

Burlington Stores, Inc.
Form 10-Q
November 23, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended October 29, 2016

OR

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

For the transition period from _____ to _____.

Commission File Number 001-36107

BURLINGTON STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware	80-0895227
(State or Other Jurisdiction of	(I.R.S. Employer
Incorporation or Organization)	Identification No.)
2006 Route 130 North	
Burlington, New Jersey	08016
(Address of Principal Executive Offices)	(Zip Code)

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Registrant's Telephone Number, Including Area Code: (609) 387-7800

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-Accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

The number of shares of registrant's common stock outstanding as of October 29, 2016: 70,597,057.

BURLINGTON STORES, INC.

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements

BURLINGTON STORES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(All amounts in thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October	October	October	October
	29,	31,	29,	31,
	2016	2015	2016	2015
REVENUES:				
Net sales	\$1,342,600	\$1,230,886	\$3,880,322	\$3,558,162
Other revenue	6,447	7,783	18,324	22,998
Total revenue	1,349,047	1,238,669	3,898,646	3,581,160
COSTS AND EXPENSES:				
Cost of sales	789,858	741,584	2,316,162	2,150,430
Selling, general and administrative expenses	451,072	416,205	1,261,559	1,175,491
Costs related to debt amendments and secondary offering	—	—	1,346	247
Stock option modification expense	106	324	520	1,120
Depreciation and amortization	46,472	43,186	136,630	127,087
Impairment charges-long-lived assets	—	—	109	1,903
Other income—net	(1,473)	(1,680)	(7,361)	(4,142)
Loss on extinguishment of debt	—	—	3,805	649
Interest expense	13,159	14,792	43,196	44,192
Total costs and expenses	1,299,194	1,214,411	3,755,966	3,496,977
Income before income tax expense	49,853	24,258	142,680	84,183
Income tax expense	17,449	9,142	52,368	32,474
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Net income per common share:				
Common stock - basic	\$0.46	\$0.20	\$1.28	\$0.69
Common stock - diluted	\$0.45	\$0.20	\$1.25	\$0.68
Weighted average number of common shares:				
Common stock - basic	70,347	74,115	70,757	74,759
Common stock - diluted	71,597	75,394	72,002	76,135

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(All amounts in thousands)

	Three Months Ended		Nine Months Ended	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Other comprehensive income (loss), net of tax:				
Interest rate cap contracts:				
Net unrealized gains (losses) arising during the period	239	(3,358)	(3,054)	(4,179)
Reclassification into earnings during the period	442	55	860	79
Other comprehensive income (loss), net of tax:	681	(3,303)	(2,194)	(4,100)
Total comprehensive income	\$33,085	\$11,813	\$88,118	\$47,609

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(All amounts in thousands, except share and per share data)

	October 29, 2016	January 30, 2016	October 31, 2015
ASSETS			
Current assets:			
Cash and cash equivalents	\$32,799	\$20,915	\$28,847
Restricted cash and cash equivalents	27,800	27,800	27,800
Accounts receivable—net	59,757	38,571	49,018
Merchandise inventories	822,469	783,528	934,011
Deferred tax assets	—	—	36,934
Prepaid and other current assets	104,051	62,168	68,721
Total current assets	1,046,876	932,982	1,145,331
Property and equipment—net	1,040,297	1,018,570	1,018,188
Tradenames	238,000	238,000	238,000
Favorable leases—net	220,680	238,753	248,210
Goodwill	47,064	47,064	47,064
Other assets	95,203	96,444	99,815
Total assets	\$2,688,120	\$2,571,813	\$2,796,608
LIABILITIES AND STOCKHOLDERS' DEFICIT			
Current liabilities:			
Accounts payable	\$691,971	\$598,199	\$704,187
Other current liabilities	326,114	286,986	327,156
Current maturities of long term debt	1,574	1,403	1,376
Total current liabilities	1,019,659	886,588	1,032,719
Long term debt	1,303,001	1,295,163	1,403,722
Other liabilities	294,740	287,389	272,774
Deferred tax liabilities	206,124	201,695	209,330
Commitments and contingencies (Notes 2, 9, 10 and 11)			
Stockholders' deficit:			
Preferred stock, \$0.0001 par value: authorized: 50,000,000			
shares; no shares issued and outstanding	—	—	—
Common stock, \$0.0001 par value:			
Authorized: 500,000,000 shares;			
Issued: 77,500,291 shares, 76,711,663 shares and 76,597,066			
shares, respectively;			
Outstanding: 70,597,057 shares, 72,071,177 shares and	7	7	7

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73,560,207 shares, respectively

Additional paid-in-capital	1,413,955	1,395,863	1,391,034
Accumulated deficit	(1,185,660)	(1,275,972)	(1,374,745)
Accumulated other comprehensive loss	(11,186)	(8,992)	(5,844)
Treasury stock, at cost	(352,520)	(209,928)	(132,389)
Total stockholders' deficit	(135,404)	(99,022)	(121,937)
Total liabilities and stockholders' deficit	\$2,688,120	\$2,571,813	\$2,796,608

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(All amounts in thousands)

	Nine Months Ended	
	October 29, 2016	October 31, 2015
OPERATING ACTIVITIES		
Net income	\$90,312	\$51,709
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	136,630	127,087
Impairment charges—long-lived assets	109	1,903
Amortization of deferred financing costs	2,052	2,156
Accretion of long term debt instruments	670	609
Deferred income taxes	5,891	(22,001)
Non-cash loss on extinguishment of debt—write-off of deferred financing costs and original issue discount	3,805	649
Non-cash stock compensation expense	11,634	8,237
Non-cash rent	(22,052)	(17,354)
Deferred rent incentives	17,884	18,481
Excess tax benefit from stock based compensation	(11,728)	(10,211)
Changes in assets and liabilities:		
Accounts receivable	(13,671)	(7,430)
Merchandise inventories	(39,518)	(145,303)
Prepaid and other current assets	(37,529)	(13,008)
Accounts payable	88,090	82,505
Other current liabilities	47,510	21,094
Other long term assets and long term liabilities	4,187	3,251
Other operating activities	2,216	1,325
Net cash provided by operating activities	286,492	103,699
INVESTING ACTIVITIES		
Cash paid for property and equipment	(137,643)	(153,720)
Other investing activities	104	4,213
Net cash used in investing activities	(137,539)	(149,507)
FINANCING ACTIVITIES		
Proceeds from long term debt—ABL Line of Credit	1,286,100	1,173,200
Principal payments on long term debt—ABL Line of Credit	(1,279,200)	(960,300)
Proceeds from long term debt—Term B-4 Loans	1,114,208	—
Principal payments on long term debt—Term B-3 Loans	(1,117,000)	(50,000)
Proceeds from sale of interest rate cap contracts	—	1,169
Purchase of treasury shares	(151,781)	(124,131)
Proceeds from stock option exercises	3,919	1,926
Excess tax benefit from stock based compensation	11,728	10,211
Other financing activities	(5,043)	(2,769)
Net cash (used in) provided by financing activities	(137,069)	49,306

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Increase in cash and cash equivalents	11,884	3,498
Cash and cash equivalents at beginning of period	20,915	25,349
Cash and cash equivalents at end of period	\$32,799	\$28,847
Supplemental disclosure of cash flow information:		
Interest paid	\$40,623	\$43,499
Income tax payments - net	\$62,548	\$54,264
Non-cash investing activities:		
Accrued purchases of property and equipment	\$26,045	\$27,256

See Notes to Condensed Consolidated Financial Statements.

BURLINGTON STORES, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

October 29, 2016

(UNAUDITED)

1. Summary of Significant Accounting Policies

Basis of Presentation

As of October 29, 2016, Burlington Stores, Inc. and its subsidiaries (the Company), a Delaware Corporation, through its indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC), operated 592 retail stores, inclusive of an internet store.

These unaudited Condensed Consolidated Financial Statements include the accounts of Burlington Stores, Inc. and its subsidiaries. All inter-company accounts and transactions have been eliminated in consolidation. The Condensed Consolidated Financial Statements are unaudited, but in the opinion of management reflect all adjustments (which are of a normal and recurring nature) necessary for the fair presentation of the results of operations for the interim periods presented. Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted. These Condensed Consolidated Financial Statements should be read in conjunction with the audited Consolidated Financial Statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2016 (Fiscal 2015 10-K). The balance sheet at January 30, 2016 presented herein has been derived from the audited Consolidated Financial Statements contained in the Fiscal 2015 10-K. Because the Company's business is seasonal in nature, the operating results for the three and nine month periods ended October 29, 2016 are not necessarily indicative of results for the fiscal year ending January 28, 2017 (Fiscal 2016).

Accounting policies followed by the Company are described in Note 1 to the Fiscal 2015 10-K, "Summary of Significant Accounting Policies."

Adopted Accounting Standards

In April 2015, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2015-03, "Interest—Imputation of Interest: Simplifying the Presentation of Debt Issuance Costs." This standard requires the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability. Further, on August 16, 2015, the FASB issued ASU 2015-15 to clarify the SEC staff's position on presenting and measuring debt issuance costs incurred in connection with line-of-credit arrangements given the lack of guidance on this topic in ASU 2015-03. The SEC staff has stated that it would "not object to an entity deferring and presenting debt issuance costs as an asset and subsequently amortizing the deferred debt issuance costs ratably over the term of the line-of-credit arrangement." These standards become effective for fiscal years beginning after December 15, 2015. The Company adopted these standards during the first quarter of Fiscal 2016 on a retrospective basis. As a result, \$8.3 million and \$8.7 million of deferred financing costs associated with the Term Loan Facility (as defined in Note 2, "Long Term Debt") as of January 30, 2016 and October 31, 2015, respectively, have been reclassified and shown as a deduction from the line item "Long term debt" on our Condensed Consolidated Balance Sheets. These amounts were previously recorded in the line item "Other assets" on our Condensed Consolidated Balance Sheets. The remaining deferred financing costs associated with the Company's ABL Line of Credit (as defined in Note 2, "Long Term Debt") and interest rate cap contracts continue to be shown in the line item "Other assets" on our Condensed

Consolidated Balance Sheets in accordance with ASU 2015-15.

Pending Accounting Standards

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers," which provides guidance for revenue recognition. The standard's core principle is that a company will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. In doing so, companies will need to use more judgment and make more estimates than under current guidance. These may include identifying performance obligations in the contract, estimating the amount of variable consideration included in the transaction price and allocating the transaction price to each separate performance obligation. At its July 9, 2015 meeting, the FASB affirmed its proposal to defer the effective date of this ASU for reporting periods beginning after December 15, 2017, with early adoption permitted for annual reporting periods beginning on or after December 15, 2016, and interim periods within those annual periods. This ASU will be effective for the Company as of the beginning of the fiscal year ended February 2, 2019 (Fiscal 2018). The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto, however, it does not anticipate that the new guidance will have a significant impact on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases." The standard's core principle is to increase transparency and comparability among organizations by recognizing lease assets and liabilities on the balance sheet and disclosing key information

about leasing arrangements. This standard is effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. This ASU will be effective for the Company as of the beginning of the fiscal year ended February 1, 2020. Early adoption is permitted. The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto, however, it does anticipate that the new guidance will have a significant impact on its consolidated financial statements given its portfolio of lease arrangements. This guidance is not expected, however, to have a material impact on the Company's liquidity.

On March 30, 2016, the FASB issued ASU 2016-09, "Improvements to Employee Share-Based Payment Accounting," which simplifies several aspects of the accounting for employee share-based payment transactions, including the accounting for income taxes, forfeitures, and statutory tax withholding requirements, as well as classification in the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2016, with early adoption permitted in any interim or annual period. Once adopted, all excess tax benefits and tax deficiencies from stock based compensation will be recognized as income tax expense or benefit in the statement of operations as discrete items in the reporting period in which they occur, regardless of whether the benefit reduces taxes payable in the current period. In addition, any excess tax benefit from stock based compensation will be classified along with other income tax cash flows as an operating activity on the statement of cash flows. Currently, the Company records all excess tax benefits in additional paid-in capital on the balance sheet when the deduction reduces taxes payable and records tax deficiencies in the statement of operations. In addition, the Company currently separates any excess tax benefit from stock based compensation from other income tax cash flows and classifies them as a financing activity on the statement of cash flows with a corresponding offset in operating activities. The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements.

