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 30, 2021

☐ 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**
Former name, former address and former fiscal year, if changed since last report.	N/A

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 12, 2021 was 353,329,735.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Operations

($000, except stores and per share data, unaudited)	Three Months Ended **October 30, 2021**	Three Months Ended October 31, 2020	Nine Months Ended **October 30, 2021**	Nine Months Ended October 31, 2020
Sales	**$ 4,574,541**	$ 3,754,509	**$ 13,895,595**	$ 8,281,894
Costs and Expenses				
Cost of goods sold	**3,326,004**	2,711,419	**9,935,271**	6,681,530
Selling, general and administrative	**725,761**	877,857	**2,118,602**	1,812,657
Interest expense, net	**18,744**	28,740	**56,500**	64,261
Total costs and expenses	**4,070,509**	3,618,016	**12,110,373**	8,558,448
Earnings (loss) before taxes	**504,032**	136,493	**1,785,222**	(276,554)
Provision (benefit) for taxes on earnings (loss)	**119,002**	5,296	**429,455**	(123,956)
Net earnings (loss)	**$ 385,030**	$ 131,197	**$ 1,355,767**	$ (152,598)
Earnings (loss) per share				
Basic	**$ 1.10**	$ 0.37	**$ 3.85**	$ (0.43)
Diluted	**$ 1.09**	$ 0.37	**$ 3.82**	$ (0.43)
Weighted-average shares outstanding (000)				
Basic	**351,071**	352,481	**352,308**	352,320
Diluted	**353,081**	354,457	**354,477**	352,320
Store count at end of period	**1,924**	1,869	**1,924**	1,869

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

Condensed Consolidated Statements of Comprehensive Income (Loss)

	Three Months Ended		Nine Months Ended	
($000, unaudited)	**October 30, 2021**	October 31, 2020	**October 30, 2021**	October 31, 2020
Net earnings (loss)	**$ 385,030**	$ 131,197	**$ 1,355,767**	$ (152,598)
Other comprehensive income (loss)	—	—	—	—
Comprehensive income (loss)	**$ 385,030**	$ 131,197	**$ 1,355,767**	$ (152,598)

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

Condensed Consolidated Balance Sheets

($000, except share data, unaudited)	**October 30, 2021**	January 30, 2021	October 31, 2020
Assets			
Current Assets			
Cash and cash equivalents	**$ 5,259,595**	$ 4,819,293	$ 4,416,124
Accounts receivable	**158,765**	115,067	122,654
Merchandise inventory	**2,231,242**	1,508,982	1,630,390
Prepaid expenses and other	**195,309**	249,149	347,399
Total current assets	**7,844,911**	6,692,491	6,516,567
Property and Equipment			
Land and buildings	**1,194,125**	1,187,045	1,185,442
Fixtures and equipment	**3,357,986**	3,243,206	3,201,940
Leasehold improvements	**1,317,979**	1,278,134	1,243,755
Construction-in-progress	**506,903**	376,076	372,950
	6,376,993	6,084,461	6,004,087
Less accumulated depreciation and amortization	**3,592,707**	3,373,965	3,297,203
Property and equipment, net	**2,784,286**	2,710,496	2,706,884
Operating lease assets	**3,032,175**	3,084,819	3,132,056
Other long-term assets	**254,362**	230,061	215,159
Total assets	**$ 13,915,734**	$ 12,717,867	$ 12,570,666
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	**$ 2,652,881**	$ 2,256,928	$ 2,426,390
Accrued expenses and other	**625,426**	592,122	655,408
Current operating lease liabilities	**620,675**	598,120	590,122
Accrued payroll and benefits	**512,336**	400,273	269,709
Income taxes payable	**—**	54,680	—
Current portion of long-term debt	**64,991**	64,910	—
Total current liabilities	**4,476,309**	3,967,033	3,941,629
Long-term debt	**2,451,283**	2,448,175	2,512,037
Non-current operating lease liabilities	**2,551,162**	2,621,594	2,672,139
Other long-term liabilities	**296,819**	268,558	290,795
Deferred income taxes	**156,944**	121,867	135,029
Commitments and contingencies			
Stockholders' Equity			
Common stock, par value $.01 per share Authorized 1,000,000,000 shares Issued and outstanding 353,694,000, 356,503,000 and 356,449,000 shares, respectively	**3,537**	3,565	3,564
Additional paid-in capital	**1,681,802**	1,579,824	1,546,078
Treasury stock	**(535,642)**	(478,550)	(478,419)
Retained earnings	**2,833,520**	2,185,801	1,947,814
Total stockholders' equity	**3,983,217**	3,290,640	3,019,037
Total liabilities and stockholders' equity	**$ 13,915,734**	$ 12,717,867	$ 12,570,666

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

Condensed Consolidated Statements of Stockholders' Equity

	Nine Months Ended October 30, 2021					
	Common stock		Additional	Treasury	Retained	
(000)	Shares	Amount	paid-in capital	stock	earnings	Total
Balance at January 30, 2021	356,503	$ 3,565	$ 1,579,824	$ (478,550)	$ 2,185,801	$ 3,290,640
Net earnings	—	—	—	—	476,479	476,479
Common stock issued under stock plans, net of shares used for tax withholding	614	6	6,057	(47,378)	—	(41,315)
Stock-based compensation	—	—	28,674	—	—	28,674
Dividends declared ($0.285 per share)	—	—	—	—	(101,657)	(101,657)
Balance at May 1, 2021	357,117	$ 3,571	$ 1,614,555	$ (525,928)	$ 2,560,623	$ 3,652,821
Net earnings	—	—	—	—	494,258	494,258
Common stock issued under stock plans, net of shares used for tax withholding	30	—	6,471	(1,637)	—	4,834
Stock-based compensation	—	—	29,584	—	—	29,584
Common stock repurchased	(1,449)	(14)	(5,492)	—	(170,278)	(175,784)
Dividends declared ($0.285 per share)	—	—	—	—	(101,727)	(101,727)
Balance at July 31, 2021	355,698	$ 3,557	$ 1,645,118	$ (527,565)	$ 2,782,876	$ 3,903,986
Net earnings	—	—	—	—	385,030	385,030
Common stock issued under stock plans, net of shares used for tax withholding	97	1	6,091	(8,077)	—	(1,985)
Stock-based compensation	—	—	38,517	—	—	38,517
Common stock repurchased	(2,101)	(21)	(7,924)	—	(233,250)	(241,195)
Dividends declared ($0.285 per share)	—	—	—	—	(101,136)	(101,136)
Balance at October 30, 2021	353,694	$ 3,537	$ 1,681,802	$ (535,642)	$ 2,833,520	$ 3,983,217

