college and university contracts (210 basis points) resulting from contract renewals, and a favorable sales mix (30 basis points) due to increased sales primarily for graduation products.
- For the 13 weeks ended July 29, 2023, the Retail Rental gross margin as a percentage of sales increased driven primarily by favorable rental mix due to improved availability of used textbook inventory, partially offset by higher rental margin rates.

Wholesale

The cost of sales and gross margin for Wholesale were \$33.0 million, or 85.1% of sales, and \$5.8 million, or 14.9% of sales, respectively, during the 13 weeks ended July 29, 2023. The cost of sales and gross margin for Wholesale was \$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 gross margin rate decreased during the 13 weeks ended July 29, 2023 primarily due to higher product costs and an increase in the returns and allowances, partially offset by lower markdowns.

Intercompany Eliminations

During the 13 weeks ended July 29, 2023 and July 30, 2022, our sales eliminations were \$(20.1) million and \$(18.9) 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 29, 2023 and July 30, 2022, the cost of sales eliminations were \$(14.6) million and \$(14.0) 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 29, 2023 and July 30, 2022, the gross margin eliminations were \$(5.5) million and \$(4.9) 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

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2023	% of Sales	July 30, 2022	% of Sales
Total Selling and Administrative Expenses	\$ 77,476	29.3%	\$ 90,341	35.5%

During the 13 weeks ended July 29, 2023, selling and administrative expenses decreased by \$12.9 million, or 14.2%, to \$77.5 million from \$90.3 million during the 13 weeks ended July 30, 2022. The variances by segment are discussed below.

Retail

During the 13 weeks ended July 29, 2023, Retail selling and administrative expenses decreased by \$9.8 million, or 12.4%, to \$69.2 million from \$79.0 million during the 13 weeks ended July 30, 2022. This decrease was primarily due to cost savings initiatives comprised of a \$6.0 million decrease in comparable store payroll expense, new/closed store payroll expense and related operating costs, a \$1.6 million decrease in corporate payroll expense, infrastructure and product development costs, and a \$2.2 million decrease in incentive plan compensation expense.

Wholesale

Wholesale selling and administrative expenses decreased by \$0.7 million, or 18.0%, to \$3.4 million from \$4.1 million during the 13 weeks ended July 30, 2022. The decrease was primarily due to cost savings initiatives comprised of lower payroll expense of \$0.6 million and lower incentive plan compensation expense of \$0.1 million.

Corporate Services

During the 13 weeks ended July 29, 2023, Corporate Services' selling and administrative expenses decreased by \$2.3 million, or 31.8%, to \$4.9 million from \$7.2 million during the 13 weeks ended July 30, 2022. The decrease in costs was primarily due to cost savings initiatives comprised of lower incentive plan compensation expense of \$1.5 million, lower payroll expense of \$0.6 million, and lower operating costs of \$0.2 million.

Depreciation and Amortization Expense

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2023	% of Sales	July 30, 2022	% of Sales
Total Depreciation and Amortization Expense	\$ 10,253	3.9%	\$ 10,896	4.3%

Depreciation and amortization expense decreased by \$0.6 million, or 5.9%, to \$10.3 million during the 13 weeks ended July 29, 2023 from \$10.9 million during the 13 weeks ended July 30, 2022. The decrease was primarily attributable to lower depreciable assets and intangibles due to the store impairment loss recognized during Fiscal 2023.

Restructuring and other charges

During the 13 weeks ended July 29, 2023, we recognized restructuring and other charges totaling \$4.6 million, comprised primarily of \$1.1 million for severance and other employee termination and benefit costs associated with elimination of various positions as part of cost savings initiatives, and \$3.5 million for costs primarily associated with professional service costs for restructuring and process improvements.

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

Operating Loss

<i>Dollars in thousands</i>	13 weeks ended			
	July 29, 2023	% of Sales	July 30, 2022	% of Sales
Total Operating Loss	\$ (41,728)	(15.8)%	\$ (45,607)	(17.9)%

Our operating loss was \$(41.7) million during the 13 weeks ended July 29, 2023, compared to operating loss of \$(45.6) million during the 13 weeks ended July 30, 2022. The decrease in operating loss is due to the matters discussed above. For the

13 weeks ended July 29, 2023, excluding the \$4.6 million of restructuring and other charges, discussed above, operating loss was \$(37.1) million (or (14.0)% of sales). For the 13 weeks ended July 30, 2022, excluding the \$0.4 million of restructuring and other charges, discussed above, operating loss was \$(45.2) million (or (17.8)% of sales).

Interest Expense, Net

Dollars in thousands	13 weeks ended	
	July 29, 2023	July 30, 2022
Interest Expense, Net	\$ 8,254	\$ 3,868

Net interest expense increased by \$4.4 million to \$8.3 million during the 13 weeks ended July 29, 2023 from \$3.9 million during the 13 weeks ended July 30, 2022. The increase was primarily due to higher borrowings and higher interest rates compared to the prior year.

