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

FORM 10-Q

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

For the quarterly period ended October 28, 2023

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

For the transition period from __________ to __________

Commission file number: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**94-1390387**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
5130 Hacienda Drive, Dublin, California	**94568-7579**
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code	**(925) 965-4400**

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

Title of each class	Trading symbol	Name of each exchange on which registered
Common stock, par value $.01	**ROST**	**NASDAQ Global Select Market**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes ☒ No ☐
Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).
Yes ☒ No ☐
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of “large accelerated filer,” “accelerated filer,” “smaller reporting company,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Common Stock, with $.01 par value, outstanding on November 10, 2023 was 336,666,266.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

($000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	**October 28, 2023**	October 29, 2022
Sales	**$ 4,924,849**	$ 4,565,489	**$ 14,354,440**	$ 13,481,598
Costs and Expenses				
Cost of goods sold	**3,564,268**	3,424,046	**10,426,241**	10,020,027
Selling, general and administrative	**810,470**	693,367	**2,364,590**	2,029,926
Interest (income) expense, net	**(43,319)**	(2,802)	**(111,930)**	25,561
Total costs and expenses	**4,331,419**	4,114,611	**12,678,901**	12,075,514
Earnings before taxes	**593,430**	450,878	**1,675,539**	1,406,084
Provision for taxes on earnings	**146,103**	108,842	**410,702**	341,086
Net earnings	**$ 447,327**	$ 342,036	**$ 1,264,837**	$ 1,064,998
Earnings per share				
Basic	**$ 1.34**	$ 1.00	**$ 3.76**	$ 3.09
Diluted	**$ 1.33**	$ 1.00	**$ 3.74**	$ 3.08
Weighted-average shares outstanding (000)				
Basic	**334,282**	342,120	**336,187**	344,686
Diluted	**336,261**	343,720	**338,107**	346,212

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Comprehensive Income

($000, unaudited)	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	**October 28, 2023**	October 29, 2022
Net earnings	**$ 447,327**	$ 342,036	**$ 1,264,837**	$ 1,064,998
Other comprehensive income	—	—	—	—
Comprehensive income	**$ 447,327**	$ 342,036	**$ 1,264,837**	$ 1,064,998

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Balance Sheets

($000, except share data, unaudited)	**October 28, 2023**	January 28, 2023	October 29, 2022
Assets			
Current Assets			
Cash and cash equivalents	**$ 4,499,497**	$ 4,551,876	$ 3,906,490
Accounts receivable	**171,915**	145,694	168,483
Merchandise inventory	**2,613,808**	2,023,495	2,494,002
Prepaid expenses and other	**206,725**	183,654	192,214
Total current assets	**7,491,945**	6,904,719	6,761,189
Property and Equipment			
Land and buildings	**1,491,023**	1,495,006	1,491,927
Fixtures and equipment	**4,109,947**	3,961,733	3,882,127
Leasehold improvements	**1,503,769**	1,433,647	1,402,653
Construction-in-progress	**569,995**	319,319	171,185
	7,674,734	7,209,705	6,947,892
Less accumulated depreciation and amortization	**4,277,215**	4,028,178	3,939,154
Property and equipment, net	**3,397,519**	3,181,527	3,008,738
Operating lease assets	**3,160,017**	3,098,134	3,101,882
Other long-term assets	**221,139**	232,083	228,286
Total assets	**$ 14,270,620**	$ 13,416,463	$ 13,100,095
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	**$ 2,280,278**	$ 2,009,924	$ 1,927,757
Accrued expenses and other	**665,279**	638,561	616,753
Current operating lease liabilities	**680,088**	655,976	656,837
Accrued payroll and benefits	**509,484**	279,710	251,479
Income taxes payable	**20,960**	52,075	11,404
Current portion of long-term debt	**249,598**	—	—
Total current liabilities	**4,405,687**	3,636,246	3,464,230
Long-term debt	**2,210,073**	2,456,510	2,455,460
Non-current operating lease liabilities	**2,640,068**	2,593,961	2,596,221
Other long-term liabilities	**218,970**	224,104	223,162
Deferred income taxes	**212,866**	217,059	214,022
Commitments and contingencies			
Stockholders' Equity			
Common stock, par value $.01 per share Authorized 1,000,000,000 shares Issued and outstanding 336,952,000, 342,753,000 and 344,808,000 shares, respectively	**3,370**	3,428	3,448
Additional paid-in capital	**1,920,908**	1,820,249	1,793,265
Treasury stock	**(633,318)**	(584,750)	(581,267)
Retained earnings	**3,291,996**	3,049,656	2,931,554
Total stockholders' equity	**4,582,956**	4,288,583	4,147,000
Total liabilities and stockholders' equity	**$ 14,270,620**	$ 13,416,463	$ 13,100,095

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity

	Nine Months Ended October 28, 2023					
	Common stock					
(000)	Shares	Amount	Additional paid-in capital	Treasury stock	Retained earnings	Total
Balance at January 28, 2023	342,753	$ 3,428	$ 1,820,249	$ (584,750)	$ 3,049,656	$ 4,288,583
Net earnings	—	—	—	—	371,191	371,191
Common stock issued under stock plans, net of shares used for tax withholding	461	4	6,145	(37,522)	—	(31,373)
Stock-based compensation	—	—	33,063	—	—	33,063
Common stock repurchased, inclusive of excise tax	(2,169)	(22)	(9,729)	—	(226,523)	(236,274)
Dividends declared ($0.335 per share)	—	—	—	—	(114,794)	(114,794)
Balance at April 29, 2023	341,045	$ 3,410	$ 1,849,728	$ (622,272)	$ 3,079,530	$ 4,310,396
Net earnings	—	—	—	—	446,319	446,319
Common stock issued under stock plans, net of shares used for tax withholding	89	1	6,208	(913)	—	5,296
Stock-based compensation	—	—	39,429	—	—	39,429
Common stock repurchased, inclusive of excise tax	(2,152)	(21)	(9,959)	—	(222,713)	(232,693)
Dividends declared ($0.335 per share)	—	—	—	—	(114,005)	(114,005)
Balance at July 29, 2023	338,982	$ 3,390	$ 1,885,406	$ (623,185)	$ 3,189,131	$ 4,454,742
Net earnings	—	—	—	—	447,327	447,327
Common stock issued under stock plans, net of shares used for tax withholding	34	1	6,231	(10,133)	—	(3,901)
Stock-based compensation	—	—	38,877	—	—	38,877
Common stock repurchased, inclusive of excise tax	(2,064)	(21)	(9,606)	—	(231,129)	(240,756)
Dividends declared ($0.335 per share)	—	—	—	—	(113,333)	(113,333)
Balance at October 28, 2023	**336,952**	**$ 3,370**	**$ 1,920,908**	**$ (633,318)**	**$ 3,291,996**	**$ 4,582,956**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Stockholders' Equity

