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

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): **March 7, 2024**

BIG LOTS, INC.

(Exact name of registrant as specified in its charter)

Ohio	001-08897	06-1119097
(State or other jurisdiction of incorporation)	(Commission File Number)	(I.R.S. Employer Identification No.)

4900 E. Dublin-Granville Road, Columbus, Ohio 43081
(Address of principal executive offices) (Zip Code)

(614) 278-6800
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communication pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communication pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

Title of each class	Trading symbol(s)	Name of each exchange on which registered
Common shares	BIG	New York Stock Exchange

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (17 CFR §230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (17 CFR §240.12b-2 of this chapter).
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. ☐

Item 2.02 Results of Operations and Financial Condition.

On March 7, 2024, Big Lots, Inc. ("we," "us," "our" or "Company") issued a press release (the "Earnings Press Release") and conducted a conference call, both of which: (i) reported our unaudited results for the fourth quarter of fiscal 2023; (ii) provided guidance for the first quarter of fiscal 2024; (iii) provided guidance for fiscal 2024; and (iv) directed listeners to an investor presentation published on our website on our results for the fourth quarter of fiscal 2023 (the "Investor Presentation").

The Earnings Press Release, the conference call and the Investor Presentation included "non-GAAP financial measures," as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). Specifically, the following non-GAAP financial measures were included: (i) adjusted selling and administrative expenses; (ii) adjusted selling and administrative expense rate; (iii) adjusted depreciation expense; (iv) adjusted depreciation expense rate; (v) adjusted gain on sale of real estate; (vi) adjusted gain on sale of real estate rate; (vii) adjusted operating profit (loss); (viii) adjusted operating profit (loss) rate; (ix) adjusted income tax expense (benefit); (x) adjusted effective income tax rate; (xi) adjusted net loss; (xii) adjusted diluted (loss) earnings per share; (xiii) adjusted operating expenses; and (xiv) adjusted operating expense rate.

The non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") the following items for the periods noted:

Item	Fiscal 2023 Fourth Quarter	Fiscal 2023 Full Year	Fiscal 2022 Fourth Quarter	Fiscal 2022 Full Year
After-tax adjustment for synthetic lease exit costs and related expenses of $39.8 million, or $1.36 per diluted share		X		
After-tax adjustment for forward distribution center contract termination costs and related expenses of $2.2 million, or $0.07 per diluted share	X			
After-tax adjustment for forward distribution center contract termination costs and related expenses of $18.8 million, or $0.64 per diluted share		X		
After-tax adjustment for store asset impairment charges of $11.7 million, or $0.40 per diluted share	X			
After-tax adjustment for store asset impairment charges of $128.4 million, or $4.40 per diluted share		X		
After-tax adjustment for store asset impairment charges of $17.2 million, or $0.59 per diluted share			X	
After-tax adjustment for store asset impairment charges of $51.7 million, or $1.79 per diluted share				X
After-tax adjustment for gain on sale of real estate and related expenses of $1.1 million, or $0.04 per diluted share	X			
After-tax adjustment for gain on sale of real estate and related expenses of $210.4 million, or $7.22 per diluted share		X		
After-tax adjustment for gain on sale of real estate and related expenses of $12.8 million, or $0.44 per diluted share			X	X
After-tax adjustment for fees related to a cost reduction and productivity initiative of $11.5 million, or $0.39 per diluted share	X			
After-tax adjustment for fees related to a cost reduction and productivity initiative of $30.1 million, or $1.03 per diluted share		X		
After-tax adjustment for valuation allowance on deferred tax assets of $1.8 million, or $0.06 per diluted share	X			
After-tax adjustment for valuation allowance on deferred tax assets of $146.0 million, or $5.01 per diluted share		X		

The Earnings Press Release and the Investor Presentation posted in the Investor Relations section of our website contain a presentation of the most directly comparable financial measure calculated and presented in accordance with GAAP and a reconciliation of the difference between the non-GAAP financial measures and the most directly comparable financial measures calculated and presented in accordance with GAAP.

Our management believes that disclosure of the non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, which our management believes are more indicative of our ongoing operating results and financial condition. These non-GAAP financial measures, along with the most directly comparable GAAP financial measures, are used by our management to evaluate our operating performance.

Non-GAAP financial measures should not be considered in isolation from, or as a substitute for, financial information presented in accordance with GAAP. Non-GAAP financial measures as reported by us may not be comparable to similarly titled items reported by other companies.

Attached as exhibits to this Form 8-K are copies of the Earnings Press Release (Exhibit 99.1), the transcript of our March 7, 2024 conference call (Exhibit 99.2) and the Investor Presentation (Exhibit 99.3), including information concerning forward-looking statements and factors that may affect our future results. The information in Exhibits 99.1, 99.2 and 99.3 is being furnished, not filed, pursuant to Item 2.02 of this Form 8-K. By furnishing the information in this Form 8-K and the attached exhibits, we are making no admission as to the materiality of any information in this Form 8-K or the exhibits.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

The Human Capital and Compensation Committee of the Board of Directors of the Company approved a form of award agreement for grants of performance share units under the Big Lots 2020 Long-Term Incentive Plan. The form of Performance Share Units Award Agreement is attached hereto as Exhibit 10.1.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	Description
99.1	Big Lots, Inc. press release on operating results and guidance dated March 7, 2024.
99.2	Big Lots, Inc. edited conference call transcript dated March 7, 2024.
99.3	Big Lots, Inc. investor presentation on our results for the fourth quarter of fiscal 2023 dated March 7, 2024.
10.1	Form of Big Lots 2020 Long-Term Incentive Plan Performance Share Units Award Agreement.
104	Cover Page Interactive Data File (formatted as Inline XBRL).

Signature

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 hereunto duly authorized.

BIG LOTS, INC.

Date: March 12, 2024

By: /s/ Ronald A. Robins, Jr.
Ronald A. Robins, Jr.
Executive Vice President, Chief Legal and Governance Officer, General Counsel and Corporate Secretary

BIG LOTS 2020 LONG-TERM INCENTIVE PLAN
PERFORMANCE SHARE UNITS AWARD AGREEMENT

Grantee:	________________________________
Grant Date:	________________________________
Target Cash Value:	________________________________

In accordance with the terms of the Big Lots 2020 Long-Term Incentive Plan, as may be amended ("Plan"), this Performance Share Unit Award Agreement ("Agreement") is entered into as of the Grant Date by and between you, the Grantee, and Big Lots, Inc., an Ohio corporation ("Company"), in connection with the Company's grant of this Performance Share Unit ("PSU") to you. The PSU is subject to the terms and conditions of this Agreement and the Plan. Except as otherwise expressly provided herein, capitalized terms used but not defined in this Agreement (including Exhibit A and Exhibit B) shall have the respective meanings ascribed to them in the Plan.

This Agreement describes the PSU you have been granted and the conditions that must be met before the PSU vests and you become entitled to receive cash and/or Shares as described below. To ensure that you fully understand these terms and conditions, you should carefully read the Plan and this Agreement.

Description of the PSU

The PSU represent a right to receive cash, Shares, or a combination of cash and Shares, as determined by the Committee in its sole discretion, to the extent that the PSU becomes vested and provided you comply with the terms of this Agreement and the Plan. The maximum cash payment would be equal to the Earned Cash Value calculated below and the maximum number of Shares that may be issued in connection with the PSU would be a number of Shares calculated by dividing the Earned Cash Value by the Fair Market Value of a Share on the applicable Vesting Date and rounding down to the nearest whole Share (with a cash payment for the value of any fractional Share). You shall forfeit any rights to the PSU (i.e., no Shares will be transferred to you and no amount shall be paid to you) to the extent the PSU does not vest or you do not comply with the terms of this Agreement and the Plan.

No portion of the PSU that has not vested or been settled nor any Shares that have not yet been transferred to you in connection with the PSU may be sold, transferred, assigned, pledged, encumbered or otherwise disposed of by you in any way (including a transfer by operation of law); and any attempt by you to make any such sale, transfer, assignment, pledge, encumbrance or other disposition shall be null and void and of no effect.

Vesting of the PSU

Subject to the terms and provisions of this Agreement and the Plan, if you are continuously employed by the Company or an Affiliate from the Grant Date through the end of the Performance Period (or the date of your death, Disability or Retirement or the date of a Change in Control, as applicable and described in sections B, C or D below), then your PSU shall vest (if at all) as indicated below:

A. If at least the threshold vesting level of the attainment of any applicable Performance Metric set forth in Exhibit B is satisfied, and the Committee has certified attainment of that Performance Metric, the Earned Cash Value shall vest, based on the Vesting Table set forth in Exhibit B, on the trading day[1] after the Company files an Annual Report on Form 10-K with the U.S. Securities and Exchange Commission reporting the Applicable Financial Statement for the final fiscal year of the Performance Period

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[1] As used in this Agreement, a "trading day" shall be as determined by the New York Stock Exchange or other national securities exchange or market that regulates the Shares.

B. If you die or incur a Disability before the end of the Performance Period, a fraction of your PSU shall vest based on the following formula: (i) the Earned Cash Value that would have vested (if any, based on actual performance as certified, reported and calculated in accordance with section A above) if you had remained employed for the full Performance Period (or the value determined in accordance with section D below if a Change in Control occurs after your death or Disability but before the end of the Performance Period); multiplied by (ii) a fraction, the numerator of which is the number of days of service or employment that you have completed with the Company or its Affiliates since the beginning of the Performance Period as of the date of your death or Disability and the denominator of which is _____ (such product to be rounded down to the nearest whole penny).

C. If your Retirement occurs before the end of the Performance Period, a fraction of your PSU shall vest based on the following formula: (i) the Earned Cash Value that would have vested (if any, based on actual performance as certified, reported and calculated in accordance with section A above) if you had remained employed for the full Performance Period (or the value determined in accordance with Section D below if a Change in Control occurs after your Retirement but before the end of the Performance Period); multiplied by (ii) a fraction, the numerator of which is the number of days of service or employment that you have completed with the Company or its Affiliates since the beginning of the Performance Period as of the date of your Retirement and the denominator of which is _____ (such product to be rounded down to the nearest whole penny).

D. If a Change in Control occurs before the Outside Date and where the Participant incurs a separation from service (as defined in Code Section 409A) within the thirty (30) days preceding or the twenty-four (24) months following the Change in Control, then to the extent that the PSU subject to this Award Agreement has not vested prior to the later of the date of the separation from service or the date of the Change in Control shall vest upon such later date of the Change in Control in an amount equal to the greater of (i) the Target Cash Value or (ii) the Earned Cash Value calculated based on the fiscal results reported before the date of the Change in Control.

E. If threshold performance is not achieved during the Performance Period (unless a Change in Control occurs before the end of the Performance Period), then this Agreement will expire and all of your rights in the PSU will be forfeited.

F. If your employment or service terminates before the end of the Performance Period (other than as described in sections B, C or D above), then this Agreement will expire and all of your rights in the PSU will be forfeited.

Cash and/or Shares shall be transferred to you in connection with a vested PSU, as determined by the Committee in its sole discretion, as soon as administratively practicable after the date the PSU vest after the Performance Period has ended and the Performance Metrics have been certified, as described above.

Your Rights in the PSU

You have no rights in any Shares (including, without limitation, the right to vote or receive dividends) in connection with this Award unless and until such Shares are issued to you in connection with a vested PSU. Subject to the Company’s insider trading policies and applicable laws and regulations, after any Shares are delivered to you in respect of the vested PSU, you shall be free to deal with and dispose of such underlying Shares.

Tax Treatment of the PSU

You should consult with a tax or financial adviser to ensure you fully understand the tax ramifications of your PSU.

