

BURL Earnings Call Transcript

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Operator: Hello, everyone, and welcome to Burlington Stores, Inc. Third Quarter 2025 Earnings Webcast. Please note that this call is being recorded. After the speakers' prepared remarks, there will be a question and answer session. If you'd like to ask a question during that time, please press star followed by one on your telephone keypad. Thank you. I'd now like to hand the call over to Mr. David J. Glick, Group Senior Vice President, Investor Relations. Please go ahead.

David J. Glick: Thank you, operator, and good morning, everyone. We appreciate everyone's participation in today's conference call to discuss Burlington Stores, Inc.'s fiscal 2025 third quarter operating results. Our presenters today are Michael O'Sullivan, our Chief Executive Officer, and Kristin Wolfe, our EVP and Chief Financial Officer. Before I turn the call over to Michael, I would like to inform listeners that this call may not be transcribed, recorded, or broadcast without our expressed permission. A replay of the call will be available until December 2, 2025. We take no responsibility for inaccuracies that may appear in this call by third parties. Our remarks and the Q&A that follows are copyrighted today by Burlington Stores, Inc. Remarks made on this call concerning future expectations, events, strategies, objectives, trends, or projected financial results are subject to certain risks and uncertainties. Actual results may differ materially from those that are projected in such forward-looking statements. Such risks and uncertainties include those that are described in the company's 10-Ks and in our other filings with the SEC, all of which are expressly incorporated herein by reference. Please note that the financial results and expectations we discuss today are on a continuing operations basis. Reconciliations of the non-GAAP measures we discuss today to GAAP measures are included in today's press release. As a reminder, as indicated in this morning's press release, all profitability metrics discussed on this call exclude costs associated with bankruptcy-acquired leases. These pretax costs amounted to \$11 million during 2025 and 2024 and \$28 million and \$9 million respectively, for the first nine months of 2025 and 2024. Now here's Michael.

Michael O'Sullivan: Thank you, David. Good morning, everyone, and thank you for joining us. I would like to cover four topics this morning. Firstly, I will discuss our third quarter results. Secondly, I will review our updated fourth quarter and full-year guidance. Thirdly, I will provide some early thinking on the outlook for 2026. And lastly, I will comment on the progress we are making towards our longer-range financial goals. Then I will turn the call over to Kristin to provide additional details. Okay. Let's start with our Q3 results. Total sales increased 7% in the third quarter at the high end of our guidance. This was on top of 11% sales growth last year. This means that year-to-date, total sales have increased 8% on top of 11% year-to-date growth last year. Comp store sales for the third quarter increased 1%. We started the quarter well with a strong back-to-school trend, but in September, we saw a significant drop-off in traffic to our stores driven by warmer-than-usual weather. As we have discussed previously, we have very strong brand equity in outerwear. Many shoppers still think of us as Burlington Coat Factory. Outerwear is a great business and a source of competitive strength. But this means that in Q3, our comp trend is very sensitive to weather, much more so than competitors. In some years, the impact is positive. In some years, it is negative. This year, it was negative. That said, in mid-October, once the weather turned cooler, our comp trend picked up to the mid-single digits. And that momentum of mid-single-digit comp growth continued through the first three weeks of November. Finishing up on Q3, I would like to comment on earnings. Despite the weather-driven slowdown in our