	Nine Months Ended October 29, 2022										
	Common stock				Additional paid-in capital		Treasury stock		Retained earnings		
(000)	Shares		Amount								Total
Balance at January 29, 2022	351,720	$	3,517	$	1,717,530	$	(535,895)	$	2,874,898	$	4,060,050
Net earnings	—		—		—		—		338,445		338,445
Common stock issued under stock plans, net of shares used for tax withholding	1,131		11		5,906		(38,113)		—		(32,196)
Stock-based compensation	—		—		36,071		—		—		36,071
Common stock repurchased	(2,524)		(25)		(10,266)		—		(229,274)		(239,565)
Dividends declared ($0.310 per share)	—		—		—		—		(108,908)		(108,908)
Balance at April 30, 2022	350,327	$	3,503	$	1,749,241	$	(574,008)	$	2,875,161	$	4,053,897
Net earnings	—		—		—		—		384,517		384,517
Common stock issued under stock plans, net of shares used for tax withholding	153		1		5,974		(521)		—		5,454
Stock-based compensation	—		—		26,803		—		—		26,803
Common stock repurchased	(2,928)		(29)		(12,594)		—		(222,812)		(235,435)
Dividends declared ($0.310 per share)	—		—		—		—		(108,285)		(108,285)
Balance at July 30, 2022	347,552	$	3,475	$	1,769,424	$	(574,529)	$	2,928,581	$	4,126,951
Net earnings	—		—		—		—		342,036		342,036
Common stock issued under stock plans, net of shares used for tax withholding	47		1		6,405		(6,738)		—		(332)
Stock-based compensation	—		—		29,493		—		—		29,493
Common stock repurchased	(2,791)		(28)		(12,057)		—		(231,608)		(243,693)
Dividends declared ($0.310 per share)	—		—		—		—		(107,455)		(107,455)
Balance at October 29, 2022	**344,808**	**$**	**3,448**	**$**	**1,793,265**	**$**	**(581,267)**	**$**	**2,931,554**	**$**	**4,147,000**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

($000, unaudited)	Nine Months Ended October 28, 2023	Nine Months Ended October 29, 2022
Cash Flows From Operating Activities		
Net earnings	**$ 1,264,837**	$ 1,064,998
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**300,366**	290,565
Stock-based compensation	**111,369**	92,367
Deferred income taxes	**(4,193)**	76,380
Change in assets and liabilities:		
Merchandise inventory	**(590,313)**	(231,729)
Other current assets	**(48,803)**	(72,079)
Accounts payable	**259,105**	(452,968)
Other current liabilities	**284,989**	(308,202)
Income taxes	**(25,524)**	3,397
Operating lease assets and liabilities, net	**8,336**	8,634
Other long-term, net	**5,566**	1,304
Net cash provided by operating activities	**1,565,735**	472,667
Cash Flows From Investing Activities		
Additions to property and equipment	**(540,458)**	(417,901)
Net cash used in investing activities	**(540,458)**	(417,901)
Cash Flows From Financing Activities		
Issuance of common stock related to stock plans	**18,590**	18,298
Treasury stock purchased	**(48,568)**	(45,372)
Repurchase of common stock	**(703,400)**	(718,693)
Dividends paid	**(342,132)**	(324,648)
Net cash used in financing activities	**(1,075,510)**	(1,070,415)
Net decrease in cash, cash equivalents, and restricted cash and cash equivalents	**(50,233)**	(1,015,649)
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of period	**4,612,241**	4,982,382
End of period	**$ 4,562,008**	$ 3,966,733
Supplemental Cash Flow Disclosures		
Interest paid	**$ 80,316**	$ 80,316
Income taxes paid	**$ 440,419**	$ 261,309

The accompanying notes are an integral part of these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

Three and Nine Months Ended October 28, 2023 and October 29, 2022
(Unaudited)

Note A: Summary of Significant Accounting Policies

Basis of presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of October 28, 2023 and October 29, 2022, and the results of operations, comprehensive income, and stockholders' equity for the three and nine month periods ended October 28, 2023 and October 29, 2022, and the cash flows for the nine month periods ended October 28, 2023 and October 29, 2022. The Condensed Consolidated Balance Sheet as of January 28, 2023, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

Certain information and disclosures normally included in the notes to annual consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted for purposes of these interim condensed consolidated financial statements. The interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements, including notes thereto, contained in the Company's Annual Report on Form 10-K for the year ended January 28, 2023.

The results of operations, comprehensive income, and stockholders' equity for the three and nine month periods ended October 28, 2023 and October 29, 2022, and the cash flows for the nine month periods ended October 28, 2023 and October 29, 2022 presented herein are not necessarily indicative of the results to be expected for the full fiscal year. The fiscal year ending February 3, 2024 is referred to as fiscal 2023 and is a 53-week year. The fiscal year ended January 28, 2023 is referred to as fiscal 2022 and was a 52-week year.

Recently adopted accounting standards. In September 2022, the FASB issued Accounting Standards Update (ASU) 2022-04, *Liabilities — Supplier Finance Programs (Subtopic 405-50): Disclosure of Supplier Finance Program Obligations*, to enhance transparency about an entity's use of supplier finance programs. The ASU requires enhanced and additional disclosures about the key terms of supplier finance programs including a description of where in the financial statements any related amounts are presented. The Company adopted ASU 2022-04 in the first quarter of fiscal 2023 on a retrospective basis, excluding the rollforward requirements which will be adopted in fiscal 2024 on a prospective basis. The adoption of this standard did not have a material impact on the Company's condensed consolidated financial statements for the three and nine month periods ended October 28, 2023 and is not expected to have a material impact on the Company's fiscal 2023 financial statements.

Use of accounting estimates. The preparation of financial statements in conformity with GAAP requires the Company to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the condensed consolidated financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ materially from the Company's estimates. The Company's significant accounting estimates include valuation reserves for inventory, packaway and other inventory carrying costs, useful lives of fixed assets, insurance reserves, reserves for uncertain tax positions, and legal claims.

Revenue recognition. The following sales mix table disaggregates revenue by merchandise category for the three and nine month periods ended October 28, 2023 and October 29, 2022:

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	**October 28, 2023**	October 29, 2022
Home Accents and Bed and Bath	**25 %**	25 %	**25 %**	25 %
Ladies	**23 %**	25 %	**24 %**	25 %
Men's	**16 %**	15 %	**15 %**	15 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**14 %**	13 %	**14 %**	13 %
Shoes	**13 %**	13 %	**13 %**	13 %
Children's	**9 %**	9 %	**9 %**	9 %
Total	**100 %**	100 %	**100 %**	100 %

Cash and cash equivalents. Cash equivalents consist of highly liquid, fixed income instruments purchased with an original maturity of three months or less. The institutions where these instruments are held could potentially subject the Company to concentrations of credit risk. The Company manages its risk associated with these instruments primarily by holding its cash and cash equivalents across a highly diversified set of banks and other financial institutions.