This brief discussion of the federal tax rules that affect your PSU is provided as general information (not as personal tax advice) and is based on the Company’s understanding of federal tax laws and regulations in effect as of the Grant Date. Article 21 of the Plan further describes the manner in which withholding may occur.

Under normal federal income tax rules, the grant of the PSU is a nontaxable event. However, you will be required to pay income taxes (at ordinary income tax rates) when, if and to the extent your PSU vests. The amount of ordinary income you will recognize is the value of the cash or Shares paid to you when the PSU vests.

Unless you make a contrary election, the Company will withhold the required statutory minimum amount from the cash or Shares delivered to you in connection with the vested PSU. You may elect to satisfy the withholding requirement by paying the taxes in cash or you may elect a higher withholding rate provided that such higher rate would not have a negative accounting impact on the Company. All such elections by you shall be irrevocable, made by you in a manner approved by the Committee, and shall be subject to any restrictions or limitations that the Committee, in its sole discretion, deems appropriate.

Any appreciation of any Shares you receive in connection with a vested PSU may be eligible to be taxed at capital gains rates when you sell the Shares. If your PSU does not vest, your PSU shall expire and no taxes will be due.

This Award is intended to comply with the applicable requirements of Code Section 409A and shall be administered in accordance with Code Section 409A. Refer to Section 23.13 of the Plan for more information on compliance with Code Section 409A, including the applicability of a six (6) month delay on the settlement of the PSU for “specified employees,” within the meaning of Code Section 409A.

No Section 83(b) Election

Because the PSU is not property under the Code, you may not make an election under Section 83(b) of the Code with respect to your PSU.

General Terms and Conditions

Nothing contained in this Agreement obligates the Company or an Affiliate to continue to employ you in any capacity whatsoever or prohibits or restricts the Company or an Affiliate from terminating your employment at any time or for any reason whatsoever; and this Agreement does not in any way affect any employment agreement that you may have with the Company.

This Agreement shall be governed by and construed in accordance with the internal laws, and not the laws of conflicts of laws, of the State of Ohio.

If any provision of this Agreement is adjudged to be unenforceable or invalid, then such unenforceable or invalid provision shall not affect the enforceability or validity of the remaining provisions of this Agreement, and the Company and you agree to replace such unenforceable or invalid provision with an enforceable and valid arrangement which in its economic effect shall be as close as possible to the unenforceable or invalid provision.

You represent and warrant to the Company that you have the full legal power, authority and capacity to enter into this Agreement and to perform your obligations under this Agreement and that this Agreement is a valid and binding obligation, enforceable in accordance with its terms, except that the enforcement of this Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereinafter in effect relating to creditors’ rights generally and to general principles of equity. You also represent and warrant to the Company that you are aware of and agree to be bound by the Company’s trading policies and the applicable laws and regulations relating to the receipt, ownership and transfer of the Company’s securities. The Company represents and warrants to you that it has the full legal power, authority and capacity to enter into this Agreement and to perform its obligations under this Agreement and that this Agreement is a valid and binding obligation, enforceable in accordance with its terms, except that the enforcement of this Agreement may be subject to bankruptcy, insolvency, reorganization, moratorium, or other similar laws now or hereinafter in effect relating to creditors' rights generally and to general principles of equity.

Acceptance

By accepting your PSU, you acknowledge receipt of a copy of the Plan, as in effect on the Grant Date, and agree that your PSU is granted under and are subject to the terms and conditions described in this Agreement and in the Plan. You further agree to accept as binding, conclusive and final all decisions and interpretations of the Committee upon any issues arising under this Agreement or the Plan. You also represent and warrant to the Company that you are aware of and agree to be bound by the Company's insider trading policies and the applicable laws and regulations relating to the receipt, ownership and transfer of the Company's securities.

______________________________________ **Date:** ____________________________

Chair, Human Capital and Compensation Committee

EXHIBIT A

As used in this Agreement, the following terms shall have the meanings set forth below:

Applicable Financial Statement shall mean a particular fiscal year's or a particular fiscal quarter's (as the calculation may require) financial statements that appear in the Company's Annual Report on Form 10-K or Quarterly Report on Form 10-Q filed with the U.S. Securities and Exchange Commission.

Earned Cash Value shall mean the value of the PSU that vests in connection with all of the applicable Performance Metrices, which shall be equal to the sum of the earned value for each Performance Metric, which shall be equal to the product of: (i) the Target Cash Value of the PSU granted under this Award and (ii) the Performance Metric Weighting for such Performance Metric; multiplied by (iii) the applicable Performance Vesting Factor determined under the Vesting Table based on the level of attainment for such Performance Metric (such product to be rounded to the nearest whole penny). In no event shall the Earned Cash Value exceed 200% of the Target Cash Value.

Earnings Per Share or **EPS** shall mean earnings (loss) per common share – diluted from continuing operations (or, if such measure is not reported in the Applicable Financial Statement, then the earnings (loss) per common share – diluted) for a fiscal year as reported in the Applicable Financial Statement for each applicable fiscal year service period during the Performance Period, as adjusted to remove the effect of any events selected by the Committee when it establishes the annual EPS target performance goal for each fiscal year within the Performance Period pursuant to Exhibit B.

Free Cash Flow or **FCF** shall mean the operating cash flow (as it appears in the applicable financial statement) for a fiscal year, less the aggregate capital expenditures (as it appears in the applicable financial statement) for the applicable fiscal year, as adjusted to remove the effect of any events selected by the Committee when it establishes the annual FCF target performance goal for each fiscal year within the Performance Period pursuant to Exhibit B.

Performance Metrics shall mean EPS and FCF.

Performance Metric Weighting shall mean fifty percent (50%) for the EPS Vesting Factor and fifty percent (50%) for the FCF Vesting Factor.

Performance Period shall mean a period of three consecutive fiscal years beginning at the start of the fiscal year in which the Grant Date occurs, with each such fiscal year comprised of a service period.

Performance Vesting Factor shall mean the EPS Vesting Factor and the FCF Vesting Factor, both as set forth in the Vesting Table on Exhibit B.

Retirement shall be deemed to have occurred upon the Termination of Employment or Service of a Grantee who, upon the effective date of his or her Termination of Employment or Service, has: (i) attained the age of 55 years or older; (ii) completed at least five years of employment with or service to the Company or its Affiliates; (iii) submitted a written request, in a form satisfactory to the Company, to the Committee or the Company's human resources department requesting retirement under the terms of this Agreement; and (iv) had such written request approved in writing by a member of the Committee or an authorized officer of the Company.

EXHIBIT B

The following shall be the Vesting Table referenced in this Agreement:

Except as set forth in this Agreement or the Plan, the portion of the Target Cash Value of the PSU that does not vest in accordance with the tables set forth below shall be forfeited to the Company.

Linear interpolation shall be used to determine the applicable Performance Vesting Factor between threshold and target and between target and maximum EPS Performance Level and the FCF Performance Level in the tables below.

EPS Performance Goal
Not more than 200% of the Target Cash Value of the PSU multiplied by the applicable Performance Metric Weighting may be earned under this Award. An annual EPS target performance goal shall be established by the Committee for each fiscal year service period within the Performance Period. After the end of each fiscal year in the Performance Period, the actual EPS for such fiscal year, expressed as a percentage of the annual target EPS goal, will be determined. After the end of each fiscal year in the Performance Period, the Committee will determine the percentage of the Target Cash Value of the PSU that may be earned with respect to such fiscal year (which shall not be less than 0% or more than 66% multiplied by the applicable Performance Metric Weighting) in accordance with the applicable Performance Metric Weighting and the Annual EPS Vesting Factor from the following table:

EPS Performance Level	Annual EPS Attainment	Annual EPS Vesting Factor
Threshold	____	___%
Target	____	___%
Maximum	____	___%

The EPS Vesting Factor shall be the sum of the attained Annual EPS Vesting Factors for each fiscal year within the Performance Period.

FCF Performance Goal
Not more than 200% of the Target Cash Value of the PSU multiplied by the applicable Performance Metric Weighting may be earned under this Award. An annual FCF target performance goal shall be established by the Committee for each fiscal year service period within the Performance Period. After the end of each fiscal year in the Performance Period, the actual FCF for such fiscal year, expressed as a percentage of the annual target FCF goal, will be determined. After the end of each fiscal year in the Performance Period, the Committee will determine the percentage of the Target Cash Value of the PSU that may be earned with respect to such fiscal year (which shall not be less than 0% or more than 66% multiplied by the applicable Performance Metric Weighting) in accordance with the applicable Performance Metric Weighting and the FCF Vesting Factor from the following table:

FCF Performance Level	Annual FCF Attainment	Annual FCF Vesting Factor
Threshold	____	___%
Target	____	___%
Maximum	____	___%

The FCF Vesting Factor shall be the sum of the attained Annual FCF Vesting Factors for each fiscal year within the Performance Period.

No fractional penny shall be issued or delivered pursuant to this Agreement. If the calculations under this Agreement would otherwise result in the vesting of less than a whole penny number of Shares, the result shall be rounded down to the nearest whole penny.

Exhibit 99.1

PRESS RELEASE
FOR IMMEDIATE RELEASE

Big Lots Reports Q4 and Full Year 2023 Results

Q4 2023 comparable sales, gross margin rate, expenses, and inventory in line with guidance

Q4 GAAP operating loss of $24 million; adjusted operating profit of $1 million; first quarter of positive adjusted operating profit since Q4 2021

Q4 GAAP EPS loss of $1.05; adjusted EPS loss of $0.28

Expect quarterly year-over-year improvements to continue through 2024 with a path to positive comparable sales

Achieved over 60% bargain penetration in Q4, well exceeding our initial goal of 33%; expect to grow to 75% penetration in 2024

Project Springboard on track to deliver a high proportion of the $200 million+ benefit in 2024

For the Q4 Results Presentation, Please Visit: *https://www.biglots.com/corporate/investors*

Columbus, Ohio – March 7, 2024 – Big Lots, Inc. (NYSE: BIG) today reported a net loss of $30.7 million, or $1.05 per share, for the fourth quarter of fiscal 2023 ended February 3, 2024. This result includes a net after-tax loss of $22.4 million, or $0.77 per share, associated with distribution center closure costs, impairment charges, and fees related to Project Springboard, offset in part by gains on the sale of real estate and an income tax benefit related to the valuation allowance recorded earlier in 2023. Excluding this loss, the adjusted net loss in the fourth quarter of 2023 was $8.3 million, or $0.28 per share (see non-GAAP table included later in this release). The adjusted net loss for the fourth quarter of fiscal 2022 was $8.1 million, or $0.28 per share.

Net sales for the fourth quarter of fiscal 2023 totaled $1.432 billion, a 7.2% decrease compared to $1.543 billion for the same period last year. The decline to last year was driven by a comparable sales decrease of 8.6%. The net impact of the benefit of the 53rd week was offset in part by a net decrease in store count, which contributed approximately 140 basis points of sales growth compared to the fourth quarter of 2022.

Commenting on today's results announcement, Bruce Thorn, President and CEO of Big Lots stated, "I'm pleased to report another quarter of sequential improvement in comps and gross margin rate, while continuing to take out costs. For the third quarter in a row, we did what we said we would do, and despite a challenging macroeconomic environment and well documented weather challenges in January, we finished the year in a much better place than where we started. That said, there's a lot of work to do in 2024, and we are moving aggressively to accelerate our transformation, return to positive comparable sales, and continue to improve our gross margin rate over the course of the year. We also remain focused on ensuring we have the liquidity to navigate through the current economic challenges."

"For Q4, as we announced on February 12, we delivered on our guidance for comparable sales, gross margin rate, adjusted operating expenses, and inventory. We believe progress on our five key actions that underlie our strategy, which are to own bargains, communicate unmistakable value, increase store relevance, win customers for life with our omnichannel efforts, and drive productivity, enabled us to deliver adjusted operating profit growth in Q4, marking the first quarter of adjusted operating profit in two years."

