

Burlington Stores

Well positioned for margin recapture

Reiterate Rating: BUY | PO: 250.00 USD | Price: 221.26 USD

Reiterate Buy; new stores driving sales growth

We reiterate our Buy rating as we think BURL has outsized sales and margin recovery opportunities (see our [4Q recap note](#)). We model F24 comps of 2%, at the high end of guidance, and model non-comp growth of 6% (8% excl the 53rd week) as BURL opens 100 net new stores. We are increasing our F24/F25 EPS estimates by 4%/3% to \$7.29/\$8.67 and raising our PO by \$5 to \$250, still 29x our F25E P/E.

Expect 100 net new stores annually

The company secured 64 Bed Bath & Beyond leases in Fall 2023 and will open the remaining 32 locations in 1H (most in 1Q); 32 already opened during F23, mostly in 4Q. The pipeline of new stores is strong, with negotiations underway for additional BBBY locations, and mgmt is confident in hitting the 100 net new store target in F24 (1/3 in Spring, 2/3 in Fall). Over the next 5 years, the company expects to open 100 net new annually though expects lumpiness year to year.

Strength from core customer; trade-down supports comp

F24 comp guidance of 0-2% provides flexibility and room to chase (mgmt noted no fundamental changes to its prior F24 outlook of 2%). February trends were softer than anticipated due to unfavorable weather and slower pace of tax refunds. The core low-income customer base is responding well to opening price points, and higher-income consumers are trading down as the mix of recognizable brands increases. We see further trade-down opportunity as the company pursues more branded upfront buys, while maintaining a focus on providing value.

MM, freight, supply chain initiatives to drive OM

Key F24 OM drivers (guide +10-50bp to 6.3-6.7%) are higher merchandise margin (MM), freight favorability, and lower supply chain expenses. MM increased 110bp in F23, and we see further opportunity through lower markdowns as inventory is turning faster. Freight still sits 90bp higher vs pre-Covid, and we expect a portion will be recaptured, especially in 1H. Product sourcing costs should lever on the higher sales base as DC productivity initiatives continue to take hold; higher payroll and D&A will more than offset. Mgmt reiterated that for any point of comp above plan, SG&A will lever 10-15bp.

Estimates (Jan) (US\$)	2023A	2024A	2025E	2026E	2027E
EPS	4.19	6.24	7.29	8.67	10.28
GAAP EPS	3.49	5.27	7.11	8.49	10.10
EPS Change (YoY)	-49.4%	48.9%	16.8%	18.9%	18.6%
Consensus EPS (Bloomberg)			7.08	8.88	NA
DPS	0	0	0	0	0
Valuation (Jan)					
P/E	52.8x	35.5x	30.4x	25.5x	21.5x
GAAP P/E	63.4x	42.0x	31.1x	26.1x	21.9x
EV / EBITDA*	22.1x	17.2x	15.0x	12.7x	10.8x
Free Cash Flow Yield*	1.0%	2.6%	0.3%	1.0%	1.6%

* For full definitions of *iQmethod*SM measures, see page 7.

08 March 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	245.00	250.00
2025E Rev (m)	10,504.6	10,471.5
2026E Rev (m)	11,573.3	11,541.7
2027E Rev (m)	NA	12,686.5
2025E EPS	7.00	7.29
2026E EPS	8.43	8.67
2027E EPS	NA	10.28

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Stock Data

Price	221.26 USD
Price Objective	250.00 USD
Date Established	8-Mar-2024
Investment Opinion	C-1-9
52-Week Range	115.66 USD - 227.50 USD
Mkt Val (mn) / Shares Out	14,746 USD / 66.6 (mn)
Free Float	99.5%
Average Daily Value (mn)	170.95 USD
BofA Ticker / Exchange	BURL / NYS
Bloomberg / Reuters	BURL US / BURLN
ROE (2025E)	41.5%
Net Dbt to Eqty (Jan-2024A)	48.2%
ESGMeter TM	High

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to ["BofA ESGMeter Methodology"](#).