Restricted cash and cash equivalents. Restricted cash and cash equivalents serve as collateral for certain insurance obligations. These restricted funds are invested in bank deposits, money market funds, and U.S. Government and agency securities and cannot be withdrawn from the Company's account without the prior written consent of the secured parties. The classification between current and long-term is based on the timing of expected payments of the obligations.

The following table provides a reconciliation of cash, cash equivalents, and restricted cash and cash equivalents in the Condensed Consolidated Balance Sheets that reconcile to the amounts shown on the Condensed Consolidated Statements of Cash Flows:

($000)	**October 28, 2023**	January 28, 2023	October 29, 2022
Cash and cash equivalents	**$ 4,499,497**	$ 4,551,876	$ 3,906,490
Restricted cash and cash equivalents included in:			
Prepaid expenses and other	**13,127**	12,677	11,446
Other long-term assets	**49,384**	47,688	48,797
Total restricted cash and cash equivalents	**62,511**	60,365	60,243
Total cash, cash equivalents, and restricted cash and cash equivalents	**$ 4,562,008**	$ 4,612,241	$ 3,966,733

Property and equipment. As of October 28, 2023 and October 29, 2022, the Company had $47.0 million and $30.2 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and equipment, Accounts payable, and Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

Operating leases. Supplemental cash flow disclosures related to operating lease assets obtained in exchange for operating lease liabilities (includes new leases and remeasurements or modifications of existing leases) were as follows:

	Three Months Ended		Nine Months Ended	
($000)	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Operating lease assets obtained in exchange for operating lease liabilities	**$ 159,616**	$ 235,186	**$ 550,467**	$ 549,267

Cash dividends. On November 15, 2023, the Company's Board of Directors declared a quarterly cash dividend of $0.335 per common share, payable on December 29, 2023. The Company's Board of Directors declared a cash dividend of $0.335 per common share in February, May, and August 2023, and $0.310 per common share in March, May, August, and November 2022.

Stock repurchase program. In March 2022, the Company's Board of Directors approved a two-year program to repurchase up to $1.9 billion of the Company's common stock through fiscal 2023. During the nine month period ended October 28, 2023, the Company repurchased 6.4 million shares of common stock for $703.4 million, excluding excise tax due under the Inflation Reduction Act of 2022. The Company repurchased 8.2 million shares of common stock for $718.7 million during the nine month period ended October 29, 2022.

Litigation, claims, and assessments. Like many retailers, the Company has been named in class/representative action lawsuits, primarily in California, alleging violations by the Company of wage and hour laws. Class/representative action litigation remains pending as of October 28, 2023.

The Company is also party to various other legal and regulatory proceedings arising in the normal course of business. Actions filed against the Company may include commercial, product and product safety, consumer, intellectual property, environmental, and labor and employment-related claims, including lawsuits in which private plaintiffs or governmental agencies allege that the Company violated federal, state, and/or local laws. Actions against the Company are in various procedural stages. Many of these proceedings raise factual and legal issues and are subject to uncertainties.

In the opinion of management, the resolution of currently pending class/representative action litigation and other currently pending legal and regulatory proceedings will not have a material adverse effect on the Company's financial condition, results of operations, or cash flows.

Supply chain finance program. The Company facilitates a voluntary supply chain finance program (the "program") to provide certain suppliers with the opportunity to sell receivables due from the Company to participating financial institutions at the sole discretion of both the suppliers and the financial institutions. A third-party bank administers the program. The Company's responsibility is limited to making payment on the terms originally negotiated with each supplier, regardless of whether a supplier sells its receivable to a financial institution. The Company is not a party to the agreements between the participating financial institutions and the suppliers in connection with the program and receives no financial incentives from the suppliers or the financial institutions. No guarantees are provided by the Company under the program and the Company's rights and obligations to its suppliers are not affected by the program. The range of payment terms negotiated with a supplier is consistent, irrespective of whether a supplier participates in the program.

All outstanding payments owed under the program are recorded within Accounts payable in the Condensed Consolidated Balance Sheets. The Company accounts for all payments made under the program as a reduction to operating cash flows in Accounts payable within the Condensed Consolidated Statements of Cash Flows. The amounts owed to a participating financial institution under the program and included in Accounts payable were $141.0 million, $119.2 million, and $128.0 million at October 28, 2023, January 28, 2023, and October 29, 2022, respectively.

Note B: Fair Value Measurements

Accounting standards pertaining to fair value measurements establish a three-tier fair value hierarchy which prioritizes the inputs used in measuring fair value. The inputs used to measure fair value include: Level 1, observable inputs such as quoted prices in active markets; Level 2, inputs other than quoted prices in active markets that are either directly or indirectly observable; and Level 3, unobservable inputs in which little or no market data exists. This fair value hierarchy requires the Company to develop its own assumptions, maximize the use of observable inputs, and minimize the use of unobservable inputs when measuring fair value. Corporate, U.S. government and agency, and mortgage-backed securities are classified within Level 1 or Level 2 because these securities are valued using quoted market prices or alternative pricing sources and models utilizing market observable inputs.

The fair value of the Company's financial instruments are as follows:

($000)	**October 28, 2023**	January 28, 2023	October 29, 2022
Cash and cash equivalents (Level 1)	**$ 4,499,497**	$ 4,551,876	$ 3,906,490
Restricted cash and cash equivalents (Level 1)	**$ 62,511**	$ 60,365	$ 60,243

The underlying assets in the Company's nonqualified deferred compensation program as of October 28, 2023, January 28, 2023, and October 29, 2022 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) are as follows:

($000)	**October 28, 2023**	January 28, 2023	October 29, 2022
Level 1	**$ 145,003**	$ 155,496	$ 148,849

Note C: Stock-Based Compensation

For the three and nine month periods ended October 28, 2023 and October 29, 2022, the Company recognized stock-based compensation expense as follows:

	Three Months Ended		**Nine Months Ended**	
($000)	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Restricted stock	**$ 23,546**	$ 22,177	**$ 69,094**	$ 63,337
Performance awards	**14,232**	6,186	**38,994**	25,800
Employee stock purchase plan	**1,099**	1,130	**3,281**	3,230
Total	**$ 38,877**	$ 29,493	**$ 111,369**	$ 92,367

Total stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Earnings for the three and nine month periods ended October 28, 2023 and October 29, 2022 is as follows:

	Three Months Ended		**Nine Months Ended**	
($000)	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Cost of goods sold	**$ 20,254**	$ 16,547	**$ 58,885**	$ 50,768
Selling, general and administrative	**18,623**	12,946	**52,484**	41,599
Total	**$ 38,877**	$ 29,493	**$ 111,369**	$ 92,367

The tax benefits related to stock-based compensation expense for the three and nine month periods ended October 28, 2023 were $7.9 million and $23.2 million, respectively. The tax benefits related to stock-based compensation expense for the three and nine month periods ended October 29, 2022 were $6.1 million and $18.9 million, respectively.