"We expect quarterly year over year improvements to continue in 2024, and see a clear path to positive comparable sales as the year progresses. Further, we expect to realize most of the $200 million+ of bottom-line opportunities through Project Springboard. We also expect to significantly grow our bargains penetration to 75% of our sales, and within that, have an expanded assortment of extreme bargains. These extreme bargains create a more exciting treasure hunt experience, which will keep our customers coming back to our stores and help drive comparable sales growth. By leaning in further on our heritage of providing unmistakable value to consumers, we will solidify our position as America's Discount Home Store."

"Our efforts to aggressively manage costs, inventory, and capital expenditures, as well as monetize owned assets, have enabled us to maintain liquidity through a challenging period. We took out over $140 million of SG&A during the year, cut capex by almost 60% year over year, reduced inventory by nearly $200 million, and monetized assets worth over $300 million. Our net liquidity at the end of the fourth quarter was $254 million, and we generated significant free cash flow in the fourth quarter, enabling us to reduce our ABL balance. As we look into 2024, we continue to evaluate additional financing options as a normal part of prudently managing our business. While near-term conditions may remain challenging, we look forward to returning the company to health and prosperity, and believe we are taking the right actions to do that."

"Overall, our five key actions are gaining momentum and have enabled us to again sequentially improve results in the fourth quarter. We are excited to return to comp sales growth as 2024 progresses, driven by continued progress on these key actions, and to significantly improve our bottom line in every quarter versus last year."

A summary of adjustments to loss per diluted share is included in the table below.

	Q4 2023
Earnings (loss) per diluted share - as reported	($1.05)
Adjustment to exclude net loss associated with distribution center closure costs, and fees related to Project Springboard, [1], and asset impairment charges, offset in part by gains on the sale of real estate and an adjustment to the valuation allowance on deferred tax assets	$0.77
Earnings (loss) per diluted share - adjusted basis	($0.28)

[1] Non-GAAP detailed reconciliation provided in statement below

Inventory and Cash Management
Inventory ended the fourth quarter of fiscal 2023 at $953.3 million compared to $1.148 billion at the end of the fourth quarter last year, with the 17.0% decrease driven by lower on-hand unites and in-transit inventory.

The company ended the fourth quarter of fiscal 2023 with $46.4 million of Cash and Cash Equivalents and $406.3 million of Long-term Debt under its $900 million asset-based lending facility, compared to $44.7 million of Cash and Cash Equivalents and $301.4 million of Long-term Debt as of the end of the fourth quarter of fiscal 2022. During the fourth quarter, the company paid down $127 million of Long-term Debt on a net basis.

Share Repurchases
The company did not execute any share repurchases during the quarter. The company has $159 million remaining under its December 2021 $250 million authorization.

Guidance
For the first quarter of fiscal 2024, the company expects comp sales to improve relative to the fourth quarter and be in the mid-single-digit negative range, as key actions to improve the business continue to gain traction. With regard to gross margin rate, the company expects the rate to improve significantly versus the prior year, up between 200-250 basis points, driven by reduced markdown activity, lower freight costs, and cost reduction and productivity initiatives. The company expects adjusted SG&A dollars to be down by a low-single digit percentage versus 2023, including the impact of additional expense from the recently completed sale and leaseback. The company does not expect to recognize any tax benefit in the first quarter as management expects to remain in a three-year cumulative loss position, which requires the company to record valuation allowances against deferred tax assets, including those related to net operating losses. The company is not providing EPS guidance at this point, but does expect its Q1 adjusted operating loss to be lower than last year. The company expects a share count of approximately 29.4 million for the first quarter.

Conference Call/Webcast
The company will host a conference call today at 8:00 a.m. ET to discuss the financial results for the fourth quarter of fiscal 2023. A live webcast of the call will be available through the Investor Relations section of its website at http://www.biglots.com/corporate/investors/ or by phone by dialing 877.407.3088 (Toll Free) or 201.389.0927 (Toll). An archive will be available on the Investor Relations section of the company's website at http://www.biglots.com/corporate/investors/ through midnight Thursday, March 21, 2024. In addition, a replay of the call will be available through March 21 by dialing 877.660.6853 (Toll Free) or 201.612.7415 (Toll) and enter the Replay Conference ID: 13744496.

About Big Lots
Headquartered in Columbus, Ohio, Big Lots, Inc. (NYSE: BIG) is America's Discount Home Store, operating more than 1,300 stores in 48 states, as well as an ecommerce store with expanded fulfillment and delivery capabilities. The Company's mission is to help customers "Live Big and Save Lots" by offering bargains to brag about on everything for their home, including furniture, décor, pantry essentials, kitchenware, pet supplies, and more. For more information about the company or to find the store nearest you, visit biglots.com.

Cautionary Statement Concerning Forward-Looking Statements
Certain statements in this release are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and such statements are intended to qualify for the protection of the safe harbor provided by the Act. The words "anticipate," "estimate," "continue," "could," "approximate," "expect," "objective," "goal," "project," "intend," "plan," "believe," "will," "should," "may," "target," "forecast," "guidance," "outlook" and similar expressions generally identify forward-looking statements. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements.

Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected sales, earnings, capital expenditures and business strategy. Forward-looking statements are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance and are applicable only as of the dates of such statements. Although we believe the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of our knowledge, forward-looking statements, by their nature, involve risks, uncertainties and other factors, any one or a combination of which could materially affect business, financial condition, results of operations or liquidity.

Forward-looking statements that we make herein and in other reports and releases are not guarantees of future performance and actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including, but not limited to, the current economic and credit conditions, inflation, the cost of goods, our inability to successfully execute strategic initiatives, competitive pressures, economic pressures on our customers and us, the availability of brand name closeout merchandise, trade restrictions, freight costs, the risks discussed in the Risk Factors section of our most recent Annual Report on Form 10-K, and other factors discussed from time to time in other filings with the SEC, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. This release should be read in conjunction with such filings, and you should consider all of these risks, uncertainties and other factors carefully in evaluating forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our public announcements and SEC filings.

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BIG LOTS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands)

	FEBRUARY 3 2024	JANUARY 28 2023
	(Unaudited)	(Unaudited)
ASSETS		
Current assets:		
Cash and cash equivalents	$46,411	$44,730
Inventories	953,302	1,147,949
Other current assets	86,310	92,635
Total current assets	1,086,023	1,285,314
Operating lease right-of-use assets	1,637,845	1,619,756
Property and equipment - net	563,185	691,111
Deferred income taxes	0	56,301
Other assets	38,256	38,449
	$3,325,309	$3,690,931
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$320,682	$421,680
Current operating lease liabilities	242,384	252,320
Property, payroll and other taxes	72,517	71,274
Accrued operating expenses	116,900	111,752
Insurance reserves	33,458	35,871
Accrued salaries and wages	43,182	26,112
Income taxes payable	1,896	845
Total current liabilities	831,019	919,854
Long-term debt	406,271	301,400
Noncurrent operating lease liabilities	1,616,634	1,514,009
Deferred income taxes	459	0
Insurance reserves	57,384	58,613
Unrecognized tax benefits	5,223	8,091
Other liabilities	123,824	125,057
Shareholders' equity	284,495	763,907
	$3,325,309	$3,690,931

BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	14 WEEKS ENDED FEBRUARY 3, 2024	%	13 WEEKS ENDED JANUARY 28, 2023	%
	(Unaudited)		(Recast)	
Net sales	$1,432,484	100.0	$1,543,113	100.0
Gross margin	544,443	38.0	560,901	36.3
Selling and administrative expenses	535,249	37.4	544,486	35.3
Depreciation expense	33,518	2.3	43,051	2.8
Gain on sale of real estate	(551)	(0.0)	(18,581)	(1.2)
Operating loss	(23,773)	(1.7)	(8,055)	(0.5)
Interest expense	(10,842)	(0.8)	(7,370)	(0.5)
Other income (expense)	2	0.0	4	0.0
Loss before income taxes	(34,613)	(2.4)	(15,421)	(1.0)
Income tax benefit	(3,904)	(0.3)	(2,958)	(0.2)
Net loss	($30,709)	(2.1)	($12,463)	(0.8)
Earnings (loss) per common share				
Basic	($1.05)		($0.43)	
Diluted	($1.05)		($0.43)	
Weighted average common shares outstanding				
Basic	29,217		28,957	
Dilutive effect of share-based awards	—		—	
Diluted	29,217		28,957	
Cash dividends declared per common share	$0.00		$0.30	

BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	53 WEEKS ENDED FEBRUARY 3, 2024	%	52 WEEKS ENDED JANUARY 28, 2023	%
	(Unaudited)		(Recast)	
Net sales	$4,722,099	100.0	$5,468,329	100.0
Gross margin	1,686,611	35.7	1,913,503	35.0
Selling and administrative expenses	2,141,927	45.4	2,040,334	37.3
Depreciation expense	144,504	3.1	154,859	2.8
Gain on sale of real estate	(212,463)	(4.5)	(20,190)	(0.4)
Operating loss	(387,357)	(8.2)	(261,500)	(4.8)
Interest expense	(44,758)	(0.9)	(20,280)	(0.4)
Other income (expense)	7	0.0	1,363	0.0
Loss before income taxes	(432,108)	(9.2)	(280,417)	(5.1)
Income tax expense (benefit)	49,768	1.1	(69,709)	(1.3)
Net loss	($481,876)	(10.2)	($210,708)	(3.9)
Earnings (loss) per common share				
Basic	($16.53)		($7.30)	
Diluted	($16.53)		($7.30)	
Weighted average common shares outstanding				
Basic	29,155		28,860	
Dilutive effect of share-based awards	—		—	
Diluted	29,155		28,860	
Cash dividends declared per common share	$0.30		$1.20	

BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	14 WEEKS ENDED FEBRUARY 3, 2024 (Unaudited)	13 WEEKS ENDED JANUARY 28, 2023 (Unaudited)
Net cash provided by operating activities	$147,172	$134,753
Net cash (used in) provided by investing activities	(14,812)	15,911
Net cash used in financing activities	(132,543)	(168,072)
Decrease in cash and cash equivalents	(183)	(17,408)
Cash and cash equivalents:		
Beginning of period	46,594	62,138
End of period	$46,411	$44,730

BIG LOTS, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	53 WEEKS ENDED FEBRUARY 3, 2024 (Unaudited)	52 WEEKS ENDED JANUARY 28, 2023 (Unaudited)
Net cash used in operating activities	($251,960)	($144,286)
Net cash provided by (used in) investing activities	279,511	(108,940)
Net cash (used in) provided by financing activities	(25,870)	244,234
Increase (decrease) in cash and cash equivalents	1,681	(8,992)
Cash and cash equivalents:		
Beginning of period	44,730	53,722
End of period	$46,411	$44,730

BIG LOTS, INC. AND SUBSIDIARIES
RECONCILIATION OF NON-GAAP FINANCIAL MEASURES
(In thousands, except per share data)
(Unaudited)

The following tables reconcile: selling and administrative expenses, selling and administrative expense rate, depreciation expense, depreciation expense rate, gain on sale of real estate, gain on sale of real estate rate, operating profit (loss), operating profit (loss) rate, income tax expense (benefit), effective income tax rate, net loss, and diluted earnings (loss) per share for the fourth quarter of 2023, the full year 2023, the fourth quarter of 2022, and the full year 2022 (GAAP financial measures) to adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating profit (loss), adjusted operating profit (loss) rate, adjusted income tax expense (benefit), adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share (non-GAAP financial measures).