BBBY: Bed Bath and Beyond

DC: distribution center

OM: operating margin

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iQprofileSM Burlington Stores

iQmethodSM – Bus Performance*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Return on Capital Employed	5.7%	7.5%	8.0%	9.2%	10.3%
Return on Equity	35.5%	45.1%	41.5%	38.8%	35.9%
Operating Margin	5.0%	6.1%	6.5%	7.0%	7.5%
Free Cash Flow	149	376	50	154	237

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash Realization Ratio	2.2x	2.1x	1.7x	1.7x	1.7x
Asset Replacement Ratio	1.7x	1.6x	2.2x	1.9x	1.8x
Tax Rate	24.7%	25.5%	26.5%	26.0%	26.0%
Net Debt-to-Equity Ratio	75.0%	48.2%	50.3%	42.4%	31.5%
Interest Cover	7.5x	11.5x	15.9x	15.6x	15.2x

Income Statement Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Sales	8,685	9,709	10,471	11,542	12,686
% Change	-6.7%	11.8%	7.9%	10.2%	9.9%
Gross Profit	3,513	4,125	4,531	5,028	5,565
% Change	-9.2%	17.4%	9.8%	11.0%	10.7%
EBITDA	700	902	1,033	1,220	1,430
% Change	-33.1%	28.7%	14.6%	18.1%	17.2%
Net Interest & Other Income	(58)	(52)	(43)	(52)	(63)
Net Income (Adjusted)	276	405	470	556	656
% Change	-51.1%	46.7%	16.0%	18.4%	18.0%

Free Cash Flow Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Net Income from Cont Operations (GAAP)	281	405	470	556	656
Depreciation & Amortization	270	307	352	417	481
Change in Working Capital	(10)	68	(23)	(31)	(32)
Deferred Taxation Charge	(25)	21	0	0	0
Other Adjustments, Net	80	68	20	20	20
Capital Expenditure	(447)	(493)	(768)	(808)	(888)
Free Cash Flow	149	376	50	154	237
% Change	-69.0%	152.4%	-86.8%	211.1%	53.2%
Share / Issue Repurchase	(317)	(243)	(200)	(200)	(200)
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	(78)	(99)	7	(159)	(3)

Balance Sheet Data (Jan)

(US\$ Millions)	2023A	2024A	2025E	2026E	2027E
Cash & Equivalents	879	925	782	578	611
Trade Receivables	71	74	77	85	93
Other Current Assets	1,333	1,327	1,362	1,399	1,437
Property, Plant & Equipment	1,668	1,880	2,266	2,626	3,002
Other Non-Current Assets	3,318	3,499	3,516	3,532	3,548
Total Assets	7,270	7,707	8,003	8,220	8,693
Short-Term Debt	14	14	14	14	14
Other Current Liabilities	1,497	1,604	1,618	1,632	1,647
Long-Term Debt	1,462	1,395	1,403	1,245	1,243
Other Non-Current Liabilities	275	301	316	331	345
Total Liabilities	6,475	6,710	6,747	6,618	6,645
Total Equity	795	1,002	1,261	1,607	2,053
Total Equity & Liabilities	7,270	7,712	8,008	8,225	8,698

* For full definitions of iQmethodSM measures, see page 7.

Company Sector

Retailing-Softline

Company Description

Burlington Stores is a national off-price retailer of high quality branded apparel with more than 500 locations in 44 states and Puerto Rico. Burlington also operates an ecommerce business. The company sources from over 5,000 vendors, with a focus on nationally recognized brands. Similar to other off-price retailers, the company employs an everyday low price model and offers discounts of 60-70% off department and specialty stores' regular prices.

Investment Rationale

Our rating on Burlington Stores (BURL) is Buy. Burlington has embarked on a large-scale transformation in recent years, grounded on better execution of off-price fundamentals in a smaller store format. We expect this to drive margin improvement. Given its turnaround momentum and ongoing favorable off-price retail fundamentals, Burlington is well positioned for outperformance, in our view.

Stock Data

Average Daily Volume 772,637

Quarterly Earnings Estimates

	2024	2025
Q1	0.84A	1.07E
Q2	0.60A	0.96E
Q3	1.10A	1.35E
Q4	3.72A	3.87E

**Exhibit 1: BURL Income Statement**

We are increasing our F24/F25 EPS ests by 4%/3% to \$7.29/\$8.67 and raising our PO to \$250, still 29x our F25E P/E.