Income Tax (Benefit) Expense

Dollars in thousands	13 weeks ended			
	July 29, 2023	Effective Rate	July 30, 2022	Effective Rate
Income Tax (Benefit) Expense	\$ (11)	0%	\$ 847	(1.7)%

We recorded an income tax benefit of \$(0.01) million on pre-tax loss of \$(50.0) million during the 13 weeks ended July 29, 2023, which represented an effective income tax rate of 0% and we recorded an income tax expense of \$0.8 million on a pre-tax loss of \$(49.5) million during the 13 weeks ended July 30, 2022, which represented an effective income tax rate of (1.7)%. The effective tax rate for the 13 weeks ended July 29, 2023 is lower than the prior year comparable period due to the utilization of the discrete tax provision methodology in the current year. For additional information, see *Item 1. Financial Statements - Note 12. Income Taxes*.

Net Loss from Continuing Operations

Dollars in thousands	13 weeks ended	
	July 29, 2023	July 30, 2022
Net Loss from Continuing Operations	\$ (49,971)	\$ (50,322)

As a result of the factors discussed above, net loss from continuing operations was \$(50.0) million during the 13 weeks ended July 29, 2023, compared with \$(50.3) million during the 13 weeks ended July 30, 2022.

Adjusted Earnings (non-GAAP) is \$(45.3) million during the 13 weeks ended July 29, 2023, compared with \$(49.9) million during the 13 weeks ended July 30, 2022. 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 from continuing operations adjusted for certain reconciling items that are subtracted from or added to net income (loss) from continuing operations. We define Adjusted EBITDA as net income (loss) from continuing operations 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) from continuing operations. 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) from continuing operations, the reconciliation of consolidated Adjusted EBITDA to consolidated net income (loss) from continuing operations, and the reconciliation of Adjusted EBITDA by Segment to net income (loss) from continuing operations 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.

Consolidated Adjusted Earnings (non-GAAP) - Continuing Operations

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Net loss from continuing operations ^(a)	\$ (49,971)	\$ (50,322)
Reconciling items <i>(below)</i>	4,633	401
Adjusted Earnings (non-GAAP)	<u>\$ (45,338)</u>	<u>\$ (49,921)</u>
Reconciling items		
Content amortization (non-cash)	\$ —	\$ 26
Restructuring and other charges ^(b)	4,633	375
Reconciling items ^(c)	<u>\$ 4,633</u>	<u>\$ 401</u>

(a) During the fourth quarter of fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations. Net Loss from Continuing Operations excludes the results of operations related to the DSS Segment for all years reported above.

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

(c) There is no pro forma income effect of the non-GAAP items.

Consolidated Adjusted EBITDA (non-GAAP) - Continuing Operations

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Net loss from continuing operations ^(a)	\$ (49,971)	\$ (50,322)
Add:		
Depreciation and amortization expense	10,253	10,896
Interest expense, net	8,254	3,868
Income tax (benefit) expense	(11)	847
Content amortization (non-cash) ^(d)	—	26
Restructuring and other charges ^(c)	4,633	375
Adjusted EBITDA (Non-GAAP) - Continuing Operations	<u>\$ (26,842)</u>	<u>\$ (34,310)</u>
Adjusted EBITDA (Non-GAAP) - Discontinued Operations	<u>\$ 427</u>	<u>\$ 889</u>
Adjusted EBITDA (Non-GAAP) - Total	<u>\$ (26,415)</u>	<u>\$ (33,421)</u>

- (a) During the fourth quarter of fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations. Net Loss from Continuing Operations excludes the results of operations related to the DSS Segment for all years reported above.
- (b) See *Management Discussion and Analysis and Results of Operations* discussion above.

The following is Adjusted EBITDA by Segment for the 13 weeks ended July 29, 2023 and July 30, 2022.

Adjusted EBITDA - by Segment

Dollars in thousands	13 weeks ended July 29, 2023				
	Retail	Wholesale	Corporate Services ^(b)	Eliminations	Total
Net (loss) income from continuing operations ^(a)	\$ (28,374)	\$ 603	\$ (16,752)	\$ (5,448)	\$ (49,971)
Add:					
Depreciation and amortization expense	8,966	1,277	10	—	10,253
Interest expense, net	—	—	8,254	—	8,254
Income tax benefit	—	—	(11)	—	(11)
Restructuring and other charges ^(c)	526	526	3,581	—	4,633
Adjusted EBITDA (non-GAAP)	\$ (18,882)	\$ 2,406	\$ (4,918)	\$ (5,448)	\$ (26,842)

Adjusted EBITDA - by Segment

Dollars in thousands	13 weeks ended July 30, 2022				
	Retail	Wholesale	Corporate Services ^(b)	Eliminations	Total
Net (loss) income from continuing operations ^(a)	\$ (34,540)	\$ 1,419	\$ (12,322)	\$ (4,879)	\$ (50,322)
Add:					
Depreciation and amortization expense	9,529	1,349	18	—	10,896
Interest expense, net	—	—	3,868	—	3,868
Income tax expense	—	—	847	—	847
Content amortization (non-cash)	26	—	—	—	26
Restructuring and other charges ^(c)	—	—	375	—	375
Adjusted EBITDA (non-GAAP)	\$ (24,985)	\$ 2,768	\$ (7,214)	\$ (4,879)	\$ (34,310)

- (a) During the fourth quarter of fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations. Net Loss from Continuing Operations excludes the results of operations related to the DSS Segment for all years reported above.
- (b) See *Management Discussion and Analysis and Results of Operations* discussion above.
- (c) 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.