sales trend in Q3, we still delivered margin expansion that was well ahead of last year and earnings growth that significantly beat our guidance. It's worth calling out that this was despite the considerable headwind that we faced from tariffs. Moving on to the fourth quarter, we are maintaining our previously issued comp store sales guidance of 0% to 2%. We feel good about our recent trend, but it is still early in the quarter, and in the coming weeks, we'll be up against very strong comparisons from last year. So it makes sense to remain cautious. That said, given the strong margin and expense trends that we are seeing, we are increasing our Q4 margin and EPS guidance. To be clear, we are adjusting our full-year 2025 earnings guidance, passing along all of our beat to earnings in Q3 and factoring in our higher Q4 earnings outlook. I would like to call out that we started this fiscal year with EBIT margin guidance of flat to up 30 basis points. Our updated full-year 2025 guidance now calls for expansion of 60 to 70 basis points. This is despite pressure from tariffs and is on top of 100 basis points of margin improvement in 2024. We are excited about the progress we are making on margin expansion. I will return to this topic in a few moments when I talk about our longer-range financial goals. But first, I would like to share our initial thoughts on the outlook for 2026. We are early in the budget process, but as a starting point, we're planning for total sales growth in the high single digits. We now expect to open 110 net new stores in 2026. This is higher than previously discussed and it reflects the strength of our new store pipeline and the performance we are seeing from new stores. We are excited for these new store openings. For comp sales, we are assuming growth of flat to 2% in 2026. This should sound familiar. It is our typical off-price playbook. There is significant economic uncertainty and we do not know how this might affect our business in 2026. So we will plan our business conservatively at 0% to 2% comp sales growth and then be ready to chase if the trend is stronger. In terms of operating margin expansion, for budgeting purposes, we are assuming that at 2% comp growth, our operating margin would be flat versus this year, then 10 to 15 basis points higher for each point of comp above 2%. Before I turn the call over to Kristin, there is one more topic that I would like to talk about. I would like to provide an update on our longer-range financial goals. As a reminder, two years ago, we shared our objective of getting to approximately \$1.6 billion in operating income in 2028. The headline is that we feel good about the progress that we are making toward this goal. We are tracking in line with where we thought we would be at this point. We are especially pleased with the progress we have made in driving operating margin. This means that at the high end of our updated 2025 margin guidance, we will have achieved 170 basis points of the 400 basis points of opportunity that we identified two years ago. And of course, we will have achieved this despite the negative headwind from tariffs. Apart from margin expansion, the other drivers of our long-range financial model are new store sales and comp store sales growth. On new store sales, we are even more bullish now about our new store opening program than we were two years ago. Originally, we had assumed that we would open 100 net new stores a year in the period 2024 to 2028. In fact, this year, we will open 104, and in 2026, we are now planning to open 110 net new stores. Based on our new store pipeline, there is a possibility that we could sustain or even exceed this stronger pace of new store openings. The other major driver of our long-range model is comp sales growth. As I discussed in the context of our Q3 results, leaving weather aside, we feel good about the underlying comp trends that we are seeing. We believe that we can achieve average annual comp sales growth in the range of 4% to 5% over the remaining years of the long-range plan. In other words, between now and 2028. Of course, we recognize there are a lot of external variables that can affect comp growth. So in the nearer term, as we always do, we will plan our business conservatively. And then chase. Now I would like to turn the call over to Kristin to review our Q3 results, updated 2025 guidance, and high-level outlook for 2026 in more detail.

Kristin Wolfe: Thank you, Michael. And good morning, everyone. I will start with some additional color on Q3. Then I will talk about our updated guidance. Lastly, I will comment on our initial outlook for 2026. Starting with the third quarter, total sales grew 7%, while comp store sales increased 1%, both within our guidance range. As Michael described, our comp trend in the third quarter fell off significantly after the back-to-school period driven by warmer weather, but then picked up to mid-single digits in mid-October. The gross margin rate for the third quarter was 44.2%, an increase of 30 basis points versus last year. This was driven by a 10 basis point increase in merchandise margin and a 20 basis point decrease in freight expenses. Moving down the P&L, our Q3 product sourcing costs were \$2 million versus \$29 million in the third quarter of last year. Product sourcing costs decreased 40 basis