	FY					FY					FY					FY				
	1Q 23	2Q 23	3Q 23	4Q 23	2023	1Q 24E	2Q 24E	3Q 24E	4Q 24E	2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	2026E
INCOME STATEMENT	Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan	
Net sales	2,132.8	2,170.4	2,284.7	3,121.1	9,709.0	2,326.2	2,393.3	2,510.5	3,241.4	10,471.5	2,567.4	2,639.7	2,766.2	3,568.5	11,541.7	2,825.4	2,903.3	3,039.7	3,918.1	12,686.5
Other revenue	4.2	4.4	4.7	5.3	18.5	4.5	4.8	5.1	5.5	20.0	5.0	5.3	5.7	6.1	22.0	5.5	5.8	6.2	6.6	24.2
COGS	1,231.6	1,266.2	1,297.8	1,788.4	5,584.1	1,320.1	1,372.3	1,407.3	1,841.2	5,940.8	1,449.2	1,505.6	1,542.3	2,016.2	6,513.4	1,586.4	1,647.3	1,685.6	2,202.0	7,121.4
Gross profit	901.1	904.2	986.9	1,332.7	4,124.9	1,006.1	1,021.0	1,103.2	1,400.3	4,530.7	1,118.1	1,134.0	1,223.9	1,552.3	5,028.3	1,239.0	1,256.0	1,354.0	1,716.1	5,565.1
SG&A	751.6	771.3	813.0	921.1	3,257.0	823.5	854.3	897.5	961.3	3,536.6	900.6	929.5	975.4	1,043.8	3,849.4	982.1	1,008.4	1,057.2	1,130.5	4,178.2
Other expense (income)	(3.5)	(1.5)	(7.1)	(3.6)	(15.7)	(3.5)	(5.0)	(7.1)	(3.6)	(19.2)	(3.5)	(5.0)	(7.1)	(3.6)	(19.2)	(3.5)	(5.0)	(7.1)	(3.6)	(19.2)
D&A	70.5	73.1	76.1	87.3	307.1	81.4	81.6	87.6	101.3	351.9	98.1	97.3	103.5	118.6	417.4	113.7	112.3	119.1	136.1	481.2
Impairment	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Operating income	86.8	65.7	109.5	333.1	595.0	109.3	94.9	130.4	346.8	681.4	128.0	117.6	157.7	399.5	802.8	152.3	146.1	191.0	459.8	949.2
Debt extinguishment costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net interest expense	13.9	13.4	14.4	10.1	51.7	10.5	10.5	10.5	11.5	42.9	13.9	12.6	12.6	12.6	51.6	16.0	15.6	15.5	15.5	62.6
Pre-tax income	72.9	52.3	95.1	323.0	543.3	98.9	84.4	119.9	335.3	638.5	114.1	105.0	145.2	386.9	751.3	136.3	130.6	175.4	444.3	886.6
Income taxes	17.9	13.4	23.8	83.3	138.4	28.7	22.0	31.2	87.2	169.0	29.7	27.3	37.7	100.6	195.3	35.4	34.0	45.6	115.5	230.5
Tax rate	24.5%	25.6%	25.0%	25.8%	25.5%	29.0%	26.0%	26.0%	26.0%	26.5%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%	26.0%
Adjusted net income	55.0	38.9	71.3	239.7	404.9	70.2	62.5	88.7	248.1	469.5	84.5	77.7	107.4	286.3	555.9	100.9	96.6	129.8	328.8	656.1