Adjusted EBITDA (non-GAAP) - Discontinued Operations

	13 weeks ended	
	July 29, 2023	July 30, 2022
Loss from discontinued operations ^(a)	\$ (417)	\$ (2,385)
Add:		
Depreciation and amortization expense	—	1,637
Income tax expense	20	86
Content amortization (non-cash)	—	1,551
Gain on sale of business	(3,068)	—
Impairment loss (non-cash)	610	—
Restructuring and other charges	3,287	—
Transaction costs	(5)	—
Adjusted EBITDA (Non-GAAP) - Discontinued Operations	\$ 427	\$ 889

- (a) During the fourth quarter of fiscal 2023, assets related to our *Digital Student Solutions ("DSS") Segment* met the criteria for classification as Assets Held for Sale and Discontinued Operations. Net Loss from Continuing Operations excludes the results of operations related to the DSS Segment for all years reported above. For additional information, see *Note 2. Summary of Significant Accounting Policies*.

Free Cash Flow (non-GAAP)

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Net cash flows used in operating activities from continuing operations	\$ (119,858)	\$ (28,607)
Less:		
Capital expenditures ^(a)	4,219	7,530
Cash interest	5,534	2,933
Cash taxes	345	122
Free Cash Flow (non-GAAP)	<u>\$ (129,956)</u>	<u>\$ (39,192)</u>

(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, and enhancements to internal systems and our website.

The following table provides the components of total purchases of property and equipment:

Capital Expenditures <i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Physical store capital expenditures	\$ 2,205	\$ 4,496
Product and system development	1,763	2,486
Other	251	548
Total Capital Expenditures	<u>\$ 4,219</u>	<u>\$ 7,530</u>

Liquidity and Capital Resources

The accompanying condensed consolidated financial statements are prepared in accordance with U.S. GAAP applicable to a going concern. This presentation contemplates the realization of assets and the satisfaction of liabilities in the normal course of business and does not include any adjustments relating to the recoverability and classification of recorded asset amounts or the amounts and classification of liabilities that might result from the outcome of the uncertainties described below.

Pursuant to ASC 205-40, *Presentation of Financial Statements — Going Concern* (“ASC 205-40”), management must evaluate whether there are conditions and events, considered in aggregate, that raise substantial doubt about the Company’s ability to continue as a going concern for one year after the date that these condensed consolidated financial statements are issued. In accordance with ASC 205-40, management’s analysis can only include the potential mitigating impact of management’s plans that have not been fully implemented as of the issuance date of these condensed consolidated financial statements if (a) it is probable that management’s plans will be effectively implemented on a timely basis, and (b) it is probable that the plans, when implemented, will alleviate the relevant conditions or events that raise substantial doubt about the Company’s ability to continue as a going concern.

Our primary sources of cash are net cash flows from operating activities, funds available under our Credit Agreement, Term Loan Agreement, and short-term vendor financing. Our liquidity is highly dependent on the seasonal nature of our business, particularly with respect to course material sales, as sales are generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming Fall and Spring semesters, respectively. As of July 29, 2023, we had \$19.3 million of cash on hand, including \$10.7 million of restricted cash related to segregated funds for commission due to Fanatics for logo merchandise sales as per the merchandising partnership agreement.

Our business was significantly negatively impacted by the COVID-19 pandemic during the years ended April 30, 2022 and May 1, 2021, as many schools adjusted their learning models and on-campus activities. Although most academic institutions have since reopened after the COVID-19 pandemic, the lingering impacts of the pandemic have resulted in changes in customer behaviors, lower enrollments, and an evolving educational landscape which continued to impact our financial results during the year ended April 29, 2023. Some institutions are still providing alternatives to traditional in-person instruction, including online and hybrid learning options and significantly reduced classroom sizes. The impact of COVID-19 store closings, as well as lower earnings during the year ended April 29, 2023, resulted in the loss of cash flows and increased borrowings that we would not otherwise have expected to incur.

