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

Forward-looking statements that we make herein and in other reports and releases are not guarantees of future performance and actual results may differ materially from those discussed in such forward-looking statements as a result of various factors, including, but not limited to, the Covid-19 coronavirus pandemic, current economic and credit crisis, the cost of goods, our inability to successfully execute strategic initiatives, competitive pressures, economic pressures on our customers and us, the availability of brand name closeout merchandise, trade restrictions, freight costs, the risks discussed in the Risk Factors section of our most recent Annual Report on Form 10-K, and other factors discussed from time to time in our other filings with the SEC, including Quarterly Reports on Form 10-Q and Current Reports on Form 8-K. This release should be read in conjunction with such filings, and you should consider all of these risks, uncertainties and other factors carefully in evaluating forward-looking statements.

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

• Tremendous runway for growth through footprint expansion and market-share gain

• Clear positioning as a home discount retailer

• Unique assortment and rapidly developing omnichannel capabilities

• Growing base of loyal customers

• Value never goes out of style!
ABOUT BIG LOTS

OUR COMPETITIVE ADVANTAGE

OPERATION NORTH STAR

OUR FINANCIAL GOALS
WE HAVE A CLEAR PURPOSE & VISION GROUNDED IN OUR VALUES

OUR PURPOSE
We help people live **BIG** and save **LOTS**

OUR VISION
Be the **BIG** difference for a better life by...
- delivering unmatched value and surprising products
- building a “best places to grow” culture
- engaging with partners to innovate & execute
- rewarding shareholders with top tier returns
- doing good as we do well

OUR VALUES
- We are customer obsessed!
- We play to **win**!
- We are courageous!
- We treat all with respect!
- We are one team!
WE HAVE NATIONAL SCALE AND A STRONG OMNICHANNEL PRESENCE!

BIGLOTS! AT A GLANCE

$6.2 BILLION
Trailing 12-month sales

RANKED 449TH
in the Fortune 500 in 2020

1,431
Stores across 47 states

~22,800 SELLING SQ FT
per store

22 MILLION
Rewards members

10% CAGR
over last 5 years

> 5%
eComm Penetration

eComm Sales 4x vs 2019
WE OFFER A BROAD AND WELL-BALANCED MERCHANDISE ASSORTMENT

- Furniture, 30%
- Food & Consumables, 26%
- Hard & Soft Home, 26%
- Seasonal, 9%
- The Lot, Apparel, Electronics, etc., 9%

Note: Percentages are shares of total company year-to-date sales through Q3 2021.
WE HAVE A GROWING BASE OF LOYAL CUSTOMERS

<table>
<thead>
<tr>
<th>Year</th>
<th>Rewards Customers (M)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>14</td>
</tr>
<tr>
<td>2017</td>
<td>15</td>
</tr>
<tr>
<td>2018</td>
<td>17</td>
</tr>
<tr>
<td>2019</td>
<td>19</td>
</tr>
<tr>
<td>2020</td>
<td>21</td>
</tr>
<tr>
<td>2021</td>
<td>22</td>
</tr>
</tbody>
</table>

1. As of end of Q3 2021.

OVER 75% FEMALE
SPANS ALL INCOME BRACKETS
MAJORITY AGE 40+, SHIFTING YOUNGER

LIVES FOR HER HOME & FAMILY
ENJOYS HUNTING FOR TREASURES & BARGAINS
LOVES TO HOST & ENTERTAIN

CROSS-SHOPS WIDE RANGE OF CATEGORIES
SHOPS OMNI-CCHANNEL
SPENDS 38% MORE AS A REWARDS MEMBER
WE DO GOOD AS WE DO WELL

WE PARTNER WITH NATIONAL NONPROFITS...

...AND HAVE A STRONG FOCUS ON ESG

CLICK HERE TO FIND OUR BIG CARES REPORT ONLINE!
ABOUT BIG LOTS

OUR COMPETITIVE ADVANTAGE

OPERATION NORTH STAR

OUR FINANCIAL GOALS
WE ARE A VALUE-OBSESSED HOME DISCOUNT RETAILER

- SPECIALTY DISCOUNT
  (Single-category, off-price)

- GENERAL DISCOUNT
  (Multi-category, off-price)

- SPECIALTY MERCHANTS
  (Single-category, EDLP)

- GENERAL MERCHANTS
  (Multi-category, EDLP)

- LEAST CROWDED SPACE, WITH ROOM TO GROW
- BROAD AND DIVERSIFIED
- NOT EASILY REPLICATED AT A NATIONAL SCALE
WHY SHE SHOPS US...