On August 26, 2016, the FASB issued ASU 2016-15, "Statement of Cash Flows: Classification of Certain Cash Receipts and Cash Payments." The primary purpose of this ASU is to reduce the diversity in practice that has resulted from the lack of consistent principles on this topic. This ASU is effective for fiscal years beginning after December 15, 2017. This ASU will be effective for the Company as of the beginning of Fiscal 2018. Early adoption is permitted in any interim or annual period. The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto, however, it does not anticipate that the new guidance will have a significant impact on its consolidated financial statements.

On November 17, 2016, the FASB issued ASU 2016-18, "Statement of Cash Flows: Restricted Cash." The primary purpose of this ASU is to reduce the diversity in practice that exists in the classification and presentation of changes in restricted cash on the statement of cash flows. This ASU will require that a statement of cash flows explain the change during the period in the total of cash, cash equivalents, and amounts generally described as restricted cash or restricted cash equivalents. Therefore, amounts generally described as restricted cash and restricted cash equivalents should be included with cash and cash equivalents when reconciling the beginning-of-period and end-of-period total amounts shown on the statement of cash flows. This ASU is effective for fiscal years beginning after December 15, 2017. This ASU will be effective for the Company as of the beginning of Fiscal 2018. Early adoption is permitted in any interim or annual period. The Company is in the process of determining the impact of the adoption of this guidance on its consolidated financial statements or notes thereto, however, it does not anticipate that the new guidance will have a significant impact on its consolidated financial statements.

There were no other new accounting standards that had a material impact on the Company's Condensed Consolidated Financial Statements during the three and nine month periods ended October 29, 2016, and there were no other new accounting standards or pronouncements that were issued but not yet effective as of October 29, 2016 that the Company expects to have a material impact on its financial position or results of operations upon becoming effective.

2. Long Term Debt

Long term debt consists of:

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	(in thousands)		
	October 29, 2016	January 30, 2016	October 31, 2015
\$1,200,000 senior secured term loan facility (Term B-4 Loans), LIBOR (with a floor of 0.75%) plus 2.75%, matures on August 13, 2021	\$1,111,772	\$—	\$—
\$1,200,000 senior secured term loan facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on July 29, 2016	—	1,112,575	1,112,376
\$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, matures August 13, 2019	174,300	167,400	276,200
Capital lease obligations	23,972	24,925	25,231
Unamortized deferred financing costs	(5,469)	(8,334)	(8,709)
Total debt	1,304,575	1,296,566	1,405,098
Less: current maturities	(1,574)	(1,403)	(1,376)
Long term debt, net of current maturities	\$1,303,001	\$1,295,163	\$1,403,722

Term Loan Facility

On July 29, 2016, BCFWC entered into Amendment No. 5 (the Fifth Amendment) to the Term Loan Credit Agreement (as amended, the Amended Term Loan Credit Agreement) governing its senior secured term loan facility (the Term Loan Facility). The Fifth Amendment, among other things, reduced the interest rate margins applicable to the Term Loan Facility from 2.25% to 1.75% in the case of prime rate loans, and from 3.25% to 2.75% in the case of LIBOR loans, with the LIBOR floor being reduced from 1.00% to 0.75%. The Fifth Amendment was accomplished by replacing the outstanding \$1,117.0 million principal amount of Term B-3 Loans with a like aggregate principal amount of Term B-4 Loans. The Term B-4 Loans have the same maturity date that was applicable to the Term B-3 Loans. In accordance with ASC Topic No. 470-50, “Debt Modifications and Extinguishments” (Topic No. 470), the Company recognized a non-cash loss on the extinguishment of debt of \$3.8 million, representing the write-off of \$2.5 million and \$1.3 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item “Loss on extinguishment of debt” in the Company’s Condensed Consolidated Statements of Operations. Also in connection with the Fifth Amendment, the Company incurred fees of \$1.3 million, primarily related to legal and placement fees, which were recorded in the line item “Costs related to debt amendments and secondary offering” in the Company’s Condensed Consolidated Statements of Operations. The Company incurred new deferred financing costs of \$0.7 million as a result of the Fifth Amendment which were recorded in the line item “Long term debt” on the Company’s Condensed Consolidated Balance Sheets.

At October 29, 2016, the Company’s borrowing rate related to the Term Loan Facility was 3.50%.

ABL Line of Credit

At October 29, 2016, the Company had \$383.7 million available under the Second Amended and Restated Credit Agreement, dated September 2, 2011 governing BCFWC’s existing senior secured asset-based revolving credit facility (the ABL Line of Credit). The maximum borrowings under the facility during the three and nine month periods ended October 29, 2016 amounted to \$300.0 million and \$350.0 million, respectively. Average borrowings during the three and nine month periods ended October 29, 2016 amounted to \$201.4 million and \$216.8 million, respectively, at average interest rates of 1.8% for both periods.

At October 31, 2015, the Company had \$278.2 million available under the ABL Line of Credit. The maximum borrowings under the facility during the three and nine month periods ended October 31, 2015 amounted to \$330.7 million. Average borrowings during the three and nine month periods ended October 31, 2015 amounted to \$270.2 million and \$199.7 million, respectively, at average interest rates of 1.6% for both periods.

3. Derivative Instruments and Hedging Activities

The Company accounts for derivatives and hedging activities in accordance with ASC Topic No. 815 “Derivatives and Hedging” (Topic No. 815). As required by Topic No. 815, the Company records all derivatives on the balance sheet at fair value and adjusts to market on a quarterly basis. In addition, to comply with the provisions of ASC Topic No. 820, “Fair Value Measurements” (Topic No. 820), credit valuation adjustments, which consider the impact of any credit enhancements to the contracts, are incorporated in the fair values to account for potential nonperformance risk. In adjusting the fair value of its derivative contracts for the effect of nonperformance risk, the Company has considered any applicable credit enhancements such as collateral postings, thresholds, mutual puts, and guarantees. In accordance with Topic No. 820, the Company made an accounting policy election to measure the credit risk of its derivative financial instruments that are subject to master netting agreements on a net basis by counterparty portfolio. There is no

impact of netting because the Company's only derivatives are interest rate cap contracts that are with separate counterparties and are under separate master netting agreements.

Cash Flow Hedges of Interest Rate Risk

The Company's objectives in using interest rate derivatives are to add stability to interest expense and to manage its exposure to interest rate movements. To accomplish this objective, the Company primarily uses interest rate caps as part of its interest rate risk management strategy. Interest rate caps designated as cash flow hedges involve the receipt of variable amounts from a counterparty if interest rates rise above the strike rate on the contract.

The Company did not record any hedge ineffectiveness in its earnings during the three or nine month periods ended October 29, 2016. The Company financed the cost of the interest rate cap contracts, which will be amortized through the life of the caps. As of October 29, 2016, the Company estimates that approximately \$6.3 million will be reclassified into interest expense during the next twelve months.

As of October 29, 2016, the Company had the following outstanding interest rate derivatives that were designated as cash flow hedges of interest rate risk:

Interest Rate Derivative	Number of Instruments	Notional Aggregate Principal Amount	Interest Cap	
			Rate	Maturity Date
Interest rate cap contracts	Two	\$ 800.0 million	1.0%	May 31, 2019

Tabular Disclosure

The table below presents the fair value of the Company's derivative financial instruments on a gross basis as well as their classification on the Company's Condensed Consolidated Balance Sheets:

	(in thousands)					
	Fair Values of Derivative Instruments					
	Liability Derivatives					
	October 29, 2016	January 30, 2016	October 31, 2015			
	Balance	Balance	Balance			
	Sheet	Fair	Sheet	Fair	Sheet	Fair
Derivatives Designated as Hedging Instruments	Location	Value	Location	Value	Location	Value
Interest rate cap contracts	Other liabilities	\$9,957	Other liabilities	\$8,415	Other liabilities	\$4,331

The following table presents the unrealized losses deferred to accumulated other comprehensive income resulting from the Company's derivative instruments designated as cash flow hedging instruments for each of the reporting periods.

(in thousands)

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	Three Months Ended October		Nine Months Ended October	
	2016	2015	2016	2015
Interest Rate Cap Contracts:				
Unrealized gains (losses), before taxes	\$398	\$(5,597)	\$(5,090)	\$(6,965)
Income tax (expense) benefit	(159)	2,239	2,036	2,786
Unrealized gains (losses), net of taxes	\$239	\$(3,358)	\$(3,054)	\$(4,179)

The following table presents information about the reclassification of losses from accumulated other comprehensive income into earnings related to the Company's derivative instruments designated as cash flow hedging instruments for each of the reporting periods.

	(in thousands)			
	Three Months Ended October		Nine Months Ended October	
	2016	2015	2016	2015
Component of Earnings:				
Interest expense	\$738	\$91	\$1,434	\$131
Income tax expense	(296)	(36)	(574)	(52)
Net income	\$442	\$55	\$860	\$79

4. Accumulated Other Comprehensive Loss

Amounts included in accumulated other comprehensive loss are recorded net of the related income tax effects. The following table details the changes in accumulated other comprehensive loss:

	(in thousands) Derivative Instruments
Balance at January 30, 2016	\$ (8,992)
Unrealized losses, net of related tax benefit of \$2.0 million	(3,054)
Amount reclassified into earnings, net of related taxes of \$0.6 million	860
Balance at October 29, 2016	\$ (11,186)

5. Fair Value Measurements

The Company accounts for fair value measurements in accordance with Topic No. 820, which defines fair value, establishes a framework for measurement and expands disclosure about fair value measurements. Topic No. 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (exit price), and classifies the inputs used to measure fair value into the following hierarchy:

Level 1: Quoted prices for identical assets or liabilities in active markets.

Level 2: Quoted market prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active; and model-derived valuations whose inputs are observable or whose significant value drivers are observable.

Level 3: Pricing inputs that are unobservable for the assets and liabilities and include situations where there is little, if any, market activity for the assets and liabilities.

The inputs into the determination of fair value require significant management judgment or estimation.

The carrying amounts of cash equivalents, accounts receivable and accounts payable approximate fair value due to the short-term nature of these instruments.

Refer to Note 3, "Derivative Instruments and Hedging Activities," for further discussion regarding the fair value of the Company's interest rate cap contracts.

Financial Assets

The fair values of the Company's financial assets and the hierarchy of the level of inputs as of October 29, 2016, January 30, 2016 and October 31, 2015 are summarized below:

(in thousands)		
Fair Value Measurements at		
October 29,	January 30,	October 31,

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2016 2016 2015

Assets:

Level 1

Cash equivalents (including restricted cash) \$28,153 \$28,114 \$28,109

Non-financial Assets

Long-lived assets are measured at fair value on a non-recurring basis for purposes of calculating impairment using the fair value hierarchy. The fair value of the Company's long-lived assets is generally calculated using discounted cash flows.

11

Financial Liabilities

The fair values of the Company's financial liabilities are summarized below:

	(in thousands)					
	October 29, 2016		January 30, 2016		October 31, 2015	
	Carrying	Fair	Carrying	Fair	Carrying	Fair
	Amount (b)	Value (b)	Amount (b)	Value (b)	Amount (b)	Value (b)
\$1,200,000 senior secured term loan facility (Term B-4 Loans), LIBOR (with a floor of 0.75%) plus 2.75%, matures on August 13, 2021	\$1,111,772	\$1,116,404	\$—	\$—	\$—	\$—
\$1,200,000 senior secured term loan facility (Term B-3 Loans), LIBOR (with a floor of 1.0%) plus 3.25%, redeemed in full on July 29, 2016	—	—	1,112,575	1,107,921	1,112,376	1,114,210
\$600,000 ABL senior secured revolving facility, LIBOR plus spread based on average outstanding balance, matures August 13, 2019(a)	174,300	174,300	167,400	167,400	276,200	276,200
Total debt	\$1,286,072	\$1,290,704	\$1,279,975	\$1,275,321	\$1,388,576	\$1,390,410

(a) To the extent the Company has any outstanding borrowings under the ABL Line of Credit, the fair value would approximate its reported value because the interest rate is variable and reflects current market rates due to its short term nature (borrowings are typically done in 30 day increments).

(b) Capital lease obligations are excluded from the table above.

The fair values presented herein are based on pertinent information available to management as of the respective period end dates. The estimated fair values of the Company's debt are classified as Level 2 in the fair value hierarchy. Although management is not aware of any factors that could significantly affect the estimated fair value amounts, such amounts have not been comprehensively revalued for purposes of these Condensed Consolidated Financial Statements since October 29, 2016, and current estimates of fair value may differ from amounts presented herein.