Fully Diluted EPS	\$0.84	\$0.60	\$1.10	\$3.72	\$6.24	\$1.07	\$0.96	\$1.35	\$3.87	\$7.29	\$1.29	\$1.19	\$1.64	\$4.49	\$8.67	\$1.54	\$1.48	\$1.99	\$5.18	\$10.28
Basic shares outstanding	65.3	65.1	64.8	64.5	64.9	64.8	64.6	64.4	64.2	64.5	64.5	64.3	64.1	63.9	64.2	64.2	64.0	63.8	63.6	63.9
Diluted shares outstanding	65.3	65.0	64.8	64.4	64.9	64.7	64.5	64.3	64.1	64.4	64.4	64.2	64.0	63.8	64.1	64.1	63.9	63.7	63.5	63.8
Margins:																				
Gross margin	42.3%	41.7%	43.2%	42.7%	42.5%	43.3%	42.7%	43.9%	43.2%	43.3%	43.6%	43.0%	44.2%	43.5%	43.6%	43.9%	43.3%	44.5%	43.8%	43.9%
bp change y/y	129	272	204	204	204	100	100	75	50	78	30	30	30	30	30	30	30	30	30	30
GM vs 2019	128	25	83	58	72	228	125	158	108	150					180					568
SG&A expense (% of net sales)	35.2%	35.5%	35.6%	29.5%	33.5%	35.4%	35.7%	35.7%	29.7%	33.8%	35.1%	35.2%	35.3%	29.3%	33.4%	34.8%	34.7%	34.8%	28.9%	32.9%
bp change y/y	41	122	12	103	69	16	16	16	14	23	(32)	(49)	(49)	(40)	(42)	(32)	(48)	(48)	(40)	(42)
SG&A y/y growth	12.1%	13.3%	12.6%	18.1%	14.1%	9.6%	10.8%	10.4%	4.4%	8.6%	9.4%	8.8%	8.7%	8.6%	8.8%	9.1%	8.5%	8.4%	8.3%	8.5%
SG&A vs. 2019	413	398	324	294	341	429	414	340	308	364	397	366	292	268	321	-2359	-1221	-360	-173	-663
Depreciation (% of net sales)	3.3%	3.4%	3.3%	2.8%	3.2%	3.5%	3.4%	3.5%	3.1%	3.4%	3.8%	3.7%	3.7%	3.3%	3.6%	4.0%	3.9%	3.9%	3.5%	3.8%
bp change y/y	(14)	(6)	1	30	5	19	4	16	33	20	32	28	25	20	26	20	18	18	15	18
Operating income	4.1%	3.0%	4.8%	10.7%	6.1%	4.7%	4.0%	5.2%	10.7%	6.5%	5.0%	4.5%	5.7%	11.2%	7.0%	5.4%	5.0%	6.3%	11.7%	7.5%
bp change y/y	100	88	209	68	117	63	94	40	3	38	28	49	51	50	45	40	58	58	54	53
OI vs. 2019	-316	-411	-316	-286	-317	-252	-317	-276	-284	-279	-224	-268	-225	-234	-234	6785	1126	275	191	1233
Y/Y % Growth:																				
Total sales growth	10.8%	9.4%	12.2%	13.9%	11.8%	9.1%	10.3%	9.9%	3.9%	7.9%	10.4%	10.3%	10.2%	10.1%	10.2%	10.1%	10.0%	9.9%	9.8%	9.9%
EBIT growth	46.8%	54.1%	99.2%	21.7%	38.3%	26.0%	44.5%	19.1%	4.1%	14.5%	17.1%	23.9%	21.0%	15.2%	17.8%	19.0%	24.3%	21.1%	15.1%	18.2%
Other sales growth	2.8%	7.7%	-1.8%	1.9%	2.4%	9.1%	10.3%	9.9%	3.9%	8.1%	10.4%	10.3%	10.2%	10.1%	10.2%	10.1%	10.0%	9.9%	9.8%	9.9%
Adjusted EPS growth	55.7%	71.8%	157.3%	25.8%	48.8%	26.9%	60.1%	23.1%	4.0%	16.8%	20.6%	24.4%	21.3%	15.9%	19.0%	19.7%	24.5%	21.1%	15.4%	18.6%