Fourth Quarter of 2023 - Fourteen weeks ended February 3, 2024

	As Reported	Adjustment to exclude forward distribution center ("FDC") contract termination costs and related expenses	Adjustment to exclude store asset impairment charges	Adjustment to exclude gain on sale of real estate and related expenses	Adjustment to exclude fees related to a cost reduction and productivity initiative	Adjustment to exclude initial valuation allowance on deferred tax assets	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 535,249	$ (2,168)	$ (11,724)	$ —	$ (11,495)	$ —	$ 509,862
Selling and administrative expense rate	37.4 %	(0.2 %)	0.8 %	—	(0.8 %)	—	35.6 %
Gain on sale of real estate	(551)	—	—	551	—	—	—
Gain on sale of real estate rate	(0.0%)	—	—	0.0%	—	—	—
Operating (loss) profit	(23,773)	2,168	11,724	(551)	11,495	—	1,063
Operating (loss) profit rate	(1.7 %)	0.2 %	0.8 %	(0.0%)	0.8 %	—	0.1 %
Income tax benefit [(1)]	(3,904)	—	—	563	—	1,846	(1,495)
Effective income tax rate	11.3 %	—	—	0.9 %	—	3.1 %	15.3 %
Net loss	(30,709)	2,168	11,724	(1,114)	11,495	(1,846)	(8,282)
Diluted earnings (loss) per share	$ (1.05)	$ 0.07	$ 0.40	$ (0.04)	$ 0.39	$ (0.06)	$ (0.28)

(1) The income tax impact of each adjustment was determined prior to consideration of the valuation allowance on deferred tax assets recorded in the second quarter of 2023, and subsequently adjusted in the fourth quarter of 2023.

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating (loss) profit, adjusted operating (loss) profit rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") FDC contract termination costs and related expenses of $2,168, store asset impairment charges of $11,724, a gain on sale of real estate and related expenses of $551 ($1,114, net of tax), fees related to a cost reduction and productivity initiative which we refer to as "Project Springboard" of $11,495, and an adjustment to our valuation allowance of which a portion was attributable to the initial valuation allowance on deferred tax assets recorded in the second quarter of 2023 of $1,846.

Full Year 2023 - Fifty-three weeks ended February 3, 2024

	As Reported	Adjustment to exclude synthetic lease exit costs and related expenses	Adjustment to exclude forward distribution center ("FDC") contract termination costs and related expenses	Adjustment to exclude store asset impairment charges	Adjustment to exclude gain on sale of real estate and related expenses	Adjustment to exclude fees related to a cost reduction and productivity initiative	Adjustment to exclude initial valuation allowance on deferred tax assets	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 2,141,927	$ (53,610)	$ (15,537)	$ (148,595)	$ —	$ (31,359)	$ —	$ 1,892,826
Selling and administrative expense rate	45.4 %	(1.1 %)	(0.3 %)	(3.1 %)	—	(0.7 %)	—	40.1 %
Depreciation expense	144,504	—	(8,030)	—	—	—	—	136,474
Depreciation expense rate	3.1 %	—	(0.2 %)	—	—	—	—	2.9 %
Gain on sale of real estate	(212,463)	—	—	—	212,463	—	—	—
Gain on sale of real estate rate	(4.5 %)	—	—	—	4.5 %	—	—	—
Operating loss	(387,357)	53,610	23,567	148,595	(212,463)	31,359	—	(342,689)
Operating loss rate	(8.2 %)	1.1 %	0.5 %	3.1 %	(4.5 %)	0.7 %	—	(7.3 %)
Income tax expense (benefit)	49,768	13,830	4,810	20,210	(2,019)	1,272	(146,004)	(58,135)
Effective income tax rate [(1)]	(11.5 %)	(3.4 %)	(1.2 %)	(5.0 %)	0.5 %	(0.3 %)	35.9 %	15.0 %
Net loss	(481,876)	39,780	18,757	128,385	(210,443)	30,087	146,004	(329,306)
Diluted earnings (loss) per share	$ (16.53)	$ 1.36	$ 0.64	$ 4.40	$ (7.22)	$ 1.03	$ 5.01	$ (11.30)

(1) The income tax impact of each adjustment was determined prior to consideration of the valuation allowance on deferred tax assets recorded in the second quarter of 2023, and subsequently adjusted in the fourth quarter of 2023.

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax expense (benefit), adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are “non-GAAP financial measures” as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with GAAP synthetic lease exit costs and related expenses of $53,610 ($39,780, net of tax), FDC contract termination costs and related expenses of $23,567 ($18,757, net of tax), store asset impairment charges net of liability extinguishment for terminated leases of previously impaired stores of $148,595 ($128,385, net of tax), a gain on sale of real estate and related expenses of $212,463 ($210,444, net of tax), fees related to a cost reduction and productivity initiative which we refer to as “Project Springboard” of $31,359 ($30,087, net of tax), and an initial valuation allowance on deferred tax assets of $146,004 recorded in the second quarter of 2023, and subsequently adjusted in the fourth quarter of 2023.

Fourth Quarter of 2022 - Thirteen weeks ended January 28, 2023

	As Reported	Adjustment to exclude store asset impairment	Adjustment to exclude gain on sale of real estate and related expenses	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 544,486	$ (22,568)	$ —	$ 521,918
Selling and administrative expense rate	35.3 %	(1.5 %)	—	33.8 %
Depreciation expense	43,051	—	(1,734)	41,317
Depreciation expense rate	2.8 %	—	(0.1 %)	2.7 %
Gain on sale of real estate	(18,581)	—	18,581	—
Gain on sale of real estate rate	(1.2 %)	—	1.2 %	—
Operating loss	(8,055)	22,568	(16,847)	(2,334)
Operating loss rate	(0.5 %)	1.5 %	(1.1 %)	(0.2 %)
Income tax benefit	(2,958)	5,408	(4,040)	(1,590)
Effective income tax rate	19.2 %	(1.6 %)	(1.2 %)	16.4 %
Net loss	(12,463)	17,160	(12,807)	(8,110)
Diluted earnings (loss) per share	$ (0.43)	$ 0.59	$ (0.44)	$ (0.28)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") store asset impairment charges of $22,568 ($17,160, net of tax) and a gain on sale of real estate and related expenses of $16,847 ($12,807, net of tax). The depreciation expense included within the adjustment to exclude gain on sale of real estate and related expenses is the accelerated depreciation associated with the disposal of fixtures and equipment at each of the store locations included in the sale.

Full Year 2022 - Fifty-two weeks ended January 28, 2023

	As Reported	Adjustment to exclude store asset impairment	Adjustment to exclude gain on sale of real estate and related expenses	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 2,040,334	$ (68,396)	$ —	$ 1,971,938
Selling and administrative expense rate	37.3 %	(1.3 %)	—	36.1 %
Depreciation expense	154,859	—	(1,734)	153,125
Depreciation expense rate	2.8 %	—	(0.0 %)	2.8 %
Gain on sale of real estate	(20,190)	—	18,581	(1,609)
Gain on sale of real estate rate	(0.4) %	—	0.3 %	(0.0 %)
Operating loss	(261,500)	68,396	(16,847)	(209,951)
Operating loss rate	(4.8 %)	1.3 %	(0.3 %)	(3.8 %)
Income tax benefit	(69,709)	16,739	(4,040)	(57,010)
Effective income tax rate	24.9 %	0.0 %	0.0 %	24.9 %
Net loss	(210,708)	51,657	(12,807)	(171,858)
Diluted earnings (loss) per share	$ (7.30)	$ 1.79	$ (0.44)	$ (5.96)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with GAAP store asset impairment charges of $68,396 ($51,657, net of tax) and a gain on sale of real estate and related expenses of $16,847 ($12,807, net of tax). The depreciation expense included within the adjustment to exclude gain on sale of real estate and related expenses is the accelerated depreciation associated with the disposal of fixtures and equipment at each of the store locations included in the sale.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial condition. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.

Exhibit 99.2

Big Lots
Q4 2023 Edited Earnings Call
March 7, 2024

Presenters
Bruce Thorn, President, CEO
Jonathan Ramsden, EVP and Chief Financial Officer
Alvin Concepcion, Vice President of Investor Relations

Q&A Participants
Brad Thomas - Keybanc Capital Markets
Joe Feldman - Telsey Advisory Group
Scott Stringer - Wolf Research

Alvin Concepcion
Good morning, this is Alvin Concepcion, Vice President of Investor Relations at Big Lots. Welcome to the Big Lots Fourth Quarter Conference Call. Currently, all lines are in a listen-only mode. If you require operator assistance, please press star-zero on your telephone keypad. As a reminder, this conference is being recorded.

On the call with me today are Bruce Thorn, President & Chief Executive Officer, and Jonathan Ramsden, Executive Vice President, Chief Financial and Administrative Officer.

Before starting today's call, we would like to remind you that any forward-looking statements made on the call involve risk and uncertainties that are subject to the company's safe harbor provisions as stated in the company's press release and SEC filings, and that actual results can differ materially from those described in the forward-looking statements. We would also like to point out that commentary today is focused on adjusted non-GAAP results. Reconciliations of GAAP to non-GAAP adjusted results are available in today's press release.

The fourth quarter earnings release, presentation, and financial information is available at Biglots.com/corporate/investors.

A question-and-answer session will follow the prepared remarks.

I will now turn the call over to Bruce.

Bruce Thorn
Good morning everyone and thank you for joining us. I'm pleased to report another quarter of sequential improvement in comps and gross margin rate, while continuing to take out costs. For the third quarter in a row, we did what we said we would do, and despite a challenging

macroeconomic environment and well documented weather challenges in January, we finished the year in a much better place than where we started. That said, there's a lot of work to do in 2024, and we are moving aggressively to accelerate our transformation, return to positive comparable sales, and continue to improve our gross margin rate over the course of the year.

Now on to the fourth quarter results and outlook. Overall, we made significant progress on the five key actions that underlie our strategy, which drove our improved operating results. We are confident that continued progress on the five key actions will pave the way for a much improved gross margin in 2024. As a reminder, these five actions are to own bargains, to communicate unmistakable value, to increase store relevance, to win customers for life with our omnichannel efforts, and to drive productivity.

There are three key messages I want to convey this morning:

1. First, progress on our five key actions enabled us to deliver adjusted operating profit growth in Q4, marking the first quarter of adjusted operating profit in two years. We also delivered on our key guidance metrics. Comp sales improved sequentially versus Q3, and within the quarter, with January better than November and December despite the weather challenges in the month. We also had significant year-over-year improvement in the gross margin rate, along with adjusted SG&A well below last year, particularly after taking into account the extra week in the quarter. These results were driven by a combination of a higher penetration of bargains, more newness in our assortment, freight reductions, ongoing cost reduction and productivity efforts, more effective promotions, and a more normalized level of markdowns.
2. Second, we expect quarterly year over year gross margin improvements to continue in 2024, and see a path to positive comparable sales as the year progresses. These improvements will be driven by our five key actions which will continue to gain momentum, and will enter their next phase. This includes realizing most of the $200 million+ of bottom-line opportunities through Project Springboard. We also expect to significantly grow our bargains penetration to 75% of our sales, and within that, have an expanded assortment of extreme bargains. These extreme bargains create a more exciting treasure hunt experience, which will keep our customers coming back to our stores and help drive comparable sales growth. To grow our assortment of extreme bargains, we have been resourcing the business with the right talent and infrastructure needed to accelerate our extreme value sourcing efforts. We're starting to gain customer traction through our extreme bargain offers and have already amassed a steady build of deal flow in our new extreme value pipeline. By leaning in further on our heritage of providing unmistakable value to customers, we will solidify our position as America's Discount Home Store.