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

Condensed Consolidated Statements of Stockholders' Equity

(000)	Common stock Shares	Common stock Amount	Additional paid-in capital	Treasury stock	Retained earnings	Total
	Nine Months Ended October 31, 2020					
Balance at February 1, 2020	356,775	$ 3,568	$ 1,458,307	$ (433,328)	$ 2,330,702	$ 3,359,249
Net loss	—	—	—	—	(305,842)	(305,842)
Common stock issued under stock plans, net of shares used for tax withholding	318	3	5,441	(32,317)	—	(26,873)
Stock-based compensation	—	—	24,739	—	—	24,739
Common stock repurchased	(1,171)	(12)	(3,576)	—	(128,879)	(132,467)
Dividends declared ($0.285 per share)	—	—	—	—	(101,414)	(101,414)
Balance at May 2, 2020	355,922	$ 3,559	$ 1,484,911	$ (465,645)	$ 1,794,567	$ 2,817,392
Net earnings	—	—	—	—	22,047	22,047
Common stock issued under stock plans, net of shares used for tax withholding	84	1	5,630	(29)	—	5,602
Stock-based compensation	—	—	22,158	—	—	22,158
Balance at August 1, 2020	356,006	$ 3,560	$ 1,512,699	$ (465,674)	$ 1,816,614	$ 2,867,199
Net earnings	—	—	—	—	131,197	131,197
Common stock issued under stock plans, net of shares used for tax withholding	443	4	6,009	(12,745)	3	(6,729)
Stock-based compensation	—	—	27,370	—	—	27,370
Balance at October 31, 2020	356,449	$ 3,564	$ 1,546,078	$ (478,419)	$ 1,947,814	$ 3,019,037

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

Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
($000, unaudited)	**October 30, 2021**	October 31, 2020
Cash Flows From Operating Activities		
Net earnings (loss)	**$ 1,355,767**	$ (152,598)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	**262,139**	268,193
Loss on early extinguishment of debt	**—**	239,769
Stock-based compensation	**96,775**	74,267
Deferred income taxes	**35,077**	(14,650)
Change in assets and liabilities:		
Merchandise inventory	**(722,260)**	201,949
Other current assets	**(50,139)**	(31,732)
Accounts payable	**422,277**	1,126,574
Other current liabilities	**160,984**	118,679
Income taxes	**(60,442)**	(119,513)
Operating lease assets and liabilities, net	**4,767**	8,979
Other long-term, net	**(1,292)**	63,206
Net cash provided by operating activities	**1,503,653**	1,783,123
Cash Flows From Investing Activities		
Additions to property and equipment	**(377,916)**	(339,545)
Net cash used in investing activities	**(377,916)**	(339,545)
Cash Flows From Financing Activities		
Issuance of common stock related to stock plans	**18,626**	17,088
Treasury stock purchased	**(57,092)**	(45,091)
Repurchase of common stock	**(416,979)**	(132,467)
Dividends paid	**(304,520)**	(101,411)
Net proceeds from issuance of short-term debt	**—**	805,601
Payments of short-term debt	**—**	(804,972)
Net proceeds from issuance of long-term debt	**—**	2,965,115
Payments of long-term debt	**—**	(775,009)
Payments of debt extinguishment and debt issuance costs	**—**	(232,000)
Net cash (used in) provided by financing activities	**(759,965)**	1,696,854
Net increase in cash, cash equivalents, and restricted cash and cash equivalents	**365,772**	3,140,432
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of period	**4,953,769**	1,411,410
End of period	**$ 5,319,541**	$ 4,551,842
Supplemental Cash Flow Disclosures		
Interest paid	**$ 82,209**	$ 70,347
Income taxes paid	**$ 454,821**	$ 10,207

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 30, 2021 and October 31, 2020
(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 30, 2021 and October 31, 2020, the results of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 30, 2021 and October 31, 2020, and cash flows for the nine month periods ended October 30, 2021 and October 31, 2020. The Condensed Consolidated Balance Sheet as of January 30, 2021, 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 30, 2021.

The results of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 30, 2021 and October 31, 2020, and cash flows for the nine month periods ended October 30, 2021 and October 31, 2020 presented herein are not necessarily indicative of the results to be expected for the full fiscal year.

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. 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, employee retention credits under the Coronavirus Aid, Relief, and Economic Security Act (the "CARES Act"), and legal claims. The ongoing uncertainties and continued impacts from the COVID-19 pandemic increase the challenge of making estimates; actual results could differ materially from the Company's estimates.

Revenue recognition. The following sales mix table disaggregates revenue by merchandise category for the three and nine month periods ended October 30, 2021 and October 31, 2020:

	Three Months Ended		Nine Months Ended	
	October 30, 2021	October 31, 2020	**October 30, 2021**	October 31, 2020[1]
Ladies	**26 %**	23 %	**26 %**	24 %
Home Accents and Bed and Bath	**25 %**	26 %	**25 %**	26 %
Men's	**15 %**	15 %	**14 %**	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**13 %**	15 %	**14 %**	14 %
Shoes	**11 %**	12 %	**12 %**	13 %
Children's	**10 %**	9 %	**9 %**	9 %
Total	**100 %**	100 %	**100 %**	100 %

[1] Sales mix for the nine month period ended October 31, 2020 represents sales for the period the stores were open.

Cash, restricted cash, and restricted investments. Restricted cash, cash equivalents, and investments serve as collateral for certain insurance and trade payable obligations of the Company. These restricted funds are invested in bank deposits, money market mutual funds, U.S. Government and agency securities, and corporate 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:

($000)	**October 30, 2021**	January 30, 2021	October 31, 2020
Cash and cash equivalents	**$ 5,259,595**	$ 4,819,293	$ 4,416,124
Restricted cash and cash equivalents included in:			
Prepaid expenses and other	**10,790**	85,711	85,322
Other long-term assets	**49,156**	48,765	50,396
Total restricted cash and cash equivalents	**59,946**	134,476	135,718
Total cash and cash equivalents, and restricted cash and cash equivalents	**$ 5,319,541**	$ 4,953,769	$ 4,551,842

Property and equipment. As of October 30, 2021 and October 31, 2020, the Company had $14.4 million and $22.4 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. In response to the COVID-19 pandemic, the Financial Accounting Standards Board ("FASB") provided relief under Accounting Standards Update ("ASU") 2016-02, *Leases* (Accounting Standards Codification "ASC" 842). Under this relief, companies can make a policy election on how to treat lease concessions resulting directly from the COVID-19 pandemic, provided that the modified contracts result in total cash flows that are substantially the same or less than the cash flows in the original contract.