THE BARGAIN HUNT
Big Buys
and closeouts

THE TREASURE HUNT
Unique seasonal
and trend items

THE CONVENIENCE TRIP
Reliable assortment of
simple to shop essentials

SHIFTING OUR ASSORTMENT TO TWO THIRDS IN & OUT, FROM LESS THAN HALF TODAY
WHY SHE LOVES US...

**EXCEPTIONAL VALUE**
Limited time deals, off-price closeouts, Broyhill® & Real Living brands

**SURPRISING PRODUCTS**
Unique, quirky items, seasonal trends, nostalgic finds

**EASY SHOPPING**
True-omni channel offering, easy to navigate store/website, take home today, multiple payment types

**DELIGHTFUL EXPERIENCE**
Fun, colorful store, friendly associates, neighborhood feel
BUILDING A COMPELLING VALUE PROPOSITION

WHO WE ARE...

HOME DISCOUNT RETAILER

WHY SHE SHOPS US...

Bargain Hunt  Treasure Hunt  Convenience

WHY SHE LOVES US...

Exceptional value  Surprising products  Easy shopping  Delightful experience

HOW WE WIN...

Only multi-category in-and-out merchant with true national scale  Unique, emotionally connected brand experience  Unmatched omnichannel business in discount
OPERATION NORTH STAR IS OUR MULTI-YEAR TRANSFORMATIONAL GROWTH AND VALUE-CREATION PLAN LAUNCHED IN 2019

GROW
- Store count growth
- Sales productivity
- eCommerce acceleration
- Brand activation and customer growth

FUND
- Pricing and COGS program
- Promos and markdowns
- Shrink and loss reduction
- Structural expense reduction and leverage

ENABLE
- Supply chain investment
- Customer experience (stores & online)
- Talent and capabilities
- Data and technology
OUR VALUE-CREATION OPPORTUNITY IS UNDERPINNED BY...

• A Long Runway for Growth

• Significant Margin Opportunity

• Consistent Cash Flow Generation & Capital Return

And We Are Already Realizing Many Quick Wins...
OUR RUNWAY FOR GROWTH...

500+
Potential new store locations

$1.5-$2B
Opportunity through new store growth

15%+
Increase in sales productivity potential

$1B+
Opportunity to improve productivity

10%-15%
eCommerce penetration

$0.5-$1B+
Opportunity in eCommerce sales growth

Note: eCommerce sales are not fully incremental since partially fulfilled through stores.
GROWING OUR STORE FOOTPRINT

- **Returning to growth** after decade of flat store count
- **500+ opportunities** across established market fill-ins, rural/small town markets, and under-penetrated geographies
- Adding **50+ net new stores** in 2022 and accelerating after 2022 to **80+ per year**
- New stores delivering **accretive economics** with EBITDA margins >10% and IRRs >20%
- Store intervention program **successfully reducing closures**
SALES PRODUCTIVITY DRIVERS

- **Optimizing assortments**, through category discipline and space planning
- Rolling out our **Next Gen Furniture Sales** model to 500+ stores
- **Growing Furniture** with Broyhill®, modern assortments, and expanded distribution
- **Winning Seasonal** year-round
- Expanding our rapidly-growing **Apparel offering**
- Growing our **Owned Brands**
- **Driving innovation pipeline** with the Lot & Queue, Lots Under $5, “Big Buys” and more
DRIVING eCOMM ACCELERATION

- **Removing friction points** with enhanced search, easy checkout and financing options
- Increasing website **personalization**, including product best sellers and new arrivals
- Accelerating supplier direct fulfillment and **extending our aisle and assortment**
- **Growing site traffic** through targeted marketing and increased national presence
- Providing nationwide **same-day and 2-day delivery options**
ACTIVATING OUR BRAND

Continuing the breakthrough “Be A BIGionaire” ad campaign featuring new celebrity BIGionaires

- Creating a community of bargain hunters and treasure seekers
- Driving incremental visits from new and existing customers
- Increasing brand awareness, consideration, and purchasers
- Driving personalized marketing based on our customer data platform
SIGNIFICANT MARGIN OPPORTUNITY

Managed Rate Optimization

100-200 bps Gross Margin expansion through:

- Pricing and promotion optimization
- Space planning and per-store allocation
- Mix benefits
- Shrink and loss reduction
- COGS productivity
- Supply chain normalization

Low threshold for expense leverage:

- Variable expense flex only 5% to 8% of sales increase
- Ongoing structural SG&A savings opportunity

Accretive Strategic Growth

Accretive online growth through store fulfillment:

- BOPIS sales very profitable

Accretive new store economics:

- EBITDA margins >10% and ROIC >20%
- New stores on average achieve chain productivity within two years
CONSISTENT CASH FLOW GENERATION AND CAPITAL RETURNS

- History of **strong free cash flow**
- **Over $1 billion** returned to shareholders since 2016
- Capex spend achieving **ROIC well in excess of weighted-average cost of capital**
- Strong **capital allocation discipline**
- Excellent **liquidity access and debt-free balance sheet**
BUILDING A SUPPLY CHAIN TO SUPPORT OUR GROWTH

• **Expanding Forward DC network** to support bulk product and increase speed to store

• **Modernizing supply chain technology** through investing in Transportation Management, End-to-End Supply Chain Visibility, and Order Management System

• **Enhancing eCommerce fulfillment:** expanding final mile carrier capabilities and ship from store network

• **Deploying 3PL “pop-up” bypass DCs:** creating flexible capacity
IMPROVING OUR CUSTOMER EXPERIENCE

- Over 37,000 associates that Bring their BIG! everyday, with top quartile NPS

- Customer-centric focus that provides a friendly, delightful shopping experience

- Updating 800 stores through Project Refresh to deliver a consistent and upgraded brand experience

- Upgrading signage, vestibules, flooring, wall graphics, painting, remodeling bathrooms

- 250 stores to be refreshed by mid-2022
WE HAVE A SEASONED AND AMBITIOUS MANAGEMENT TEAM BRINGING THIS ALL TOGETHER

Bruce Thorn
President & CEO
Prior Experience: Tailored Brands, PetSmart, GAP Inc.
Joined Big Lots: 2018

Nick Padovano
Store Operations
Prior Experience: Lowe’s, Hudson Bay Company
 Joined Big Lots: 2014

Andrej Mueller
Strategy
Prior Experience: Boston Consulting Group
Joined Big Lots: 2019

Eddie Burt
Supply Chain
Prior Experience: GNC, Home Depot, PetSmart, Target
Joined Big Lots: 2019

Shannon Letts
Real Estate
Prior Experience: Walton Enterprises, Walmart
Joined Big Lots: 2021

Mike Schlonsky
Human Resources
Prior Experience: Schottenstein Zox and Dunn
Joined Big Lots: 1993
WE HAVE A SEASONED AND AMBITIOUS MANAGEMENT TEAM BRINGING THIS ALL TOGETHER

Gurmeet Singh
Technology
Prior Experience: Al-Futtaim Group, Boston Consulting Group, 7-Eleven
Joined Big Lots: 2021

Rocky Robins
Legal
Prior Experience: Vorys, Sater, Seymour and Pease LLP, Abercrombie & Fitch
Joined Big Lots: 2015

Joice Wirkus
Marketing
Prior Experience: PetSmart
Joined Big Lots: 2019

Jonathan Ramsden
Finance
Prior Experience: Abercrombie & Fitch, Omnicom Group Inc.
Joined Big Lots: 2019

Erica Fortune
eCommerce
Prior Experience: Express, The Limited, Bath & Body Works, Abercrombie & Fitch
Joined Big Lots: 2014

Jack Pestello
Merchandising
Prior Experience: Walmart, Woolworths, Daymon Worldwide
Joined Big Lots: 2020
ABOUT BIG LOTS

OUR COMPETITIVE ADVANTAGE

OPERATION NORTH STAR

OUR FINANCIAL GOALS
WE HAVE AMBITIOUS LONG-TERM FINANCIAL TARGETS

SALES
$8-$10B

OPERATING MARGIN
6%-8%

ROIC\(^1\)
20%-25%

Defined growth drivers
Gross margin expansion and disciplined expense management
Accretive investments and ongoing return of capital

\(^1\) ROIC defined as adjusted (non-GAAP) trailing 12-month net operating profit after tax divided by average invested capital (long-term debt and shareholders’ equity) over the same time period.
FUNDAMENTALS FOR ACHIEVING OUR LONG-TERM GOALS