points compared to last year. This was primarily driven by leverage in supply chain, through continued cost savings and efficiency initiatives. Adjusted SG&A cost in Q3 levered 20 basis points versus last year. This leverage was primarily achieved in store-related costs. Our store teams drove significant leverage in store payroll, through numerous efficiency and productivity initiatives. Q3 adjusted EBIT margin was 6.2%, 60 basis points higher than last year. This was well above our guidance range of down 20 basis points to flat. Our Q3 adjusted earnings per share was \$1.8, which came in well above our guidance range. This represents a 16% increase versus the prior year. At the end of the quarter, comparable store inventories were down 2% versus the end of 2024. Let me provide a little more context here. In Q3, we saw a significant slowdown in our comp trends, a weather-driven slowdown, but using our merchandising 2.0 tools, our planners and merchants were able to react very quickly to adjust receipts, especially in cold weather categories. So despite the slowdown, our store inventories are well balanced, current, and very clean going into the fourth quarter. Moving on to our reserve inventory. Reserve inventory was 35% of our total inventory versus 32% of our inventory last year. In dollar terms, reserve inventory was up 26% compared to last year. We are pleased with the quality of the merchandise and the values and brands that we have in reserve. And as a reminder, we use reserve inventory as ammunition to chase the sales trend. For example, our reserve includes great out-of-revise that we made earlier this year, that we've been pulling out over the last few weeks to fuel the trend since the weather turned cold in mid-October. We ended the third quarter with approximately \$1.5 billion in liquidity. This consisted of \$584 million in cash and \$948 million in availability on our ABL. We had no outstanding borrowings on the ABL at the end of the quarter. During the third quarter, we repurchased \$61 million in stock, and at the end of the quarter, we had \$444 million remaining on our repurchase authorization. In Q3, we opened 73 net new stores, bringing our store count at the end of the quarter to 1,211 stores. This included 85 new store openings, 10 relocations, and two closings. We now expect to open 104 net new stores in fiscal 2025, up from our original estimate of 100 net new stores. Now I will turn to our outlook for the fourth quarter and full year for fiscal 2025. We are maintaining our fourth quarter fiscal 2025 guidance for comp sales and total sales. We are guiding comparable store sales to be flat to up 2% with total sales to increase 7% to 9% for the fourth quarter. We are raising our adjusted EBIT margin and adjusted earnings per share guidance for the fourth quarter. We now expect our adjusted EBIT margin to increase by 30 to 50 basis points. This margin outlook now translates to an adjusted earnings per share range of \$4.5 to \$4.7, an increase of 9% to 14% versus the fourth quarter of last year. For full-year fiscal 2025, after factoring in our actual Q3 results and our improved outlook for Q4, we expect comp store sales growth of 1% to 2%, total sales to increase approximately 8%, and EBIT margins to range from an increase of 60 to 70 basis points. As Michael noted earlier, this fiscal 2025 EBIT margin guidance is 40 basis points higher than our original full-year guidance at the high end, and this is despite the significant pressure from tariffs. Finally, factoring in Q3 actuals and updated Q4 guidance, adjusted earnings per share are now expected to be in the range of \$9.69 to \$9.89, an increase of 16% to 18% for the full year 2025. Finally, I would like to touch on our preliminary FY 2026 outlook. We are in the early stages of the budgeting process, so this could change. But at this point, we are planning on total sales growth in the high single digits. We are assuming at least 110 net new stores, and we're planning comp store sales in the range of flat to up 2%. For operating margin, as Michael said, we are assuming that at a 2% comp growth, our operating margin would be flat to this year. And we expect leverage of 10 to 15 basis points for each additional point of comp. And now I will turn the call back over to Michael.

Michael O'Sullivan: Thank you, Kristin. Before I turn the call over to the operator for your questions, I would like to summarize a few of the key points from today's call. Firstly, Q3 was impacted by warmer weather in September through early October. Once the weather normalized, our trend improved to mid-single-digit comp growth. And we are off to a strong start for Q4 with comps up mid-single digits for the first three weeks of November. Secondly, we are pleased with our margin trends. We are updating our full-year 2025 guidance to reflect the earnings beat in Q3 as well as our improved earnings outlook for Q4. At this point, we are maintaining our previously issued Q4 comp guidance of 0% to 2%. Thirdly, we are pleased with how we are tracking towards our long-range financial goals, especially the pace of margin expansion. And within this long-range financial plan, we think there may be additional upside in terms of our new store opening program. Now I would like to turn the call over for your questions.

Operator: We are now opening the floor for the question and answer session. Please press star followed by one on your telephone keypad. Your first question comes from the line of Matthew Robert Boss of JPMorgan. Your line is now open.

Matthew Robert Boss: Great. Thanks. Good morning, Michael. Good morning, Matt. Good morning. So on relative performance, your comp this quarter came in below both of your off-price peers. This is a clear reversal from results in the second quarter and over the last year. Clearly, you cited weather was a factor, but how concerned are you by this change in your relative comp versus peers?

Michael O'Sullivan: Well, good morning. Good morning, Matt. Thank you for the question. You're right. Just to lay out the facts, we ran a 1% comp in Q3, our peers were 6% to 7%. Very impressive. That's a very significant difference. I can't give you a complete bridge, but at a high level, let me try and dissect that gap. I'll start with the obvious. We know that weather was the biggest driver of our slowdown in Q3. It's not an excuse, but it is a partial explanation. You know, we changed our name some years ago, but shoppers still call us Burlington Coat Factory. So mild weather in September and October has a huge impact on our business. You know, this is a real thing, and it is unique to us, I think, versus our peers. Now in September and October, cold weather merchandise balloons to more than 20% of our assortment. In the third quarter, our comp sales for ladies and men's coats, jackets, boots, and cold weather accessories, all these important categories were down double digits. Now they bounced back in mid-October, once it turned cold, but by then it was too late to really drive the comps up. Let me go a little further and try to quantify the weather impact on our comp in Q3. If you strip out the drag on our overall comp from cold weather categories, the categories I just listed, and if I make an adjustment for the impact that lower weather-related traffic had on the rest of the store, then I can get to the low end of a mid-single-digit comp. In other words, I do not get to 6% or 7% comp. So in my view, weather only explains half of the gap versus peers. Now, you know, usually, in off-price, when your comp is lower than your peers, it's just the customer telling you that they preferred the value and the assortment that they found elsewhere. In the second quarter, when we ran a 5% comp, growth ahead of our peers, the customer was voting for us. But in Q3, that changed. Now we have some hypotheses on why, but we have more work to do to really tear that apart. And then aggressively go after that performance difference. But before I leave the question, let me just call out a silver lining. The comp numbers that our peers have just reported reaffirm that the off-price shopper at all income levels is alive and well. You know, leaving aside the weather, the major implication for us is that we need to take better advantage of that than we did in the third quarter.