6. Income Taxes

Net deferred taxes are as follows:

	(in thousands)		
	October	January	October
	29,	30,	31,
	2016	2016	2015
Current deferred tax asset	\$—	\$—	\$36,934
Non-current deferred tax liability	206,124	201,695	209,330
Net deferred tax liability	\$206,124	\$201,695	\$172,396

The amounts presented in the table above are reflective of the prospective adoption of Accounting Standards Update 2015-17, "Income Taxes: Balance Sheet Classification of Deferred Taxes," which called for the presentation of deferred tax assets and deferred tax liabilities as non-current. The Company adopted this standard on a prospective basis during the fourth quarter of Fiscal 2015. Amounts as of October 31, 2015 have not been retrospectively adjusted to reflect the adoption of this standard.

Deferred tax liabilities primarily relate to rent expense, intangible assets, and depreciation expense where the Company has a future obligation for tax purposes.

As of October 29, 2016, January 30, 2016 and October 31, 2015, valuation allowances amounted to \$7.8 million, \$7.8 million and \$6.2 million, respectively, primarily related to state tax net operating losses and state tax credit carry forwards. The Company believes that it is more likely than not that a portion of the benefit of the state tax net operating losses will not be realized. As of October 29, 2016, the Company had \$7.4 million of deferred tax assets recorded for state net operating losses, which will expire between 2016 and 2036. In addition, the Company also determined that a full valuation allowance of \$5.5 million, \$5.1 million and \$5.4 million were required against the tax benefit associated with Puerto Rico deferred tax assets as of October 29, 2016, January 30, 2016 and October 31, 2015, respectively.

7. Capital Stock

Treasury Stock

The Company accounts for treasury stock under the cost method.

During the nine month period ended October 29, 2016, the Company acquired 27,859 shares of common stock from employees for approximately \$1.8 million to satisfy their minimum statutory tax withholdings related to the vesting of restricted stock awards. During the first quarter of Fiscal 2016, the Company re-issued 688,880 shares held in its treasury stock pool for re-issuance under the 2006 Management Incentive Plan. As a result of this transaction, the Company reclassified approximately \$9.2 million from treasury stock to additional paid-in-capital.

Share Repurchase Programs

The Company is authorized to repurchase from time to time shares of its outstanding common stock on the open market or in privately negotiated transactions under its repurchase programs. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. The share repurchase programs may be suspended, modified or discontinued at any time and the Company has no obligation to repurchase any amount of the Company's common stock under the programs.

During the nine month period ended October 29, 2016, the Company repurchased 2,234,889 shares of its common stock for \$150.0 million, inclusive of commissions, under its share repurchase program, which was recorded in the line item "Treasury stock" on the Company's Condensed Consolidated Balance Sheet. As of October 29, 2016, the Company had \$49.6 million available for purchase under its share repurchase program. On November 15, 2016, the Company's Board of Directors approved the repurchase of up to an additional \$200 million of the Company's common stock. This new repurchase program, which is in addition to the share repurchase program announced by the Company in November 2015, will be funded using the Company's available cash and is authorized to be executed through November 2018.

8. Net Income Per Share

Basic net income per share is calculated by dividing net income by the weighted-average number of common shares outstanding. Dilutive net income per share is calculated by dividing net income by the weighted-average number of common shares and potentially dilutive securities outstanding during the period using the treasury stock method.

	(in thousands, except per share data)			
	Three Months		Nine Months	
	Ended	Ended	Ended	Ended
	October	October	October	October
	29,	31,	29,	31,
	2016	2015	2016	2015
Basic net income per share				
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Weighted average number of common shares – basic	70,347	74,115	70,757	74,759

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Net income per common share – basic	\$0.46	\$0.20	\$1.28	\$0.69
Diluted net income per share				
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Shares for basic and diluted net income per share:				
Weighted average number of common shares – basic	70,347	74,115	70,757	74,759
Assumed exercise of stock options and vesting of restricted stock	1,250	1,279	1,245	1,376
Weighted average number of common shares – diluted	71,597	75,394	72,002	76,135
Net income per common share – diluted	\$0.45	\$0.20	\$1.25	\$0.68

Less than 100,000 and approximately 105,000 options to purchase shares of common stock and unvested restricted stock awards were excluded from diluted net income per share for the three and nine month periods ended October 29, 2016, respectively, since their effect was anti-dilutive.

Approximately 150,000 and less than 100,000 options to purchase shares of common stock and unvested restricted stock awards were excluded from diluted net income per share for the three and nine month periods ended October 31, 2015, respectively, since their effect was anti-dilutive.

9. Stock Option and Award Plans and Stock-Based Compensation

The 2006 Management Incentive Plan (the 2006 Plan) terminated on April 12, 2016. As of October 29, 2016, there were 5,888,429 shares of common stock available for issuance under the 2013 Omnibus Incentive Plan (the 2013 Plan and, together with the 2006 Plan, the Plans).

Stock Options

The Company accounts for awards issued under the Plans in accordance with ASC Topic No. 718, "Stock Compensation." The Company granted 533,731 options under the 2006 Plan and 31,206 options under the 2013 Plan during the nine month period ended October 29, 2016 at exercise prices ranging from \$54.11 to \$83.83 per share. Options granted during the nine month period ended October 31, 2015 were all granted under the 2006 Plan at exercise prices ranging from \$51.81 to \$55.75 per share. All options granted during the nine month periods ended October 29, 2016 and October 31, 2015 were service-based awards that vest 25% on each of the first four anniversaries of the grant date. The final exercise date for any option granted is the tenth anniversary of the grant date.

With the exception of the special one-time grant of options to purchase shares of common stock to certain members of management made during Fiscal 2013, all options awarded prior to Fiscal 2016 become immediately exercisable upon a change of control; options awarded after Fiscal 2015 become exercisable if the grantee's employment is terminated without cause or, in some instances, the recipient resigns with good reason, within a certain period of time following a change in control. The vesting of the special one-time grants will not be accelerated in the event of a change of control, provided, however, that in the event that within two years after a change of control, the grantee's employment is terminated without cause or, in some instances, the grantee resigns with good reason, then an incremental 20% of the special one-time grants shall be deemed vested as of the date of termination of grantee's employment, but in no event more than the total number of the special one-time grants granted to such grantee. Unless determined otherwise by the plan administrator, upon cessation of employment, the majority of options that have not vested will terminate immediately (subject to the potential acceleration of special one-time grants in the event of a change of control, as described above) and unexercised vested options will be exercisable for a period of 60 days. The final exercise date for any option granted is the tenth anniversary of the grant date.

Non-cash stock compensation expense is as follows:

	(in thousands)			
	Three Months Ended		Nine Months Ended	
Type of Non-Cash Stock Compensation	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Restricted stock grants (a)	\$2,405	\$1,623	\$6,397	\$4,574
Stock option grants (a)	1,760	1,099	4,809	2,764
Stock option modification (b)	93	257	428	899
Total (c)	\$4,258	\$2,979	\$11,634	\$8,237

(a) Included in the line item "Selling, general and administrative expenses" in the Company's Condensed Consolidated Statements of Operations.

(b) Represents non-cash compensation related to the May 2013 stock option modification. Amounts are included in the line item "Stock option modification expense" in the Company's Condensed Consolidated Statements of Operations.

(c) The amounts presented in the table above exclude taxes. For the three and nine month periods ended October 29, 2016, the tax benefit related to the Company's non-cash stock compensation was approximately \$1.5 million and

\$4.3 million, respectively. For the three and nine month periods ended October 31, 2015, the tax benefit related to the Company's non-cash stock compensation was approximately \$1.1 million and \$3.2 million, respectively. As of October 29, 2016, the Company had 2,717,125 options outstanding to purchase shares of common stock under the Plans.

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Contractual life (years)	10.0
Expected dividend yield	0.0%
Weighted average grant date fair value of options issued	\$ 21.01

The expected dividend yield was based on the Company's expectation of not paying dividends in the foreseeable future. Since the Company completed its initial public offering in October 2013, it does not have sufficient history as a publicly traded company to evaluate its volatility factor. As such, the expected stock price volatility is based upon the historical volatility of the stock price over the expected life of the options of peer companies that are publicly traded. The risk free interest rate was based on the U.S. Treasury rates for U.S. Treasury zero-coupon bonds with maturities similar to those of the expected term of the awards being valued. For grants issued during the nine month period ended October 29, 2016 and October 31, 2015, the expected life of the options was calculated using the simplified method. The simplified method defines the life as the average of the contractual term of the options and the weighted average vesting period for all option tranches. This methodology was utilized due to the short length of time the Company's common stock has been publicly traded.

Restricted Stock Awards

Under the Plans, the Company also has the ability to grant shares of restricted stock. During the nine month period ended October 29, 2016, the Company granted 173,113 shares and 80,962 shares of restricted stock under the 2006 Plan and 2013 Plan, respectively. These grants are service-based awards that cliff vest at the end of the requisite service period, which is typically three or four years. Following a change of control, all unvested shares of restricted stock shall remain unvested, provided, however, that 100% of such shares shall vest if, following such change of control, the employment of the recipient is terminated without cause or, in some instances, the recipient resigns with good reason.

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Restricted stock transactions during the nine month period ended October 29, 2016 are summarized as follows:

	Number of Shares	Weighted Average Grant Date Fair Value Per Awards
Non-vested awards outstanding, January 30, 2016	509,543	\$ 45.33
Awards granted	254,075	55.99
Awards vested (a)	(82,700)	44.70
Awards forfeited	(10,178)	47.73
Non-vested awards outstanding, October 29, 2016	670,740	\$ 49.41

(a) Restricted stock awards vested during the nine month period ended October 29, 2016 had a total intrinsic value of \$5.3 million.

The fair value of each share of restricted stock granted during the nine month period ended October 29, 2016 was based upon the closing price of the Company's common stock on the date of grant (for awards made under the 2006 Plan) or the closing price of the Company's common stock on the date prior to the grant date (for awards made under the 2013 Plan).

10. Other Liabilities

Other liabilities primarily consist of deferred lease incentives, the long term portion of self-insurance reserves, the excess of straight-line rent expense over actual rental payments and tax liabilities associated with the uncertain tax positions recognized by the Company in accordance with ASC Topic No. 740, "Income Taxes".

Deferred lease incentives are funds received or receivable from landlords used primarily to offset costs incurred for leasehold improvements and fixturing of new and remodeled stores. These deferred lease incentives are amortized over the expected lease term including rent holiday periods and option periods where the exercise of the option can be reasonably assured. Amortization of deferred lease incentives is included in the line item "Selling, general and administrative expenses" on the Company's Condensed Consolidated Statements of Operations. At October 29, 2016, January 30, 2016 and October 31, 2015, deferred lease incentives were \$181.3 million, \$179.3 million and \$165.7 million, respectively, and are recorded in the line item "Other liabilities" on the Company's Condensed Consolidated Balance Sheets.

11. Commitments and Contingencies

Legal

The Company establishes accruals relating to legal claims in connection with litigation to which the Company is party from time to time in the ordinary course of business. Like many retailers, the Company has been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties. To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. The ultimate outcome of these cases could have a material adverse effect on the Company's results of operations.

Lease Agreements

The Company enters into lease agreements during the ordinary course of business in order to secure favorable store locations. The Company's minimum lease payments for all operating leases are expected to be \$77.8 million for the remainder of Fiscal 2016 and \$324.4 million, \$318.7 million, \$284.9 million, \$257.0 million and \$1,246.9 million for the fiscal years ended February 3, 2018, February 2, 2019, February 1, 2020, January 30, 2021 and all subsequent years thereafter, respectively. Total future minimum lease payments include \$207.3 million related to options to extend lease terms that are reasonably assured of being exercised and also includes \$253.2 million of minimum lease payments for 30 stores that the Company has committed to open or relocate.

Letters of Credit

The Company had letters of credit arrangements with various banks in the aggregate amount of \$42.0 million, \$41.3 million and \$45.6 million as of October 29, 2016, January 30, 2016 and October 31, 2015, respectively. Among these arrangements, as of October 29, 2016, January 30, 2016 and October 31, 2015, the Company had letters of credit in the amount of \$31.9 million, \$32.2 million and \$35.3 million, respectively, guaranteeing performance under various insurance contracts and utility agreements. In addition, the Company had outstanding letters of credit agreements in the amounts of \$10.1 million, \$9.1 million and \$10.3 million at October 29, 2016, January 30, 2016 and October 31, 2015, respectively, related to certain merchandising agreements. Based on the terms of the credit agreement related to the ABL Line of Credit, the Company had the ability to enter into letters of credit up to \$383.7 million, \$335.4 million and \$278.2 million as of October 29, 2016, January 30, 2016 and October 31, 2015, respectively.