3. Third, our efforts to aggressively manage costs, inventory, and capital expenditures, as well as monetize owned assets, have enabled us to maintain liquidity through a challenging period. We took out over $140 million of SG&A during the year, cut capex by almost 60% year over year, reduced inventory by nearly $200 million, and monetized assets worth over $300 million. Our net liquidity at the end of the fourth quarter was $254 million, and we generated significant free cash flow in the fourth quarter, enabling us to reduce our ABL balance. As we look into 2024, we continue to evaluate additional financing options as a normal part of prudently managing our business.

While near-term conditions may remain challenging, we look forward to returning the company to health and prosperity, and believe we are taking the right actions to do that.
I'd like now to circle back to highlight some of the recent progress we've made on the five key actions, which will continue to drive momentum in our business.

As it relates to our first key action, owning bargains:

- Our mix of bargains, which are closeout items, opportunistic buys, and other sourced products where we believe we have a significant comparable price advantage, was nearly 60% of sales in Q4, far exceeding our goal of over 1/3 by the end of the year. We achieved this by procuring products from over-inventoried and distressed retailers and vendors, and through new factory direct sourcing partners domestically and overseas.

- Our next phase is to grow bargains to 75% of our sales, and within that, have an expanded assortment of extreme bargains.

- We're early in our journey on offering more extreme bargains, but we've already had strong sell-through on some of our food offerings such as in coffee and cereal, as well as in hair care, bedding, laundry and cookware. We are pushing hard on sourcing more extreme bargains across our categories. For example, we have recently procured a large, branded consumables closeout which hit our stores in late January. We have made buys from several branded furniture and home furnishings manufacturers as well, which will add more newness and excitement at exceptional prices.

- Our extreme value sourcing team is working in concert with the entire merchandising team integrating new extreme value procurement channels, allowing us to source fresh deals more directly, while minimizing our use of intermediaries. In fact, we recently purchased the full inventory of Hearthsong toys, valued at more than $22 million, through a foreclosure sale without the use of an intermediary. For the first time, our stores will carry Hearthsong's collection of high quality toys, which we'll offer at extreme bargain prices ranging from 50-70% less than original retail. This acquisition has been instrumental in accelerating the extreme value sourcing and cross-organizational execution process for scale. As we continue to build out our extreme value sourcing team, institutionalize new processes, and flex our open to buy, we are quickly expanding our relationship with vendors, both new and existing, and reclaiming our seat at the extreme value table. We are also seeing a steady build of deal flow in our new extreme value pipeline.

As it relates to our second key action, communicating unmistakable value, our recent marketing efforts continue to show promise:

- Customers are recognizing more each day the value of the bargains we offer. As a result of our emphasis on comparable value for our bargains offers, the increased penetration of bargains in our end caps and the drive aisle, and successful campaigns such as Black Friday is Every Friday, Your Deal Your Day, and a Friends and Family event, our net customer value perception score improved nearly 11% year over year in Q4.

- To accelerate our efforts to drive traffic and improve our price perception, we launched a campaign in February called “Bargains to Brag About,” which is designed to reclaim our bargain heritage and emphasizes our best values in furniture, décor, and pantry items through exciting new creative across channels.

- We are leveraging new promotional tools and processes we implemented last year to help us eliminate non-productive promotions, and target our promotional spend where we will see the greatest return, and we expect to continue to accelerate this progress into 2024.

As it relates to our third key action, we continue to focus on increasing store relevance:

- Our ongoing efforts to flex our assortment to capture customer demand are showing encouraging results. As a reminder, we’ve been flexing our assortment by increasing inventory in top performing categories and stores, as well as taking inventory out of bottom performing categories and stores, creating white space opportunities, such as in pet, and optimizing our space with more productive SKUs, particularly in food and consumables.

- It also means introducing more bargains, newness, and trend-right product in our assortment, across all categories. We have been focused on less depth and more breadth in our assortment, so our customers will have to act more quickly and shop more frequently to get these great value products while they’re out there. New products as a share of total SKUs were up year over year in Q4. This is helping, as newness at a great bargain helped drive improvement in our furniture business. As we look forward, 70% of our lawn and garden assortment is new items. We have been testing expanded decorative storage and bath accessories. And we've already locked in great deals for Christmas, with 75% of those items being new.

- Improvement in store execution is also critical to increasing our relevance and there are still many opportunities to retain customers and drive more frequency through our five key actions. Through the leadership of Kristen Cox, our Chief Stores Officer who joined in December, we've identified ways to continue to evolve our store base to better showcase our value instore and online, make it easy for our customers to research and shop the products they want, and inspire customers to browse and buy with better visual merchandising such as building furniture vignettes to showcase the full room, and creating flexibility in aisles and endcaps for promotions and fresh products. We're focused on establishing more consistency in the look and feel of stores, improving store productivity, attracting top talent, and keeping the team inspired in order to make the store experience better for our customers.

<u>As it relates to our fourth key action, we have been improving the customer experience, to help us win customers for life with our omnichannel efforts:</u>

- Our goal is to win customers for life, by attracting them, retaining them, and growing their shopping frequency with us. Our omnichannel platform is a crucial enabler of this, and it differentiates us from our off-price peers. We are constantly looking at customer feedback and finding ways to address areas of improvement.

- In particular, we are focused on improving sales productivity and improving the profitability of the eCommerce channel. We continue to enhance our platform, with special attention to our big-ticket furniture and seasonal products to influence her home shopping journey more positively. In the coming quarters, our customers will be able to browse more of our products online, and our store associates will be armed with new tools to help customers place in-store orders for a more seamless endless aisle experience.
- In Q4, we were excited to launch our first mobile app for customers, allowing them to get their everyday products more quickly and easily. We extended our reach through the addition of UberEats to our suite of marketplace partners during the holiday season. New capabilities and partnerships are helping us engage new and younger customers with our brand.

These four actions will be important traffic drivers in the future. The fifth key action is to drive productivity through structural cost reductions, inventory turns, and capex efficiency.

As I mentioned, we're well on track with these efforts and Jonathan will speak more about what we are doing to drive productivity in a few minutes.

So to sum it up, our five key actions are gaining momentum and have enabled us to again sequentially improve results in the fourth quarter. We are excited to return to comp sales growth as 2024 progresses, driven by continued progress on these key actions, and to significantly improve our gross margin in every quarter versus last year.

I now will make a few comments on specific category performance in the quarter. Seasonal comps modestly improved relative to Q3 on a year-over-year basis, aided by solid sales of Christmas items and extreme bargain features. A sequentially improved sell through rate aided by our efforts to flex assortment, combined with a material reduction in promotional activity versus last year in Seasonal, gave a major boost to our overall gross margin rate.

Our Furniture and Soft Home categories improved sequentially relative to Q3 on a year-over-year basis. In furniture, we saw a significant improvement in Q4 comps, which is a good sign about our comeback in that category. Upholstery performed well with low double-digit comp sales growth, driven by better in-stocks and newness in Broyhill items, as well as lapping the impact from the abrupt closure of what was previously our largest furniture supplier, which created significant headwinds for us beginning in Q4 last year. The improvement in furniture provided a positive halo effect on soft home sales, along with value offerings and new assortments in areas such as accents, décor, and modern styles.

Hard Home had a modest deceleration relative to Q3 on a year-over-year basis due to gaps in our inventory assortment and too few bargain offerings. We have since brought in a new lead for the hard home department with off-price experience to make us more competitive in this category by bringing in more bargains and improving our inventory. Therefore, we expect comp sales to improve in the category as 2024 progresses.

In Food and Consumables, comps modestly improved sequentially relative to Q3 on a year-over-year basis. We are focused on accelerating the penetration of extreme bargains, particularly in the food category, which should drive more significant improvements going forward. For the quarter, Pet was again a standout performer, with positive comp growth, aided by the expansion of our assortment in the Fall.

Before handing over to Jonathan, I'd like to take a moment to once again thank our associates for working hard to improve customer satisfaction this year, despite all the challenges. I'd also like to thank our vendors for their incredible partnership on our journey to bring more exciting products at great bargains for our customers, and we look forward to seeing them at our vendor summit in July.

2024 won't be without its own challenges. There will be uncertainties with an election year, fluctuations in interest rates, and potential for supply chain disruptions such as the Red Sea. That said, we will focus on what we can control and continue to manage the business appropriately. I'm confident that we have the right team in place to accelerate the turnaround in our business in 2024.

I will now pass it over to Jonathan, and I will return in a few moments to make some closing comments before taking your questions.

Jonathan Ramsden

Good morning everyone. I would like to once again thank the entire team here at Big Lots for their efforts throughout 2023 which, despite challenges, was a year in which we made significant underlying progress.

For the fourth quarter, as Bruce noted, we were pleased to once again deliver what we said we would. We are confident that the five key actions and the excellent progress we are making on Project Springboard will continue this forward momentum in 2024. We expect quarterly year-over-year improvements to continue through the year, with a path to positive comps as the year progresses, and significant gross margin rate improvement in every quarter versus last year.

I will now provide some more detail on our Q4 results, which I will discuss on an adjusted basis, excluding distribution center closure costs, impairment charges, gains on the sale of real estate and related expenses, fees related to Project Springboard, and an income tax benefit related to the valuation allowance recorded earlier in 2023.

A fourth quarter summary can be found on page 9 of our Quarterly Results presentation.

As expected, comp sales trends improved sequentially relative to the third quarter, driven by more favorable comparisons and improvements in our furniture and soft home businesses.

Q4 net sales were $1.43 billion, a 7.2% decrease compared to $1.54 billion a year ago, driven by a comparable sales decrease of 8.6%, which was in line with our guidance range in spite of the weather challenges in January. We posted a sequential improvement in comp sales in January relative to November and December due in part to momentum in our furniture and soft home business, as well as easier prior year comparisons as we lapped the adverse impact from product shortages due to the closure of United Furniture, which primarily affected January in the fourth quarter of last year. The impact of the 53rd week benefitted our Q4 sales by approximately $67 million and contributed approximately 430 basis points to our sales growth. This was offset by a net reduction in store count, which had an unfavorable impact of approximately 290 basis points.

Our fourth quarter adjusted net loss was $8.3 million, resulting in an adjusted diluted loss per share for the quarter of $0.28.

The gross margin rate for the quarter was 38.0%, up 170 basis points to last year, and in line with our guidance, with the improvement versus last year driven primarily by a reduced level of markdowns, particularly in Seasonal items, and lower freight costs.

Turning to adjusted SG&A, total expenses for the quarter, including depreciation, were $543.4 million, down 3.5% versus $563.2 million last year, in line with our guidance of down low single digits. SG&A included rent of approximately $8 million resulting from our recent sale leaseback, which also had the effect of reducing depreciation expense by around $1 million. SG&A also included additional expenses for the 53rd week. Adjusting for these impacts, underlying SG&A was down high-single-digits. Our strong performance on expenses was driven across multiple line items, and included initial benefits from Project Springboard.

Adjusted operating margin for the quarter was slightly positive. Interest expense for the quarter was $10.8 million, up from $7.4 million in the fourth quarter last year due to higher average amounts drawn on our credit facility and higher interest rates year-over-year.

Adjusted income tax for the quarter was a benefit of $1.5 million. The tax benefit in the fourth quarter was primarily the result of the release of tax reserves due to expirations of statutes of limitation. Recall that in the second quarter, we recorded a valuation allowance against deferred tax assets, resulting from the company being in a three-year cumulative loss position at the end of the quarter. As a result, going forward, we are not able to record a tax benefit related to loss carryforwards until we are in a three-year cumulative income position.

Total ending inventory at cost was down 17.0% to last year at $953.3 million, versus our down mid-teens guidance, and driven by lower on-hand units and lower in-transit inventory.

During the fourth quarter, we opened 3 new stores and closed 39 stores. The openings were all projects we committed to some time back. We ended Q4 with 1,392 stores and total selling square footage of 32.3 million.