Matthew Robert Boss: Great. And then, Kristin, as a follow-up, could you provide more color on the 60 basis points of operating margin expansion in the quarter, particularly just given as we think about the pressures that you faced from tariffs and the 1% comp?

Kristin Wolfe: Good morning, Matt. Thanks for the question. Yes. First, it's worth reiterating that we really are pleased with the 6.2% operating margin in the quarter, up 60 basis points versus last year on a 1% comp, as you noted in your question. Let me provide the major puts and takes starting with gross margin. First, our merchandise margin increased 10 basis points. And within merchandise margin, there was a lot going on. Tariffs had a negative impact on markup, but we were able to offset this impact through numerous actions such as negotiating with our vendors, adjusting the mix, and driving a faster turn. The net impact of all this was much more favorable than we originally guided back in August. This was really driven by our tariff mitigation strategies. Now staying in gross margin, freight levered by 20 basis points. This was due to greater efficiencies and cost savings initiatives, particularly in transportation. So our overall gross margin increased 30 basis points versus the third quarter of last year, all this despite the impact from tariffs. On product sourcing costs, moving down the P&L, we drove 40 basis points of leverage here. This was driven by supply chain and efficiency initiatives in our DCs. We're excited about the consistent progress we've made in streamlining our chain costs. And moving on to SG&A, we showed about 20 basis points of leverage here on a 1% comp, and this was driven by efficiency initiatives in stores, such as speeding up checkout times at point of sale. Offsetting this leverage was higher depreciation, which delevered about 20 basis points driven by increased CapEx in supply chain and new stores. So taken altogether, this drove the 60 basis points of EBIT expansion in the quarter. Thanks, Matt.

Operator: Next question comes from the line of Ike Boruchow of Wells Fargo. Your line is now open.

Ike Boruchow: Hey, good morning, Michael, Kristin, and David. I guess my question kind of piggybacking off of Matt's is, so the comp growth in Q3 was lower than peers. But the margin and earnings were actually pretty much better. How should we reconcile that? And then really more importantly, were there choices that you made during the quarter that may have driven the higher margin at the expense of sales?

Michael O'Sullivan: Well, I'll take that, Ike. Good morning. Thank you for the questions. It's a good question. I think the direct answer is yes. There were decisions or choices that we made that helped drive our margin in Q3 but may have had a negative impact on our sales. And I'll give you a couple of examples, but maybe I should just preface what I'm gonna say with a couple of points. Firstly, our margin and earnings performance in Q3 was very strong. Margins were up 60 basis points and adjusted EPS grew 16%. We've also taken up full-year earnings guidance. In other words, we've rolled right over tariffs. Secondly, on comp sales, to reiterate, the biggest driver of the slowdown that we saw was weather. If I adjust our comp for weather, we probably would have been pretty happy with the outcome. But as I explained a moment ago, that only explains half of the gap between our 1% comp growth and our peers' 6% to 7% comp. So if I come back to your question, yes, there were choices that we made that might explain our relatively strong margin and earnings performance, and our weaker comp growth in Q3. Now these were choices that we made as part of our tariff mitigation strategies. And let me describe two specific examples. Firstly, when tariffs were first introduced, we reduced our sales and receipt plans for categories where the margin impact was too significant. We did not feel like we could raise retails in those categories. And we did not want to accept the margin compression. That meant that in some businesses, especially some categories in home, our inventory levels and assortments were very light in Q3. And we saw that in terms of the sales in those categories. The sales were lower. Now that wasn't an error. It was a deliberate decision. I would say it was an economically rational decision. And it worked. It may have hurt sales, but it drove our earnings in Q3. Now I should add that as tariff rates have come down, we've gone back and we've taken up sales and receipt plans in most of the categories that were affected. So I would expect this impact to be less significant in Q4. A second example, as Kristin described a moment ago, another step that we took to help offset tariffs was to trim inventory levels in many businesses across the store and force a faster turn. Again, this helped to offset the margin pressure from tariffs. Now we only really took that step in Q3, not in Q4. We already turned very fast in Q4, so we didn't want to try and force a faster turn going into holiday. But again, in Q3, that approach drove earnings, but it may have hurt sales. So for both of the examples I've just given, at a high level, those decisions worked. You know, we fully absorbed tariff pressure on our margin, and we drove very strong margin and earnings growth in Q3. And all this happened actually despite a slowdown in comp sales due to weather, normally a slowdown like that would drive deleverage. Anyway, with that said, we really need to do a full after-action assessment on Q3. Now that we have our competitors' comp results, we need to go back and hindsight our performance and identify anything we could have done or should have done differently.