Restricted stock awards. The Company grants shares of restricted stock or restricted stock units to directors, officers, and key employees. The market value of shares of restricted stock and restricted stock units at the date of grant is amortized to expense over the vesting period of generally three to five years.

Performance share awards. The Company has a performance share award program for senior executives. A performance share award represents a right to receive shares of restricted stock on a specified settlement date based on the Company's attainment of a performance goal during the performance period, which is the Company's fiscal year. If attained, the restricted stock then vests over a service period, generally three years from the date the performance award was granted.

As of October 28, 2023, shares related to unvested restricted stock, restricted stock units, and performance share awards totaled 4.0 million shares. A summary of restricted stock, restricted stock units, and performance share award activity for the nine month period ended October 28, 2023, is presented below:

(000, except per share data)	Number of shares	Weighted-average grant date fair value
Unvested at January 28, 2023	3,943	$ 99.69
Awarded	1,276	109.52
Released	(1,139)	95.98
Forfeited	(68)	101.63
Unvested at October 28, 2023	**4,012**	**$ 103.97**

The unamortized compensation expense at October 28, 2023 was $199.0 million which is expected to be recognized over a weighted-average remaining period of 2.0 years. The unamortized compensation expense at October 29, 2022 was $213.6 million which was expected to be recognized over a weighted-average remaining period of 2.0 years.

Shares repurchased for tax withholding are considered treasury shares which are available for reissuance. During the three and nine month periods ended October 28, 2023, shares purchased by the Company for tax withholding totaled 85,761 and 461,889, respectively. During the three and nine month periods ended October 29, 2022, shares purchased by the Company for tax withholding totaled 74,844 and 490,060, respectively.

Employee stock purchase plan. Under the Employee Stock Purchase Plan ("ESPP"), eligible employees participating in the quarterly offering period can choose to have up to the lesser of 10% of their annual base earnings or the IRS annual share purchase limit of $25,000 in aggregate market value withheld to purchase the Company's common stock. The purchase price of the stock is 85% of the closing market price on the date of purchase. Purchases occur on a quarterly basis (on the last trading day of each calendar quarter). The Company recognizes expense for ESPP purchase rights equal to the value of the 15% discount given on the purchase date.

Note D: Earnings Per Share

The Company computes and reports both basic earnings per share ("EPS") and diluted EPS. Basic EPS is computed by dividing net earnings by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings by the sum of the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period. Diluted EPS reflects the total potential dilution that could occur from outstanding equity plan awards and unvested shares of both performance and non-performance based awards of restricted stock and restricted stock units.

For the three and nine month periods ended October 28, 2023, approximately 14,000 and 17,000 weighted-average shares were excluded from the calculation of diluted EPS, respectively, because their effect would have been anti-dilutive for the periods presented. For the three and nine month periods ended October 29, 2022, approximately 85,000 and 492,000 weighted-average shares were excluded from the calculation of diluted EPS, respectively, because their effect would have been anti-dilutive for the periods presented.

The following is a reconciliation of the number of shares (denominator) used in the basic and diluted EPS computations:

	Three Months Ended			Nine Months Ended		
Shares in (000s)	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
October 28, 2023						
Shares	**334,282**	**1,979**	**336,261**	**336,187**	**1,920**	**338,107**
Amount	**$ 1.34**	**$ (0.01)**	**$ 1.33**	**$ 3.76**	**$ (0.02)**	**$ 3.74**
October 29, 2022						
Shares	342,120	1,600	343,720	344,686	1,526	346,212
Amount	$ 1.00	$ —	$ 1.00	$ 3.09	$ (0.01)	$ 3.08

Note E: Debt

Senior Notes. Unsecured senior debt (the “Senior Notes”), net of unamortized discounts and debt issuance costs, consisted of the following:

($000)	**October 28, 2023**	January 28, 2023	October 29, 2022
3.375% Senior Notes due 2024	**$ 249,598**	$ 249,257	$ 249,144
4.600% Senior Notes due 2025	**698,120**	697,161	696,841
0.875% Senior Notes due 2026	**496,960**	496,038	495,732
4.700% Senior Notes due 2027	**240,225**	239,899	239,791
4.800% Senior Notes due 2030	**132,732**	132,602	132,559
1.875% Senior Notes due 2031	**495,678**	495,254	495,113
5.450% Senior Notes due 2050	**146,358**	146,299	146,280
Total long-term debt[1]	**$ 2,459,671**	$ 2,456,510	$ 2,455,460
Less: current portion	**249,598**	—	—
Total due beyond one year	**$ 2,210,073**	$ 2,456,510	$ 2,455,460

[1] Net of unamortized discount and debt issuance costs of $15.3 million, $18.5 million, and $19.5 million as of October 28, 2023, January 28, 2023, and October 29, 2022, respectively.

Interest on all Senior Notes is payable semi-annually and the Senior Notes are subject to prepayment penalties for early payment of principal.

The aggregate fair value of the seven outstanding series of Senior Notes was approximately $2.2 billion as of October 28, 2023 and October 29, 2022, and approximately $2.3 billion as of January 28, 2023. The fair value is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

Revolving credit facilities. The Company's $1.3 billion senior unsecured revolving credit facility ("Credit Facility") expires in February 2027 and may be extended at the Company's request for up to two additional one-year periods subject to customary conditions. The Credit Facility contains a $300 million sublimit for issuance of standby letters of credit. It also contains an option allowing the Company to increase the size of its Credit Facility by up to an additional $700 million, with the agreement of the committing lenders. Interest on borrowings under this Credit Facility is a term rate based on the Secured Overnight Financing Rate ("Term SOFR") (or an alternate benchmark rate, if Term SOFR is no longer available) plus an applicable margin and is payable quarterly and upon maturity.

The Credit Facility is subject to a quarterly Consolidated Adjusted Debt to Consolidated EBITDAR financial leverage ratio covenant. As of October 28, 2023, the Company was in compliance with the financial covenant, had no borrowings or standby letters of credit outstanding under the Credit Facility, and the $1.3 billion Credit Facility remained in place and available.

The table below shows the components of interest expense and income for the three and nine month periods ended October 28, 2023 and October 29, 2022:

	Three Months Ended		Nine Months Ended	
($000)	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Interest expense on long-term debt	**$ 21,159**	$ 21,150	**$ 63,458**	$ 63,429
Other interest expense	**424**	448	**1,169**	1,242
Capitalized interest	**(3,342)**	(663)	**(8,268)**	(4,489)
Interest income	**(61,560)**	(23,737)	**(168,289)**	(34,621)
Interest (income) expense, net	**$ (43,319)**	$ (2,802)	**$ (111,930)**	$ 25,561

Note F: Taxes on Earnings

The Company's effective tax rate for the three and nine month periods ended October 28, 2023 was approximately 25% compared to approximately 24% for the three and nine month periods ended October 29, 2022. The Company's effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with stock-based compensation, and uncertain tax positions.