SALES GROWTH
- Consistent low-single digit comparable sales growth
- Opening 80+ net new stores per year
- Growing eCommerce to over $1 billion channel

OPERATING MARGIN IMPROVEMENT
- Driving gross margin expansion vs. 2021 through pricing and promotion optimization, new tools, COGS productivity, shrink, mix
- Expense leverage from growth and structural savings, net of additional growth investments

CAPITAL ALLOCATION DISCIPLINE
- Capital investment scaling to ~$250 million per year
- Improving inventory efficiency
- Maintaining our dividend with annual reviews
- Continuing share repurchases to augment returns
HISTORIC FINANCIALS ($ in millions except EPS)

TOTAL SALES | COMPS

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Sales</th>
<th>Comps</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$5,194</td>
<td>0.9%</td>
</tr>
<tr>
<td>2017</td>
<td>$5,264</td>
<td>0.4%</td>
</tr>
<tr>
<td>2018</td>
<td>$5,238</td>
<td>1.2%</td>
</tr>
<tr>
<td>2019</td>
<td>$5,323</td>
<td>0.3%</td>
</tr>
<tr>
<td>2020</td>
<td>$6,199</td>
<td>16.1%</td>
</tr>
</tbody>
</table>

ADJUSTED GROSS MARGIN(1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Gross Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>40.4%</td>
</tr>
<tr>
<td>2017</td>
<td>40.7%</td>
</tr>
<tr>
<td>2018</td>
<td>40.5%</td>
</tr>
<tr>
<td>2019</td>
<td>39.8%</td>
</tr>
<tr>
<td>2020</td>
<td>40.3%</td>
</tr>
</tbody>
</table>

ADJUSTED OPERATING MARGIN(1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Operating Margin</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>5.2%</td>
</tr>
<tr>
<td>2017</td>
<td>5.7%</td>
</tr>
<tr>
<td>2018</td>
<td>4.4%</td>
</tr>
<tr>
<td>2019</td>
<td>3.9%</td>
</tr>
<tr>
<td>2020</td>
<td>6.4%</td>
</tr>
</tbody>
</table>

ADJUSTED EARNINGS PER SHARE(1)

<table>
<thead>
<tr>
<th>Year</th>
<th>Adjusted Earnings Per Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>$3.64</td>
</tr>
<tr>
<td>2017</td>
<td>$4.45</td>
</tr>
<tr>
<td>2018</td>
<td>$4.04</td>
</tr>
<tr>
<td>2019</td>
<td>$3.67</td>
</tr>
<tr>
<td>2020</td>
<td>$7.35</td>
</tr>
</tbody>
</table>

(1) See slides 37-41 for the reconciliation of GAAP to non-GAAP Adjusted Gross Margin, Adjusted Operating Margin and Adjusted Earnings per Share.
HISTORIC CAPITAL ALLOCATION ($ in millions)

ROIC defined as adjusted (non-GAAP) trailing 12-month net operating profit after tax divided by average invested capital (long-term debt and shareholders' equity) over the same time period. See slides 37-41 for the reconciliation of GAAP to Non-GAAP net income.

DIVIDENDS | SHARE REPURCHASES

(1) ROIC defined as adjusted (non-GAAP) trailing 12-month net operating profit after tax divided by average invested capital (long-term debt and shareholders' equity) over the same time period. See slides 37-41 for the reconciliation of GAAP to Non-GAAP net income.
## SUMMARY FINANCIAL HISTORY (NON-GAAP)