Ike Boruchow: Got it. Thanks, Michael. And then maybe, Kristin, just to elaborate maybe a little more on the 2026 initial outlook, key risk opportunities in the outlook, anything else you could share?

Kristin Wolfe: Yes. Great. Thanks, Ike. It's still somewhat early in the process. We're actively working through the budget for 2026. But let me give some headlines or how we're thinking about it. The outlook for next year is pretty hard to predict, with significant economic and political uncertainty that could absolutely affect consumers' discretionary spending. There are potential tailwinds like the possibility of higher tax refunds in the early part of next year. And then there are potential headwinds like tariff-driven price increases, which could put additional inflationary pressure on our core customer. Michael spoke to this earlier, but given this uncertainty, we're planning to stick with our off-price playbook. That really means planning comps at flat to 2% and positioning us to chase the trend if it's stronger. In terms of new stores, we mentioned this in the prepared remarks, but it's worth reiterating, we feel very good about the new store pipeline. We are planning to open at least 110 net new stores in 2026. So combined with our comp guidance, this should drive a high single-digit increase in total sales. On the operating margin side, as we said, we're modeling operating margin flat to last year at the 2% comp.

We do expect 10 to 15 basis points of leverage for every point above a 2% comp. And then there's a couple of things in the margin. A couple of puts and takes. We are planning for slightly higher merch margin as we look to offset any impact of tariffs, particularly as we lap the fall season next year. We're planning for continued supply chain productivity gains next year, but there will be offsets here due to the start costs and the initial ramp-up of our new Southeastern distribution center, which we plan to open in 2026. And finally, we do expect fixed cost leverage on the high single-digit total sales growth, but we also are expecting higher depreciation, which creates deleverage. The higher depreciation is really due to the higher CapEx spend in supply chain and our increased number of new stores. Those are really the main callouts for 2026 at this point.

Operator: Your next question comes from the line of Lorraine Hutchinson of Bank of America. Your line is now open.

Lorraine Hutchinson: Thank you. Good morning. Michael, one of your off-price peers is accelerating comps with more focus on marketing, more in-store inventory, and a store refresh. Do you see any risk that Burlington Stores, Inc. will lose market share?