Purchase Commitments

The Company had \$706.5 million of purchase commitments related to goods that were not received as of October 29, 2016.

Death Benefits

In November of 2005, the Company entered into agreements with three of the Company's former executives whereby upon each of their deaths the Company will pay \$1.0 million to each respective designated beneficiary.

12. Related Parties

The brother-in-law of one of the Company's Executive Vice Presidents is an independent sales representative of one of the Company's suppliers of merchandise inventory. This relationship predated the commencement of the Executive Vice President's employment with the Company. The Company has determined that the dollar amount of purchases through such supplier represents an insignificant amount of its inventory purchases.

BURLINGTON STORES, INC.

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

The following discussion summarizes the significant factors affecting our consolidated operating results, financial condition, liquidity and cash flows as of and for the periods presented below. The following discussion and analysis should be read in conjunction with the Condensed Consolidated Financial Statements and notes thereto included elsewhere in this report and in our Annual Report on Form 10-K related to the fiscal year ended January 30, 2016.

In addition to historical information, this discussion and analysis contains forward-looking statements based on current expectations that involve risks, uncertainties and assumptions, such as our plans, objectives, expectations, and intentions. Our actual results and the timing of events may differ materially from those anticipated in these forward-looking statements due to various factors, including those discussed under the section of this Item 2 entitled "Safe Harbor Statement."

Executive Summary

Introduction and Overview of Operating Results

We are a nationally recognized off-price retailer of high-quality, branded apparel at everyday low prices. We opened our first store in Burlington, New Jersey in 1972, selling primarily coats and outerwear. Since then, we have expanded our store base to 592 stores as of October 29, 2016, inclusive of an internet store, in 45 states and Puerto Rico, and diversified our product categories by offering an extensive selection of in-season, fashion-focused merchandise, including: women's ready-to-wear apparel, menswear, youth apparel, baby, footwear, accessories, home and coats. We acquire a broad selection of desirable, first-quality, current-brand, labeled merchandise directly from nationally-recognized manufacturers and other suppliers.

Highlights from the three month period ended October 29, 2016 compared with the three month period ended October 31, 2015 include the following:

- We generated total revenues of \$1,349.0 million compared with \$1,238.7 million.
- Net sales improved \$111.7 million to \$1,342.6 million (inclusive of a 3.7% comparable store sales increase).
- Gross margin as a percentage of net sales improved to 41.2% compared with 39.8%, which more than offset an approximate 20 basis point increase in product sourcing costs, which are included in selling, general and administrative expenses.
- Selling, general and administrative expenses as a percentage of net sales improved to 33.6% compared with 33.8%, inclusive of an approximate 20 basis point increase in product sourcing costs.
- We earned net income of \$32.4 million compared with net income of \$15.1 million.
 - Adjusted Net Income (as subsequently defined in this Form 10-Q) improved \$17.2 million to \$36.3 million.
- Adjusted EBITDA (as subsequently defined in this Form 10-Q) improved \$27.0 million to \$109.6 million.

Highlights from the nine month period ended October 29, 2016 compared with the nine month period ended October 31, 2015 include the following:

- We generated total revenues of \$3,898.6 million compared with \$3,581.2 million.
- Net sales improved \$322.2 million to \$3,880.3 million (inclusive of a 4.5% comparable store sales increase).
- Gross margin as a percentage of net sales improved to 40.3% compared with 39.6%, which more than offset an approximate 20 basis point increase in product sourcing costs, which are included in selling, general and administrative expenses.
- Selling, general and administrative expenses as a percentage of net sales improved to 32.5% compared with 33.0%, inclusive of an approximate 20 basis point increase in product sourcing costs.

- We earned net income of \$90.3 million compared with net income of \$51.7 million.
- Adjusted Net Income improved \$40.8 million to \$106.1 million.
- Adjusted EBITDA improved \$70.3 million to \$329.6 million.

Fiscal Year

Fiscal 2016 is defined as the 52 week year ending January 28, 2017. Fiscal 2015 is defined as the 52 week year ended January 30, 2016.

Term Loan Repricing

On July 29, 2016, we completed the repricing of our senior secured term loan facility (the Term Loan Facility) which, among other things, reduced the interest rate margins applicable under the Term Loan Facility from 2.25% to 1.75% in the case of prime rate loans, and from 3.25% to 2.75% in the case of LIBOR loans, with the LIBOR floor being reduced from 1.00% to 0.75%. As a result of this transaction, we recognized a non-cash loss on the extinguishment of debt of \$3.8 million, which was recorded in the line item "Loss on extinguishment of debt" in our Condensed Consolidated Statements of Operations. Also in connection with the transaction, we incurred fees of \$1.3 million, which were recorded in the line item "Costs related to debt amendments and secondary offering" in our Condensed Consolidated Statements of Operations. Refer to the section below entitled "Liquidity and Capital Resources" for further explanation.

Store Openings, Closings, and Relocations

During the nine month period ended October 29, 2016, we opened 29 new stores under the name "Burlington Stores" and closed two MJM Stores and two Burlington Stores. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. We expect to open one new store and close one store during the fourth quarter of Fiscal 2016, resulting in the opening of a total of 25 net new Burlington Stores during Fiscal 2016.

Ongoing Initiatives for Fiscal 2016

We continue to focus on a number of ongoing initiatives aimed at increasing our overall profitability by improving our comparable store sales trends, increasing total sales growth and reducing expenses. These initiatives include, but are not limited to:

• Driving Comparable Store Sales Growth.

We intend to continue to increase comparable store sales through the following initiatives:

• **Continuing to Enhance Execution of the Off-Price Model.** We plan to drive comparable store sales by focusing on product freshness to ensure that we consistently deliver newness to the selling floors. We plan to continue to reduce comparable store inventories which we believe will result in faster inventory turnover. We maintain our ability to leverage our pack-and-hold program which is designed to take advantage of terrific buys of either highly desirable branded product or key seasonal merchandise for the next year. While the amount of goods we purchase on pack-and-hold is purely based on the right opportunities in the marketplace, this continues to be a great avenue to source product. We also intend to use our business intelligence systems to identify sell-through rates by product, capitalize on strong performing categories, identify and buy into new fashion trends and opportunistically acquire products in the marketplace.

• **Sharpening Focus on Our Core Female Customer.** We have focused on better serving our core female customer, a brand-conscious fashion enthusiast, aged 25-49, with an average annual household income of \$25,000-\$75,000, by improving our product offering, store merchandising and marketing focus on women's ready-to-wear apparel and accessories to capture incremental sales from our core female customer and become a destination for her across all categories. We believe that these efforts will increase the frequency of her visits and her average spend, further improving the comparable store sales performance in women's categories.

• **Continuing to Improve Our Customer Experience.** We have significantly enhanced the store experience and ease of shopping at all of our stores by implementing a comprehensive program focused on offering more brands and styles and simplifying store navigation. We have accomplished this by utilizing clear way-finding signs and distinct product

signage, highlighting key brands and new arrivals, improving organization of the floor space, reducing rack density, facilitating quicker checkouts and delivering better customer service. We have made particular improvements in product size visibility, queuing and fitting rooms. To ensure consistent execution of our customer experience priorities, we have improved our store associate training and reorganized and strengthened our field management organization. Our much improved store experience continues to resonate with our customers. During Fiscal 2015, we updated our customer survey to provide more actionable customer feedback to stores. Stores develop action plans to address clearly identified areas of focus. Store managers have the ability to review immediate feedback from their customers, and react accordingly.

• **Increasing Our Sales through e-Commerce.** We have been selling to our customers online for more than a decade. We plan to leverage this heritage and continue to utilize e-commerce strategies to drive incremental traffic to our stores.

• **Enhancing Existing Categories and Introducing New Categories.** We have opportunities to expand the depth and breadth of certain existing categories such as ladies' apparel, children's products, bath and cosmetic merchandise, housewares and décor for the home, and beauty, while continuing to remain the destination for coats, and maintaining the flexibility to introduce new categories.

• **Expanding and Enhancing Our Retail Store Base.**

We intend to expand and enhance our retail store base through the following initiatives:

• **Adhering to a Market Focused and Financially Disciplined Real Estate Strategy.** We have grown our store base consistently since our founding in 1972, developing more than 99% of our stores organically. We believe there is significant opportunity to expand our retail store base in the United States. In line with recent growth, our goal going forward is to open approximately 30 net new Burlington Stores annually.

• **Maintaining Focus on Unit Economics and Returns.** We have adopted a market focused approach to new store openings with a specific focus on maximizing sales while achieving attractive unit economics and returns. By focusing on opening stores with attractive unit economics we are able to achieve attractive returns on capital and continue to grow our margins. We believe that as we continue to reduce our comparable store inventory, we will be able to reduce the square footage of our stores while continuing to maintain our broad assortment.

• **Enhancing the Store Experience Through Store Remodels.** We continue to invest in store remodels on a store-by-store basis where appropriate, taking into consideration the age, sales and profitability of a store, as well as the potential impact to the customer shopping experience. In our remodeled stores, we have typically incorporated new flooring, painting, lighting and graphics, relocated our fitting rooms to maximize productive selling space, added new departments such as home and accessories and made various other improvements as appropriate by location.

• **Enhancing Operating Margins.**

We intend to increase our operating margins through the following initiatives:

• **Optimize Markdowns.** We believe that our markdown system allows us to maximize sales and gross margin dollars based on forward-looking sales forecasts, sell-through targets, and exit dates. This allows us to optimize markdowns at the style and color level by store cluster.

• **Enhance Purchasing Power.** We believe that our increasing size and West Coast buying office provide us with the opportunity to capture incremental buying opportunities and realize economies of scale in our merchandising and non-merchandising purchasing activities.

• **Drive Operating Leverage.** We believe that we will be able to leverage our growing sales over the fixed costs of our business. In addition, we are focused on continuing to improve the efficiency of our corporate and in-store operations.

Uncertainties and Challenges

As we strive to increase profitability through achieving positive comparable store sales and leveraging productivity initiatives focused on improving the in-store experience, more efficient movement of products from the vendors to the selling floors, and modifying our marketing plans to increase our core customer base and increase our share of our current customers' spending, there are uncertainties and challenges that we face as an off-price retailer of apparel and accessories for men, women and children and home furnishings that could have a material impact on our revenues or income.

Seasonality of Sales and Weather Conditions. Our sales, like most other retailers, are subject to seasonal influences, with the majority of our sales and net income derived during the months of September through January, which includes the back-to-school and holiday seasons.

Weather continues to be a contributing factor to the sale of our clothing. Generally, our sales are higher if the weather is cold during the Fall and warm during the early Spring. Sales of cold weather clothing are increased by early cold

weather during the Fall, while sales of warm weather clothing are improved by early warm weather conditions in the Spring. Although we have diversified our product offerings, we believe traffic to our stores is still driven, in part, by weather patterns.

General Economic Conditions. Consumer spending habits, including spending for the merchandise that we sell, are affected by, among other things, prevailing global economic conditions, inflation, levels of employment, salaries and wage rates, prevailing interest rates, housing costs, energy costs, commodities pricing, income tax rates and policies, consumer confidence and consumer perception of economic conditions. In addition, consumer purchasing patterns may be influenced by consumers' disposable income, credit availability and debt levels.

A slowdown in the U.S. economy, an uncertain global economic outlook or a credit crisis could adversely affect consumer spending habits resulting in lower net sales and profits than expected on a quarterly or annual basis. Consumer confidence is also affected by the domestic and international political situation. Our financial condition and operations could be impacted by changes in government regulations in areas including, but not limited to, taxes and healthcare. The outbreak or escalation of war, or the occurrence of terrorist acts or other hostilities in or affecting the U.S., could lead to a decrease in spending by consumers. In addition, natural disasters, industrial accidents and acts of war in various parts of the world could have the effect of disrupting supplies and raising prices globally which, in turn, may have adverse effects on the world and U.S. economies and lead to a downturn in consumer confidence and spending.