Capex for the quarter was $18 million, compared to $32 million last year, resulting in approximately $63 million for the full year versus our guidance of $75 million, and down almost 60% from last year. Depreciation expense in the quarter was $34.1 million, down from $43.4 million last year.

We ended the fourth quarter with $46.4 million of Cash and Cash Equivalents, similar to the third quarter. At the end of the fourth quarter, we had $406.3 million of long-term debt, a reduction from $533.0 million in the third quarter.

On a full year basis, we had sales of $4.7 billion, which was down 13.5% on a comparable basis to 2022, with 140 basis points of growth driven by the 53rd week, offset by a negative impact of 150 basis points due to net store closures. Our full year adjusted operating loss of 7.3% was down 350 basis points to last year. Adjusted operating loss of $342.7 million compared to a 2022 adjusted operating loss of $210.0 million although, as noted, we achieved an adjusted operating profit and year over year improvement in Q4.

Turning to the outlook, we continue to expect sequential comp sales improvement in the first quarter into the negative mid-single-digit range, as our five key actions continue to gain traction, and as we lap more favorable comparisons.

With regard to gross margin, we expect our first quarter gross margin rate to improve year-over-year and to be up between 200 to 250 basis points, sequentially well ahead of the 170 basis point year-over-year improvement in Q4, and driven by reduced markdown activity, lower freight costs, and cost reduction and productivity initiatives.

For Q1, we expect SG&A dollars to be down low-single digits versus 2023. This includes approximately $8 million of rent expense related to the sale/leaseback, which will be partially offset by lower depreciation of around $1 million.

We expect interest expense to be approximately $13 million in Q1.

With regard to capex, we expect 2024 to be in line with or somewhat below 2023, with necessary IT investments offsetting lower store openings.

We continue to expect four store openings in 2024, all of which will be in the third quarter. Three of these projects were originally slated for 2023, and one is due to a relocation of a store where we are losing our lease. In general, all new store commitments remain on hold until our business situation improves. We expect full year depreciation of around $136 million, including approximately $34 million in Q1.

We expect a share count of approximately 29.4 million for Q1.

We expect Q1 total inventory to be down low teens, representing a very favorable turn improvement as we continue our aggressive approach to managing inventory levels. About half of the inventory decline will be driven by lower average unit costs.

Again, all of our commentary on Q1 excludes the potential impact of impairment charges and other items, including distribution center closure costs, gains on the sale of real estate and related expenses, and consulting fees related to Project Springboard.

I'd now like to spend a few moments to provide more details on our cost reduction and productivity efforts.

In 2023, we delivered over $140 million of SG&A savings, including initial benefits from Project Springboard, coming in well above target. Overall, we are progressing in line with plan on Project Springboard, and delivered $35 million in savings across gross margin and SG&A in the back half of 2023, above our initial estimate. We are targeting an incremental benefit of around $140 million in 2024 and further benefits in 2025 that will take us to, and hopefully beyond, our overall goal of at least $200 million of cumulative benefits. As a reminder, in total, we expect approximately 40% of Project Springboard benefits to come from COGS reduction, approximately 40% from other gross margin-driving initiatives, and approximately 20% from SG&A.

Turning to liquidity, we ended the quarter with $254 million of net liquidity, similar to Q3. As Bruce mentioned, we continue to evaluate further actions to bolster our liquidity as we navigate through what remains a challenging environment. We have the ability to monetize up to $200 million of remaining owned assets, either through using them as collateral for additional financing, or through outright sales in the case of certain assets.

Turning back to our overall outlook, we believe we are in a strong position to return the company to comp sales growth and significantly improve profitability over the course of the year as we continue to execute on our five key actions. We expect to continue to make progress in turning around our business, lowering our costs, managing capital, and once again finishing the year in a much better place than where we started.

I will now turn the call back over to Bruce.

Bruce Thorn
Thank you, Jonathan. If we cut through all the noise in the market right now, one thing is clear. Our momentum continues to improve, and we once again delivered despite a challenging consumer environment. The key drivers of our improvement have been and will continue to be the five key actions, which will enable us to return to growth and profitability. And until then, we will continue to focus on strengthening our balance sheet to allow us to weather the current macroeconomic challenges.

I'll now turn the call back over to the Moderator so that we can begin to address your questions. Thank you.

Operator
Thank you. My apologies. We will now be conducting your question and answer session. If you'd like to be placed into the question queue, please press "*" "1" on your telephone keypad and a confirmation tone indicate that your line is in the question queue. You may press "*" "2" if you'd like to remove your question from the queue. For participants using speaker equipment, it might be necessary to pick up your handset before pressing "*" "1." Once again to be placed into the

question queue, please press “*” “1” at this time. One moment, please while we poll for questions. Thank you. And our first question today comes from the line of Brad Thomas with Keybanc Capital Markets. Please proceed with your question.

Brad Thomas
Good morning. Thanks for taking my question. I want to kick off with just a couple of questions on the outlook for sales. Bruce, you touched on this a good deal on your prepared remarks. But as we think about the quarters ahead here, I was hoping you could talk a little bit more about the categories that you're the most optimistic about in helping you drive improvements in the results.

Bruce Thorn
We expect quarterly year over year improvements to continue driven by our five points forward, which are again to own bargains, to communicate unmistakable value, increase our store relevance, winning customers for life through omnichannel, and driving our productivity.

I think the first and foremost is the season we're in right now, our lawn and garden seasonal. We've done a nice job bringing newness to that category. 70% of the product that we've got going in there right now is new. It's priced right. Great bargain. It's always done well. We believe it's a good trade down opportunity. I think our lawn and garden patio sets are the best out there at great value.

I also think having our furniture back in stock with Broyhill and Real Living is a key aspect of our growth going into 2024. We're seeing a Broyhill sectional sofa priced at $1,400 is one of our key items that's selling right now, one of our top items that’s selling right now, which is really exciting for us. And what's interesting about the growth of Broyhill and getting that furniture back in line is that 16% of Broyhill customers are actually new to file and 49% of them return for a second purchase. So we're excited about that.

I'm also excited about the new products we have in Soft Home, Hard Home. Hard Home in Q4 was a little bit depressed from Q3. We've got a new leader in that area. She comes from the off-price world. I'm excited about the new products she's bringing in, all the bargains, extreme bargains coming into that area and Soft Home is already starting to perform better and gives the halo effect as furniture continues to build.

And then in terms of the everyday essentials, food and consumables, we're getting a nice penetration of bargains and extreme bargains in those areas, which is exactly what our customers need in this tough economic environment. So as we go through Q1, 2, and 3 and 4, we’ll grow that penetration, which is going to give our customers more reason to visit us more frequently.

So I'm excited about the work the merchandising team’s doing. I'm excited about our extreme bargain, extreme value team growing. They're meeting with the merchants, growing every day. Our pipeline of bargains, extreme bargains is growing every day. In fact, that pipeline for Q1 already has over $100 million of original retail value that we'll be bringing to our customers. So

I'm excited about what the team has in store, and the way that we are communicating it with our Bargains to Brag About as exciting and the test results show very well. I think that's just going to build. That campaign is going to get it out to the customers.

Jonathan Ramsden
Hey, Brad. I would just add, and we've referenced this in prior calls, but if you look at our furniture business, where we ended 2024 is down roughly 25% to just 2019. And the units are actually down more because the AURs are up relative to 2019. So we don't know exactly when that's all going to turn around, but we do think that's going to become a major tailwind for us over time as that furniture business picks back up driven by interest rates coming down and more people moving and so on. We do think that's a big opportunity.

Bruce Thorn
And in 2019, we didn't even have Broyhill.

Brad Thomas
That's all very helpful. Thank you. And as a follow up to that, and Jonathan, you just touched on this, I was hoping we could talk about ticket and traffic and what you've been seeing and how you expect that to evolve as drivers in 2024. And then, maybe specifically as it relates to that, how if at all, are you seeing you know, some of the deflation starting to come up in some categories, influence tickets? Thanks.

Jonathan Ramsden
Yeah. Hey, Brad. Yeah, so traffic was the primary driver of comp trend evolution during 2023. The traffic comps and the overall comps were pretty strongly correlated. You know, we do anticipate continued sequential improvement traffic trends along with our overall comp trends through 2024. And we expect that it's going to be driven by extreme bargains and all the other initiatives that Bruce just enumerated, including the vocal marketing about our unmistakable value. So yeah, we do foresee traffic continuing to improve through 2024.

Brad Thomas
Great. And is there anything notable from inflation deflation happening within the mix right now? I know it may be hard, because you're changing out what you're selling, hard to tell exactly what's happening like for like. But what are you seeing from that perspective?

Jonathan Ramsden
Yeah, Brad, there's always a lot of mix impacts, which make our overall AUR a little hard to read. What I think is happening importantly in our business is we're getting AUCs down significantly, which gives us more flexibility on AURs. So we're starting to see AUCs run significantly negative year over year in the first quarter. And we expect that to continue through the year as we leverage the Project Springboard benefits and, in fact, accelerate those benefits.

So that gives us more latitude around AUR, but there's a lot of mix effects and having more extreme bargains and closeouts in there also create some noise around how to interpret any pure year over year change in AUR. But I think the important point, again, is that we're getting AUCs down on a year over year basis.

Bruce Thorn
I'd also add that, you know, on the core home categories and furniture, we are able to restore the opening price points and maintain those, augmenting it with extreme bargains and bargains and the opening price points are getting good sell through.

Brad Thomas
All very helpful. Thank you so much.

Bruce Thorn
Thanks, Brad.

Operator
Thank you. If you'd like to ask a question at this time, please press "*" "1" from your telephone keypad. Our next question will be coming from the line of Joe Feldman with Telsey Advisory Group. Please proceed with your questions.

Joe Feldman
Great. Good morning, guys. Thanks for taking the questions. Can we talk a little bit more about the cadence of the year? It seems like you're entering this year a little bit better, as you described. And when you talk about getting kind of back to flat, like should we think about that more--or even positive, I should say, positive comp. Is that fourth quarter? Is it earlier in the year? Like, what would the slope of the year look like? And maybe you could share some puts and takes related to that.

Jonathan Ramsden
Yeah. Hey, Joe. I'll take took a first pass of that, and then Bruce may want to add some comments. Yeah, we expect continued sequential improvement in comps through the year. And as we've said in our prepared remarks, we expect to turn positive during the year. We're not calling when that will be. But we're obviously shooting to get there as quickly as we can.

The year over year improvements are, again, driven by all the things that Bruce just referenced, including extreme bargains being a driver, Project Springboard helps us on the top line. We've got some United Furniture benefit that we're getting in the early part of the year. And then all the other initiatives around the five points are what we see helping. And then, eventually, we expect to get some help from the from the macro, but we're not counting on a significant change in the in the macro backdrop in 2024.

Bruce Thorn

I'd add that, you know, when you think about '23, we set a goal for extract for bargains to be 33% of our assortment, we exceeded that, came into the year with 60%. That's going to grow to over 75% in 2024. We think as that grows through the year, with a subset of that being extreme bargains, which are priced significantly below the price leaders out there, that's going to add to it.

And we just launched this Bargains to Brag About campaign, which helps us now that we've worked so hard in sourcing the product, we've got to get the word back out there that we're back in the bargain business, off price business and owning the trips of furniture, décor, and pantry that we're able to own. So I think that's going to build over time. The content was important to get right first, and now the marketing, the messaging is key. So that'll build.

Joe Feldman
Thank you guys for that. And actually, Bruce, on that front, that was the other part of the question I wanted to ask. Can you define a little more, like, my understanding is the bargains is 20 to 25% less on everyday items, and then--or everyday prices. And then extreme is 50% lesser or more than 50%. And I guess, if that's the case, I guess I kind of always thought you guys were always 20 to 25% less than most of your products. So maybe you can help us to rethink how you're defining bargains versus what previously was happening.