Michael O'Sullivan: Good morning, Lorraine. Thank you for the question. It's a good question. I'm going to avoid talking about any specific competitor, but I think I can still try to answer your question maybe in more general terms. You know, I'll start by saying that actually we like innovation and fresh ideas. We believe in off-price retail. And anything that drives off-price awareness and excitement is a good thing. In fact, I'd go further and say that a strong off-price sector is important for us. So it's good that our off-price peers are achieving very strong results. But your question was more about potential risks to Burlington Stores, Inc. So let me come at it from that angle. I think there are two important points that I would make here. Firstly, when we talk among each other and when we talk to analysts and when we talk to investors, I think we sometimes talk about off-price as if it were a separate isolated ring-fenced segment of retail. But the customer does not think of it that way. The customer does not respect the boundaries of off-price. If she needs a pair of pants or a dress, she might shop Burlington Stores, Inc. or one of our off-price peers, but we know from our own research that she also cross-shops department stores, specialty retailers. In fact, any retailer where she likes the assortment. She doesn't care about our off-price business definition. She just cares about finding a great deal and great value in the categories, brands, and styles that she's looking for. Now if you're an investor in off-price, I think it's very important that you understand this. This is not like the retail market for office supplies. We aren't three companies just scrapping it out for market share in a limited space off-price. It's bigger than that. We compete in a very large and competitively fragmented market for apparel, accessories, shoes, home, beauty, and so on. Off-price is really just a small part of that overall market. Our opportunity is to take share from non-off-price retailers. That's what has been happening over a long period of time. So, I mean, just to bring it up to just to throw in some numbers. Today, we announced 7% total sales growth in Q3, on top of 11% growth last year. You know, at those growth rates, it's self-evident that we are taking market share. But so are our off-price peers. These share gains are not coming at the expense of each other. Mathematically, that wouldn't be possible. These share gains are coming from non-off-price. And, you know, I think that the shift from traditional full-price retail to off-price is unlikely to end anytime soon. So that's the first point. The second point I would make is that despite everything I've just said, I think it's very important and useful for us to pay close attention to our off-price peers. They matter. They operate a similar business model to us. They've been very successful over the years, and we can learn a lot from them. So if our off-price peers come up with new ways of doing things, new processes in stores, new innovative marketing programs, then we need to pay close attention. Now not all of those ideas will work, of course. And certainly, not all of them will make sense for us. But we need to be open to new ideas that could help drive our business and actually drive off-price retail in general. Let me finish up. Your question was about risk to Burlington Stores, Inc. Right now, I see off-price as a whole as being very healthy. For 2025, we now expect to grow total sales by 8% on top of 11% last year. And at the high end of our guidance, we now expect to achieve EPS growth of 18% on top of 34% last year. Those are by any metric, those are very healthy numbers. I anticipate that our off-price peers are going to be successful too. But I don't see that as a risk. In fact, it's better for us if the off-price segment as a whole continues to perform well.

Lorraine Hutchinson: Thank you. And I wanted to follow-up on pricing. Did you take price in 3Q? And

what impact did that have on your comp? And then what's your strategy on pricing for the fourth quarter?

Michael O'Sullivan: Yes. That's a good question. I would sum up our pricing strategy in three words: be very careful. We recognize that because of tariffs, prices are going up across the retail industry. But we will not raise prices unless we've seen them go up elsewhere. And even then, we will test and monitor the impact of those price increases. We've said this many times before, we have a very price-sensitive customer. We know that the reason that they shop at Burlington Stores, Inc. is that they're looking for a great deal. Our core strategy is to offer great value. And, of course, that means keeping prices low. Now our approach to tariffs this year has been to avoid retail pricing increases, and to focus instead on finding other margin and expense offsets. Kristin described those actions earlier. We're very pleased with how that approach has worked. It's allowed us to avoid price increases but still to grow margin and earnings this year. Now of course, we have tested some things. We've tried some higher prices. And in Q3, when we saw other retailers take prices up, we tested higher retails in some categories. But I would say that those pricing tests were in a very limited number of areas. And mostly, the higher retails worked. We saw very little resistance from customers. So going forward, I would say that we will probably get more aggressive, but we kind of have to see what happens in Q4. And, also, of course, we need to see what happens with tariff rates going forward.

Operator: Your next question comes from the line of John David Kernan of TD Cowen. Your line is now open.

John David Kernan: Good morning. Happy almost Thanksgiving. Michael, it sounds like you see store openings and the cadence of growth. Sounds like you see an opportunity to take up the number of new stores. Can you expand a bit upon this? What are you seeing in terms of the new store pipeline, both from a real estate perspective and also potential new store productivity?

Kristin Wolfe: Good morning, John. It's Kristin. I'll take this one. We're really pleased with the performance of our new stores across the board. They've been delivering results that are in line or better than expectations as well as our financial hurdles. It really reinforces the strength of our site selection process and the Burlington Stores, Inc. brand really across markets. And it's worth pointing out just with some data. Our Q3 comp course is at the midpoint of our guidance. But our total sales growth in Q3 was at the high end of our guidance, up 7%. And this was driven by new stores. And based on our Q4 guidance, our total sales increase is planned at 9% at the high end as we benefit from the slew of new stores we just opened in the third quarter, 73 net new. Now as I mentioned in the prepared remarks, we now expect to open 104 net new stores this year. This is a modest step up from our original plan of 100 net new. And this increase reflects really two things. First, the ability to pull forward some openings that were originally slated for 2026, and secondly, the strength of our real estate pipeline. Looking ahead to 2026, we're raising that new store target to at least 110 net new stores. This is supported by this robust pipeline, but also by 40 leases we secured from the Joanne Fabrics bankruptcy. These incremental sites really give us confidence in sustaining the high level of growth next year. And as for the pipeline for 2027 and beyond, it's still early to provide specific numbers, but I will say we feel very good about the long-term opportunity. Our real estate team continues to identify attractive locations. And we already have a very healthy pipeline for new stores beyond 2026.