We closely monitor our net sales, gross margin, expenses and working capital. We have performed scenario planning such that if our net sales decline, we have identified variable costs that could be reduced to partially mitigate the impact of these declines. If we were to experience adverse economic trends and/or if our efforts to counteract the impacts of these trends are not sufficiently effective, there could be a negative impact on our financial performance and position in future fiscal periods.

Competition and Margin Pressure. We believe that in order to remain competitive with off-price retailers and discount stores, we must continue to offer brand-name merchandise at a discount to prices offered by other retailers as well as an assortment of merchandise that is appealing to our customers.

The U.S. retail apparel and home furnishings markets are highly fragmented and competitive. We compete for business with department stores, off-price retailers, specialty stores, discount stores, wholesale clubs, outlet stores and with certain traditional, full-price retail chains that have developed off-price concepts. At various times throughout the year, traditional full-price department store chains and specialty shops offer brand-name merchandise at substantial markdowns, which can result in prices approximating those offered by us at our Burlington Stores. We anticipate that competition will increase in the future. Therefore, we will continue to look for ways to differentiate our stores from those of our competitors.

The U.S. retail industry continues to face increased pressure on margins as overall challenging retail conditions have led consumers to be more value conscious. Our "open to buy" paradigm, in which we purchase both pre-season and in-season merchandise, allows us the flexibility to purchase less pre-season with the balance purchased in-season and opportunistically. It also provides us with the flexibility to shift purchases between suppliers and categories. This enables us to obtain better terms with our suppliers, which we expect to help offset any rising costs of goods.

Changes to import and export laws could have a direct impact on our operating expenses and an indirect impact on consumer prices and we cannot predict any future changes in such laws.

Key Performance Measures

We consider numerous factors in assessing our performance. Key performance measures used by management include net income, Adjusted Net Income, Adjusted EBITDA, comparable store sales, gross margin, inventory, store payroll as a percentage of net sales and liquidity.

Net income. We earned net income of \$32.4 million during three month period ended October 29, 2016 compared with net income of \$15.1 million during three month period ended October 31, 2015. We earned net income of \$90.3

million during the nine month period ended October 29, 2016 compared with net income of \$51.7 million during the nine month period ended October 31, 2015. These improvements in our net income were primarily driven by our improved gross margin, partially offset by increases in our selling, general and administrative expenses and income tax expense.

Adjusted Net Income and Adjusted EBITDA: Adjusted Net Income and Adjusted EBITDA are non-GAAP financial measures of our performance.

We present Adjusted Net Income and Adjusted EBITDA because we believe they are useful supplemental measures in evaluating the performance of our business and provide greater transparency into our results of operations. In particular, we believe that excluding certain items that may vary substantially in frequency and magnitude from operating income are useful supplemental measures that assist in evaluating our ability to generate earnings and leverage sales and to more readily compare these metrics between past and future periods.

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Adjusted Net Income has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP. Some of these limitations include:

- Adjusted Net Income does not reflect the amortization of net favorable leases which are amortized over the life of the lease;
- Adjusted Net Income does not reflect costs related to debt amendments and secondary offerings that were expensed during the fiscal periods;
- Adjusted Net Income does not reflect expenses related to our May 2013 stock option modification;
- Adjusted Net Income does not reflect losses on the extinguishment of debt;
- Adjusted Net Income does not reflect impairment charges on long-lived assets;
- Adjusted Net Income does not reflect the annual advisory fees paid to Bain Capital pursuant to the advisory agreement that was terminated on October 2, 2013 in connection with our initial public offering (the Advisory Agreement) that were expensed during the fiscal periods;
- Adjusted Net Income does not reflect amounts charged for certain ongoing litigation; and
- Adjusted Net Income does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges.

During the three and nine months ended October 29, 2016, Adjusted Net Income improved \$17.2 million to \$36.3 million and \$40.8 million to \$106.1 million, respectively. These improvements in Adjusted Net Income were primarily driven by our improved gross margin, partially offset by increased costs, primarily selling, general and administrative expenses and income tax expense, net of the tax effect of the adjustments cited above. Refer to the section below entitled “Results of Operations” for further explanation.

The following table shows our reconciliation of net income to Adjusted Net Income for the three and nine months ended October 29, 2016 compared with the three and nine months ended October 31, 2015:

	Three Months		Nine Months Ended	
	Ended October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Reconciliation of net income to Adjusted Net Income:				
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Net favorable lease amortization (a)	5,852	5,992	17,926	18,040
Costs related to debt amendments and secondary offering (b)	—	—	1,346	247
Stock option modification expense (c)	106	324	520	1,120
Loss on extinguishment of debt (d)	—	—	3,805	649
Impairment charges (e)	—	—	109	1,903
Advisory fees (f)	—	16	—	88
Litigation accrual(g)	—	—	1,400	—
Tax effect (h)	(2,085)	(2,400)	(9,285)	(8,466)
Adjusted Net Income	\$36,277	\$19,048	\$106,133	\$65,290

- (a) Net favorable lease amortization represents the non-cash amortization expense associated with favorable and unfavorable leases that were recorded as a result of purchase accounting related to the acquisition of our indirect subsidiary Burlington Coat Factory Warehouse Corporation (BCFWC) on April 13, 2006 by affiliates of Bain Capital Partners, LLC (along with its associated investment funds, or any successor to its investment management business, Bain Capital) in a take private transaction, and are recorded in the line item “Depreciation and amortization” in our Condensed Consolidated Statements of Operations.
- (b) Costs are related to the repricing of our Term Loan Facility during the second quarter of Fiscal 2016 and our secondary offering during the first quarter of Fiscal 2015.
- (c) Represents expenses incurred as a result of our May 2013 stock option modification.

- (d) Amounts relate to the repricing of our Term Loan Facility during the second quarter of Fiscal 2016 and the prepayment on our Term Loan Facility during the first quarter of Fiscal 2015.
- (e) Represents impairment charges on long-lived assets.
- (f) Amounts represent reimbursement for out-of-pocket expenses that were paid to Bain Capital pursuant to the Advisory Agreement. Amounts are recorded in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations.
- (g) Represents amounts charged for certain ongoing litigation.
- (h) Tax effect is calculated based on the effective tax rates (before discrete items) for the respective periods, adjusted for the tax effect for the impact of items (a) through (g).

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Adjusted EBITDA has limitations as an analytical tool, and should not be considered either in isolation or as a substitute for net income or other data prepared in accordance with GAAP. Some of these limitations include:

- Adjusted EBITDA does not reflect our interest expense, or the cash requirements necessary to service interest or principal payments, on our debt;
 - Adjusted EBITDA does not reflect losses on the extinguishment of debt;
 - Adjusted EBITDA does not reflect costs related to debt amendments and secondary offerings that were expensed during the fiscal periods;
 - Adjusted EBITDA does not reflect expenses related to our May 2013 stock option modification;
 - Adjusted EBITDA does not reflect the annual advisory fees paid to Bain Capital pursuant to the Advisory Agreement that were expensed during the fiscal periods;
 - Adjusted EBITDA does not reflect historical cash expenditures or future requirements for capital expenditures or contractual commitments;
 - Although depreciation and amortization are non-cash charges, the assets being depreciated and amortized will likely have to be replaced in the future, and Adjusted EBITDA measures do not reflect any cash requirements for such replacements;
 - Adjusted EBITDA does not reflect impairment charges on long-lived assets;
 - Adjusted EBITDA does not reflect our income tax expense or the cash requirements to pay our taxes;
 - Adjusted EBITDA does not reflect amounts charged for certain ongoing litigation; and
 - Adjusted EBITDA does not reflect other unusual, non-recurring or extraordinary expenses, losses or charges;
- During the three and nine months ended October 29, 2016, Adjusted EBITDA improved \$27.0 million to \$109.6 million and \$70.3 million to \$329.6 million, respectively. These improvements were primarily driven by our improved gross margin, partially offset by increased selling, general and administrative expenses (refer to the section below entitled “Results of Operations” for further explanation).

The following table shows our reconciliation of net income to Adjusted EBITDA for the three and nine months ended October 29, 2016 compared with the three and nine months ended October 31, 2015:

	Three Months		Nine Months Ended	
	Ended October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Reconciliation of net income to Adjusted EBITDA:				
Net income	\$32,404	\$15,116	\$90,312	\$51,709
Interest expense	13,159	14,792	43,196	44,192
Interest income	(14)	(31)	(42)	(92)
Loss on extinguishment of debt (a)	—	—	3,805	649
Costs related to debt amendments and secondary offering (b)	—	—	1,346	247
Stock option modification expense (c)	106	324	520	1,120
Advisory fees (d)	—	16	—	88
Depreciation and amortization	46,472	43,186	136,630	127,087
Impairment charges (e)	—	—	109	1,903
Litigation accrual (f)	—	—	1,400	—
Tax expense	17,449	9,142	52,368	32,474
Adjusted EBITDA	\$109,576	\$82,545	\$329,644	\$259,377

(a) Amounts relate to the repricing of our Term Loan Facility during the second quarter of Fiscal 2016 and the prepayment on our Term Loan Facility during the first quarter of Fiscal 2015.

(b)

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Costs are related to the repricing of our Term Loan Facility during the second quarter of Fiscal 2016 and our secondary offering during the first quarter of Fiscal 2015.

- (c) Represents expenses incurred as a result of our May 2013 stock option modification.
- (d) Amounts represent reimbursement for out-of-pocket expenses that were paid to Bain Capital pursuant to the Advisory Agreement. Amounts are recorded in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations.
- (e) Represents impairment charges on long-lived assets.
- (f) Represents amounts charged for certain ongoing litigation.

Comparable Store Sales. Comparable store sales measure performance of a store during the current reporting period against the performance of the same store in the corresponding period of the previous year. The method of calculating comparable store sales varies across the retail industry. As a result, our definition of comparable store sales may differ from other retailers.

We define comparable store sales as sales of those stores, including online sales, commencing on the first day of the fiscal month one year after the end of their grand opening activities, which normally conclude within the first two months of operations. Our comparable store sales are as follows:

	Comparable Store Sales	
	Three Months Months Ended	Nine Months Months Ended
October 29, 2016	3.7%	4.5%
October 31, 2015	2.8%	3.0%

Various factors affect comparable store sales, including, but not limited to, weather conditions, current economic conditions, the timing of our releases of new merchandise and promotional events, the general retail sales environment, consumer preferences and buying trends, changes in sales mix among distribution channels, competition, and the success of marketing programs.

Gross Margin. Gross margin is the difference between net sales and the cost of sales. Our cost of sales and gross margin may not be comparable to those of other entities, since some entities may include all of the costs related to their buying and distribution functions, certain store-related costs and other costs, in cost of sales. We include certain of these costs in the line items "Selling, general and administrative expenses" and "Depreciation and amortization" in our Condensed Consolidated Statements of Operations. We include in our "Cost of sales" line item all costs of merchandise (net of purchase discounts and certain vendor allowances), inbound freight, distribution center outbound freight and certain merchandise acquisition costs, primarily commissions and import fees. Gross margin as a percentage of net sales expanded approximately 140 basis points to 41.2% during the three month period ended October 29, 2016, driven by strong merchandise margins. This improvement more than offset the 20 basis point increase in product sourcing costs which are included in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations. Gross margin as a percentage of net sales expanded approximately 70 basis points to 40.3% during the nine month period ended October 29, 2016, driven by strong merchandise margins. This improvement more than offset the 20 basis point increase in product sourcing costs, which are included in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations.

Inventory. Inventory at October 29, 2016 decreased to \$822.5 million compared with \$934.0 million at October 31, 2015. This decrease was primarily driven by a decrease in our comparable store inventory of approximately 8% as a result of our ongoing initiative to reduce inventory levels and increase inventory turnover as well as a decrease in our pack-and-hold inventory of approximately \$24 million. These decreases were partially offset by the inventory required for our 26 net new stores opened since October 31, 2015.

Inventory at January 30, 2016 was \$783.5 million. The increase in inventory from January 30, 2016 was primarily driven by the seasonality of our business and the inventory required for our 25 net new stores opened since January 30, 2016, partially offset by a decrease in our pack-and-hold inventory of approximately \$86 million.

In order to better serve our customers and maximize sales, we continue to refine our merchandising mix and inventory levels within our stores. By appropriately managing our inventories, we believe we will be better able to deliver a continual flow of fresh merchandise to our customers. We continue to move toward more productive inventories by increasing the amount of current inventory as a percent of total inventory.