We incurred a Net Loss from Continuing Operations of \$(50.9) million and \$(50.3) million for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively, and we incurred a Net Loss from Continuing Operations of \$(90.1) million, \$(61.6) million, and \$(133.6) million for the years ended April 29, 2023, April 30, 2022, and May 1, 2021, respectively. Our Cash Flow Used In Operating Activities from Continuing Operations were \$(119.9) million and \$(28.6) million for the 13 weeks ended July 29, 2023 and July 30, 2022, respectively, and were \$90.5 million, \$(16.2) million, and \$27.0 million, for the years ended April 29, 2023, April 30, 2022, and May 1, 2021, respectively. The tightening of our available credit commitments, including the elimination and repayment of our seasonal borrowing facility (FILO Facility) of \$40.0 million, has had a significant impact on our liquidity during the year ended April 29, 2023, including our ability to make timely vendor payments and school commission payments, resulting in a positive cash flow from operations offset by a use of cash for financing activities.

Our losses and projected cash needs, combined with our current liquidity level, raised substantial doubt about our ability to continue as a going concern as of the year ended April 29, 2023, which Management subsequently remediated by implementing a plan to improve the Company's liquidity and successfully alleviate substantial doubt including (1) raising additional liquidity and (2) taking additional operational restructuring actions.

Debt amendments

On July 28, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement to December 28, 2024, (ii) reduce advance rates with respect to the borrowing base by 1000 basis points on September 2, 2024 (in lieu of the reductions previously contemplated for September 2023), (iii) subject to the conditions set forth in such amendment, add a CARES Act tax refund claim to the borrowing base, from April 1, 2024 through July 31, 2024, (iv) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) at all times greater than the greater of (x) 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and (y) (A) \$32.5 million minus, subject to the conditions set forth in such amendment, (B) (a) \$7.5 million for the period of April 1, 2024 through and including April 30, 2024, (b) \$2.5 million for the period of May 1, 2024 through and including May 31, 2024 and (c) \$0 at all other times, (v) add a minimum Consolidated EBITDA (as defined in the Credit Agreement) financial maintenance covenant, and (vi) amend certain negative and affirmative covenants and add certain additional covenants, all as more particularly set forth in such amendment. The amendment also requires that we appoint a Chief Restructuring Officer and that, by August 11, 2023, we (i) appoint two independent members to the board of directors of the Company from prospective candidates that have been previously disclosed to the Administrative Agent and the Lenders and (ii) appoint a committee of the board of directors of the Company to consist of three board members (two of whom will be the new independent directors), and as of the date of this filing, we have satisfied such requirements. The committee's responsibilities will include, among other things, to explore, consider, solicit expressions of interest or proposals for, respond to any communications, inquiries or proposals regarding, and advise as to all strategic alternatives to effect a "Specified Liquidity Transaction" (as defined in the Credit Agreement). There can be no guarantee or assurances that any such transaction or transactions be consummated. We must pay (i) a fee of 0.50% of the outstanding principal amount of the commitments under the Credit Agreement March 2023 amendment (as defined in the Credit Agreement) on the closing date (in lieu of the deferred fee previously contemplated in connection with the March 2023 amendment (as defined in the Credit Agreement)) and (ii) a fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement as of the closing date on the earlier to occur of September 2, 2024 and an Event of Default (as defined in the Credit Agreement).

On July 28, 2023, we amended our Term Loan to (i) extend the maturity date of the Term Loan Agreement to April 7, 2025, (ii) allow for interest to be paid in kind until September 2, 2024, (iii) amend the 1.50% anniversary fee to recur on June 7 of each year that the Term Loan Agreement remains outstanding, with 2024 fee deferred to the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement) and (iv) amend certain negative covenants and affirmative and add certain additional covenants. We must pay a fee of \$0.05 million to the lenders under the Term Loan Agreement on the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement).

Operational restructuring plans

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. We have taken steps to significantly reduce our workforce, eliminated duplicate administrative headcounts at all levels, implemented improved system development processes to reduce maintenance costs, reduced capital expenditures, and evaluated operating contractual obligations for cost savings. We have achieved meaningful cost savings from this program of approximately \$17.0 million during the second half of the year ended April 29, 2023. These initiatives are expected to provide annualized savings of \$30.0 million to \$35.0 million in Fiscal 2024. Management's plans over the next twelve months include the further reduction of gross capital expenditures and other cost saving measures of approximately \$25.0 million. Management believes that these plans are within its control and probable of being implemented on a timely basis.

During the 13 weeks ended July 29, 2023, Net Loss from Continuing Operations decreased by \$0.3 million compared to the prior year period. During the 13 weeks ended July 29, 2023, Net Loss from Continuing Operations, excluding interest expense and restructuring and other charges, improved by \$9.0 million primarily due to operational improvements and cost

savings initiatives. As discussed below, our first quarter is generally a low sales period, as the majority of sales and operating profit will be realized during the second and third quarters.

Management believes that the expected impact on our liquidity and cash flows resulting from the debt amendments and the operational initiatives outlined above are sufficient to enable the Company to meet its obligations for at least twelve months from the issuance date of these condensed consolidated financial statements and to continue to alleviate the conditions that initially raised substantial doubt about the Company's ability to continue as a going concern.