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 2: BURL Balance Sheet

We reiterate our Buy rating as we think BURL has outsized sales and margin recovery opportunities.

	1Q 23	2Q 23	3Q 23	4Q 23	FY 2023	1Q 24E	2Q 24E	3Q 24E	4Q 24E	FY 2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	FY 2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	FY 2026E
	Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan	
BALANCE SHEET																				
Current assets:																				
Cash and equivalents	539.0	521.0	615.9	925.4	925.4	637.3	556.9	500.0	782.2	782.2	499.8	283.2	256.1	577.6	577.6	307.7	259.7	255.7	611.3	611.3
Accounts receivable	78.5	80.7	91.6	74.4	74.4	85.6	89.0	100.6	77.2	77.2	94.5	98.2	110.9	85.0	85.0	104.0	108.0	121.8	93.4	93.4
Inventories	1,231.1	1,161.5	1,329.1	1,087.8	1,087.8	1,250.2	1,188.9	1,342.4	1,104.2	1,104.2	1,273.4	1,216.1	1,355.3	1,120.4	1,120.4	1,296.9	1,244.1	1,367.8	1,136.7	1,136.7
Deferred tax and income tax receivable	-	-	-	-	0.0	-	-	-	-	0.0	-	-	-	-	0.0	-	-	-	-	0.0
Prepaid and other assets	136.8	148.7	155.0	216.2	216.2	155.1	167.7	173.9	234.7	234.7	168.4	181.3	187.3	255.5	255.5	183.2	197.1	203.5	277.3	277.3
Assets held for disposal	5.1	5.1	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3	23.3
Total current assets:	1,990.5	1,917.1	2,214.8	2,327.0	2,327.0	2,151.5	2,025.8	2,140.1	2,221.6	2,221.6	2,059.4	1,802.1	1,932.9	2,061.7	2,061.7	1,915.0	1,832.2	1,972.1	2,141.9	2,141.9
Net PP&E	1,678.5	1,699.5	1,767.6	1,880.3	1,880.3	1,961.8	2,048.2	2,137.5	2,266.0	2,266.0	2,339.5	2,419.0	2,501.6	2,626.0	2,626.0	2,702.0	2,784.9	2,871.0	3,002.3	3,002.3
Trade names and patents/Goodwill	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1	285.1
Operating lease assets	2,968.2	2,925.6	3,130.6	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8	3,132.8
Favorable leases	0.0	0.0	0.0	2.4	2.4	6.5	10.5	14.3	17.7	17.7	21.8	25.7	29.5	33.0	33.0	37.0	41.0	44.8	48.2	48.2
Other assets	81.6	88.3	95.6	79.2	79.2	80.2	80.2	80.2	80.2	80.2	81.2	81.2	81.2	81.2	81.2	82.2	82.2	82.2	82.2	82.2
Total assets	7,003.9	6,915.5	7,493.7	7,706.8	7,706.8	7,617.8	7,582.5	7,790.0	8,003.3	8,003.3	7,919.7	7,746.0	7,963.1	8,219.8	8,219.8	8,154.1	8,158.2	8,388.0	8,692.6	8,692.6
Liabilities and stockholder's equity:																				
Current liabilities:																				
Accounts payable	829.2	773.5	939.7	956.4	956.4	842.1	791.7	949.0	970.7	970.7	857.7	809.9	958.2	985.0	985.0	873.6	828.5	967.0	999.3	999.3
Current operating lease liabilities	402.6	400.3	412.3	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4	411.4
Income taxes payable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other current liabilities	472.9	456.1	588.6	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3	647.3
Current maturities of LTD	13.8	13.9	14.0	13.7	13.7	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0	14.0
Liabilities of discontinued operations	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total current liabilities:	1,718.5	1,643.7	1,954.6	2,028.8	2,028.8	1,914.8	1,864.4	2,021.7	2,043.4	2,043.4	1,930.4	1,882.6	2,030.9	2,057.7	2,057.7	1,946.3	1,901.2	2,039.7	2,072.0	2,072.0
Long-term liabilities:																				
LTD (less current portion)	1,350.4	1,347.7	1,397.6	1,394.9	1,394.9	1,404.3	1,403.8	1,403.3	1,402.9	1,402.9	1,402.4	1,245.8	1,245.3	1,244.8	1,244.8	1,244.3	1,243.9	1,243.4	1,242.9	1,242.9
Long term operating lease liabilities	2,842.8	2,801.1	2,982.5	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8	2,984.8
Deferred income taxes	220.6	226.4	237.9	227.6	227.6	220.6	226.4	237.9	227.6	227.6	220.6	226.4	237.9	227.6	227.6	220.6	226.4	237.9	227.6	227.6
Pension and other LT liabilities	70.1	70.8	70.6	73.8	73.8	78.1	78.3	81.5	88.4	88.4	92.7	92.9	96.1	103.0	103.0	107.3	107.5	110.7	117.5	117.5
Total long-term liabilities	4,483.9	4,446.0	4,688.6	4,681.1	4,681.1	4,687.8	4,693.4	4,707.6	4,703.6	4,703.6	4,700.5	4,549.9	4,564.1	4,560.2	4,560.2	4,557.0	4,562.6	4,576.8	4,572.8	4,572.8
Preferred stock	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total shareholders' equity/(deficit)	801.5	825.9	850.5	996.9	996.9	1,015.2	1,024.8	1,060.7	1,256.3	1,256.3	1,288.7	1,313.5	1,368.1	1,601.9	1,601.9	1,650.8	1,694.5	1,771.5	2,047.7	2,047.7
Liabilities and shareholders' equity:	7,003.9	6,915.5	7,493.7	7,706.8	7,706.8	7,617.8	7,582.5	7,790.0	8,003.3	8,003.3	7,919.7	7,746.0	7,963.1	8,219.8	8,219.8	8,154.1	8,158.2	8,388.0	8,692.6	8,692.6