<table>
<thead>
<tr>
<th>In thousands, except earnings per share</th>
<th>2016</th>
<th>2017(3)</th>
<th>2018</th>
<th>2019</th>
<th>2020</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net Sales</strong></td>
<td>$5,193,995</td>
<td>$5,264,362</td>
<td>$5,238,105</td>
<td>$5,323,180</td>
<td>$6,199,186</td>
</tr>
<tr>
<td><strong>Adjusted Gross Margin(1)</strong></td>
<td>$2,099,419</td>
<td>$2,142,442</td>
<td>$2,121,895</td>
<td>$2,120,732</td>
<td>$2,497,386</td>
</tr>
<tr>
<td><strong>Adjusted Gross Margin Rate(1)</strong></td>
<td>40.4%</td>
<td>40.7%</td>
<td>40.5%</td>
<td>39.8%</td>
<td>40.3%</td>
</tr>
<tr>
<td><strong>Adjusted Operating Expenses(1)(2)</strong></td>
<td>$1,827,473</td>
<td>$1,844,089</td>
<td>$1,892,868</td>
<td>$1,912,802</td>
<td>$2,099,935</td>
</tr>
<tr>
<td><strong>Adjusted Operating Expense Rate(1)(2)</strong></td>
<td>35.2%</td>
<td>35.0%</td>
<td>36.1%</td>
<td>35.9%</td>
<td>33.9%</td>
</tr>
<tr>
<td><strong>Adjusted Operating Profit(1)</strong></td>
<td>$271,946</td>
<td>$298,353</td>
<td>$229,027</td>
<td>$207,930</td>
<td>$397,451</td>
</tr>
<tr>
<td><strong>Adjusted Operating Profit Rate(1)</strong></td>
<td>5.2%</td>
<td>5.7%</td>
<td>4.4%</td>
<td>3.9%</td>
<td>6.4%</td>
</tr>
<tr>
<td><strong>Adjusted Diluted Earnings per Share(1)</strong></td>
<td>$3.64 $</td>
<td>$4.45</td>
<td>$4.04</td>
<td>$3.67</td>
<td>$7.35</td>
</tr>
<tr>
<td><strong>Diluted Weighted Average Shares</strong></td>
<td>45,974</td>
<td>43,300</td>
<td>40,962</td>
<td>39,351</td>
<td>39,067</td>
</tr>
</tbody>
</table>

(1) Adjusted 2016 through 2020 results are non-GAAP financial measures. See slides 37-41 for a reconciliation of the reported GAAP results to the adjusted non-GAAP results.

(2) Operating Expenses are comprised of adjusted Selling and Administrative Expenses, Depreciation Expense, and Adjusted Gain on Sales of Distribution Centers.

(3) Fiscal 2017 was comprised of 53 weeks.
FISCAL 2016 GAAP TO NON-GAAP RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>Adjustment to exclude pension costs</th>
<th>Gain on sale of real estate</th>
<th>As Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling and administrative expenses</td>
<td>$1,730,956</td>
<td>$(27,766)</td>
<td>$3,823</td>
<td>$1,707,013</td>
</tr>
<tr>
<td>Selling and administrative expense rate</td>
<td>33.3%</td>
<td>(0.5%)</td>
<td>0.1%</td>
<td>32.8%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>248,003</td>
<td>27,766</td>
<td>(3,823)</td>
<td>271,946</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>4.8%</td>
<td>0.5%</td>
<td>(0.1%)</td>
<td>5.2%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>91,471</td>
<td>10,976</td>
<td>(1,412)</td>
<td>101,035</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>37.4%</td>
<td>0.3%</td>
<td>(0.0%)</td>
<td>37.7%</td>
</tr>
<tr>
<td>Net income</td>
<td>152,828</td>
<td>16,790</td>
<td>(2,411)</td>
<td>167,207</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$3.32</td>
<td>0.037</td>
<td>(0.05)</td>
<td>3.64</td>
</tr>
</tbody>
</table>

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted operating profit, adjusted operating profit rate, adjusted income tax expense, adjusted effective income tax rate, adjusted net income, adjusted diluted earnings per share, and adjusted diluted earnings per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP"); (1) all costs associated with the Company’s pension plans, as the Company completed termination and distribution proceedings in 2016, which totaled $27,766 ($16,790, net of tax); (2) a pretax adjustment for a gain on the sale of real estate of $3,823 ($2,411, net of tax). The pension costs encompass all items associated with net periodic benefit costs, including curtailment and settlement charges, and professional fees associated with the plan and plan termination proceedings.