The Company made the policy election to account for lease concessions that result from the COVID-19 pandemic as if they were made under enforceable rights in the original contract. Additionally, the Company made the policy election to account for these concessions outside of the lease modification framework described under ASC 842. The Company recorded accruals for deferred rental payments and recognized rent abatements or concessions as variable lease costs in the periods incurred. Accruals for rent payment deferrals are included in Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

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

	Three Months Ended		**Nine Months Ended**	
($000)	**October 30, 2021**	October 31, 2020	**October 30, 2021**	October 31, 2020
Operating lease assets obtained in exchange for new operating lease liabilities	**$ 208,767**	$ 225,345	**$ 395,428**	$ 509,696

Cash dividends. The Company's Board of Directors declared a quarterly cash dividend of $0.285 per common share in March 2020. In May 2020, the Company suspended its quarterly dividends due to the economic uncertainty stemming from the COVID-19 pandemic. On March 2, 2021, the Company's Board of Directors declared a quarterly cash dividend of $0.285 per common share, payable on March 31, 2021, resuming quarterly dividends. The Company's Board of Directors also declared cash dividends of $0.285 per common share in May 2021 and August 2021.

In November 2021, the Company's Board of Directors declared a cash dividend of $0.285 per common share, payable on December 31, 2021.

Litigation, claims, and assessments. Like many retailers, the Company has been named in class/representative action lawsuits, primarily in California, alleging violation of wage and hour/employment laws and consumer protection laws. Class/representative action litigation remains pending as of October 30, 2021.

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 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.

Recently adopted accounting standards. In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes* (ASC 740). ASU 2019-12 eliminates certain exceptions in ASC 740 related to the methodology for calculating income taxes in an interim period. It also clarifies and simplifies other aspects of the accounting for income taxes. The amendments in ASU 2019-12 are effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2020. Early adoption is permitted, including adoption in any interim period. The Company adopted ASU 2019-12 on a prospective basis in the first quarter of fiscal 2020. The most significant impact to the Company is the removal of a limit on the tax benefit recognized on pre-tax losses in interim periods. The adoption of this standard did not have a material impact on the Company's fiscal 2020 results.

Recently issued accounting standards. The Company considers the applicability and impact of all ASUs issued by the FASB. For the three and nine month periods ended October 30, 2021, the ASUs issued by the FASB were assessed and determined to be either not applicable or are expected to have minimal impact on the Company's condensed consolidated financial results.

Note B: Fair Value Measurements

The carrying value of cash and cash equivalents, short- and long-term investments, restricted cash and cash equivalents, restricted investments, accounts receivable, other long-term assets, accounts payable, and other long-term liabilities approximates their estimated fair value.

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:

($000)	**October 30, 2021**	January 30, 2021	October 31, 2020
Cash and cash equivalents (Level 1)	**$ 5,259,595**	$ 4,819,293	$ 4,416,124
Restricted cash and cash equivalents (Level 1)	**$ 59,946**	$ 134,476	$ 135,718

The underlying assets in the Company's non-qualified deferred compensation program as of October 30, 2021, January 30, 2021, and October 31, 2020 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stable value, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) and for funds without quoted market prices in active markets (Level 2) are as follows:

($000)	**October 30, 2021**	January 30, 2021	October 31, 2020
Level 1	**$ 178,966**	$ 159,116	$ 134,991
Level 2	**—**	—	10,391
Total	**$ 178,966**	$ 159,116	$ 145,382

Note C: Management Incentive Plan and Stock-Based Compensation

The Company has incentive compensation programs which provide cash incentive bonuses and performance share awards to key management and employees based on Company and individual performance.

For fiscal 2021, the Compensation Committee of the Board of Directors established the performance measures for determining incentive compensation amounts as based on a combination of profitability-based performance goals and the attainment of specific management priorities related to business challenges from the COVID-19 pandemic, as measured and approved by the Compensation Committee. As of October 30, 2021, the Company has established an accrual for this incentive compensation based on its forecasted attainment of the profitability-based performance goals and the Compensation Committee's assessment of progress towards achievement of the specific business priorities.

For the fiscal 2020 management incentive bonus plan and performance share awards, the Compensation Committee approved modifications in August 2020 to the performance measurement goals, to be based on the attainment of specific management priorities related to business challenges from the COVID-19 pandemic, as measured and approved by the Compensation Committee, as an alternative to the previously established profitability-based performance goals for 2020.

Stock-based compensation. For the three and nine month periods ended October 30, 2021 and October 31, 2020, the Company recognized stock-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
($000)	**October 30, 2021**	October 31, 2020	**October 30, 2021**	October 31, 2020
Restricted stock	**$ 18,841**	$ 17,330	**$ 53,487**	$ 51,450
Performance awards	**18,601**	8,979	**40,000**	19,801
Employee stock purchase plan	**1,075**	1,061	**3,288**	3,016
Total	**$ 38,517**	$ 27,370	**$ 96,775**	$ 74,267

Total stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Operations for the three and nine month periods ended October 30, 2021 and October 31, 2020, is as follows:

	Three Months Ended		Nine Months Ended	
Statements of Operations Classification ($000)	**October 30, 2021**	October 31, 2020	**October 30, 2021**	October 31, 2020
Cost of goods sold	**$ 18,594**	$ 13,767	**$ 48,354**	$ 38,282
Selling, general and administrative	**19,923**	13,603	**48,421**	35,985
Total	**$ 38,517**	$ 27,370	**$ 96,775**	$ 74,267

The tax benefits related to stock-based compensation expense for the three and nine month periods ended October 30, 2021 were $8.4 million and $19.4 million, respectively. The tax benefits related to stock-based compensation expense for the three and nine month periods ended October 31, 2020 were $5.1 million and $15.3 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.

During the three and nine month periods ended October 30, 2021 and October 31, 2020, shares purchased by the Company for tax withholding totaled 70,488 and 471,081, and 142,350 and 492,171, respectively, and are considered treasury shares which are available for reissuance.

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 performance goals during the performance period, which is the Company's fiscal year. If attained, the restricted stock then vests over a service period, generally two to three years from the date the performance award was granted.

As of October 30, 2021, 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 30, 2021, is presented below:

(000, except per share data)	Number of shares		Weighted-average grant date fair value
Unvested at January 30, 2021	4,230	$	85.15
Awarded	1,110		121.06
Released	(1,222)		75.57
Forfeited	(121)		94.90
Unvested at October 30, 2021	**3,997**	**$**	**97.79**

The unamortized compensation expense at October 30, 2021, was $193.8 million, which is expected to be recognized over a weighted-average remaining period of 2.1 years. The unamortized compensation expense at October 31, 2020, was $178.2 million, which was expected to be recognized over a weighted-average remaining period of 2.1 years.

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 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 (Loss) Per Share

The Company computes and reports both basic earnings (loss) per share ("EPS") and diluted EPS. Basic EPS is computed by dividing net earnings (loss) by the weighted-average number of common shares outstanding for the period. Diluted EPS is computed by dividing net earnings (loss) by the sum of the weighted-average number of common shares and dilutive common stock equivalents outstanding during the period, except in cases where the effect of the common stock equivalents would be anti-dilutive. 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 periods of net loss, basic and diluted EPS are the same as the effect of the assumed vesting of restricted stock, restricted stock units, and performance share awards are anti-dilutive.