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH



**Exhibit 3: BURL Cash Flow Statement**

Over the next 5 years, the company expects to open 100 net new annually though expects lumpiness year to year.

	1Q 23	2Q 23	3Q 23	4Q 23	FY 2023	1Q 24E	2Q 24E	3Q 24E	4Q 24E	FY 2024E	1Q 25E	2Q 25E	3Q 25E	4Q 25E	FY 2025E	1Q 26E	2Q 26E	3Q 26E	4Q 26E	FY 2026E
	Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan		Apr	Jul	Oct	Jan	
CASH FLOW STATEMENT																				
Cash from operations																				
Net income	32.7	30.9	48.6	227.5	339.6	67.3	59.5	85.9	245.6	458.4	81.5	74.8	104.6	283.8	544.6	97.9	93.7	127.0	326.2	644.8
Depreciation and amortization	70.5	73.1	76.1	87.3	307.1	85.5	85.5	91.4	104.7	367.1	102.1	101.2	107.3	122.0	432.6	117.7	116.3	122.9	139.5	496.4
Provision for deferred income taxes	14.7	3.3	9.3	(6.6)	20.7	(7.0)	5.8	11.5	(10.3)	0.0	(7.0)	5.8	11.5	(10.3)	0.0	(7.0)	5.8	11.5	(10.3)	0.0
Other	40.4	17.4	34.2	30.2	122.2	1.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	1.0	1.0	0.0	0.0	0.0	1.0
Deferred rent incentives/landlord allowances	4.3	0.2	3.2	6.8	14.6	4.3	0.2	3.2	6.8	14.6	4.3	0.2	3.2	6.8	14.6	4.3	0.2	3.2	6.8	14.6
Other operating activities	(0.6)	0.6	4.2	(7.4)	(3.1)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Working capital	(240.0)	(21.5)	68.6	260.6	67.7	(226.8)	(5.1)	(13.9)	222.4	(23.4)	(233.1)	(7.2)	(9.5)	219.4	(30.5)	(234.6)	(10.2)	(5.4)	218.1	(32.1)
Net cash flow from operations	(78.0)	104.0	244.1	598.5	868.7	(75.7)	146.0	178.1	569.3	817.7	(51.2)	174.8	217.0	621.7	962.3	(20.6)	205.8	259.2	680.3	1124.7
Cash from investing																				
Additions to PP&E	(95.7)	(89.1)	(119.7)	(188.2)	(492.6)	(171.0)	(175.9)	(184.5)	(236.6)	(768.0)	(179.7)	(184.8)	(193.6)	(249.8)	(807.9)	(197.8)	(203.2)	(212.8)	(274.3)	(888.1)
Tax credits for HQ	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Proceeds from sale of PP&E	14.1	(0.2)	(0.2)	(0.1)	13.5	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Change in restricted cash	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Lease acquisition costs	(4.5)	(2.2)	(13.7)	(4.2)	(24.6)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Other items	0.0	3.8	(3.8)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flow from investing	(86.2)	(87.7)	(137.4)	(192.5)	(503.7)	(171.0)	(175.9)	(184.5)	(236.6)	(768.0)	(179.7)	(184.8)	(193.6)	(249.8)	(807.9)	(197.8)	(203.2)	(212.8)	(274.3)	(888.1)
Cash from financing																				
Proceeds (payments) on debt	(133.7)	(0.1)	37.1	(2.4)	(99.1)	8.6	(0.5)	(0.5)	(0.5)	7.2	(1.5)	(156.6)	(0.5)	(0.5)	(159.1)	(1.5)	(0.5)	(0.5)	(0.5)	(2.9)
Purchase of treasury shares	(53.4)	(34.7)	(52.4)	(102.7)	(243.2)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)	(50.0)	(50.0)	(50.0)	(50.0)	(200.0)
Stock option exercise/related/other	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Debt issue costs/other financing	11.0	0.4	3.5	8.5	23.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Net cash flows provided by financing activities	(176.1)	(34.3)	(11.9)	(96.6)	(318.8)	(41.4)	(50.5)	(50.5)	(50.5)	(192.8)	(51.5)	(206.6)	(50.5)	(50.5)	(359.1)	(51.5)	(50.5)	(50.5)	(50.5)	(202.9)
(Decrease) increase in cash	(\$340.2)	(\$18.1)	\$94.9	\$309.5	\$46.2	(\$288.1)	(\$80.4)	(\$56.9)	\$282.2	(\$143.2)	(\$282.4)	(\$216.6)	(\$27.1)	\$321.5	(\$204.6)	(\$269.9)	(\$47.9)	(\$4.1)	\$355.6	\$33.7
Beginning cash	\$879.2	\$539.0	\$521.0	\$615.9	\$879.2	\$925.4	\$637.3	\$556.9	\$500.0	\$925.4	\$782.2	\$499.8	\$283.2	\$256.1	\$782.2	\$577.6	\$307.7	\$259.7	\$255.7	\$577.6
Ending cash	\$539.0	\$521.0	\$615.9	\$925.4	\$925.4	\$637.3	\$556.9	\$500.0	\$782.2	\$782.2	\$499.8	\$283.2	\$256.1	\$577.6	\$577.6	\$307.7	\$259.7	\$255.7	\$611.3	\$611.3