As of October 28, 2023, January 28, 2023, and October 29, 2022, the reserves for unrecognized tax benefits were $65.3 million, $60.6 million, and $70.7 million, inclusive of $8.4 million, $7.1 million, and $9.1 million of related interest and penalties, respectively. The Company accounts for interest and penalties related to unrecognized tax benefits as a part of its provision for taxes on earnings. If recognized, $52.2 million would impact the Company's effective tax rate. It is reasonably possible that certain federal and state tax matters may be concluded or statutes of limitations may lapse during the next 12 months. Accordingly, the total amount of unrecognized tax benefits may decrease by up to $12.9 million. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

The Company is open to audit by the Internal Revenue Service under the statute of limitations for fiscal years 2019 through 2022. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2018 through 2022. Certain federal and state tax returns are currently under audit by various tax authorities. The Company does not expect the results of these audits to have a material impact on the condensed consolidated financial statements.

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Ross Stores, Inc.:

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the “Company”) as of October 28, 2023 and October 29, 2022, the related condensed consolidated statements of earnings, comprehensive income, and stockholders’ equity, for the three and nine month periods ended October 28, 2023 and October 29, 2022, and cash flows for the nine month periods ended October 28, 2023 and October 29, 2022, and the related notes (collectively referred to as the “interim financial information”). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of January 28, 2023, and the related consolidated statements of earnings, comprehensive income, stockholders’ equity, and cash flows for the year then ended (not presented herein); and in our report dated March 27, 2023, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 28, 2023, is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

Basis for Review Results

This interim financial information is the responsibility of the Company’s management. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our reviews in accordance with standards of the PCAOB. A review of interim financial information consists principally of applying analytical procedures and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the PCAOB, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

/s/ Deloitte & Touche LLP

San Francisco, California
December 5, 2023

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This section and other parts of this Form 10-Q contain forward-looking statements that involve risks and uncertainties. Our actual results may differ materially from the results discussed in the forward-looking statements. Factors that might cause such differences include, but are not limited to, those discussed below under the caption "Forward-Looking Statements" and also those in Part I, Item 1A (Risk Factors) of our Annual Report on Form 10-K for fiscal 2022. The following discussion should be read in conjunction with the condensed consolidated financial statements and notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for fiscal 2022. All information is based on our fiscal calendar.

Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores—Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States, with 1,765 locations in 43 states, the District of Columbia, and Guam as of October 28, 2023. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 347 dd's DISCOUNTS stores in 22 states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

There remains uncertainty and potential for volatility in the current macroeconomic and geopolitical environments, and persistent inflationary pressures continue to negatively impact the discretionary spending of our low-to-moderate income customers. As a result of today's uncertain external conditions and inflationary pressures, shoppers continue to seek even stronger values when visiting our stores. We plan to carefully manage our expenses and inventory, while closely monitoring market share trends for the off-price industry. We believe our market share can continue to grow through continued focus on bringing value and convenience to our consumers.

Results of Operations

The following table summarizes the financial results for the three and nine month periods ended October 28, 2023 and October 29, 2022:

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	**October 28, 2023**	October 29, 2022
Sales				
Sales (millions)	**$ 4,925**	$ 4,566	**$ 14,354**	$ 13,482
Sales growth (decline)	**7.9 %**	(0.2 %)	**6.5 %**	(3.0 %)
Comparable store sales growth (decline)[1]	**5 %**	(3 %)	**4 %**	(5 %)
Costs and expenses (as a percent of sales)				
Cost of goods sold	**72.4 %**	75.0 %	**72.6 %**	74.3 %
Selling, general and administrative	**16.5 %**	15.2 %	**16.5 %**	15.1 %
Interest (income) expense, net	**(0.9 %)**	(0.1 %)	**(0.8 %)**	0.2 %
Earnings before taxes (as a percent of sales)	**12.0 %**	9.9 %	**11.7 %**	10.4 %
Net earnings (as a percent of sales)	**9.1 %**	7.5 %	**8.8 %**	7.9 %

[1] Comparable stores are stores open for more than 14 complete months.

Stores. Our long-term strategy is to open additional stores based on market penetration, local demographic characteristics, competition, expected store profitability, and the ability to leverage overhead expenses. We continually evaluate opportunistic real estate acquisitions and opportunities for potential new store locations. We also evaluate our current store locations and determine store closures based on similar criteria.

During the third quarter of fiscal 2023, we opened 51 new stores. For the nine month period ended October 28, 2023, we opened 97 new locations.

The following table summarizes the stores opened and closed during the three and nine month periods ended October 28, 2023 and October 29, 2022:

	Three Months Ended		Nine Months Ended	
Store Count	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Ross Dress for Less				
Beginning of the period	**1,722**	1,669	**1,693**	1,628
Opened in the period	**43**	28	**72** [1]	71
Closed in the period	**—**	(1)	**—**	(3) [2]
Total Ross Dress for Less stores end of period	**1,765**	1,696	**1,765**	1,696
dd's DISCOUNTS				
Beginning of the period	**339**	311	**322**	295
Opened in the period	**8**	12	**25**	28
Closed in the period	**—**	—	**—**	—
Total dd's DISCOUNTS stores end of period	**347**	323	**347**	323
Total stores end of period	**2,112**	2,019	**2,112**	2,019

[1] Includes the reopening of a store previously temporarily closed due to a weather event.
[2] Includes the temporary closure of a store impacted by a weather event.

Sales. Sales for the three month period ended October 28, 2023 increased $359.4 million, or 7.9%, compared to the three month period ended October 29, 2022, primarily due to a 5% comparable store sales increase and the opening of 93 net new stores between October 29, 2022 and October 28, 2023.

Sales for the nine month period ended October 28, 2023 increased $872.8 million, or 6.5%, compared to the nine month period ended October 29, 2022, primarily due to a 4% comparable store sales increase and the opening of 93 net new stores between October 29, 2022 and October 28, 2023.

Our sales mix for the three and nine month periods ended October 28, 2023 and October 29, 2022 is shown below:

	Three Months Ended		Nine Months Ended	
	October 28, 2023	October 29, 2022	**October 28, 2023**	October 29, 2022
Home Accents and Bed and Bath	**25 %**	25 %	**25 %**	25 %
Ladies	**23 %**	25 %	**24 %**	25 %
Men's	**16 %**	15 %	**15 %**	15 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**14 %**	13 %	**14 %**	13 %
Shoes	**13 %**	13 %	**13 %**	13 %
Children's	**9 %**	9 %	**9 %**	9 %
Total	**100 %**	100 %	**100 %**	100 %

We intend to address the uncertain and competitive climate for apparel and home goods by pursuing and refining our existing strategies, continuing to strengthen our merchant organization, refining our merchandise mix, and further developing our systems to improve our merchandise offerings. We cannot be sure that our strategies and store expansion program will result in sales growth or an increase in net earnings.

Cost of goods sold. Cost of goods sold for the three and nine month periods ended October 28, 2023 increased $140.2 million and $406.2 million, respectively, compared to the three and nine month periods ended October 29, 2022, primarily due to the respective 5% and 4% comparable store sales increases, higher sales from the opening of 93 net new stores between October 29, 2022 and October 28, 2023, and higher incentive compensation expense, partially offset by lower ocean and domestic freight costs.