For the three and nine month periods ended October 30, 2021, approximately 13,200 and 3,000 weighted-average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for the periods presented. For the three month period ended October 31, 2020, approximately 80,600 weighted-average shares were excluded from the calculation of diluted EPS because their effect would have been anti-dilutive for the period presented. For the nine month period ended October 31, 2020, basic and diluted EPS were the same due to the Company's net loss.

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 30, 2021						
Shares	**351,071**	**2,010**	**353,081**	**352,308**	**2,169**	**354,477**
Amount	**$ 1.10**	**$ (0.01)**	**$ 1.09**	**$ 3.85**	**$ (0.03)**	**$ 3.82**
October 31, 2020						
Shares	352,481	1,976	354,457	352,320	—	352,320
Amount	$ 0.37	$ —	$ 0.37	$ (0.43)	$ —	$ (0.43)

Note E: Debt

Long-term debt. Unsecured senior debt, net of unamortized discounts and debt issuance costs, consisted of the following:

($000)	**October 30, 2021**	January 30, 2021	October 31, 2020
6.530% Series B Senior Notes due 2021	**$ 64,991**	$ 64,910	$ 64,883
3.375% Senior Notes due 2024	**248,697**	248,365	248,256
4.600% Senior Notes due 2025	**695,571**	694,624	694,310
0.875% Senior Notes due 2026	**494,508**	493,595	493,297
4.700% Senior Notes due 2027	**239,364**	239,049	238,944
4.800% Senior Notes due 2030	**132,388**	132,262	132,220
1.875% Senior Notes due 2031	**494,551**	494,132	493,998
5.450% Senior Notes due 2050	**146,204**	146,148	146,129
Total long-term debt	**$ 2,516,274**	$ 2,513,085	$ 2,512,037
Less: current portion	**64,991**	64,910	—
Total due beyond one year	**$ 2,451,283**	$ 2,448,175	$ 2,512,037

Revolving credit facilities. The Company's $800 million unsecured revolving credit facility expires in July 2024, and contains a $300 million sublimit for issuance of standby letters of credit. The facility also contains an option allowing the Company to increase the size of its credit facility by up to an additional $300 million, with the agreement of the lenders. Interest on borrowings under this facility is based on LIBOR (or an alternate benchmark rate, if LIBOR is no longer available) plus an applicable margin and is payable quarterly and upon maturity. The revolving credit facility may be extended, at the Company's option, for up to two additional one year periods, subject to customary conditions.

In March 2020, the Company borrowed $800 million available under its revolving credit facility. Interest on the loan was based on LIBOR plus 0.875% (or 1.76%).

In May 2020, the Company amended its $800 million unsecured revolving credit facility (the "Amended Credit Facility") to temporarily suspend, for the second and third quarters of fiscal 2020, the Consolidated Adjusted Debt to EBITDAR ratio financial covenant, and to apply a transitional modification to that ratio effective in the fourth quarter of fiscal 2020. In October 2020, the Company repaid in full the $800 million it borrowed under the unsecured revolving credit facility. As of October 30, 2021, the Company had no borrowings or standby letters of credit outstanding under this facility, the $800 million credit facility remains in place and available, and the Company was in compliance with the amended covenant.

In May 2020, the Company also entered into an additional $500 million 364-day senior revolving credit facility which was scheduled to expire in April 2021. In October 2020, the Company terminated this senior revolving credit facility. The Company had no borrowings under that credit facility at any time.

Senior notes. As of October 30, 2021, the Company had outstanding Series B unsecured Senior Notes in the aggregate principal amount of $65 million held by various institutional investors. The Series B notes are due in December 2021, and bear interest at a rate of 6.530%. Borrowings under these Senior Notes are subject to certain financial covenants that were amended in June 2020. As of October 30, 2021, the Company was in compliance with these covenants.

As of October 30, 2021, the Company also had outstanding unsecured 3.375% Senior Notes due September 2024 (the “2024 Notes”) with an aggregate principal amount of $250 million. Interest on the 2024 Notes is payable semi-annually.

In April 2020, the Company issued an aggregate of $2.0 billion in unsecured senior notes in four tenors as follows: 4.600% Senior Notes due April 2025 (the “2025 Notes”) with an aggregate principal amount of $700 million, 4.700% Senior Notes due April 2027 (the “2027 Notes”) with an aggregate principal amount of $400 million, 4.800% Senior Notes due April 2030 (the “2030 Notes”) with an aggregate principal amount of $400 million, and 5.450% Senior Notes due April 2050 (the “2050 Notes”) with an aggregate principal amount of $500 million. Cash proceeds, net of discounts and other issuance costs, were approximately $1.973 billion. Interest on the 2025, 2027, 2030, and 2050 Notes is payable semi-annually beginning October 2020.

In October 2020, the Company accepted for repurchase approximately $775 million in aggregate principal amount of the senior notes issued in April 2020, pursuant to cash tender offers as follows: $351 million of the 2050 Notes, $266 million of the 2030 Notes, and $158 million of the 2027 Notes. The Company paid approximately $1.003 billion in aggregate consideration (including transaction costs, and accrued and unpaid interest) and recorded an approximately $240 million loss on the early extinguishment for the accepted senior notes.

In October 2020, the Company issued an aggregate of $1.0 billion in unsecured senior notes in two tenors as follows: 0.875% Senior Notes due April 2026 (the “2026 Notes”) with an aggregate principal amount of $500 million and 1.875% Senior Notes due April 2031 (the “2031 Notes”) with an aggregate principal amount of $500 million. Cash proceeds, net of discounts and other issuance costs, were approximately $987.2 million. Interest on the 2026 and 2031 Notes is payable semi-annually beginning April 2021. The Company used the net proceeds from the offering of the 2026 and 2031 Notes to fund the purchase of the accepted senior notes from its tender offers.

As of October 30, 2021, January 30, 2021, and October 31, 2020, total unamortized discount and debt issuance costs were $23.7 million, $26.9 million, and $28.0 million, respectively, and were classified as a reduction of Long-term debt.

All of the Senior Notes are subject to prepayment penalties for early payment of principal.

As of October 30, 2021, January 30, 2021, and October 31, 2020 the aggregate fair value of the eight outstanding series of Senior Notes was approximately $2.6 billion, $2.8 billion, and $2.8 billion, respectively. 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.