Comparable store inventory turnover is a measure that indicates how efficiently inventory is bought and sold. This is significant because it measures the freshness of our store inventory, which we believe will drive incremental store-traffic and increase net sales. Comparable store inventory turnover is calculated by dividing comparable store sales by the average comparable store retail value of inventory for the period being measured. The calculation is based on a rolling 13 month average of inventory and the last 12 months' comparable sales. Our comparable store inventory turnover improved by approximately 12% for the third quarter of Fiscal 2016 compared with the third quarter of Fiscal 2015.

Store Payroll as a Percentage of Net Sales. Store payroll as a percentage of net sales measures our ability to manage our payroll in accordance with increases or decreases in net sales. The method of calculating store payroll varies across the retail industry. As a result, our store payroll as a percentage of net sales may differ from other retailers. We define store payroll as regular and overtime payroll for all store personnel as well as regional and territory personnel, exclusive of payroll charges related to corporate and warehouse employees. Store payroll as a percentage of net sales improved to 9.1% and 8.9% during the three and nine month periods ended October 29, 2016 from 9.3% and 9.1% during the three and nine month periods ended October 31, 2015. The improvement in

store payroll as a percentage of net sales was primarily driven by the benefit from efficiencies realized in our stores as we continue to simplify operating procedures and improve the execution within store operations.

Liquidity. Liquidity measures our ability to generate cash. Management measures liquidity through cash flow and working capital position. Cash flow is the measure of cash generated from or used in operating, financing, and investing activities. Cash and cash equivalents increased \$11.9 million during the nine months ended October 29, 2016, compared with an increase in cash and cash equivalents of \$3.5 million during the nine months ended October 31, 2015. The improvement in our cash flows compared with prior year was primarily driven by our improved operating results, changes in our inventories and incentive compensation, as well as a reduction in the cash paid for property and equipment. These improvements were partially offset by net payments on our debt obligations, the purchase of treasury shares under our share repurchase programs and changes in our prepaid income taxes. Refer to the section below entitled “Liquidity and Capital Resources” for further explanation.

Changes in working capital also impact our cash flows. Working capital equals current assets (exclusive of restricted cash) minus current liabilities. We had a working capital deficit at October 29, 2016 of \$0.6 million compared with a working capital surplus of \$84.8 million at October 31, 2015. During the fourth quarter of Fiscal 2015, we adopted Accounting Standards Update 2015-17, “Income Taxes: Balance Sheet Classification of Deferred Taxes,” which called for the presentation of deferred tax assets and deferred tax liabilities as non-current. As we adopted this guidance on a prospective basis during the fourth quarter of Fiscal 2015, we did not retroactively adjust prior period amounts. In addition, we experienced a reduction in our inventories during the nine months ended October 29, 2016 compared with the nine months ended October 31, 2015. These decreases were partially offset by (i) an increase in our prepaid and other current assets, primarily prepaid taxes, as well as an increase in assets held for sale related to the impending sale of one of our stores we intend to close during the fourth quarter; (ii) an increase in our accounts receivable driven by an increase in sales during the final week of the fiscal quarter; (iii) a decrease in our accounts payable driven by the timing of our inventory receipts; and (iv) an increase in our cash.

Results of Operations

The following table sets forth certain items in the Condensed Consolidated Statements of Operations as a percentage of net sales for the three and nine months ended October 29, 2016 and the three and nine months ended October 31, 2015.

	Percentage of Net Sales			
	Three Months Ended		Nine Months Ended	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Net sales	100.0%	100.0 %	100.0%	100.0 %
Other revenue	0.5	0.6	0.5	0.6
Total revenue	100.5	100.6	100.5	100.6
Cost of sales	58.8	60.2	59.7	60.4
Selling, general and administrative expenses	33.6	33.8	32.5	33.0
Costs related to debt amendments and secondary offering	—	—	0.0	0.0
Stock option modification expense	0.0	0.0	0.0	0.1
Depreciation and amortization	3.5	3.5	3.6	3.6
Impairment charges-long-lived assets	—	—	0.0	0.1
Other income—net	(0.1)	(0.1)	(0.2)	(0.1)
Loss on extinguishment of debt	—	—	0.1	0.0
Interest expense	1.0	1.2	1.1	1.2
Total costs and expenses	96.8	98.6	96.8	98.3

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Income before income tax expense	3.7	2.0	3.7	2.3
Income tax expense	1.3	0.7	1.4	0.9
Net income	2.4	% 1.3	% 2.3	% 1.4

Three Month Period Ended October 29, 2016 Compared With the Three Month Period Ended October 31, 2015

Net sales

Net sales improved approximately \$111.7 million, or 9.1%, to \$1,342.6 million during the third quarter of Fiscal 2016, driven primarily by the following:

- an increase in net sales of \$69.8 million from new stores opened during Fiscal 2016 and stores previously opened that were not included in our comparable store sales; and
- an increase in comparable store sales of \$45.1 million, or 3.7%, to \$1,254.5 million; partially offset by
- a \$3.2 million decrease related to the net impact of closed stores and other sales adjustments.

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We believe that the comparable store sales increase was primarily due to our improved execution of our off-price model. We also benefited from the transition of our fragrance sales from rental income from leased department to an owned category, as discussed below.

Other Revenue

Other revenue (consisting of rental income from leased departments, subleased rental income, layaway, alterations, other service charges and miscellaneous revenue items) decreased \$1.3 million during the third quarter of Fiscal 2016, primarily driven by a reduction in rental income from third party fragrance sales. We converted our fragrance business, which was previously operated under a licensing arrangement, to an owned category which is recorded in the line item “Net sales” in our Condensed Consolidated Statements of Operations.

Cost of sales

Cost of sales as a percentage of net sales improved approximately 140 basis points to 58.8% during the third quarter of Fiscal 2016, driven by reduced markdowns as a percentage of net sales and higher initial markups, which were partially offset by an increase in our estimated shortage accrual rates. This improvement more than offset the 20 basis point increase in product sourcing costs, which are included in the line item “Selling, general and administrative expenses” in our Condensed Consolidated Statements of Operations.

On a dollar basis, cost of sales increased \$48.3 million, or 6.5%, for the third quarter of Fiscal 2016, primarily driven by our overall increase in sales.

Selling, general and administrative expenses

Selling, general and administrative expenses as a percentage of net sales improved approximately 20 basis points for the third quarter of Fiscal 2016. The following table details selling, general and administrative expenses for the three month period ended October 29, 2016 compared with the three month period ended October 31, 2015:

	(in millions)		Three Months Ended		Percentage	Percentage	\$	%
	October 29, 2016	Percentage of Net Sales	October 31, 2015	Percentage of Net Sales				
Store related costs	293.6	21.9 %	\$274.3	22.3 %	\$ 19.3	7.0	%	
Product sourcing costs	68.1	5.1	60.3	4.9	7.8	12.9		
Corporate costs	45.3	3.4	37.3	3.0	8.0	21.4		
Marketing and strategy costs	27.1	2.0	28.6	2.3	(1.5)	(5.2)		
Other selling, general and administrative expenses	17.0	1.2	15.7	1.3	1.3	8.3		
Selling, general and administrative expenses	\$451.1	33.6 %	\$416.2	33.8 %	\$ 34.9	8.4	%	

Store related costs as a percentage of net sales improved approximately 40 basis points during the third quarter of Fiscal 2016, driven by 30 basis points of leverage in occupancy costs. In addition, we experienced a 30 basis point reduction in store payroll and payroll-related expenses driven by the simplification of operating procedures and improved execution within our store operations. These improvements were partially offset by an increase in our

incentive compensation costs. On a dollar basis, the \$19.3 million increase in store related costs was primarily driven by our 26 net new stores that have opened since October 31, 2015, as well as stores that opened during the third quarter of Fiscal 2015 that did not operate for a full 13 weeks.

Product sourcing costs as a percentage of net sales increased approximately 20 basis points during the three month period ended October 29, 2016, which partially offset the 140 basis point improvement in cost of sales. The increase in product sourcing costs as a percentage of net sales was driven by an increase in our supply chain costs as we continue to improve the execution of our off-price model as well as increased incentive compensation costs related to our buying and merchandising departments.

Corporate costs as a percentage of net sales increased approximately 40 basis points during the third quarter of Fiscal 2016, primarily driven by increases in our incentive compensation and stock based compensation costs.

Marketing and strategy costs improved 30 basis points during the three month period ended October 29, 2016, primarily driven by our increased leverage from our national television advertising.

Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$46.5 million during the third quarter of Fiscal 2016 compared with \$43.2 million during the third quarter of Fiscal 2015. The increase was primarily driven by our 26 net new stores opened since October 31, 2015 and stores that opened during the third quarter of Fiscal 2015 that did not operate for a full 13 weeks, as well as the renovation of our corporate campus.

Interest expense

Interest expense improved to \$13.2 million, primarily driven by the repricing of our Term Loan Facility which reduced our interest rate margins by 75 basis points during the third quarter of Fiscal 2016, partially offset by an increase in the amortization of the financings costs associated with our interest rate cap contracts from accumulated other comprehensive income into interest expense.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the third quarter of Fiscal 2016 compared with the third quarter of Fiscal 2015, are summarized in the table below:

	Three Months Ended		
	October	October 31,	
	29,	2015	
	2016		
Average interest rate – ABL Line of Credit	1.8 %	1.6	%
Average interest rate – Term Loan Facility	3.5 %	4.3	%
	\$	\$ 270.2	
Average balance – ABL Line of Credit	201.4	million	
	\$ 1,117.0		
Average balance – Term Loan Facility	million	1,117.0 million	

Income tax expense

Income tax expense was \$17.4 million during the third quarter of Fiscal 2016 compared with \$9.1 million during the third quarter of Fiscal 2015. The effective tax rate for the third quarter of Fiscal 2016 was 35.0% compared with 37.7% during the third quarter of Fiscal 2015. The decrease in the effective tax rate was primarily the result of a decrease in our state tax rate and an increase in federal hiring credits.

In accordance with ASC Topic No. 270, “Interim Reporting” (Topic No. 270), and ASC Topic No. 740, “Income Taxes” (Topic No. 740), at the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. We used this methodology during the third quarter of Fiscal 2016, resulting in the annual effective income tax rate of 37.0% (before discrete items) being our best estimate. The projected annual effective income tax rate for the third quarter of Fiscal 2015 was 38.2% (before discrete items). The decrease in the annual effective tax rate was primarily driven by a decrease in our state tax rate and an increase in federal hiring credits.

Net income

We earned net income of \$32.4 million for the third quarter of Fiscal 2016 compared with net income of \$15.1 million for the third quarter of Fiscal 2015. The improvement in our net income was primarily driven by our improved gross margin, partially offset by increases in our selling, general and administrative expenses and income tax expense.

Nine Month Period Ended October 29, 2016 Compared With the Nine Month Period Ended October 31, 2015

Net sales

Net sales improved approximately \$322.2 million, or 9.1%, to \$3,880.3 million during the nine month period ended October 29, 2016, driven primarily by the following:

- an increase in net sales of \$174.2 million from new stores opened during Fiscal 2016 and stores previously opened that were not included in our comparable store sales; and
- an increase in comparable store sales of \$157.8 million, or 4.5%, to \$3,678.9 million; partially offset by
- a \$9.8 million decrease related to the net impact of closed stores and other sales adjustments.

We believe that the comparable store sales increase was primarily due to our improved execution of our off-price model. We also benefited from the transition of our fragrance sales from rental income from leased department to an owned category, as discussed below.

Other Revenue

Other revenue decreased \$4.7 million during the nine month period ended October 29, 2016. This decrease was primarily driven by a reduction in rental income from third party fragrance sales due to the conversion of our fragrance business to an owned category as previously noted.

Cost of sales

Cost of sales as a percentage of net sales improved approximately 70 basis points to 59.7% during the nine month period ended October 29, 2016, driven by higher initial markups and reduced markdowns as a percentage of net sales, which were partially offset by an increase in our estimated shortage accrual rates. This improvement more than offset the approximate 20 basis point increase in product sourcing costs, which are included in the line item "Selling, general and administrative expenses" in our Condensed Consolidated Statements of Operations. On a dollar basis, cost of sales increased \$165.7 million, or 7.7%, primarily driven by our overall increase in sales.