Cost of goods sold as a percentage of sales for the three month period ended October 28, 2023 decreased approximately 260 basis points compared to the three month period ended October 29, 2022, primarily due to a 235 basis point increase in merchandise margin mainly due to lower ocean freight costs, a 45 basis point decrease in distribution costs primarily due to the timing of packaway inventory carrying costs, a 40 basis point decrease in domestic freight costs, and 25 basis points of leverage in occupancy costs. Partially offsetting these items was an 85 basis point increase in buying costs primarily due to higher incentive compensation expense.

Cost of goods sold as a percentage of sales for the nine month period ended October 28, 2023 decreased approximately 170 basis points compared to the nine month period ended October 29, 2022, primarily due to a 185 basis point increase in merchandise margin mainly due to lower ocean freight costs, a 50 basis point decrease domestic freight costs, and 15 basis points of leverage in occupancy costs. Partially offsetting these items was an 80 basis point increase in buying costs primarily due to higher incentive compensation expense.

We expect lower ocean and domestic freight costs and higher incentive compensation expense to continue through fiscal 2023.

Selling, general and administrative expenses. For the three and nine month periods ended October 28, 2023, selling, general and administrative expenses ("SG&A") increased $117.1 million and $334.7 million, respectively, compared to the three and nine month periods ended October 29, 2022. These increases were primarily due to higher incentive compensation expense, higher store wages, and the opening of 93 net new stores between October 29, 2022 and October 28, 2023.

SG&A as a percentage of sales for the three and nine month periods ended October 28, 2023 increased 125 and 140 basis points, respectively, compared to the three and nine month periods ended October 29, 2022, primarily due to higher incentive compensation expense and higher store wages.

We expect SG&A expenses to continue to increase as a result of higher incentive compensation costs, along with the impact from higher store wages through fiscal 2023.

Interest (income) expense, net. For the three and nine month periods ended October 28, 2023, interest (income) expense, net increased $40.5 million and $137.5 million, respectively, compared to the three and nine month periods ended October 29, 2022, primarily due to increased interest income from higher interest rates.

Interest (income) expense, net for the three and nine month periods ended October 28, 2023 and October 29, 2022 consists of the following:

	Three Months Ended		Nine Months Ended	
($000)	**October 28, 2023**	October 29, 2022	**October 28, 2023**	October 29, 2022
Interest expense on long-term debt	**$ 21,159**	$ 21,150	**$ 63,458**	$ 63,429
Other interest expense	**424**	448	**1,169**	1,242
Capitalized interest	**(3,342)**	(663)	**(8,268)**	(4,489)
Interest income	**(61,560)**	(23,737)	**(168,289)**	(34,621)
Interest (income) expense, net	**$ (43,319)**	$ (2,802)	**$ (111,930)**	$ 25,561

Taxes on earnings. Our effective tax rate for the three and nine month periods ended October 28, 2023 was approximately 25% compared to approximately 24% for the three and nine month periods ended October 29, 2022. Our effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with stock-based compensation, and uncertain tax positions.

Net earnings. Net earnings as a percentage of sales for the three month periods ended October 28, 2023 and October 29, 2022 were 9.1% and 7.5%, respectively. Net earnings as a percentage of sales for the three month period ended October 28, 2023 was higher primarily due to lower cost of goods sold and higher interest income, partially offset by higher SG&A expenses and higher taxes.

Net earnings as a percentage of sales for the nine month periods ended October 28, 2023 and October 29, 2022 were 8.8% and 7.9%, respectively. Net earnings as a percentage of sales for the nine month period ended October 28, 2023 was higher primarily due to lower cost of goods sold and higher interest income, partially offset by higher SG&A expenses and higher taxes.

Earnings per share. Diluted earnings per share for the three month period ended October 28, 2023 was $1.33 compared to $1.00 for the three month period ended October 29, 2022. Diluted earnings per share for the nine month period ended October 28, 2023 was $3.74 compared to $3.08 for the nine month period ended October 29, 2022. The $0.33 and $0.66 increases in the diluted earnings per share for the three and nine month periods ended October 28, 2023 were primarily attributable to a 31% and 19% increase in net earnings, respectively, and a 2% reduction in weighted-average diluted shares outstanding largely due to stock repurchases under our stock repurchase program.

Financial Condition

Liquidity and Capital Resources

The primary sources of funds for our business activities are cash flows from operations and short-term trade credit. Our primary ongoing cash requirements are for merchandise inventory purchases, payroll, operating and variable lease costs, taxes, capital expenditures in connection with new and existing stores, and investments in distribution centers, information systems, and buying and corporate offices. We also use cash to repurchase stock under active stock repurchase programs, pay dividends, and repay debt as it becomes due.

	Nine Months Ended	
($000)	**October 28, 2023**	October 29, 2022
Cash provided by operating activities	**$ 1,565,735**	$ 472,667
Cash used in investing activities	**(540,458)**	(417,901)
Cash used in financing activities	**(1,075,510)**	(1,070,415)
Net decrease in cash, cash equivalents, and restricted cash and cash equivalents	**$ (50,233)**	$ (1,015,649)

Operating Activities

Net cash provided by operating activities was $1.6 billion for the nine month period ended October 28, 2023. This was primarily driven by net earnings excluding non-cash expenses for depreciation, amortization, and stock-based compensation. Net cash provided by operating activities was $0.5 billion for the nine month period ended October 29, 2022. This was primarily driven by net earnings excluding non-cash expenses for depreciation, amortization, and stock-based compensation, partially offset by merchandise inventory payments and payment of fiscal 2021 incentive bonuses.

The increase in cash flow provided by operating activities for the nine month period ended October 28, 2023 compared to the same period in the prior year was primarily driven by lower incentive compensation payments combined with higher current year incentive compensation accruals, higher accounts payable leverage (defined as accounts payable divided by merchandise inventory), and higher net earnings.

Accounts payable leverage was 87% and 77% as of October 28, 2023 and October 29, 2022, respectively. The increase in accounts payable leverage was primarily due to the timing of inventory receipts and related payments versus last year.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling merchandise purchase opportunities in the marketplace and our decisions on the timing for release of that inventory to our stores. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage for less than six months. We expect to continue to take advantage of packaway inventory opportunities to maximize our ability to deliver bargains to our customers.

Changes in packaway inventory levels impact our operating cash flow. As of October 28, 2023, packaway inventory was 39% of total inventory, compared to 40% at the end of fiscal 2022. As of October 29, 2022, packaway inventory was 41% of total inventory, compared to 40% at the end of fiscal 2021.

Investing Activities

Net cash used in investing activities was $540.5 million and $417.9 million for the nine month periods ended October 28, 2023 and October 29, 2022, respectively, and was related to our capital expenditures. Our capital expenditures include costs to build, expand, and improve distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems and buying and corporate offices.