The table below shows the components of interest expense and income for the three and nine month periods ended October 30, 2021 and October 31, 2020:

	Three Months Ended		**Nine Months Ended**	
($000)	**October 30, 2021**	October 31, 2020	**October 30, 2021**	October 31, 2020
Interest expense on long-term debt	**$ 22,227**	$ 27,826	**66,626**	$ 66,338
Interest expense on short-term debt	**—**	2,565	**—**	7,861
Other interest expense	**391**	2,535	**1,012**	3,844
Capitalized interest	**(3,682)**	(3,856)	**(10,511)**	(9,359)
Interest income	**(192)**	(330)	**(627)**	(4,423)
Interest expense, net	**$ 18,744**	$ 28,740	**$ 56,500**	$ 64,261

Note F: Taxes on Earnings (Loss)

On March 27, 2020, the CARES Act was signed into law. The CARES Act made several significant changes to business tax provisions, including modifications for net operating losses, employee retention credits, and deferral of employer payroll tax payments. The modifications for net operating losses eliminate the taxable income limitation for certain net operating losses and allow the carry back of net operating losses arising in 2018, 2019, and 2020 to the five prior tax years, respectively. Subsequently, the Consolidated Appropriations Act of 2021 ("CAA") and the American Rescue Plan Act ("ARPA") were signed into law on December 27, 2020 and March 11, 2021, respectively. The CAA and ARPA made several c hanges to business tax provisions, including increasing and extending the employee retention credits through December 31, 2021, extending certain employment-related tax credits through December 31, 2025, and limiting certain executive compensation deductions, effective fiscal 2027.

The Company's effective tax rates for the three month periods ended October 30, 2021 and October 31, 2020, were approximately 24% and 4%, respectively. The increase in the effective tax rate of 20% for the three month period ended October 30, 2021 compared to the three month period ended October 31, 2020 was primarily due to fluctuations in pre-tax earnings (loss).

The Company's effective tax rates for the nine month periods ended October 30, 2021 and October 31, 2020, were approximately 24% and 45%, respectively. The decrease in the effective tax rate of 21% for the nine month period ended October 30, 2021 compared to the nine month period ended October 31, 2020 was primarily due to fluctuations in pre-tax earnings (loss). 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 share-based compensation, and uncertain tax positions.

As of October 30, 2021, January 30, 2021, and October 31, 2020, the reserves for unrecognized tax benefits were $76.9 million, $67.9 million, and $76.1 million, inclusive of $9.8 million, $7.7 million, and $9.4 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, $61.4 million would impact the Company's effective tax rate. It is reasonably possible that certain 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 $9.5 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 2018 through 2020. The Company's state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2016 through 2020. Certain 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 30, 2021 and October 31, 2020, the related condensed consolidated statements of operations, comprehensive income (loss), and stockholders' equity for the three and nine month periods ended October 30, 2021 and October 31, 2020, and cash flows for the nine month periods ended October 30, 2021 and October 31, 2020, 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 30, 2021, 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 30, 2021, we expressed an unqualified opinion on those consolidated financial statements and included an explanatory paragraph regarding a change in accounting principle. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of January 30, 2021 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 8, 2021

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 2020. 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, in our Quarterly Report on Form 10-Q for the third quarter of fiscal 2019, and in conjunction with the consolidated financial statements and notes thereto in our Annual Report on Form 10-K for 2020. 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 1,629 locations in 40 states, the District of Columbia, and Guam as of October 30, 2021. 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 295 dd's DISCOUNTS stores in 21 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.

Results of Operations

In this quarterly report, and in our reports throughout fiscal 2021, we will compare our results of operations to fiscal 2020 and also to fiscal 2019. We believe the extended closure of our operations in the spring of 2020, and the disruptions caused by COVID-19 throughout fiscal 2020, make fiscal 2019 a more useful and relevant basis for comparison in assessing our ongoing results of operations.

We achieved strong sales results in the third quarter of fiscal 2021 as consumers continued to respond favorably to our broad assortment of bargains despite waning government stimulus and ongoing uncertainty related to the spread of COVID variants. During the quarter, we continued to experience expense pressures from higher freight costs of approximately 125 basis points while higher ocean freight costs negatively impacted merchandise margin which declined 40 basis points compared to the third quarter of fiscal 2019. We also incurred ongoing COVID-related operating costs of approximately 35 basis points (the vast majority of which impacted our selling, general and administrative expenses ("SG&A")). We expect higher freight costs, higher distribution expenses, and the ongoing COVID-related operating costs to continue throughout fiscal 2021.

There remains significant uncertainty related to the ongoing and worsening industry-wide supply chain congestion as we enter the important holiday season. In addition, there continues to be significant uncertainty surrounding the COVID-19 pandemic, including its unknown duration, the potential for new virus variants and future resurgences, as well as possible vaccine mandates or restrictions, and the potential adverse impact on consumer demand and our business.

The following table summarizes the financial results for the three and nine month periods ended October 30, 2021, October 31, 2020, and November 2, 2019:

	Three Months Ended			Nine Months Ended		
	October 30, 2021	October 31, 2020	November 2, 2019	**October 30, 2021**	October 31, 2020	November 2, 2019
Sales						
Sales (millions)	**$ 4,575**	$ 3,755	$ 3,849	**$ 13,896**	$ 8,282	$ 11,626
Comparable store sales growth (decline)	**14.0 %** [1]	(3 %) [2]	5 % [3]	**14.0 %** [1]	n/a [4]	3 % [3]
Costs and expenses (as a percent of sales)						
Cost of goods sold	**72.7 %**	72.2 %	71.9 %	**71.5 %**	80.7 %	71.5 %
Selling, general and administrative	**15.9 %**	23.4 %	15.7 %	**15.2 %**	21.9 %	15.1 %
Interest expense (income), net	**0.4 %**	0.8 %	(0.1 %)	**0.4 %**	0.8 %	(0.1 %)
Earnings (loss) before taxes (as a percent of sales)	**11.0 %**	3.6 %	12.5 %	**12.9 %**	(3.4 %)	13.5 %
Net earnings (loss) (as a percent of sales)	**8.4 %**	3.5 %	9.6 %	**9.8 %**	(1.8 %)	10.4 %

[1] Amount shown is for fiscal 2021 compared to fiscal 2019. Comparable store sales for this purpose represents sales from stores that were open at the end of fiscal 2018, plus new stores opened in fiscal 2019, less stores closed in fiscal 2019 and fiscal 2020.

[2] Amount shown is for the three month period of fiscal 2020 compared to the same period of fiscal 2019 for stores that have been open for more than 14 complete months.

[3] Amount shown is for the three and nine month periods of fiscal 2019 compared to the same periods of fiscal 2018 for stores that have been open for more than 14 complete months.

[4] Given that stores were open for less than seven weeks of the 13-week period ended May 2, 2020, the comparable store sales metric for the nine months ended October 31, 2020, is not meaningful.

Stores. We have opened 65 new stores in fiscal 2021. Looking forward to 2022, we expect to return to our historical annual opening program of approximately 100 new stores. Our longer term expansion 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.