See *Part I - Risk Factors - We are dependent upon access to the capital markets, bank credit facilities, and short-term vendor financing for liquidity needs* in our Annual Report on Form 10-K for the fiscal year ended April 29, 2023.

Sources and Uses of Cash Flow - Continuing Operations

<i>Dollars in thousands</i>	13 weeks ended	
	July 29, 2023	July 30, 2022
Net cash flows used in operating activities from continuing operations	\$ (119,858)	\$ (28,607)
Net cash flows used in investing activities from continuing operations	(4,141)	(7,530)
Net cash flows provided by financing activities from continuing operations	93,176	33,429
Net change in cash, cash equivalents, and restricted cash from continuing operations	\$ (30,823)	\$ (2,708)

As of July 29, 2023 and July 30, 2022, we had restricted cash of \$11.6 million and \$7.5 million, respectively, comprised of \$10.7 million and \$6.6 million, respectively, in prepaid and other current assets in the condensed consolidated balance sheet related to segregated funds for commission due to Lids for logo merchandise sales as per the Lids 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 from Continuing Operations

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. Given the growth of our *BNC First Day* programs, the timing of cash collection from our school partners may shift to periods subsequent to when the revenue is recognized. When a school adopts our *BNC First Day* equitable and inclusive access offerings, cash collection from the school generally occurs after the institution's drop/add dates, which is later in the working capital cycle, particularly in our third quarter given the timing of the Spring Term and our quarterly reporting period, 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 *BNC First Day* equitable and 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, including modifying payment terms in existing and future school contracts. For our wholesale operations, cash flows from operating activities are typically a source of cash in the second and third fiscal quarters, as payments are received from the summer and winter selling season when our wholesale business 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. 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 from continuing operations during the 13 weeks ended July 29, 2023 were \$(119.9) million compared to \$(28.6) million during the 13 weeks ended July 30, 2022. This increase in cash flows used in operating activities from continuing operations of \$91.3 million was primarily due to timing of payables primarily due to delayed payments to vendors for inventory purchases and expenses, which were delayed resulting from lower borrowing base availability, increased accounts receivables primarily related to our increased adoption of our *BNC First Day* equitable and inclusive access sales for Summer terms; and higher interest expense paid.

Cash Flow from Investing Activities from Continuing Operations

Cash flows used in investing activities from continuing operations during the 13 weeks ended July 29, 2023 were \$(4.1) million compared to \$(7.5) million during the 13 weeks ended July 30, 2022. The decrease in cash used in investing activities is primarily due to lower capital expenditures and contractual capital investments, enhancements to internal systems and websites, and new store construction. Capital expenditures totaled \$4.2 million and \$7.5 million during the 13 weeks ended July 29, 2023 and July 30, 2022, respectively.

Cash Flow from Financing Activities from Continuing Operations

Cash flows provided by financing activities from continuing operations during the 13 weeks ended July 29, 2023 were \$93.2 million compared to \$33.4 million during the 13 weeks ended July 30, 2022. This net change of \$59.8 million is primarily due to higher net borrowings and higher payments for deferred financing costs.

Financing Arrangements

	As of	
	July 29, 2023	July 30, 2022
Credit Facility	\$ 249,735	\$ 190,300
FILO Facility	—	40,000
Term Loan	30,000	30,000
sub-total	279,735	260,300
Less: Deferred financing costs	(2,072)	(1,750)
Total debt	\$ 277,663	\$ 258,550
Balance Sheet classification:		
Short-term borrowings	\$ —	\$ 40,000
Long-term borrowings	277,663	218,550
Total debt	\$ 277,663	\$ 258,550

Credit Facility

We have a credit agreement (the “Credit Agreement”), amended from time to time including on July 28, 2023, May 24, 2023, March 8, 2023, March 31, 2021 and March 1, 2019, under which the lenders originally committed to provide us with a 5 year asset-backed revolving credit facility in an aggregate committed principal amount of \$400.0 million (the “Credit Facility”) effective from the March 1, 2019 amendment. We had the option to request an increase in commitments under the Credit Facility of up to \$100.0 million, subject to certain restrictions. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs. The agreement included an incremental first in, last out seasonal loan facility (the “FILO Facility”) for a \$100.0 million maintaining the maximum availability under the Credit Agreement at \$500.0 million. As of July 31, 2022, the FILO Facility was repaid and eliminated according to its terms and future commitments under the FILO Facility were reduced to \$0.

March 2023 Credit Agreement Amendment

On March 8, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement by six months to August 29, 2024, (ii) reduce the commitments under the Credit Agreement by \$20.0 million to \$380.0 million, (iii) increase the applicable margin with respect to the interest rate under the Credit Agreement to 3.375% per annum, in the case of interest accruing based on a Secured Overnight Financing Rate, and 2.375%, in the case of interest accruing based on an alternative base rate, in each case, without regard to a pricing grid, (iv) reduce advance rates with respect to the borrowing base (x) by 500 basis points upon the achievement of certain liquidity events, which may include a sale of equity interests or of assets (a “Specified Event”), or, if such a Specified Event shall not have occurred, on May 31, 2023 (see discussion below) and (y) by an additional 500 basis points on September 29, 2023, (v) amend certain negative covenants and add certain additional covenants, (vi) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) to be at all times greater than the greater of 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and \$32.5 million and (vii) require repayment of the loans under the Credit Agreement upon a Specified Event. For additional information related to the Credit Agreement amendment, see the Company’s Report on Form 8-K dated March 8, 2023 and filed with the SEC on March 9, 2023.