Selling, general and administrative expenses

Selling, general and administrative expenses as a percentage of net sales improved approximately 50 basis points during the nine month period ended October 29, 2016. The following table details selling, general and administrative expenses for the nine month period ended October 29, 2016 compared with the nine month period ended October 31, 2015:

	(in millions)							
	Nine Months Ended				Percentage			
	October 29, 2016	Percentage of Net Sales	October 31, 2015	Percentage of Net Sales	\$ Variance	% Change		
Store related costs	\$836.6	21.6 %	\$785.3	22.1 %	\$ 51.3	6.5		%
Product sourcing costs	193.0	5.0	171.4	4.8	21.6	12.6		
Corporate costs	125.6	3.2	117.0	3.3	8.6	7.4		
Marketing and strategy costs	57.8	1.5	60.2	1.7	(2.4)	(4.0)		
Other selling, general and administrative expenses	48.6	1.2	41.6	1.1	7.0	16.8		
Selling, general and administrative expenses	\$1,261.6	32.5 %	\$1,175.5	33.0 %	\$ 86.1	7.3		%

Store related costs as a percentage of net sales improved approximately 50 basis points during the nine month period ended October 29, 2016, driven by 30 basis points of leverage in occupancy costs. In addition, we experienced a 30 basis point reduction in store payroll and payroll-related expenses driven by the simplification of operating procedures and improved execution within our store operations. These improvements were partially offset by a 10 basis point increase in our incentive compensation costs. On a dollar basis, the \$51.3 million increase was primarily driven by our 26 net new stores that have opened since October 31, 2015, as well as stores that opened during the nine month period ended October 31, 2015 that did not operate for a full 39 weeks.

Product sourcing costs as a percentage of net sales increased approximately 20 basis points during the nine month period ended October 29, 2016, which partially offset the 70 basis point improvement in cost of sales. The increase in product sourcing costs as a percentage of net sales was driven by an increase in our supply chain costs as we continue

to improve the execution of our off-price model as well as an increase in incentive compensation costs related to our buying and merchandising departments.

Corporate costs increased \$8.6 million during the nine month period ended October 29, 2016, primarily driven by increases in incentive compensation and stock based compensation.

Marketing and strategy costs improved 20 basis points during the nine month period ended October 29, 2016, primarily driven by our increased leverage from our national television advertising.

Costs related to debt amendments and secondary offering

We recorded costs related to debt amendments of \$1.3 million representing legal and placement fees incurred in connection with the repricing of our Term Loan Facility. Refer to Note 2, "Long Term Debt," to our Condensed Consolidated Financial Statements for further details regarding this transaction.

Depreciation and amortization

Depreciation and amortization expense related to the depreciation of fixed assets and the amortization of favorable and unfavorable leases amounted to \$136.6 million during the nine month period ended October 29, 2016 compared with \$127.1 million during the nine month period ended October 31, 2015. The increase in depreciation and amortization expense was primarily driven by our 26 net new stores opened since October 31, 2015 and stores that opened during the nine month period ended October 31, 2015 that did not operate for a full 39 weeks, as well as the renovation of our new corporate campus.

Loss on extinguishment of debt

We recorded a loss on extinguishment of debt of \$3.8 million as a result of the repricing of our Term Loan Facility during the second quarter of Fiscal 2016. Refer to Note 2, "Long Term Debt," to our Condensed Consolidated Financial Statements for further details regarding this transaction.

Interest expense

Interest expense improved to \$43.2 million, primarily driven by the July 2016 repricing of our Term Loan Facility and \$50.0 million principal payments on our Term Loan Facility in January 2015. These improvements were partially offset by an increase in the amortization of the financings costs associated with our interest rate cap contracts from accumulated other comprehensive income into interest expense and an increase in our average outstanding borrowings and average interest rate on our ABL Line of Credit.

Our average interest rates and average balances related to our Term Loan Facility and our ABL Line of Credit, for the nine month period ended October 29, 2016 compared with prior year, are summarized in the table below:

	Nine Months Ended	
	October 29, 2016	October 31, 2015
Average interest rate – ABL Line of Credit	1.8%	1.6%
Average interest rate – Term Loan Facility	4.0%	4.3%
	\$	\$ 199.7
Average balance – ABL Line of Credit	216.8 million	216.8 million
Average balance – Term Loan Facility	\$ 1,117.0 million	\$ 1,133.5 million

Other income, net

Other income, net (consisting of investment income, gains and losses on disposition of assets, breakage income and other miscellaneous items) increased \$3.2 million, primarily driven by the sale of certain state tax credits during the first quarter of Fiscal 2016.

Income tax expense

Income tax expense was \$52.4 million during the nine month period ended October 29, 2016 compared with \$32.5 million during the nine month period ended October 31, 2015. The effective tax rate for the nine month period ended October 29, 2016 was 36.7% compared with 38.6% during the nine month period ended October 31, 2015. The decrease in the effective tax rate was primarily the result of a decrease in our state tax rate and an increase in federal hiring credits.

In accordance with Topic No. 270 and Topic No. 740, at the end of each interim period we are required to determine the best estimate of our annual effective tax rate and then apply that rate in providing for income taxes on a current year-to-date (interim period) basis. We used this methodology during the nine month period ended October 29, 2016, resulting in the annual effective income tax rate of 37.0% (before discrete items) being our best estimate. The projected annual effective income tax rate during the nine month period ended October 31, 2015 was 38.2% (before discrete items). The decrease in the annual effective tax rate was primarily driven by a decrease in our state tax rate and an increase in federal hiring credits.

Net income

We earned net income of \$90.3 million during the nine month period ended October 29, 2016 compared with net income of \$51.7 million for the nine month period ended October 31, 2015. The improvement in our net income was primarily driven by our improved gross margin, partially offset by increases in our selling, general and administrative expenses, income tax expense and depreciation and amortization.

Liquidity and Capital Resources

Our ability to satisfy interest payment obligations on our outstanding debt will depend largely on our future performance which, in turn, is subject to prevailing economic conditions and to financial, business and other factors beyond our control. If we do not have sufficient cash flow to service interest payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed on terms similar to our current financing agreements, or at all.

We believe that cash generated from operations, along with our existing cash and our ABL Line of Credit, will be sufficient to fund our expected cash flow requirements and planned capital expenditures for at least the next twelve months as well as the foreseeable future. However, there can be no assurance that we would be able to offset declines in our comparable store sales with savings initiatives in the event that the economy declines.

Cash Flow for the Nine Month Period Ended October 29, 2016 Compared With the Nine Month Period Ended October 31, 2015

We generated \$11.9 million of cash flow during the nine month period ended October 29, 2016 compared with \$3.5 million during the nine month period ended October 31, 2015.

Net cash provided by operating activities amounted to \$286.5 million during the nine month period ended October 29, 2016 compared with \$103.7 million during the nine month period ended October 31, 2015. The improvement in our operating cash flows was primarily driven by our improved operating results and changes in our inventories and incentive compensation. These improvements in cash flow were partially offset by changes in our prepaid income taxes.

Net cash used in investing activities was \$137.5 million during the nine month period ended October 29, 2016 compared with \$149.5 million during the nine month period ended October 31, 2015. This change was primarily the result of a reduction in capital expenditures related to our overall supply chain initiatives, partially offset by store expenditures (new stores, store refreshes and remodels and other store expenditures).

Net cash used in financing activities was \$137.1 million during the nine month period ended October 29, 2016 compared with a generation of \$49.3 million during the nine month period ended October 31, 2015. This change was primarily related to the net change in our debt obligations as well as an increase in share repurchases during the first nine months of Fiscal 2016 compared to the first nine months of Fiscal 2015.

Cash flow and working capital levels assist management in measuring our ability to meet our cash requirements. Changes in working capital also impact our cash flows. We had a working capital deficit at October 29, 2016 of \$0.6 million compared with a working capital surplus of \$84.8 million at October 31, 2015. Refer to the previous section entitled "Key Performance Measures" for explanation of the changes in our working capital. Working capital at January 30, 2016 was \$18.6 million.

Capital Expenditures

For the nine month period ended October 29, 2016, cash spend for capital expenditures, net of \$17.9 million of landlord allowances, amounted to \$119.8 million. We estimate that we will spend approximately \$160 million, net of approximately \$30 million of landlord allowances, in capital expenditures during Fiscal 2016, including \$85 million to \$90 million, net of the previously mentioned landlord allowances, for store expenditures (new stores, store refreshes and remodels and other store expenditures). In addition, we estimate that we will spend approximately \$24 million to support our supply chain initiatives, with the remaining capital used to support our information technology and other business initiatives.

Share Repurchase Programs

We are authorized to repurchase shares of our outstanding common stock from time to time on the open market or in privately negotiated transactions under our repurchase programs. The timing and amount of stock repurchases will depend on a variety of factors, including the market conditions as well as corporate and regulatory considerations. Our share repurchase programs may be suspended, modified or discontinued at any time and we have no obligation to repurchase any amount of our common stock under the program.

During the nine month period ended October 29, 2016, we repurchased 2,234,889 shares of common stock for \$150.0 million under our share repurchase programs. As of October 29, 2016, we had \$49.6 million available for purchase under our share repurchase programs. On November 15, 2016, our Board of Directors authorized the repurchase of up to an additional \$200 million of our common stock, which will be funded using the Company's available cash and is authorized to be executed through November 2018.

Dividends

We currently do, and intend to continue to, retain all available funds and any future earnings to fund all of the Company's capital expenditures, business initiatives, and to support any potential opportunistic capital structure initiatives. Therefore, at this time, we do not anticipate paying cash dividends in the near term. Our ability to pay dividends on our common stock will be limited by restrictions on the ability of our subsidiaries to pay dividends or make distributions under the terms of current and any future agreements governing our indebtedness. Any future determination to pay dividends will be at the discretion of our Board of Directors, subject to compliance with covenants in our current and future agreements governing our indebtedness, and will depend upon our results of operations, financial condition, capital requirements and other factors that our Board of Directors deems relevant.

In addition, since we are a holding company, substantially all of the assets shown on our consolidated balance sheets are held by our subsidiaries. Accordingly, our earnings, cash flow and ability to pay dividends are largely dependent upon the earnings and cash flows of our subsidiaries and the distribution or other payment of such earnings to us in the form of dividends.

Operational Growth

As of October 29, 2016, we operated 592 stores primarily under the name "Burlington Stores." During the nine month period ended October 29, 2016, we opened 29 new Burlington Stores and closed two MJM Stores and two Burlington Stores. We continue to pursue our growth plans and invest in capital projects that meet our financial requirements. We expect to open one new store and close one store during the fourth quarter of Fiscal 2016, resulting in the opening of a total of 25 net new Burlington Stores during Fiscal 2016.

We continue to explore expansion opportunities both within our current market areas and in other regions. We believe that our ability to find satisfactory locations for our stores is essential for the continued growth of our business. The opening of stores generally is contingent upon a number of factors including, but not limited to, the availability of desirable locations with suitable structures and the negotiation of acceptable lease terms. There can be no assurance, however, that we will be able to find suitable locations for new stores or that even if such locations are found and acceptable lease terms are obtained, we will be able to open the number of new stores presently planned. Assuming that appropriate locations are identified, we believe that we will be able to execute our growth strategy without significantly impacting our current stores.

Debt

As of October 29, 2016, our obligations include \$1,111.8 million, inclusive of original issue discount, under our Term Loan Facility and \$174.3 million under our ABL Line of Credit.

Term Loan Facility

On July 29, 2016, we entered into Amendment No. 5 (the Fifth Amendment) to the Term Loan Credit Agreement (as amended, the Amended Term Loan Credit Agreement) governing our Term Loan Facility. The Fifth Amendment, among other things, reduced the interest rate margins applicable under the Term Loan Facility from 2.25% to 1.75% in the case of prime rate loans, and from 3.25% to 2.75% in the case of LIBOR loans, with the LIBOR floor being reduced from 1.00% to 0.75%. The Fifth Amendment was accomplished by replacing the outstanding \$1,117.0 million principal amount of Term B-3 Loans with a like aggregate principal amount of Term B-4 Loans. The Term B-4 Loans have the same maturity date that was applicable to the Term B-3 Loans. As a result of the Fifth Amendment, we recognized a non-cash loss on the extinguishment of debt of \$3.8 million, representing the write-off of \$2.5 million and \$1.3 million in deferred financing costs and unamortized original issue discount, respectively, which was recorded in the line item "Loss on extinguishment of debt" in our Condensed Consolidated Statements of Operations. Also in connection with the Fifth Amendment, we incurred fees of \$1.3 million, primarily related to legal

and placement fees, which were recorded in the line item “Costs related to debt amendments and secondary offering” in our Condensed Consolidated Statements of Operations.