The increase in cash used in investing activities for the nine month period ended October 28, 2023, compared to the same period in the prior year, was primarily due to higher capital expenditures related to the construction of our new Buckeye, Arizona distribution center, the construction and build-out of new stores, and various information technology projects.

Capital expenditures for fiscal 2023 are currently projected to be approximately $750 million. Our planned capital expenditures for fiscal 2023 are for investments in our supply chain to support long-term growth, including construction of our next distribution centers, costs for fixtures and leasehold improvements to open new Ross and dd's DISCOUNTS stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, and buying and corporate offices. We expect to fund capital expenditures with available cash.

Financing Activities

Net cash used in financing activities was $1.1 billion for the nine month periods ended October 28, 2023 and October 29, 2022, primarily resulting from stock repurchases under our current stock repurchase program and payment of dividends.

Revolving credit facilities. We have a $1.3 billion senior unsecured revolving credit facility ("Credit Facility"). As of October 28, 2023, we had no borrowings or standby letters of credit outstanding under the Credit Facility, the $1.3 billion Credit Facility remained in place and available, and we were in compliance with the financial covenant. Refer to Note E: Debt in the Notes to Condensed Consolidated Financial Statements for additional information.

Senior notes. As of October 28, 2023, we had approximately $2.5 billion of outstanding unsecured Senior Notes, of which $250 million is classified within Current Liabilities on our Condensed Consolidated Balance Sheet for the period ended October 28, 2023. Refer to Note E: Debt in the Notes to Condensed Consolidated Financial Statements for additional information.

Other financing activities. In March 2022, our Board of Directors approved a two-year program to repurchase up to $1.9 billion of our common stock through fiscal 2023.

For the nine month period ended October 28, 2023, we repurchased 6.4 million shares of common stock for $703.4 million, excluding excise tax due under the Inflation Reduction Act of 2022. We repurchased 8.2 million shares of common stock for $718.7 million during the nine month period ended October 29, 2022. During each of the nine month periods ended October 28, 2023 and October 29, 2022, we also acquired 0.5 million shares of treasury stock to cover employee tax withholding obligations under our employee equity compensation programs for aggregate purchase prices of approximately $48.6 million and $45.4 million, respectively.

On November 15, 2023, our Board of Directors declared a quarterly cash dividend of $0.335 per common share, payable on December 29, 2023. The Board of Directors declared a cash dividend of $0.335 per common share in February, May, and August 2023, and $0.310 per common share in March, May, August, and November 2022.

For the nine month periods ended October 28, 2023 and October 29, 2022, we paid cash dividends of $342.1 million and $324.6 million, respectively.

Short-term trade credit represents a significant source of financing for merchandise inventory. Trade credit arises from customary payment terms and trade practices with our vendors. We regularly review the adequacy of credit available to us from all sources and expect to be able to maintain adequate trade credit, bank credit, and other credit sources to meet our capital and liquidity requirements, including lease and interest payment obligations.

We ended the third quarter of fiscal 2023 with $4.5 billion of unrestricted cash balances, which were held primarily in overnight money market funds invested in U.S. treasury and government instruments across a highly diversified set of banks and other financial institutions. We also have $1.3 billion available under our Credit Facility. We estimate that existing cash and cash equivalent balances, cash flows from operations, bank credit, and trade credit are adequate to meet our operating cash needs and to fund our planned capital investments, common stock repurchases, quarterly dividend payments, debt repayment, and interest payment obligations for at least the next 12 months.

Contractual Obligations and Off-Balance Sheet Arrangements

The table below presents our significant contractual obligations as of October 28, 2023:

($000)	Less than one year	Greater than one year	Total[1]
Recorded contractual obligations:			
Senior notes	$ 250,000	$ 2,224,991	$ 2,474,991
Operating leases	721,122	2,689,788	3,410,910
New York buying office ground lease[2]	7,552	1,103,251	1,110,803
Unrecorded contractual obligations:			
Real estate obligations[3]	10,056	160,979	171,035
Interest payment obligations	80,316	354,818	435,134
Purchase obligations[4]	4,282,728	64,577	4,347,305
Total contractual obligations	$ 5,351,774	$ 6,598,404	$ 11,950,178

[1] We have a $63.0 million liability for unrecognized tax benefits that is included in Other long-term liabilities on our interim Condensed Consolidated Balance Sheet. This liability is excluded from the schedule above as the timing of payments cannot be reasonably estimated.

[2] Our New York buying office building is subject to a 99-year ground lease.

[3] Minimum lease payments for leases signed that have not yet commenced.

[4] Purchase obligations primarily consist of merchandise inventory purchase orders, commitments related to construction projects, store fixtures and supplies, and information technology services, transportation, and maintenance contracts.

Other than the unrecorded contractual obligations noted above, we do not have any material off-balance sheet arrangements as of October 28, 2023.

Standby letters of credit and collateral trust. We use standby letters of credit outside of our Credit Facility in addition to a funded trust to collateralize some of our insurance obligations. As of October 28, 2023, January 28, 2023, and October 29, 2022, we had $2.6 million, $2.6 million, and $3.0 million, respectively, in standby letters of credit outstanding. As of October 28, 2023, January 28, 2023, and October 29, 2022, we had $59.9 million, $57.8 million, and $57.2 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash and cash equivalents.

Trade letters of credit. We had $18.5 million, $7.6 million, and $7.8 million in trade letters of credit outstanding at October 28, 2023, January 28, 2023, and October 29, 2022, respectively.

Dividends. In November 2023, our Board of Directors declared a quarterly cash dividend of $0.335 per common share, payable on December 29, 2023.

Critical Accounting Estimates

During the third quarter of fiscal 2023, there have been no significant changes to the critical accounting estimates discussed in our Annual Report on Form 10-K for the year ended January 28, 2023.

Forward-Looking Statements

This report contains a number of forward-looking statements regarding, without limitation, projected sales, costs and earnings, planned new store growth, capital expenditures, liquidity, and other matters. These forward-looking statements reflect our then-current beliefs, plans, and estimates with respect to future events and our projected financial performance, operations, and competitive position. The words “plan,” “expect,” “target,” “anticipate,” “estimate,” “believe,” “forecast,” “projected,” “guidance,” “outlook,” “looking ahead,” and similar expressions identify forward-looking statements.