As noted above, the amendment requires the achievement of a Special Event by no later than May 31, 2023 (as such date may be extended pursuant to the terms of the Credit Agreement). See *Note 2. Summary of Significant Accounting Policies* for information related to the sale of our DSS segment on May 31, 2023.

We paid a fee of 0.25% of the outstanding principal amount of the commitments under the Credit Agreement on the amendment closing date and we will pay an additional fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement on September 29, 2023.

During the 52 weeks ended April 29, 2023, we incurred debt issuance costs totaling \$4.1 million related to the March 2023 Credit Agreement amendment. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

May 2023 Credit Agreement Amendment

On May 24, 2023, we amended our existing Credit Agreement to (i) increase the applicable margin with respect to the interest rate under the Credit Agreement to 3.75% per annum, in the case of interest accruing based on SOFR, and 2.75%, in the case of interest accruing based on an alternative base rate, in each case, without regard to a pricing grid, (ii) defer the reduction of advance rates used to calculate our borrowing capacity by an amount equal to 500 basis points previously required on May 31, 2023 to September 1, 2023, (iii) require cash flow reporting and variance testing commencing June 3, 2023 and (iv) defer partial prepayment of the term loan from the DSS segment sale proceeds to September 1, 2023. We did not incur debt issuance costs related to the May 2023 Credit Agreement amendment. For additional information related to the Credit Agreement amendment, see the Company's Report on Form 8-K dated May 24, 2023 and filed with the SEC on May 31, 2023.

July 2023 Credit Agreement Amendment

On July 28, 2023, we amended our existing Credit Agreement to (i) extend the maturity date of the Credit Agreement to December 28, 2024, (ii) reduce advance rates with respect to the borrowing base by 1000 basis points on September 2, 2024 (in lieu of the reductions previously contemplated for September 2023), (iii) subject to the conditions set forth in such amendment, add a CARES Act tax refund claim to the borrowing base, from April 1, 2024 through July 31, 2024, (iv) amend the financial maintenance covenant to require Availability (as defined in the Credit Agreement) at all times greater than the greater of (x) 10% of the Aggregate Loan Cap (as defined in the Credit Agreement) and (y) (A) \$32.5 million minus, subject to the conditions set forth in such amendment, (B) (a) \$7,500 for the period of April 1, 2024 through and including April 30, 2024, (b) \$2,500 for the period of May 1, 2024 through and including May 31, 2024 and (c) \$0 at all other times, (v) add a minimum Consolidated EBITDA (as defined in the Credit Agreement) financial maintenance covenant, and (vi) amend certain negative and affirmative covenants and add certain additional covenants, all as more particularly set forth in such amendment. The amendment also requires that we appoint a Chief Restructuring Officer and that, by August 11, 2023, we (i) appoint two independent members to the board of directors of the Company from prospective candidates that have been previously disclosed to the Administrative Agent and the Lenders and (ii) appoint a committee of the board of directors of the Company to consist of three board members (two of whom will be the new independent directors). The committee's responsibilities will include, among other things, to explore, consider, solicit expressions of interest or proposals for, respond to any communications, inquiries or proposals regarding, and advise as to all strategic alternatives to effect a "Specified Liquidity Transaction" (as defined in the Credit Agreement). There can be no guarantee or assurances that any such transaction or transactions be consummated. We must pay (i) a fee of 0.50% of the outstanding principal amount of the commitments under the Credit Agreement March 2023 amendment (as defined in the Credit Agreement) on the closing date (in lieu of the deferred fee previously contemplated in connection with the March 2023 amendment (as defined in the Credit Agreement)) and (ii) a fee of 1.00% of the outstanding principal amount of the commitments under the Credit Agreement as of the closing date on the earlier to occur of September 2, 2024 and an Event of Default (as defined in the Credit Agreement).

During the 13 weeks ended July 29, 2023, we incurred debt issuance costs totaling \$11.0 million related to the July 2023 Credit Agreement amendment. The debt issuance costs have been deferred and are presented as prepaid and other current assets and other noncurrent assets in the condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

As of July 29, 2023, and through the date of this filing, we were in compliance with all debt covenants under the Credit Agreement.

The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility. This is considered an all asset lien (inclusive of proceeds from tax refunds payable to the Company and a pledge of equity from subsidiaries, exclusive of real estate).