	Three Months Ended			Nine Months Ended		
Store Count	**October 30, 2021**	October 31, 2020	November 2, 2019	**October 30, 2021**	October 31, 2020	November 2, 2019
Beginning of the period	**1,896**	1,832	1,772	**1,859**	1,805	1,717
Opened in the period	**28**	39 [1]	42	**65**	66 [1]	98
Closed in the period	**—**	(2)	(4) [2]	**—**	(2)	(5) [2]
End of the period	**1,924**	1,869	1,810	**1,924**	1,869	1,810

[1] Includes the reopening of a store previously temporarily closed due to a weather event.

[2] Includes a temporary closure of a store impacted by a weather event.

Sales. Sales for the three month period ended October 30, 2021 increased $820.0 million, or 21.8%, compared to the three month period ended October 31, 2020, primarily due to the continued strong execution of our merchandising strategies, the benefit from government stimulus payments, increasing vaccination rates, and the further easing of COVID-19 restrictions. Sales also benefited from the opening of 55 net new stores between October 31, 2020 and October 30, 2021.

Sales for the nine month period ended October 30, 2021 increased $5.6 billion, or 67.8%, compared to the nine month period ended October 31, 2020. This was primarily due to all store locations being open throughout the first nine months of fiscal 2021, compared to the negative impact from the COVID-19 related closures of all our stores during significant portions of the March 2020 to June 2020 period. Sales also benefited from a combination of government stimulus payments, increasing vaccination rates, diminishing COVID-19 restrictions, pent-up consumer demand, and strong execution of our merchandising strategies. Sales also increased due to the opening of 55 net new stores between October 31, 2020 and October 30, 2021.

Sales for the three month period ended October 30, 2021 increased $725.4 million, or 18.8%, compared to the three month period ended November 2, 2019. This was primarily due to a 14% increase in comparable store sales (comparing the third quarter of fiscal 2021 to the same period in fiscal 2019) which was mainly driven by the continued strong execution of our merchandising strategies despite waning government stimulus and the uncertainty related to the spread of COVID variants. Sales also increased due to the opening of 114 net new stores between November 2, 2019 and October 30, 2021.

Sales for the nine month period ended October 30, 2021 increased $2.3 billion, or 19.5%, compared to the nine month period ended November 2, 2019. This was primarily due to a 14% increase in comparable store sales (comparing the first nine months of fiscal 2021 to the same period in fiscal 2019) which was mainly driven by the continued strong execution of our merchandising strategies, and a combination of government stimulus payments, increasing vaccination rates, diminishing COVID-19 restrictions, and pent-up consumer demand. Sales also increased due to the opening of 114 net new stores between November 2, 2019 and October 30, 2021.

Our sales mix for the three and nine month periods ended October 30, 2021, October 31, 2020, and November 2, 2019 is shown below:

	Three Months Ended			**Nine Months Ended**		
	October 30, 2021	October 31, 2020	November 2, 2019	**October 30, 2021**	October 31, 2020 [1]	November 2, 2019
Ladies	**26 %**	23 %	26 %	**26 %**	24 %	27 %
Home Accents and Bed and Bath	**25 %**	26 %	24 %	**25 %**	26 %	24 %
Men's	**15 %**	15 %	14 %	**14 %**	14 %	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**13 %**	15 %	13 %	**14 %**	14 %	13 %
Shoes	**11 %**	12 %	14 %	**12 %**	13 %	14 %
Children's	**10 %**	9 %	9 %	**9 %**	9 %	8 %
Total	**100 %**	100 %	100 %	**100 %**	100 %	100 %

[1] Sales mix for the nine month period ended October 31, 2020 represents sales for the period the stores were open.

We intend to address the competitive climate for off-price apparel and home goods by pursuing and refining our existing strategies and by continuing to strengthen our merchant organization, diversify our merchandise mix, and more fully develop our systems to improve regional and local merchandise offerings.

We remain optimistic about our prospects for the remainder of fiscal 2021, based on our recent results, increasing vaccination rates, and diminishing pandemic-related restrictions. However, it is difficult to predict the lasting impact from the factors that benefited our sales results for the first nine months of fiscal 2021, in particular the benefit from the government stimulus payments. There remains significant uncertainty related to the ongoing and worsening industry-wide supply chain congestion. In addition, there continues to be significant uncertainty surrounding the COVID-19 pandemic, including its unknown duration, the potential for new virus variants and future resurgences, as well as possible vaccine mandates or restrictions, and the potential adverse impact on consumer demand and our business. We cannot be sure that our strategies and our store expansion program will result in a continuation of our historical 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 30, 2021 increased $614.6 million and $3.3 billion, respectively, compared to the three and nine month periods ended October 31, 2020, primarily due to higher sales, given that all our stores were open throughout the first nine months of fiscal 2021, compared to the negative impact from the COVID-19 related closures of all our stores during significant portions of the March 2020 to June 2020 period. Cost of goods also increased due to the opening of 55 net new stores between October 31, 2020 and October 30, 2021.

Cost of goods sold for the three and nine month periods ended October 30, 2021 increased $559.6 million and $1.6 billion, respectively, compared to the three and nine month periods ended November 2, 2019, primarily due to a 14% increase in comparable store sales for both the three and nine month periods, higher freight and distribution costs, and higher sales due to the opening of 114 net new stores between November 2, 2019 and October 30, 2021.

Cost of goods sold as a percentage of sales for the three month period ended October 30, 2021 increased approximately 85 basis points compared to the three month period ended November 2, 2019, primarily due to a 125 basis point increase in freight costs, mainly driven by worsening industry-wide supply chain congestion, a 40 basis point decline in merchandise margin primarily due to higher ocean freight costs, and a 10 basis point increase in buying costs. These increases were partially offset by leverage of 65 basis points in occupancy costs and 25 basis points in distribution expenses.

Cost of goods sold as a percentage of sales for the nine month period ended October 30, 2021 remained flat compared to the nine month period ended November 2, 2019. The offsetting components of cost of goods sold as a percentage of sales included a 45 basis point improvement in merchandise margin and leverage of 70 basis points in occupancy costs. These improvements were offset by a 95 basis point increase in freight costs, mainly driven by ongoing industry-wide supply chain congestion, a 15 basis point increase in distribution expenses, primarily due to higher wages, and a five basis point increase in buying costs. We expect higher freight costs and higher distribution expenses to continue throughout fiscal 2021.

Selling, general and administrative expenses. For the three month period ended October 30, 2021, SG&A decreased $152.1 million, compared to the three month period ended October 31, 2020. The decrease was primarily due to the approximately $240 million in long-term debt refinancing costs incurred in the third quarter of fiscal 2020, partially offset by higher store operating expenses on higher sales, and the opening of 55 net new stores between October 31, 2020 and October 30, 2021.