Future impact from inflation, interest rate increases, ongoing military conflicts and economic sanctions, the COVID-19 pandemic, climate change, and other economic, regulatory, consumer spending, and industry trends that could potentially adversely affect our revenue, profitability, operating conditions, and growth are difficult to predict. Our forward-looking statements are subject to risks and uncertainties which could cause our actual results to differ materially from those forward-looking statements and our previous expectations, plans, and projections. Such risks and uncertainties are not limited to but may include:

- Impacts from the macroeconomic environment, including inflation, interest rates, housing costs, energy and fuel costs, financial and credit market conditions, recession concerns, fear of a potential U.S. federal government shutdown, geopolitical conditions (including the current Russia-Ukraine and Middle East conflicts), the COVID-19 pandemic, or public health and public safety issues, which affect our costs, consumer confidence, and consumer disposable income and shopping behavior.
- Unexpected changes in the level of consumer spending on, or preferences for, apparel and home-related merchandise, which could adversely affect us.
- Competitive pressures in the apparel and home-related merchandise retailing industry.
- Our need to effectively manage our inventories, markdowns, and inventory shortage in order to achieve our planned gross margins.
- Risks associated with importing and selling merchandise produced in other countries, including risks from supply chain disruption, shipping delays, and higher than expected ocean freight costs.
- Unseasonable weather or extreme temperatures that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise.
- Our dependence on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to anticipate consumer preferences and to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices.
- Information or data security breaches, including cyber-attacks on our transaction processing and computer information systems, which could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business.
- Disruptions in our supply chain or in our information systems, including from ransomware or other cyber-attacks, which could impact our ability to process sales and to deliver product to our stores in a timely and cost-effective manner.
- Our need to obtain acceptable new store sites with favorable consumer demographics to achieve our planned new store openings.
- Our need to expand in existing markets and enter new geographic markets in order to achieve planned market penetration.
- Consumer problems or legal issues involving the quality, safety, or authenticity of products we sell, which could harm our reputation, result in lost sales, and/or increase our costs.
- An adverse outcome in various legal, regulatory, or tax matters, or the adoption of new federal or state tax legislation that increases tax rates or adds new taxes, which could increase our costs.
- Damage to our corporate reputation or brands that could adversely affect our sales and operating results.
- Our need to continually attract, train, and retain associates with the retail talent necessary to execute our off-price retail strategies.
- Our need to effectively advertise and market our business.
- Changes in U.S. tax, tariff, or trade policy regarding apparel and home-related merchandise produced in other countries, which could adversely affect our business.
- Possible volatility in our revenues and earnings.
- An additional public health or public safety crisis, demonstrations, natural or man-made disaster in California or in another region where we have a concentration of stores, offices, or a distribution center that could harm our business.
- Our need to maintain sufficient liquidity to support our continuing operations and our new store openings.

The factors underlying our forecasts are dynamic and subject to change. As a result, any forecasts or forward-looking statements speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We disclaim any obligation to update or revise these forward-looking statements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which primarily include changes in interest rates. We do not engage in financial transactions for trading or speculative purposes.

We may occasionally use forward contracts to hedge against fluctuations in foreign currency prices. We had no outstanding forward contracts as of October 28, 2023.

Interest that is payable on our Credit Facility is based on variable interest rates and is therefore affected by changes in market interest rates. As of October 28, 2023, we had no borrowings outstanding under the Credit Facility.

As of October 28, 2023, we have outstanding seven series of unsecured Senior Notes. Interest that is payable on all series of our Senior Notes is based on fixed interest rates, and is therefore unaffected by changes in market interest rates.

We receive interest payments on our cash and cash equivalents and restricted cash and cash equivalents. Changes in interest rates may impact the interest income we recognize in the future.

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have had a material negative impact on our condensed consolidated financial position, results of operations, cash flows, or the fair values of our cash and cash equivalents and restricted cash and cash equivalents as of and for the three and nine month periods ended October 28, 2023. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of our “disclosure controls and procedures” (as defined in Exchange Act Rule 13a-15(e)) as of the end of the period covered by this report. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective at that reasonable assurance level as of the end of the period covered by this report.

It should be noted that any system of controls, however well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of the system will be met. In addition, the design of any control system is based in part upon certain assumptions about the likelihood of future events.

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, also conducted an evaluation of our internal control over financial reporting to determine whether any change occurred during the third fiscal quarter of 2023 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting. Based on that evaluation, our management concluded that there was no such change during the third fiscal quarter of 2023.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The matters under the caption “Litigation, claims, and assessments” in Note A of Notes to Condensed Consolidated Financial Statements are incorporated herein by reference.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 for a description of risks and uncertainties associated with our business.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Information regarding shares of common stock we repurchased during the third quarter of fiscal 2023 is as follows:

Period	Total number of shares (or units) purchased[1]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ($000)[2]
August (7/30/2023 - 8/26/2023)	525,510	$115.39	525,510	$ 424,470
September (8/27/2023-9/30/2023)	916,341	$116.94	830,580	$ 327,450
October (10/01/2023- 10/28/2023)	707,623	$114.26	707,623	$ 246,600
Total	2,149,474	$115.68	2,063,713	$ 246,600

[1] We acquired 85,761 shares of treasury stock during the quarter ended October 28, 2023. Treasury stock includes shares acquired from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

[2] In March 2022, our Board of Directors approved a two-year program to repurchase up to $1.9 billion of our common stock through fiscal 2023.

ITEM 5. OTHER INFORMATION

A Rule 10b5-1 Trading Plan that is intended to satisfy the affirmative defense of Rule 10b5-1(c) was adopted on October 6, 2023 by Michael J. Hartshorn, Group President and Chief Operating Officer, and a member of our Board of Directors. The trading plan has a duration of up to one year, and provides for the sale of up to 76,000 shares of the Company's common stock (prior to reduction for shares withheld for taxes). The number of shares that may be sold is also dependent in part on the number of shares that vest under specified restricted stock and performance share awards.

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of Ross Stores, Inc. as amended (Corrected First Restated Certificate of Incorporation, dated March 17, 1999, together with amendments thereto through Amendment of Certificate of Incorporation dated May 29, 2015) incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2015.
3.2	Amended and Restated Bylaws of Ross Stores, Inc. (as amended March 8, 2023), incorporated by reference to Exhibit 3.2 to the Form 8-K filed by Ross Stores, Inc. on March 14, 2023.
10.1	Employment Agreement effective June 1, 2012 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 27, 2012.
10.2	Second Amendment to Employment Agreement effective January 1, 2016 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.49 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 30, 2016.
10.3	Fourth Amendment to the Employment Agreement effective April 15, 2017 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.4 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended April 29, 2017.
10.4	Fifth Amendment to the Employment Agreement effective July 3, 2018 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 4, 2018.
10.5	Eighth Amendment to the Employment Agreement effective September 24, 2020 between Michael Balmuth and Ross Stores, Inc., incorporated by reference to Exhibit 10.5 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended October 31, 2020.
10.6	Ninth Amendment to Employment Agreement between Michael Balmuth and Ross Stores, Inc. dated May 2, 2022.
10.7	Tenth Amendment to Employment Agreement between Michael Balmuth and Ross Stores, Inc. dated August 29, 2023.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 5, 2023.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document. (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase

101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File. (The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)

SIGNATURES

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

ROSS STORES, INC.
(Registrant)

Date: December 5, 2023

By: /s/Jeffrey P. Burrill
Jeffrey P. Burrill
Senior Vice President, Chief Accounting Officer and Corporate Controller (Principal Accounting Officer)