During the 13 weeks ended July 29, 2023, we borrowed \$145.2 million and repaid \$49.6 million under the Credit Agreement, and had outstanding borrowings of \$249.7 million as of July 29, 2023, comprised entirely of borrowings under the Credit Facility. During the 13 weeks ended July 30, 2022, we borrowed \$117.2 million and repaid \$112.6 million under the Credit Agreement, and had outstanding borrowings of \$230,300 as of July 30, 2022, comprised \$190.3 million and \$40.0 million of borrowings under the Credit Facility and FILO Facility, respectively. As of July 29, 2023 and July 30, 2022, we have issued \$0.6 million and \$4.8 million, respectively, 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 into an amendment to our existing Credit Agreement, which permitted us to incur the Term Loan Facility (as defined below). 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") and matures on June 7, 2024. 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 29,

2023, we borrowed \$0 and repaid \$0 under the Term Loan Credit Agreement, with \$30.0 million of outstanding borrowings as of July 29, 2023. During the 13 weeks ended July 30, 2022, we borrowed \$30.0 million and repaid \$0 under the Term Loan Credit Agreement.

March 2023 Term Loan Credit Agreement Amendment

On March 8, 2023, we amended the Term Loan Credit Agreement to (i) extend the maturity date of the Term Loan Credit Agreement by six months to December 7, 2024, (ii) permit the application of certain proceeds to the repayment of the loans under Credit Agreement and (iii) amend certain negative covenants and add certain additional covenants to conform to the Credit Agreement. In addition, the amendment requires the achievement of a Specified Event (as described above) by no later than May 31, 2023 (as such date may be extended under the Credit Agreement, but no later than August 31, 2023 without consent from lenders under the Term Loan Credit Agreement).

During the 52 weeks ended April 29, 2023, we incurred debt issuance costs totaling \$0.4 million related to the March 2023 Term Loan Credit Agreement amendment. We paid a fee of \$0.05 million on the amendment closing date to the lenders under 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 condensed consolidated balance sheets, and subsequently amortized ratably over the term of the credit agreement.

July 2023 Term Loan Credit Agreement Amendment

On July 28, 2023, we amended our Term Loan to (i) extend the maturity date of the Term Loan Agreement to April 7, 2025, (ii) allow for interest to be paid in kind until September 2, 2024, (iii) amend the 1.50% anniversary fee to recur on June 7 of each year that the Term Loan Agreement remains outstanding, with 2024 fee deferred to the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement) and (iv) amend certain negative covenants and affirmative and add certain additional covenants. We must pay a fee of \$0.05 million to the lenders under the Term Loan Agreement on the earlier of September 2, 2024 and the Termination Date (as defined in the Term Loan Agreement).

During the 13 weeks ended July 29, 2023, we incurred debt issuance costs totaling \$0.4 million related to the July 2023 Term Loan Credit Agreement amendment. 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%, payable quarterly. To date, all interest on the term loan has been paid in cash. The Term Loans do not amortize prior to maturity.

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.

As of July 29, 2023, we recognized a current income tax receivable for net operating loss carrybacks in prepaid and other current assets on the condensed consolidated balance sheet. We received refunds of \$7.8 million in Fiscal 2022 and a \$15.8 million refund in Fiscal 2023. We expect to receive additional refunds of approximately \$10.0 million.

Share Repurchases

During the 13 weeks ended July 29, 2023, we did not repurchase any of our Common Stock under the stock repurchase program. As of July 29, 2023, approximately \$26.7 million remains available under the stock repurchase program.

During the 13 weeks ended July 29, 2023, we repurchased 77,898 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 29, 2023.

Off-Balance Sheet Arrangements

As of July 29, 2023, 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 29, 2023.

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:

- the amount of our indebtedness and ability to comply with covenants applicable to current and /or 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;
- our ability to maintain adequate liquidity levels to support ongoing inventory purchases and related vendor payments in a timely manner;
- our ability to attract and retain employees;
- the pace of equitable access adoption in the marketplace is slower than anticipated and our ability to successfully convert the majority of our institutions to our *BNC First Day*[®] equitable and inclusive access course material models or successfully compete with third parties that provide similar equitable and inclusive access solutions;
- the strategic objectives, successful integration, anticipated synergies, and/or other expected potential benefits of various strategic and restructuring initiatives, may not be fully realized or may take longer than expected;
- dependency on strategic partnerships, such as with VitalSource Technologies, Inc. and the Fanatics Retail Group Fulfillment, LLC, Inc. (“Fanatics”) and Fanatics Lids College, Inc. D/B/A “Lids” (“Lids”) (collectively referred to herein as the “F/L Partnership”), and the potential for adverse operational and financial changes to these partnerships, may adversely impact our business;
- non-renewal of managed bookstore, physical and/or online store contracts and higher-than-anticipated store closings;
- decisions by colleges and universities to outsource their physical and/or online bookstore operations or change the operation of their bookstores;
- general competitive conditions, including actions our competitors and content providers may take to grow their businesses;
- the risk of changes in price or in formats of course materials by publishers, which could negatively impact revenues and margin;
- changes to purchase or rental terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;