Bruce Thorn
It's a good question, Joe. I think the best way to look at this is that a typical bargain is going to be priced significantly below most retailers. And it depends really on the category where you're competing, and what the customer sees as a bargain. And in some cases, it can be 20%. In some cases that can be 10% if you're talking about food and consumables and tighter differentiations or comps.

An extreme bargain is going to be priced significantly below the price leaders, everyday low price price leaders. And once again, that can vary by category. You know, a bag of Doritos priced at one of those price leaders, you get a 10% or 20% on that, it's extreme bargain. Whereas over in furniture, the way we source direct or get a closeout from a factory overseas can be up to 50%.

So, you know, I understand the guidelines that you're using, but it's really comes through in the customers eyes is what she sees as a bargain and extreme bargain. And obviously, we want to get as many extreme bargains out there as possible. But the bargain business is good business, too. Because both of them are accretive and drive productivity and the rules we use to measure them to ensure that we can get the right value to the customer and make good profit off of it is key for us.

But that's the best way to look at it. In the past, if you recall, prior to this leadership team, the move from closeout, if you will, to everyday essentials and having a never out stock took a lot of the competition out of the Big Lots assortment. And so we've strived to get that back. Back in 2019, you know, the closeout or extreme bargain, or bargain even, was under 10% penetration of the box. And now we're moving that in the right direction. So that's the best way I can explain it for you.

Joe Feldman
No, that's very helpful. Thank you guys very much and good luck with this first quarter.

Bruce Thorn
Thank you, Joe.

Operator
Thank you. If you'd like to ask a question today, please press “*” “1” from your telephone keypad. Our next question comes from the line of Scott Stringer with Wolf Research. Please proceed with your questions.

Scott Stringer
Hey, guys. Thanks for the time. I just had a quick question on if there's any gross margin difference between extreme bargain product sales and the rest of the product sales. I know you've talked about they're more focused on the consumable side. So maybe that's just higher mix there is a potential headwind to margins, but accretive to gross profit dollars. How should we just think about all that? Thanks.

Jonathan Ramsden
Yeah. Hey, Scott. Yeah, overall we expect extreme bargains to be accretive on a gross margin rate basis. That's particularly the case in food and consumables. More generally across categories, we expect that to be the case. You know, we have plans obviously by category for the year, which bake in sales margin, inventory turn assumptions, and then we have a bar that when we're bringing in closeouts, we've got to be improving those metrics, particularly around GMROI, which is a key metric which we're using to evaluate closeouts as they become a bigger part of the mix.

Scott Stringer
That's super helpful. That's all I have for now. Thanks.

Jonathan Ramsden
Thanks, Scott.

Operator
Thank you. That does conclude today's teleconference and webcast. A replay of this call will become available. You can access the replay until March 21 by dialing toll free 877-660-6853 and enter replay confirmation 13744496 followed by the “#” sign. The toll number is 201-612-7415. Replay confirmation number is 13744496 followed by the “#” sign. You may now disconnect and have a great day. We thank you for your participation.

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QUARTERLY RESULTS PRESENTATION

Fourth Quarter 2023

FORWARD-LOOKING STATEMENTS

Certain statements in this presentation are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, and such statements are intended to qualify for the protection of the safe harbor provided by the Act. The words "anticipate," "estimate," "continue," "could," "approximate," "expect," "objective," "goal," "project," "intend," "plan," "believe," "will," "should," "may," "target," "forecast," "guidance," "outlook," and similar expressions generally identify forward-looking statements. Similarly, descriptions of our objectives, strategies, plans, goals or targets are also forward-looking statements. Forward-looking statements relate to the expectations of management as to future occurrences and trends, including statements expressing optimism or pessimism about future operating results or events and projected sales, earnings, capital expenditures and business strategy. Forward-looking statements are based upon a number of assumptions concerning future conditions that may ultimately prove to be inaccurate. Forward-looking statements are and will be based upon management's then-current views and assumptions regarding future events and operating performance, and are applicable only as of the dates of such statements. Although we believe the expectations expressed in forward-looking statements are based on reasonable assumptions within the bounds of our knowledge, forward-looking statements, by their nature, involve risks, uncertainties and other factors, any one or a combination of which could materially affect our business, financial condition, results of operations or liquidity.

Forward-looking statements that we make herein and in other reports and releases are not guarantees of future performance and actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including, but not limited to, the current economic and credit conditions, inflation, the cost of goods, our inability to successfully execute strategic initiatives, competitive pressures, economic pressures on our customers and us, the availability of brand name closeout merchandise, trade restrictions, freight costs, the risks discussed in the Risk Factors section of our most recent Annual Report on Form 10-K, and other factors discussed from time to time in our other filings with the SEC, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. This presentation should be read in conjunction with such filings, and you should consider all of these risks, uncertainties and other factors carefully in evaluating forward-looking statements.

You are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update forward-looking statements, whether as a result of new information, future events or otherwise. You are advised, however, to consult any further disclosures we make on related subjects in our public announcements and SEC filings.

CEO COMMENT

For the third quarter in a row, we did what we said we would do, and despite a challenging macroeconomic environment and well documented weather challenges in January, we finished the year in a much better place than where we started. That said, there's a lot of work to do in 2024, and we are moving aggressively to accelerate our transformation, return to positive comparable sales, and continue to improve our gross margin rate over the course of the year.

For Q4, as we announced on February 12, we delivered on our guidance for comparable sales, gross margin rate, operating expenses, and inventory. We believe progress on the five key actions that underlie our strategy, which are to own bargains, communicate unmistakable value, increase store relevance, win customers for life with our omnichannel efforts, and drive productivity, enabled us to deliver adjusted operating profit growth in Q4, marking the first quarter of adjusted operating profit in two years.

Our efforts to aggressively manage costs, inventory, and capital expenditures, as well as monetize owned assets, have enabled us to maintain liquidity through a challenging period. As we look into 2024, we continue to evaluate additional financing options as a normal part of prudently managing our business.

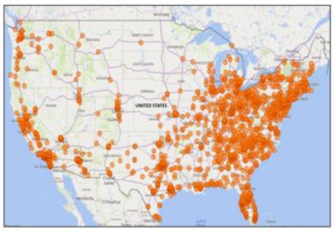
While near-term conditions may remain challenging, we look forward to returning the company to health and prosperity, and believe we are taking the right actions to do that.

Bruce Thorn, President & CEO

FOURTH QUARTER RESULTS

BIG LOTS AT A GLANCE

National Store Footprint

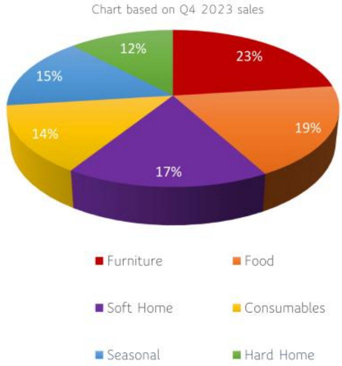


1,392 Stores in 48 States

Strong Omnichannel Capabilities

Industry-leading delivery options, easy checkout, and multiple payment types to win customers for life

Diversified Category Mix



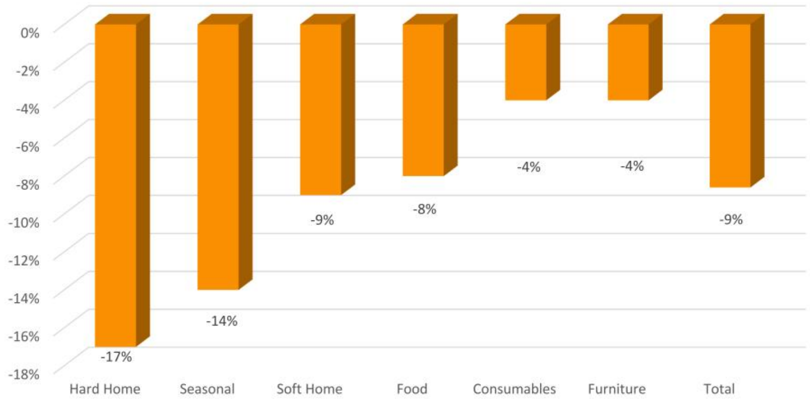
FOURTH QUARTER SUMMARY

-8.6% Comps	38.0% Gross margin	-17.0% Inventory vs. LY	-3.5% Adjusted operating expense[1] vs. LY
Inline with Guidance	Inline with Guidance, Up 170bps vs. LY	Inline with Guidance, Strong turn improvement	Inline with Guidance

[1] Adjusted Operating Expenses are comprised of adjusted Selling and Administrative Expenses and Adjusted Depreciation Expense. Adjusted 2023 results are non-GAAP financial measures. A reconciliation of reported GAAP results to the adjusted non-GAAP results is included in the appendix.

Q4 2023 COMP SALES BY CATEGORY

Significant Sequential Improvements Relative to Q3 in Furniture/Soft Home



Note: In the Q4 2023, we realigned our merchandise categories and eliminated our Apparel, Electronics, & Other merchandise category. We have reallocated the departments that previously comprised Apparel, Electronics, & Other into the following merchandise categories: Hard Home, Soft Home, Consumables, and Food.

YEAR-OVER-YEAR INVENTORY REDUCTION

Inventory Managed Down More than Q4 Sales

ADJUSTED Q4 2023 INCOME STATEMENT

(In thousands, except for earnings per share)

	Q4 2023	Q4 2022	Change vs. 2022
Net Sales	$1,432,484	$1,543,113	(7.2%)
Gross Margin	544,443	560,901	
Gross Margin Rate	38.0%	36.3%	170 bps
Adjusted Operating Expenses(1)(2)	543,380	563,049	
Adjusted Operating Expense Rate(2)	37.9%	36.5%	140 bps
Adjusted Operating Profit (Loss)(2)	$1,063	($2,334)	
Adjusted Operating Profit (Loss) Rate(2)	0.1%	(0.2%)	30 Bps
Adjusted Diluted (Loss) Earnings Per Share(2)	($0.28)	($0.28)	
Diluted Weighted Average Shares	29,217	28,957	

(1) Adjusted Operating Expenses are comprised of adjusted Selling and Administrative Expenses and Adjusted Depreciation Expense.
(2) Adjusted 2023 and 2022 results are non-GAAP financial measures. A reconciliation of reported GAAP results to the adjusted non-GAAP results is included in the appendix.

ADJUSTED FY 2023 INCOME STATEMENT

(In thousands, except for earnings per share)

	FY 2023	FY 2022	Change vs. 2022
Net Sales	$4,722,099	$5,468,329	(13.6%)
Gross Margin	1,686,611	1,913,503	
Gross Margin Rate	35.7%	35.0%	70 bps
Adjusted Operating Expenses(1)(2)	2,029,300	2,123,454	
Adjusted Operating Expense Rate(2)	43.0%	38.8%	420 bps
Adjusted Operating Loss(2)	($342,689)	($209,951)	
Adjusted Operating Loss Rate(2)	(7.3%)	(3.8%)	(350) Bps
Adjusted Diluted (Loss) Earnings Per Share(2)	($11.30)	($5.96)	
Diluted Weighted Average Shares	29,155	28,860	

(1) Adjusted Operating Expenses are comprised of adjusted Selling and Administrative Expenses, Adjusted Depreciation Expense, and Adjusted Gain on sale of real estate.
(2) Adjusted 2023 and 2022 results are non-GAAP financial measures. A reconciliation of reported GAAP results to the adjusted non-GAAP results is included in the appendix.