John David Kernan: Got it. Maybe as a follow-up, obviously, three off-price retailers are resonating strongly with consumers. I like how Michael framed the industry's opportunity. You're clearly feeling more bullish on the number of stores, maybe a little bit more cautious on comp sales, but more bullish on the potential margin expansion potential for the business. Is that the right way to think about it?

Kristin Wolfe: Great. Yes. John, thanks for that question. It's a good question. So two years ago, we shared our objective of getting to approximately \$1.6 billion in operating income by 2028. The headline is that we feel very good about the progress we're making towards this goal. We're tracking in line with where we thought we would be at this point. And we're especially pleased with the progress we made in driving operating margin at the high end. Michael said this thoroughly, but worth repeating. At the high end of our updated 2025 margin guidance, we will have achieved 170 basis points of the 400 basis points of opportunity that we identified two years ago. And we will have achieved this despite the negative headwinds from tariffs. So really, to sum up, we're pleased with the progress. But the way you

characterize the long-range model in your question is about right. It's true. We're more bullish on new stores. And we are more bullish on margin expansion. On the comp, we still believe we can drive an average annual comp growth of 4% to 5% over the remaining three years of the long-range plan, but we recognize that there is external uncertainty so we are slightly more cautious here.

Operator: Your next question comes from the line of Brooke Siler Roach of Goldman Sachs. Your line is now open.

Brooke Siler Roach: Good morning and thank you for taking our question. Michael, I'd like to ask you about the trends that you're seeing with the lower-income customer. How did these customers perform in the third quarter? And are there any other callouts in terms of customer demographics that are worth sharing?

Michael O'Sullivan: Well, good morning. Good morning, Brooke. Thank you for the question. The headline is that we feel very good about the lower-income customer. We've been and the trends that we're seeing with that demographic. We've been watching this particular demographic segment very closely all year. This is a critical customer for us. You know, given the economic uncertainty and the cost of living issues, we've been concerned about lower-income customers. But the good news is that this customer has been very resilient. When we look at our stores in lower-income trade areas, they continue to outperform the chain. This has been true for several quarters now. I should say as we listen to other retailers, it seems like this is a consistent pattern. You know, many retailers are reporting strength with lower-income consumers. In terms of other demographic callouts, there's one other callout. Specifically relating to Hispanic customers. Again, we've been watching this demographic very closely all year. It's an important customer for us. We have many stores across the country that are in trade areas with a high proportion of Hispanic households. You may recall that in previous quarters, we've said that our stores that are in trade areas with a high proportion of Hispanic households have been slightly outperforming the chain in terms of comp growth. Well, in Q3, the trend in those stores slipped. They've gone from slightly outperforming the chain to trailing the chain. Now the change in trend for those stores varies a lot depending on the specific market and even the specific particular location of the store. In other words, it's very localized to what's happening in those particular cities. And, of course, it's difficult for us to say how long those localized slowdowns might last.

Brooke Siler Roach: Great. And then my follow-up would be for Kristin. Kristin, can you give us more color about your guidance for the fourth quarter, both in terms of comp sales and for earnings?

Kristin Wolfe: Good morning, Brooke. Thanks for the question. Sure. Let me repeat a little bit. I think it's worth reiterating some of what we described earlier. On comp store sales and total store sales, we're maintaining our Q4 previously issued guidance. So comp of flat to 2% and total sales growth 7% to 9%. We do, as we said, feel really good about our recent trend in Q4, but it's still early in the quarter. The critical weeks are ahead of us. And in those coming weeks, we'll be up against very strong comparisons from last year. So we'll continue to take a cautious approach on sales. On the margin side, we are increasing our margin and EPS guidance for Q4. We now expect our Q4 adjusted EBIT margin to increase by 30 to 50 basis points. We do anticipate some tariff-driven pressure on merch margin in Q4, but we expect to more than fully offset that pressure and drive overall operating margin expansion in Q4 versus last year. And the drivers of the margin leverage should be similar to what we saw in Q3. We expect continued cost savings in freight and supply chain and in-store related initiatives. And finally, we should also see additional leverage in SG&A; given the higher incentive comp accrual in the fourth quarter of last year.

Operator: Your next question comes from the line of Alexandra Ann Straton of Morgan Stanley. Your line is now open.

Alexandra Ann Straton: Great. Thanks for taking the question. Michael, can you talk about the availability of off-price merchandise as you're heading into the fourth quarter? And then I have a quick follow-up.