Source: Company filings and reports, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Burlington Stores (BURL)

Our price objective is \$250, based on 29x our F2025 earnings estimate. This is a premium to the off-price peer group (of 26x our F25) based on Burlington's potential for outsized margin growth.

Downside risks to our PO are weaker comps than we are modeling as the consumer is challenged with numerous pressures and lower gross margins on potentially higher markdowns.

Analyst Certification

I, Lorraine Hutchinson, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Softline Retailing and Dept Stores Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Amer Sports Inc	AS	AS US	Lorraine Hutchinson, CFA
	Bath & Body Works Inc	BBWI	BBWI US	Lorraine Hutchinson, CFA
	Burlington Stores	BURL	BURL US	Lorraine Hutchinson, CFA
	Crocs, Inc.	CROX	CROX US	Christopher Nardone
	Deckers Outdoor Corp	DECK	DECK US	Christopher Nardone
	European Wax Center	EW CZ	EW CZ US	Lorraine Hutchinson, CFA
	lululemon athletica Inc	LULU	LULU US	Lorraine Hutchinson, CFA
	Oddity Tech	ODD	ODD US	Lorraine Hutchinson, CFA
	PVH Corp	PVH	PVH US	Christopher Nardone
	Ralph Lauren	RL	RL US	Christopher Nardone
	Ross Stores Inc	ROST	ROST US	Lorraine Hutchinson, CFA
	Tapestry Inc.	TPR	TPR US	Lorraine Hutchinson, CFA
	TJX Companies	TJX	TJX US	Lorraine Hutchinson, CFA
	Urban Outfitters	URBN	URBN US	Lorraine Hutchinson, CFA
	Victoria's Secret & Co	VSCO	VSCO US	Alice Xiao
NEUTRAL				
	American Eagle	AEO	AEO US	Christopher Nardone
	Birkenstock	BIRK	BIRK US	Lorraine Hutchinson, CFA
	FIGS, Inc.	FIGS	FIGS US	Alice Xiao
	Foot Locker	FL	FL US	Lorraine Hutchinson, CFA
	Levi Strauss & Co.	LEVI	LEVI US	Christopher Nardone
	Nike	NKE	NKE US	Lorraine Hutchinson, CFA
	Signet Jewelers	SIG	SIG US	Lorraine Hutchinson, CFA
	Ulta Beauty	ULTA	ULTA US	Lorraine Hutchinson, CFA
	Under Armour Inc	UAA	UAA US	Lorraine Hutchinson, CFA
UNDERPERFORM				
	Aritzia	YATZ	ATZ CN	Alice Xiao
	Aritzia	ATZAF	ATZAF US	Alice Xiao
	Carter's Inc	CRI	CRI US	Christopher Nardone
	Gap Inc.	GPS	GPS US	Lorraine Hutchinson, CFA
	Kohl's	KSS	KSS US	Lorraine Hutchinson, CFA
	Nordstrom	JWN	JWN US	Lorraine Hutchinson, CFA
	Revolve	RVLV	RVLV US	Alice Xiao
	V F Corp	VFC	VFC US	Lorraine Hutchinson, CFA
RSTR				
	Macy's	M	M US	Lorraine Hutchinson, CFA