- 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;
- work stoppages or increases in labor costs;
- possible increases in shipping rates or interruptions in shipping services;
- a decline in college enrollment or decreased funding available for students;
- decreased consumer demand for our products, low growth or declining sales;
- the general economic environment and consumer spending patterns;
- trends and challenges to our business and in the locations in which we have stores;
- 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, including the adoption of artificial intelligence technologies for educational content;
- risks associated with counterfeit and piracy of digital and print materials;
- risks associated with data privacy, information security and intellectual property;
- disruptions to our information technology systems, infrastructure, data, supplier systems, and customer ordering and payment systems 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;
- risks associated with the impact that public health crises, epidemics, and pandemics, such as the COVID-19 pandemic, 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;
- lingering 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, or similar marketing and sales activities;
- 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 29, 2023.

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 29, 2023.

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 Principal Financial Officer, of the effectiveness of the design and operation of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures were effective at the reasonable assurance level as of July 29, 2023.

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 29, 2023 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 29, 2023.

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

Issuer Purchases of Equity Securities

The following table provides information as of July 29, 2023 with respect to shares of Common Stock we purchased during the first quarter of Fiscal 2024:

Period	Total Number of Shares Purchased	Average Price Paid per Share (a)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
April 30, 2023 - May 27, 2023	—	\$ —	—	\$ 26,669,324
May 28, 2023 - July 1, 2023	—	\$ —	—	\$ 26,669,324
July 2, 2023 - July 29, 2023	—	\$ —	—	\$ 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 29, 2023, we did not repurchase any shares of our Common Stock under the stock repurchase program.

During the 13 weeks ended July 29, 2023, we repurchased 77,898 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

Securities Trading Plans of Directors and Executive Officers

During the period covered by this Quarterly Report on Form 10-Q, no director or officer of the Company adopted or terminated a “Rule 10b5-1 trading arrangement” or “non-Rule 10b5-1 trading arrangement,” as each term is defined in Item 408(a) of Regulation S-K.

Item 6. Exhibits

10.1	Seventh Amendment, dated as of May 24, 2023, among the Company, as the lead borrower, the other borrowers party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent for the lenders, to the Credit Agreement, dated as of August 3, 2015, referenced in the Report on Form 8-K filed with the SEC on May 31, 2023.
10.2	Second Amendment, dated as of May 24, 2023, among the Company, as borrower, certain subsidiaries of the Company party thereto as guarantors, TopLids LendCo, LLC and Vital Fundco, LLC, as lenders, and TopLids LendCo, LLC, as administrative agent and collateral agent for the lenders, to the Term Loan Credit Agreement, dated as of June 7, 2022, referenced in the Report on Form 8-K filed with the SEC on May 31, 2023.
10.3	Eighth Amendment, dated as of July 28, 2023, among the Company, as the lead borrower, the other borrowers party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent for the lenders, to the Credit Agreement, dated as of August 3, 2015, referenced in the Report on Form 8-K filed with the SEC on July 28, 2023.
10.4	Third Amendment, dated as of July 28, 2023, among the Company, as borrower, certain subsidiaries of the Company party thereto as guarantors, TopLids LendCo, LLC and Vital Fundco, LLC, as lenders, and TopLids LendCo, LLC, as administrative agent and collateral agent for the lenders, to the Term Loan Credit Agreement, dated as of June 7, 2022, referenced in the Report on Form 8-K filed with the SEC on July 28, 2023.
10.5	Severance Letter Agreement and General Release and Waiver, dated as of May 3, 2023, between Barnes & Noble Education, Inc. and David Henderson, referenced in the Annual Report on Form 10-K filed with the SEC on July 31, 2023.
<u>31.1</u> *	<u>Certification by the Chief Executive Officer and Principal 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.</u>
<u>32.1</u> **	<u>Certification of Chief Executive Officer and Principal 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.</u>
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)

* Filed herewith.

** Furnished herewith.

SIGNATURES

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

BARNES & NOBLE EDUCATION, INC.

(Registrant)

By: /s/ MICHAEL P. HUSEBY

Michael P. Huseby

Chief Executive Officer

(principal financial officer)

By: /s/ SEEMA C. PAUL

Seema C. Paul

Chief Accounting Officer

(principal accounting officer)

September 6, 2023

**CERTIFICATION BY THE
CHIEF EXECUTIVE OFFICER AND PRINCIPAL 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, Michael P. Huseby, certify that:

1. I have reviewed this report on Form 10-Q for the quarterly period ended July 29, 2023 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. I am 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. 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: September 6, 2023

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

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

In connection with the quarterly report of Barnes & Noble Education, Inc. (the “Company”) on Form 10-Q for the period ended July 29, 2023, as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Michael P. Huseby, Chief Executive Officer and Principal 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/ Michael P. Huseby

Michael P. Huseby

*Chief Executive Officer and Principal Financial Officer
Barnes & Noble Education, Inc.*

September 6, 2023

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.