Our management believes that the disclosure of these non-GAAP financial measures provides useful information to investors because the non-GAAP financial measures present an alternative and more relevant method for measuring our operating performance, excluding special items included in the most directly comparable GAAP financial measures, that management believes is more indicative of our on-going operating results and financial conditions. Our management uses these non-GAAP financial measures, along with the most directly comparable GAAP financial measures, in evaluating our operating performance.
### FISCAL 2017 GAAP TO NON-GAAP RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>Adjustment to exclude gain on insurance recoveries</th>
<th>Impact on deferred taxes resulting from U.S. tax reform</th>
<th>As Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling and administrative expenses</td>
<td>$1,723,996</td>
<td>$3,000</td>
<td>$-</td>
<td>$1,726,996</td>
</tr>
<tr>
<td>Selling and administrative expense rate</td>
<td>32.7%</td>
<td>0.1%</td>
<td>-</td>
<td>32.8%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>301,353</td>
<td>(3,000)</td>
<td>-</td>
<td>298,353</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>5.7%</td>
<td>(0.1%)</td>
<td>-</td>
<td>5.7%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>105,522</td>
<td>(1,149)</td>
<td>(4,517)</td>
<td>99,856</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>35.7%</td>
<td>(0.0%)</td>
<td>(1.5%)</td>
<td>34.2%</td>
</tr>
<tr>
<td>Net income</td>
<td>189,832</td>
<td>(1,851)</td>
<td>4,517</td>
<td>192,498</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$4.38</td>
<td>$(0.04)</td>
<td>$0.10</td>
<td>$4.45</td>
</tr>
</tbody>
</table>

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted operating profit, adjusted operating profit rate, adjusted income tax expense, adjusted effective income tax rate, adjusted net income, and adjusted diluted earnings per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with GAAP (1) a pretax gain on insurance recoveries associated with merchandise-related legal matters of $3,000 ($1,851, net of tax); and (2) the impact to deferred taxes resulting from the U.S. Tax Cuts and Jobs Act of 2017 of $4,517.
### FISCAL 2018 GAAP TO NON-GAAP RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>Adjustment to exclude CEO retirement costs</th>
<th>Adjustment to exclude shareholder litigation matter</th>
<th>As Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling and administrative expenses</td>
<td>$1,778,416</td>
<td>$ (7,018)</td>
<td>$ (3,500)</td>
<td>$1,767,898</td>
</tr>
<tr>
<td>Selling and administrative expense rate</td>
<td>34.0%</td>
<td>(0.1%)</td>
<td>(0.1%)</td>
<td>33.8%</td>
</tr>
<tr>
<td>Operating profit</td>
<td>218,509</td>
<td>7,018</td>
<td>3,500</td>
<td>229,027</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>4.2%</td>
<td>0.1%</td>
<td>0.1%</td>
<td>4.4%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>50,719</td>
<td>895</td>
<td>879</td>
<td>52,493</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>24.4%</td>
<td>(0.4%)</td>
<td>(0.0%)</td>
<td>24.1%</td>
</tr>
<tr>
<td>Net income</td>
<td>156,894</td>
<td>6,123</td>
<td>2,621</td>
<td>165,638</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$ 3.83</td>
<td>$ 0.15</td>
<td>$ 0.06</td>
<td>$ 4.04</td>
</tr>
</tbody>
</table>

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted operating profit, adjusted operating profit rate, adjusted income tax expense, adjusted effective income tax rate, adjusted net income, and adjusted diluted earnings per share are “non-GAAP financial measures” as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) (1) the costs associated with the retirement of our former CEO of $7,018 ($6,123, net of tax); and (2) a pretax charge related to the settlement in principle of shareholder litigation matters of $3,500 ($2,621, net of tax).
## FISCAL 2019 GAAP TO NON-GAAP RECONCILIATION

The above adjusted gross margin, adjusted gross margin rate, adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted gain on sale of distribution center, adjusted gain on sale of distribution center rate, adjusted operating profit, adjusted operating profit rate, adjusted income tax expense, adjusted effective income tax rate, adjusted net income, and adjusted diluted earnings per share are "non-GAAP financial measures" as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America ("GAAP") (1) an inventory impairment amount of $6,050 ($4,497, net of tax) as a result of a merchandise department exit; (2) the costs associated with a transformational restructuring initiative of $38,338 ($28,502, net of tax); (3) a pretax charge related to estimated legal settlement of employee class actions of $7,250 ($5,554, net of tax); and (4) a gain resulting from the sale of our Rancho Cucamonga, California distribution center of $178,534 ($136,604, net of tax).