Michael O'Sullivan: Yes. Good morning, Alex. Thank you for the question. I would characterize the buying environment for off-price as very, very strong. Earlier in the year when tariffs were first introduced, there were some concerns, a lot of concerns about whether vendors would be reluctant to bring potentially excess merchandise into the country. But frankly, concerns have just not materialized. Even some of the categories where supply was tighter in the summer, categories like housewares and

home, also housewares and toys, have come back. I think that's probably pretty consistent with what you've heard from our off-price peers. A lot of great merchandise at great values, and we're taking advantage of it, both to flow to stores and to build up reserve.

Alexandra Ann Straton: Perfect. And then just on the cold weather merchandise in the quarter, is there any just detail you can provide on that dynamic, the impact on the overall comp for the chain? I know you've given a lot of details, but anything else worth highlighting there?

Michael O'Sullivan: Sure. Yeah. So after back-to-school, the cold weather merchandise becomes very important to our mix. As I said earlier, it expands to more than 20% of our total assortment during the quarter. Now, cold weather merchandise, just to define it, includes categories like coats, jackets, boots, and accessories like gloves and scarves. It's only stuff you need if it's cold outside. And our customer is very need-driven. For September through mid-October, our comp sales in those businesses were down in the negative mid-teens. Then in the last two weeks of October, once the weather turned cold, they grew up double-digit comp. You know, maybe if I step back for a moment, there are two ways in which milder weather in September and October affects our business. There is the direct drag on our overall comp growth from lower sales in the cold weather categories that I just mentioned. That's one impact. But there is also an impact on our non-cold weather businesses. Because if you think about it, if the customer comes in to buy a coat, she's probably gonna put some other things in the basket too. So if because the weather is mild, she doesn't come into the store to buy that coat, then this doesn't just hurt our coat sales. It impacts other businesses as well. Now mathematically, the drag on our overall comp from cold weather categories alone was worth about 200 basis points in Q3. If you then add the impact that lower traffic had on other non-cold weather categories, you can easily get up to a few points of comp. And I think that's somewhat consistent with the fact that we saw a bounce back to mid-single-digit comp growth in October, once the weather had turned cold.

Operator: Your last question comes from the line of Mark R. Altschwager of Baird. Your line is now open.

Mark R. Altschwager: Kristen, could you give us some more detail on regional trends, category trends as well as any of the detailed comp metrics for Q3?

Kristin Wolfe: Good morning, Mark. Yes, absolutely. In terms of regional performance, the Southeast was our strongest region in the quarter. The West, Northeast, and Midwest were in line with the chain, while the Southwest trailed the chain. On category performance, we saw the strongest performance in beauty, accessories, and shoes. Apparel comped slightly above the chain, while home was softer, comping below the chain in Q3. In terms of the comp metrics, our traffic was down in the third quarter. That was largely driven by September and early October when weather was unseasonably warm, and this lower traffic was offset by a higher average basket size. So for the quarter, we were pleased to see that both conversions and basket size or average transaction size were higher than last year. So this tells us that once she's in the store, she liked what she saw.

Mark R. Altschwager: Excellent. Thank you. And then, Michael, as we look at the Q4 comp guidance, do you view that as conservative just given typically less weather sensitivity in the fourth quarter? Thank you.

Michael O'Sullivan: Good morning, Mark. Sometimes when we give comp guidance, we'll also sort of signal, if you like, if we think there may be upside. I don't think I don't see a lot of upside in our Q4 comp guidance. The reason I say that is that we're up against 6% comp growth from Q4 last year. So 6%. If you take our 0% to 2% guidance, that gets you to a two-year stack of 6% to 8%. Now we exceeded that in Q2 of this year, but we were well below it in Q3. I should also add that when I look at our off-price peers, the way I'm interpreting their guidance, it looks like they are slightly below us on a two-year stack basis. So even though we're happy with our recent trends, and with how we started the quarter, and we're excited for our holiday assortments, we're not anticipating significant upside to our Q4 comp sales guidance at this point.

Operator: I'd now like to hand the call back to Mr. Michael O'Sullivan for final remarks.

Michael O'Sullivan: Let me close by thanking everyone on this call for your interest in Burlington Stores, Inc. We would like to wish you all a very happy Thanksgiving. We look forward to talking to you again in March to discuss our fourth quarter and full-year 2025 results. Thank you for your time today.

Operator: Thank you for attending today's call. You may now disconnect. Goodbye.