For the nine month period ended October 30, 2021, SG&A increased $305.9 million, compared to the nine month period ended October 31, 2020. The increase was primarily due to all our stores being open throughout the first nine months of fiscal 2021, compared to the impact from the COVID-19 related closures of all our stores during significant portions of the March 2020 to June 2020 period, and to the opening of 55 net new stores between October 31, 2020 and October 30, 2021, partially offset by approximately $240 million in long-term debt refinancing costs incurred in the third quarter of fiscal 2020.

For the three and nine month periods ended October 30, 2021, SG&A increased $121.2 million and $363.8 million, respectively, compared to the three and nine month periods ended November 2, 2019, primarily due to a 14% increase in comparable store sales for both the three and nine month periods, to the opening of 114 net new stores between November 2, 2019 and October 30, 2021, net COVID-related operating expenses for supplies, cleaning, and payroll related to additional safety protocols, and to higher incentive compensation costs due to better-than-expected results.

Selling, general and administrative expenses as a percentage of sales for the three and nine month periods ended October 30, 2021 increased 15 basis points, compared to the three and nine month periods ended November 2, 2019, primarily due to net COVID-related operating expenses for supplies, cleaning, and payroll related to additional safety protocols, and to higher incentive compensation costs due to better-than-expected results. We expect our operating costs to continue to reflect ongoing COVID-related expenses and also higher wages.

Interest expense (income), net. Interest expense, net for the three month period ended October 30, 2021 decreased $10.0 million compared to the same period in the prior year. This decrease was primarily due to lower interest expense on long-term debt due to the October 2020 refinancing at lower interest rates of a portion of the Senior Notes issued in April 2020, and elimination of interest expense on short-term debt due to the repayment of our $800 million revolving credit facility in October 2020.

Interest expense, net for the nine month period ended October 30, 2021 decreased $7.8 million compared to the same period in the prior year. This decrease was primarily due to the elimination of interest expense on short-term debt due to the repayment of our $800 million revolving credit facility in October 2020 and higher capitalized interest primarily related to the construction of our Brookshire, Texas distribution center, partially offset by lower interest income due to lower interest rates.

Interest expense (income), net for the three and nine month periods ended October 30, 2021 increased $23.1 million and $71.3 million, respectively, compared to the three and nine month periods ended November 2, 2019. These increases were primarily due to higher interest expense on long-term debt due to the issuance of Senior Notes in April 2020 and October 2020, and to lower interest income due to lower interest rates, partially offset by higher capitalized interest primarily related to the construction of our Brookshire, Texas distribution center.

Interest expense (income), net for the three and nine month periods ended October 30, 2021, October 31, 2020, and November 2, 2019 consists of the following:

($000)	Three Months Ended			Nine Months Ended		
	October 30, 2021	October 31, 2020	November 2, 2019	**October 30, 2021**	October 31, 2020	November 2, 2019
Interest expense on long-term debt	**$ 22,227**	$ 27,826	$ 3,284	**$ 66,626**	$ 66,338	$ 9,850
Interest expense on short-term debt	**—**	2,565	—	**—**	7,861	—
Other interest expense	**391**	2,535	216	**1,012**	3,844	756
Capitalized interest	**(3,682)**	(3,856)	(1,186)	**(10,511)**	(9,359)	(3,069)
Interest income	**(192)**	(330)	(6,716)	**(627)**	(4,423)	(22,356)
Interest expense (income), net	**$ 18,744**	$ 28,740	$ (4,402)	**$ 56,500**	$ 64,261	$ (14,819)

Taxes on earnings (loss). Our effective tax rates for the three month periods ended October 30, 2021, October 31, 2020, and November 2, 2019 were approximately 24%, 4%, and 23%, respectively. The increase in the effective tax rate of 20% for the three month period ended October 30, 2021 compared to the three month period ended October 31, 2020 was primarily due to fluctuations in pre-tax earnings (loss). The increase in the effective tax rate of 1% for the three month period ended October 30, 2021 compared to the three month period ended November 2, 2019 was primarily due to the resolution of tax positions with various tax authorities during the three month period ended November 2, 2019.

Our effective tax rates for the nine month periods ended October 30, 2021, October 31, 2020, and November 2, 2019 were approximately 24%, 45%, and 23%, respectively. The decrease in the effective tax rate of 21% for the nine month period ended October 30, 2021 compared to the nine month period ended October 31, 2020 was primarily due to fluctuations in pre-tax earnings (loss). The increase in the effective tax rate of 1% for the nine month period ended October 30, 2021 compared to the nine month period ended November 2, 2019 was primarily due to the resolution of tax positions with various tax authorities during the nine month period ended November 2, 2019. 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 share-based compensation, and uncertain tax positions.

On March 27, 2020, the CARES Act was signed into law. The CARES Act made several significant changes to business tax provisions, including modifications for net operating losses, employee retention credits, and deferral of employer payroll tax payments. The modifications for net operating losses eliminate the taxable income limitation for certain net operating losses and allow the carry back of net operating losses arising in 2018, 2019, and 2020 to the five prior tax years, respectively. Subsequently, the Consolidated Appropriations Act of 2021 (“CAA”) and the American Rescue Plan Act (“ARPA”) were signed into law on December 27, 2020 and March 11, 2021, respectively. The CAA and ARPA made several changes to business tax provisions, including increasing and extending the employee retention credits through December 31, 2021, extending certain employment-related tax credits through December 31, 2025, and limiting certain executive compensation deductions, effective fiscal 2027.

Net earnings (loss). Net earnings as a percentage of sales for the three month periods ended October 30, 2021 and October 31, 2020 were 8.4% and 3.5%, respectively. Net earnings as a percentage of sales for the three month period ended October 30, 2021 was higher primarily due to lower SG&A expense and lower interest expense, partially offset by higher taxes on earnings and higher cost of goods sold.

Net earnings as a percentage of sales for the nine month period ended October 30, 2021 was 9.8% compared to the net loss as a percentage of sales of 1.8% for the nine month period ended October 31, 2020. Net earnings as a percentage of sales for the nine month period ended October 30, 2021 was higher primarily due to lower cost of goods sold, lower SG&A expense, and lower interest expense, partially offset by higher taxes on earnings.

Net earnings as a percentage of sales for the three month periods ended October 30, 2021 and November 2, 2019 were 8.4% and 9.6%, respectively. Net earnings as a percentage of sales for the three month period ended October 30, 2021 was lower primarily due to higher cost of goods sold, higher interest expense, and higher SG&A expense, partially offset by lower taxes on earnings.

Net earnings as a percentage of sales for the nine month periods ended October 30, 2021 and November 2, 2019 was 9.8% and 10.4%, respectively. Net earnings as a percentage of sales for the nine month period ended October 30, 2021 was lower primarily due to higher interest expense and higher SG&A expense, partially offset by lower taxes on earnings.