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity

Operating Margin

Earnings Growth

Free Cash Flow

Quality of Earnings

Cash Realization Ratio

Asset Replacement Ratio

Tax Rate

Net Debt-To-Equity Ratio

Interest Cover

Valuation Toolkit

Price / Earnings Ratio

Price / Book Value

Dividend Yield

Free Cash Flow Yield

Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income

Operating Profit

Expected 5 Year CAGR From Latest Actual

Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations

Capex

Tax Charge

Net Debt = Total Debt – Cash & Equivalents

EBIT

Numerator

Current Share Price

Current Share Price

Annualised Declared Cash Dividend

Cash Flow From Operations – Total Capex

EV = Current Share Price × Current Shares + Minority Equity + Net Debt +

Other LT Liabilities

Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill

Amortization

Shareholders' Equity

Sales

N/A

N/A

Denominator

Net Income

Depreciation

Pre-Tax Income

Total Equity

Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)

Shareholders' Equity / Current Basic Shares

Current Share Price

Market Cap = Current Share Price × Current Basic Shares

Sales

Basic EBIT + Depreciation + Amortization

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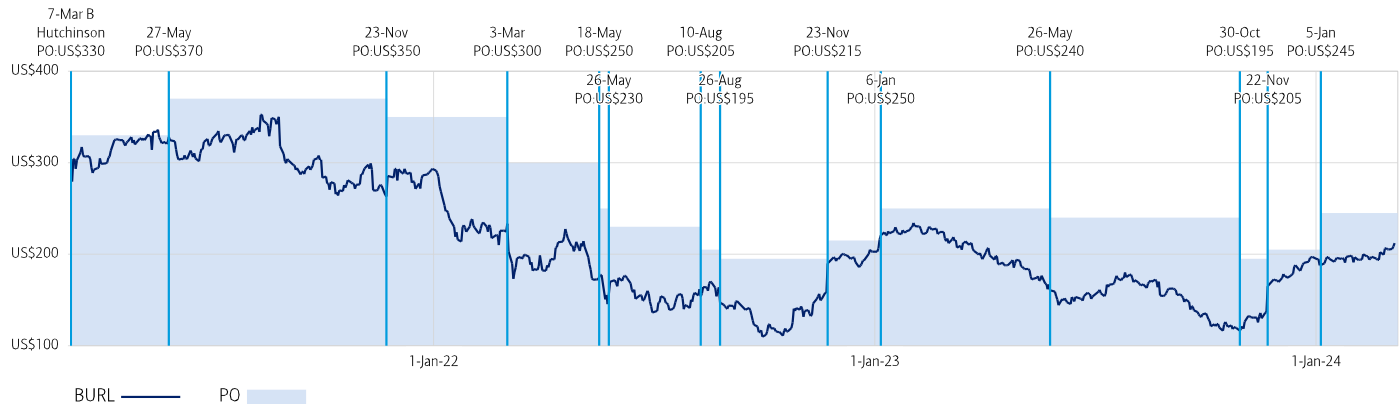
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Disclosures

Important Disclosures

Burlington Stores (BURL) Price Chart



BURL — PO

B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Retailing Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	96	57.83%	Buy	39	40.63%
Hold	32	19.28%	Hold	12	37.50%
Sell	38	22.89%	Sell	18	47.37%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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