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>Impact to exclude department exit inventory impairment</th>
<th>Impact to exclude transformational restructuring costs</th>
<th>Adjustment to exclude legal settlement loss contingencies</th>
<th>Adjustment to exclude gain on sale of distribution center</th>
<th>As Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Gross margin</td>
<td>$ 2,114,682</td>
<td>$ 6,050</td>
<td>$ 0.1%</td>
<td>$ -</td>
<td>$ -</td>
<td>$ 2,120,732</td>
</tr>
<tr>
<td>Gross margin rate</td>
<td>39.7%</td>
<td>0.1%</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>39.8%</td>
</tr>
<tr>
<td>Selling and administrative expenses</td>
<td>1,823,409</td>
<td>-</td>
<td>(38,338)</td>
<td>(7,250)</td>
<td>-</td>
<td>1,777,821</td>
</tr>
<tr>
<td>Selling and administrative expense rate</td>
<td>34.3%</td>
<td>-</td>
<td>(0.7%)</td>
<td>(0.1%)</td>
<td>-</td>
<td>33.4%</td>
</tr>
<tr>
<td>Gain on sale of distribution center</td>
<td>(178,534)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>178,534</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of distribution center rate</td>
<td>(3.4%)</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>3.4%</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>334,826</td>
<td>6,050</td>
<td>38,338</td>
<td>7,250</td>
<td>(178,534)</td>
<td>207,930</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>6.3%</td>
<td>0.1%</td>
<td>0.7%</td>
<td>0.1%</td>
<td>(3.4%)</td>
<td>3.9%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>75,084</td>
<td>1,553</td>
<td>9,836</td>
<td>1,696</td>
<td>(41,930)</td>
<td>46,239</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>23.6%</td>
<td>0.0%</td>
<td>0.1%</td>
<td>(0.0%)</td>
<td>0.6%</td>
<td>24.3%</td>
</tr>
<tr>
<td>Net income</td>
<td>242,464</td>
<td>4,497</td>
<td>28,502</td>
<td>5,554</td>
<td>(136,604)</td>
<td>144,413</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$ 6.16</td>
<td>$ 0.11</td>
<td>$ 0.72</td>
<td>$ 0.14</td>
<td>(3.47)</td>
<td>$ 3.67</td>
</tr>
</tbody>
</table>
### FISCAL 2020 GAAP TO NON-GAAP RECONCILIATION

<table>
<thead>
<tr>
<th></th>
<th>As Reported</th>
<th>Adjustment to exclude gain on sale of distribution centers and related expenses</th>
<th>As Adjusted (non-GAAP)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Selling and administrative expenses</td>
<td>$1,965,555</td>
<td>$(3,956)</td>
<td>$1,961,599</td>
</tr>
<tr>
<td>Selling and administrative expense rate</td>
<td>31.7%</td>
<td>(0.1%)</td>
<td>31.6%</td>
</tr>
<tr>
<td>Gain on sale of distribution centers</td>
<td>(463,053)</td>
<td>463,053</td>
<td>-</td>
</tr>
<tr>
<td>Gain on sale of distribution centers rate</td>
<td>(7.5%)</td>
<td>7.5%</td>
<td>-</td>
</tr>
<tr>
<td>Operating profit</td>
<td>856,548</td>
<td>(459,097)</td>
<td>397,451</td>
</tr>
<tr>
<td>Operating profit rate</td>
<td>13.8%</td>
<td>(7.4%)</td>
<td>6.4%</td>
</tr>
<tr>
<td>Income tax expense</td>
<td>215,415</td>
<td>(117,194)</td>
<td>98,221</td>
</tr>
<tr>
<td>Effective income tax rate</td>
<td>25.5%</td>
<td>(0.0%)</td>
<td>25.5%</td>
</tr>
<tr>
<td>Net income</td>
<td>629,191</td>
<td>(341,903)</td>
<td>287,288</td>
</tr>
<tr>
<td>Diluted earnings per share</td>
<td>$16.11</td>
<td>$(8.75)</td>
<td>$7.35</td>
</tr>
</tbody>
</table>

The above adjusted selling and administrative expenses, adjusted selling and administrative expense rate, adjusted gain on sale of distribution centers, adjusted gain on sale of distribution centers rate, adjusted operating profit, adjusted operating profit rate, adjusted income tax expense, adjusted effective income tax rate, adjusted net income, and adjusted diluted earnings per share are “non-GAAP financial measures” as that term is defined by Rule 101 of Regulation G (17 CFR Part 244) and Item 10 of Regulation S-K (17 CFR Part 229). These non-GAAP financial measures exclude from the most directly comparable financial measures calculated and presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”) a gain resulting from the sale of our Columbus, OH; Durant, OK; Montgomery, AL; and Tremont, PA distribution centers and the related expenses of $459,097 ($341,903, net of tax).