At October 29, 2016, our borrowing rate related to the Term Loan Facility was 3.5%.

ABL Line of Credit

At October 29, 2016, we had \$383.7 million available under the Amended ABL Line of Credit. The maximum borrowings under the facility during the nine month period ended October 29, 2016 amounted to \$350.0 million. Average borrowings during the nine month period ended October 29, 2016 amounted to \$216.8 million at an average interest rate of 1.8%.

Certain Information Concerning Contractual Obligations

The Company had \$706.5 million of purchase commitments related to goods that were not received as of October 29, 2016. There were no other significant changes regarding our obligations to make future payments under current contracts from those included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

Critical Accounting Policies and Estimates

Our Condensed Consolidated Financial Statements have been prepared in accordance with GAAP. We believe there are several accounting policies that are critical to understanding our historical and future performance as these policies affect the reported amounts of revenues and other significant areas that involve management's judgments and estimates. The preparation of our Condensed Consolidated Financial Statements requires management to make estimates and assumptions that affect (i) the reported amounts of assets and liabilities; (ii) the disclosure of contingent assets and liabilities at the date of the Condensed Consolidated Financial Statements; and (iii) the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates its estimates and judgments, including those related to revenue recognition, inventories, long-lived assets, intangible assets, goodwill, insurance reserves and income taxes. Historical experience and various other factors that are believed to be reasonable under the circumstances form the basis for making estimates and judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. A critical accounting estimate meets two criteria: (1) it requires assumptions about highly uncertain matters and (2) there would be a material effect on the consolidated financial statements from either using a different, although reasonable, amount within the range of the estimate in the current period or from reasonably likely period-to-period changes in the estimate.

Our critical accounting policies and estimates are consistent with those disclosed in Note 1 to the audited Consolidated Financial Statements, "Summary of Significant Accounting Policies," included in our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

Safe Harbor Statement

This report contains forward-looking statements that are based on current expectations, estimates, forecasts and projections about us, the industry in which we operate and other matters, as well as management's beliefs and assumptions and other statements regarding matters that are not historical facts. For example, when we use words such as "projects," "expects," "anticipates," "intends," "plans," "believes," "seeks," "estimates," "should," "would," "could," "will," "potential" or "may," variations of such words or other words that convey uncertainty of future events or outcomes, we are making forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 (Securities Act) and Section 21E of the Securities Exchange Act of 1934 (Exchange Act). Our forward-looking statements are subject to risks and uncertainties. Such statements include, but are not limited to, proposed store openings and closings, proposed capital expenditures, projected financing requirements, proposed developmental projects, projected sales and earnings, our ability to maintain selling margins, and the effect of the adoption of recent accounting pronouncements on our consolidated financial position, results of operations and cash flows. Actual events or results may differ materially from the results anticipated in these forward-looking statements as a result of a variety of factors. While it is impossible to identify all such factors, factors that could cause actual results to differ materially from those estimated by us include: competition in the retail industry, seasonality of our business, adverse weather conditions, changes in consumer preferences and consumer spending patterns, import risks, inflation, general economic conditions, our ability to implement our strategy, our substantial level of indebtedness and related debt-service obligations, restrictions imposed by covenants in our debt agreements, availability of adequate financing, our dependence on vendors for our merchandise, events affecting the delivery of merchandise to our stores, existence of adverse litigation, availability of desirable locations on suitable terms, and other risks discussed from time to time in our filings with the Securities and Exchange Commission (SEC).

Many of these factors are beyond our ability to predict or control. In addition, as a result of these and other factors, our past financial performance should not be relied on as an indication of future performance. The cautionary statements referred to in this section also should be considered in connection with any subsequent written or oral forward-looking statements that may be issued by us or persons acting on our behalf. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise, except as required by law. In light of these risks and uncertainties, the forward-looking events and circumstances discussed in this report might not occur. Furthermore, we cannot guarantee future results, events, levels of activity, performance or achievements.

Recent Accounting Pronouncements

Refer to Note 1 to our Condensed Consolidated Financial Statements, “Summary of Significant Accounting Policies,” for a discussion of recent accounting pronouncements and their impact in our Condensed Consolidated Financial Statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to certain market risks as part of our ongoing business operations. Primary exposures include (i) changes in interest rates, as borrowings under our ABL Line of Credit and Term Loan Facility bear interest at floating rates based on LIBOR or the base rate, in each case plus an applicable borrowing margin and (ii) investing activities. The interest rate of our Term Loan Facility is also dependent on the LIBOR, prime rate, and the federal funds rate as further discussed in Note 2 to our Condensed Consolidated Financial Statements, "Long Term Debt." We manage our interest rate risk through the use of interest rate cap contracts. For our floating-rate debt, interest rate changes generally impact our earnings and cash flows, assuming other factors are held constant.

On April 24, 2015 we entered into two interest rate cap contracts which were designated as cash flow hedges. These interest rate cap contracts have an aggregate notional principal amount of \$800.0 million, cap rates of 1.0%, are effective May 29, 2015 and mature on May 31, 2019.

On July 29, 2016, we completed the repricing of our Term Loan Facility, which, among other things, reduced the interest rate margins applicable under the Amended Term Loan Credit Agreement from 2.25% to 1.75% in the case of prime rate loans, and from 3.25% to 2.75% in the case of LIBOR loans, with the LIBOR floor being reduced from 1.00% to 0.75%.

As of October 29, 2016, we had exposure to changes in interest rates from the 0.75% LIBOR floor on our Term Loan Facility to the 1.00% rate under our interest rate cap contracts. In addition, we have unlimited interest rate risk related to borrowings on our variable rate debt in excess of the notional principal amount of our interest rate cap contracts.

At October 29, 2016, we had \$1,291.3 million of floating-rate debt, exclusive of original issue discount. Based on \$1,291.3 million outstanding as floating-rate debt, a one percentage point increase as of January 30, 2016 (after considering our 1.0% interest rate cap contracts), would cause an increase to cash interest expense of \$6.8 million per year, resulting in \$6.8 million less in our pre-tax earnings. This sensitivity analysis assumes our mix of financial instruments and all other variables will remain constant in future periods. These assumptions are made in order to facilitate the analysis and are not necessarily indicative of our future intentions.

If a one percentage point increase in interest rates were to occur as of October 29, 2016, such an increase would result in the following additional interest expenses (assuming current borrowing level remains constant):

	(in millions)				
Principal Outstanding	Additional Interest Expense	Additional Interest Expense	Additional Interest Expense	Additional Interest Expense	Additional Interest Expense
at July 30, 2016	Q3 2016	Q4 2016	Q1 2017	Q2 2017	
Floating Rate Debt	\$ 1,117.0	\$ 1.3	\$ 1.3	\$ 1.3	\$ 1.3
Term Loan Facility (a)	174.3	0.4	0.4	0.4	0.4
ABL Line of Credit	\$ 1,291.3	\$ 1.7	\$ 1.7	\$ 1.7	\$ 1.7

(a) Principal balance represents carrying value of our Term Loan Facility exclusive of original issue discount. Our ability to satisfy our interest payment obligations on our outstanding debt will depend largely on our future performance, which, in turn, is in part subject to prevailing economic conditions and to financial, business and other

factors beyond our control. If we do not have sufficient cash flow to service our interest payment obligations on our outstanding indebtedness and if we cannot borrow or obtain equity financing to satisfy those obligations, our business and results of operations will be materially adversely affected. We cannot be assured that any replacement borrowing or equity financing could be successfully completed.

Item 4. Controls and Procedures.

Our management team, under the supervision and with the participation of our principal executive officer and our principal financial officer, evaluated the effectiveness of the design and operation of our disclosure controls and procedures as such term is defined under Rule 13a-15(e) promulgated under the Securities Exchange Act of 1934, as amended (Exchange Act), as of the last day of the fiscal period covered by this report, October 29, 2016. The term disclosure controls and procedures means our controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the SEC's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is accumulated and communicated to management, including our principal executive and principal financial officer, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure. Based on this evaluation, our principal executive officer and our principal financial officer concluded that our disclosure controls and procedures were effective as of October 29, 2016.

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During the quarter ended October 29, 2016, there were no changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

Item 1. Legal Proceedings.

Like many retailers, the Company has been named in class or collective actions on behalf of various groups alleging violations of federal and state wage and hour and other labor statutes, and alleged violation of state consumer and/or privacy protection statutes. In the normal course of business, we are also party to various other lawsuits and regulatory proceedings including, among others, commercial, product, product safety, employee, customer, intellectual property and other claims. Actions against us are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties. To determine the likelihood of a loss and/or the measurement of any loss can be complex. Consequently, we are unable to estimate the range of reasonably possible loss in excess of amounts accrued. Our assessments are based on estimates and assumptions that have been deemed reasonable by management, but the assessment process relies heavily on estimates and assumptions that may prove to be incomplete or inaccurate, and unanticipated events and circumstances may occur that might cause us to change those estimates and assumptions. The ultimate outcome of these cases could have a material adverse effect on the Company's results of operations.

Item 1A. Risk Factors.

There have been no material changes in our risk factors from those disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

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

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information regarding our purchases of common stock during the three fiscal months ended October 29, 2016:

Month	Total Number of Shares Purchased(1)	Average Price Paid Per Share(2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs

			Programs(3)	
July 31, 2016 through August 27, 2016	688	\$ 77.41	—	\$ 124,642,560
August 28, 2016 through October 1, 2016	614,205	\$ 82.31	607,198	74,642,637
October 2, 2016 through October 29, 2016	312,121	\$ 80.15	311,924	49,642,662
Total	927,014		919,122	

- (1) The number of shares purchased between July 31, 2016 and August 27, 2016 were not part of our publicly announced share repurchase program. In addition, the number of shares purchased between August 28, 2016 and October 1, 2016 and between October 2, 2016 and October 29, 2016 include 7,007 shares and 197 shares, respectively, that were not part of our publicly announced share repurchase program. The aggregate of these shares were withheld for tax payments due upon the vesting of employee restricted stock awards, and do not reduce the dollar value that may yet be purchased under our publicly announced share repurchase program.
- (2) Includes commissions for the shares repurchased under our publicly announced share repurchase program.
- (3) On November 24, 2015, we announced that our Board of Directors had authorized the repurchase of up to \$200 million of our common stock. This share repurchase program will be funded using the Company's available cash and is authorized to be executed through November 2017. As of October 29, 2016, we had \$49.6 million available for purchase under this share repurchase program. On November 15, 2016, our Board of Directors authorized the repurchase of up to an additional \$200 million of our common stock. This share repurchase program will be funded using the Company's available cash and is authorized to be executed through November 2018. For a further discussion of our share repurchase programs, see "Part I, Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources—Share Repurchase Program."

Item 3. Defaults Upon Senior Securities.

None.

Item 4. Mine Safety Disclosures.

Not applicable.

Item 5. Other Information.

None.

Item 6. Exhibits.

Exhibit	Description
10.1†	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees with Employment Agreements pursuant to 2013 Omnibus Incentive Plan
10.2†	Form of Non-Qualified Stock Option Agreement between Burlington Stores, Inc. and Employees without Employment Agreements pursuant to 2013 Omnibus Incentive Plan
10.3†	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees with Employment Agreements pursuant to 2013 Omnibus Incentive Plan
10.4†	Form of Restricted Stock Grant Agreement between Burlington Stores, Inc. and Employees without Employment Agreements pursuant to 2013 Omnibus Incentive Plan
31.1†	Certification of Principal Executive Officer required by Rule 13a-14(a) or Rule 15d-14(a) of the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
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101.INS†	XBRL Instance Document
101.SCH†	XBRL Taxonomy Extension Schema
101.CAL†	XBRL Taxonomy Extension Calculation Linkbase
101.DEF†	XBRL Taxonomy Extension Definition Linkbase

101.LAB†XBRL Taxonomy Extension Label Linkbase

101.PRE†XBRL Taxonomy Extension Presentation Linkbase

Filed herewith.

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SIGNATURES

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

BURLINGTON STORES, INC.

/s/ Thomas A. Kingsbury
Thomas A. Kingsbury

Chairman, President and Chief Executive Officer

(Principal Executive Officer)

/s/ Marc Katz
Marc Katz

Executive Vice President—Chief Financial Officer

(Principal Financial Officer)

Date: November 23, 2016

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