CAPITAL ALLOCATION

$900M ABL Credit Facility	Up to $200M Monetizable Assets	~$60M FY2024 CAPEX
Net available liquidity of ~$254M* at end of Q4	Available for use as collateral for additional financing or sale	Inline with or somewhat below FY 2023 spend

*Net liquidity is defined as ABL Credit Facility availability, net of covenant-based borrowing limitations, plus Cash and Cash Equivalents.

GUIDANCE

Q1 2024 GUIDANCE

COMP SALES	GROSS MARGIN IMPROVEMENT	SG&A REDUCTION
Down mid-single-digit range; continued sequential improvement	Significant improvement versus last year, up between 200-250 basis points	Down low single-digit range, inclusive of sale/leaseback

5 KEY ACTIONS

1. **Own bargains,** with **75% penetration** by the end of 2024; within that, an expanded assortment of **extreme bargains**
2. **Communicate unmistakable value**
3. **Increase store relevance**
4. **Win customers for life with our omnichannel efforts**
5. **Drive productivity**

PROJECT SPRINGBOARD

$200M+
Bottom-line opportunities

Cumulative benefit of ~$175M by end of 2024

~40%
of savings in COGS

~40%
of savings in other gross margin items

Inventory optimization, marketing, pricing & promotions

~20%
of savings in SG&A

Store & field operations, supply chain, general office

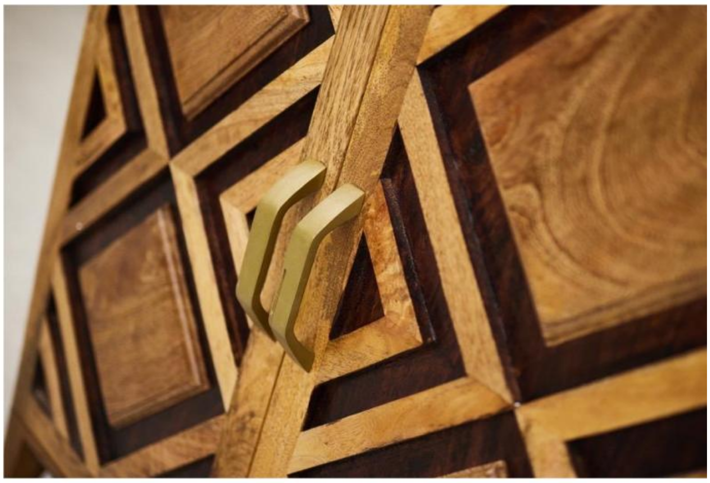
WRAP-UP


80%
LESS
COMP VALUE
NEW YORK
& COMPANY
MORE
GREAT
BARGAINS
COMING!
UP TO
50%
LESS
COMP VALUE
MASTERPAN
feel like a chef
70%
LESS
COMP VALUE

Q4 WRAP UP

- Comparable sales decline of 8.6% in Q4, in line with our guidance range; GAAP EPS of -$1.05, with adjusted EPS loss of -$0.28 due to year-over-year sales decline and continued cost pressures
- Successfully reduced inventory, down more than sales
- Comps will continue to improve sequentially in Q1; focused on unlocking additional sales opportunities (e.g., more bargains and extreme bargains, exciting assortment, clearer value communication)
- Q1 gross margin continues to improve vs. last year, driven by more normalized markdown activity, lower freight costs, and cost savings initiatives
- Continue advancing five key actions to drive improvements through 2024, with a path to positive comparable sales
- Project Springboard on track to deliver bottom-line opportunity of $200M+ in gross margin/SG&A; cumulative benefit of $175M expected to be realized by the end of 2024
- Maintained liquidity through a challenging period; will continue to evaluate additional financing options as a normal part of prudently managing our business
- Look forward to returning the company to health and prosperity, and are taking the right actions to do that

APPENDIX



FOURTH QUARTER 2023 GAAP TO NON-GAAP RECONCILIATION

($ in thousands, except for earnings per share)

	As Reported	Adjustment to exclude forward distribution center ("FDC") contract termination costs and related expenses	Adjustment to exclude store asset impairment charges	Adjustment to exclude gain on sale of real estate and related expenses	Adjustment to exclude fees related to a cost reduction and productivity initiative	Adjustment to exclude initial valuation allowance on deferred tax assets	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 535,249	$ (2,168)	$ (11,724)	$ -	$ (11,495)	$ -	$ 509,862
Selling and administrative expense rate	37.4%	(0.2%)	(0.8%)	-	(0.8%)	-	35.6%
Gain on sale of real estate	(551)	-	-	551	-	-	-
Gain on sale of real estate rate	(0.0%)	-	-	0.0%	-	-	-
Operating profit (loss)	(23,773)	2,168	11,724	(551)	11,495	-	1,063
Operating profit (loss) rate	(1.7%)	0.2%	0.8%	(0.0%)	0.8%	-	0.1%
Income tax benefit (1)	(3,904)	-	-	563	-	1,846	(1,495)
Effective income tax rate	11.3%	-	-	0.9%	-	3.1%	15.3%
Net loss	(30,709)	2,168	11,724	(1,114)	11,495	(1,846)	(8,282)
Diluted earnings (loss) per share	$ (1.05)	$ 0.07	$ 0.40	$ (0.04)	$ 0.39	$ (0.06)	$ (0.28)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating (loss) profit, adjusted operating (loss) profit rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") FDC contract termination costs and related expenses of $2,168, store asset impairment charges of $11,724, a gain on sale of real estate and related expenses of $551 ($1,114, net of tax), fees related to a cost reduction and productivity initiative which we refer to as "Project Springboard" of $11,495, and an adjustment to our valuation allowance of which a portion was attributable to the initial valuation allowance on deferred tax assets recorded in the second quarter of 2023 of $1,846.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial condition. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.

FOURTH QUARTER 2022 GAAP TO NON-GAAP RECONCILIATION

	As Reported (Recast)	Adjustment to exclude store asset impairment	Adjustment to exclude gain on sale of real estate and related expenses (Recast)	As Adjusted (non-GAAP) (Recast)
Selling and administrative expense	$ 544,486	$ (22,568)	$ -	$ 521,918
Selling and administrative expense	35.3%	(1.5%)	-	33.8%
Depreciation expense	43,051	-	(1,734)	41,317
Depreciation expense rate	2.8%	-	(0.1%)	2.7%
Gain on sale of real estate	(18,581)	-	18,581	-
Gain on sale of real estate rate	(1.2%)	-	1.2%	-
Operating loss	(8,055)	22,568	(16,847)	(2,334)
Operating loss rate	(0.5%)	1.5%	(1.1%)	(0.2%)
Income tax benefit	(2,958)	5,408	(4,040)	(1,590)
Effective income tax rate	19.2%	(1.6%)	(1.2%)	16.4%
Net loss	(12,463)	17,160	(12,807)	(8,110)
Diluted earnings (loss) per share	$ (0.43)	$ 0.59	$ (0.44)	$ (0.28)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") store asset impairment charges of $22,568 ($17,160, net of tax) and a gain on sale of real estate and related expenses of $16,847 ($12,807, net of tax). The depreciation expense included within the adjustment to exclude gain on sale of real estate and related expenses is the accelerated depreciation associated with the disposal of fixtures and equipment at each of the store locations included in the sale.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial conditions. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.

FY 2023 GAAP TO NON-GAAP RECONCILIATION

($ in thousands, except for earnings per share)

	As Reported	Adjustment to exclude synthetic lease exit costs and related expenses	Adjustment to exclude forward distribution center ("FDC") contract termination costs and related expenses	Adjustment to exclude store asset impairment charges	Adjustment to exclude gain on sale of real estate and related expenses	Adjustment to exclude fees related to a cost reduction and productivity initiative	Adjustment to exclude initial valuation allowance on deferred tax assets	As Adjusted (non-GAAP)
Selling and administrative expenses	$ 2,141,927	$ (53,610)	$ (15,537)	$ (148,595)	$ -	$ (31,359)	$ -	$ 1,892,826
Selling and administrative expense r	45.4%	(1.1%)	(0.3%)	(3.1%)	-	(0.7%)	-	40.1%
Depreciation expense	144,504	-	(8,030)	-	-	-	-	136,474
Depreciation expense rate	3.1%	-	(0.2%)	-	-	-	-	2.9%
Gain on sale of real estate	(212,463)	-	-	-	212,463	-	-	-
Gain on sale of real estate rate	(4.5%)	-	-	-	4.5%	-	-	-
Operating loss	(387,357)	53,610	23,567	148,595	(212,463)	31,359	-	(342,689)
Operating loss rate	(8.2%)	1.1%	0.5%	3.1%	(4.5%)	0.7%	-	(7.3%)
Income tax expense (benefit)	49,768	13,830	4,810	20,210	(2,019)	1,272	(146,004)	(58,133)
Effective income tax rate (1)	(11.5%)	(3.4%)	(1.2%)	(5.0%)	0.5%	(0.3%)	35.9%	15.0%
Net loss	(481,876)	39,780	18,757	128,385	(210,444)	30,087	146,004	(329,307)
Diluted earnings (loss) per share	$ (16.53)	$ 1.36	$ 0.64	$ 4.40	$ (7.22)	$ 1.03	$ 5.01	$ (11.30)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax expense (benefit), adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with GAAP synthetic lease exit costs and related expenses of $53,610 ($39,780, net of tax), FDC contract termination costs and related expenses of $23,567 ($18,757, net of tax), store asset impairment charges net of liability extinguishment for terminated leases of previously impaired stores of $148,595 ($128,385, net of tax), a gain on sale of real estate and related expenses of $212,463 ($210,444, net of tax), fees related to a cost reduction and productivity initiative which we refer to as "Project Springboard" of $31,359 ($30,087, net of tax), and an initial valuation allowance on deferred tax assets of $146,004 recorded in the second quarter of 2023, and subsequently adjusted in the fourth quarter of 2023.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial condition. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.

FY 2022 GAAP TO NON-GAAP RECONCILIATION

($ in thousands, except for earnings per share)

	As Reported (Recast)	Adjustment to exclude store asset impairment	Adjustment to exclude gain on sale of real estate and related expenses (Recast)	As Adjusted (non-GAAP) (Recast)
Selling and administrative expenses	$ 2,040,334	$ (68,396)	$ -	$ 1,971,938
Selling and administrative expense rate	37.3%	(1.3%)	-	36.1%
Depreciation expense	154,859	-	(1,734)	153,125
Depreciation expense rate	2.8%	-	(0.0%)	2.8%
Gain on sale of real estate	(20,190)	-	18,581	(1,609)
Gain on sale of real estate rate	(0.4%)	-	0.3%	(0.0%)
Operating loss	(261,500)	68,396	(16,847)	(209,951)
Operating loss rate	(4.8%)	1.3%	(0.3%)	(3.8%)
Income tax benefit	(69,709)	16,739	(4,040)	(57,010)
Effective income tax rate	24.9%	0.0%	0.0%	24.9%
Net loss	(210,708)	51,657	(12,807)	(171,858)
Diluted earnings (loss) per share	$ (7.30)	$ 1.79	$ (0.44)	$ (5.96)

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted depreciation expense, adjusted depreciation expense rate, adjusted gain on sale of real estate, adjusted gain on sale of real estate rate, adjusted operating loss, adjusted operating loss rate, adjusted income tax benefit, adjusted effective income tax rate, adjusted net loss, and adjusted diluted earnings (loss) per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with GAAP store asset impairment charges of $68,396 ($51,657, net of tax) and a gain on sale of real estate and related expenses of $16,847 ($12,807, net of tax). The depreciation expense included within the adjustment to exclude gain on sale of real estate and related expenses is the accelerated depreciation associated with the disposal of fixtures and equipment at each of the store locations included in the sale.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial condition. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.