Earnings (loss) per share. Diluted earnings per share for the three month periods ended October 30, 2021 and October 31, 2020 were $1.09 and $0.37, respectively. Diluted earnings per share for the nine month period ended October 30, 2021 was $3.82, compared to diluted loss per share of $(0.43), for the nine month period ended October 31, 2020. The $0.72 and $4.25 increases in the diluted earnings per share for the three and nine month periods ended October 30, 2021 were primarily due to all our store locations being open throughout the first nine months of fiscal 2021, compared to the negative impact from the COVID-19 related closures of all our stores during significant portions of the March 2020 to June 2020 period.

Diluted earnings per share for the three and nine month periods ended October 30, 2021 were $1.09 and $3.82, respectively, compared to $1.03 and $3.32, respectively, for the three and nine month periods ended November 2, 2019. The 6% and 15% increases in diluted earnings per share for the three and nine month periods ended October 30, 2021, were attributable to 4% and 13% increases in net earnings, and to the reduction in weighted-average diluted shares outstanding of 2% for both the three and nine month periods, largely due to stock repurchases under our stock repurchase programs.

Financial Condition

Liquidity and Capital Resources

Our 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, and for 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 pay dividends, to repay debt, and to repurchase stock under active stock repurchase programs.

	Nine Months Ended		
($000)	**October 30, 2021**	October 31, 2020	November 2, 2019
Cash provided by operating activities	**$ 1,503,653**	$ 1,783,123	$ 1,410,930
Cash used in investing activities	**(377,916)**	(339,545)	(400,734)
Cash (used in) provided by financing activities	**(759,965)**	1,696,854	(1,284,748)
Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents	**$ 365,772**	$ 3,140,432	$ (274,552)

In this report, we compare our cash flows from operating activities to both fiscal 2020 and fiscal 2019. We believe fiscal 2019 is a more useful and relevant basis of comparison given that our stores were open for full 39-week periods in fiscal 2021 and fiscal 2019. Our cash flows from investing and financing activities are compared to fiscal 2020, given the continued construction of our Brookshire, Texas distribution center and the significant financing actions we took in fiscal 2020 to preserve our financial liquidity and enhance our financial flexibility in response to the COVID-19 pandemic.

Operating Activities

Net cash provided by operating activities was $1.5 billion for the nine month period ended October 30, 2021. This was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization. Net cash provided by operating activities was $1.8 billion for the nine month period ended October 31, 2020. This was primarily driven by lower merchandise receipts as we closely managed inventory levels and used packaway inventory to replenish our stores, and higher accounts payable due to longer payment terms. This was partially offset by the net loss due to the lower sales from the closing of all store locations starting on March 20, 2020 and continuing through a portion of the second quarter of fiscal 2020, and COVID-19's negative impact on consumer demand. Net cash provided by operating activities was $1.4 billion for the nine month period ended November 2, 2019 and was primarily driven by net earnings excluding non-cash expenses for depreciation and amortization.

The decrease in cash flow from operating activities for the nine month period ended October 30, 2021, compared to the same period in the prior year was primarily driven by lower Accounts payable leverage (defined as accounts payable divided by merchandise inventory), partially offset by net earnings in the current year versus a net loss in the prior year due to the lack of sales from the COVID-19 related closures of all our stores during significant portions of the March 2020 to June 2020 period. Accounts payable leverage was 119% and 149% as of October 30, 2021 and October 31, 2020, respectively. The decrease in Accounts payable leverage from the prior year was primarily driven by higher inventory receipts to support higher sales and the timing of receipts and payments compared to 2020.

The increase in cash flow from operating activities for the nine month period ended October 30, 2021, compared to the nine month period ended November 2, 2019 was primarily driven by higher net earnings and higher Accounts payable leverage. Accounts payable leverage was 119% and 68% as of October 30, 2021 and November 2, 2019, respectively. The increase in Accounts payable leverage from November 2, 2019 was primarily driven by longer payment terms and timing of receipts and payments compared to 2019.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling opportunities in the marketplace. 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 purchases, but typically packaway remains in storage 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 30, 2021, packaway inventory was 31% of total inventory compared to 38% at the end of fiscal 2020, which reflects our use of a substantial amount of packaway merchandise to support our increased level of sales. In addition, there were receipt delays due to supply chain congestion. As of October 31, 2020, packaway inventory was 26% of total inventory compared to 46% at the end of fiscal 2019. As of November 2, 2019, packaway inventory was 39% of total inventory compared to 46% at the end of fiscal 2018.

Investing Activities

Net cash used in investing activities was $377.9 million and $339.5 million for the nine month periods ended October 30, 2021 and October 31, 2020, respectively, and was related to our capital expenditures. Our capital expenditures include costs to build, expand, and improve distribution centers (primarily related to the ongoing construction of our Brookshire, Texas distribution center); open new stores and improve existing stores; and for various other expenditures related to our information technology systems, buying and corporate offices.

Capital expenditures for fiscal 2021 are projected to be approximately $550 million. Our planned capital expenditures are expected to be used for continued construction of our Brookshire, Texas distribution center, costs for fixtures and leasehold improvements to open planned new Ross and dd's DISCOUNTS stores, investments in certain information technology systems, and for various other needed expenditures related to our stores, distribution centers, buying, and corporate offices. We expect to fund capital expenditures with available cash.

Financing Activities

Net cash used in financing activities was $760.0 million for the nine month period ended October 30, 2021. Net cash provided by financing activities was $1.7 billion for the nine month period ended October 31, 2020. The decrease in cash provided by financing activities for the nine month period ended October 30, 2021, compared to the nine month period ended October 31, 2020, was primarily due to the completion of our public debt offerings, net of refinancing costs in fiscal 2020, the resumption of cash dividend payments in the first quarter of fiscal 2021, and the resumption of our share repurchases in the second quarter of fiscal 2021.

Revolving credit facilities. Our $800 million unsecured revolving credit facility expires in July 2024, and contains a $300 million sublimit for issuance of standby letters of credit. The facility also contains an option allowing us to increase the size of our credit facility by up to an additional $300 million, with the agreement of the lenders. Interest on borrowings under this facility is based on LIBOR (or an alternate benchmark rate, if LIBOR is no longer available) plus an applicable margin and is payable quarterly and upon maturity. The revolving credit facility may be extended, at our option, for up to two additional one-year periods, subject to customary conditions.

In March 2020, we borrowed $800 million under our revolving credit facility. Interest on the loan was based on LIBOR plus 0.875% (or 1.76%).

In May 2020, we amended the $800 million revolving credit facility (the "Amended Credit Facility") to temporarily suspend for the second and third quarters of fiscal 2020 the Consolidated Adjusted Debt to EBITDAR ratio financial covenant, and to apply a transitional modification to that ratio effective in the fourth quarter of fiscal 2020. In October 2020, we repaid in full the $800 million we borrowed under the unsecured revolving credit facility. As of October 30, 2021, we had no borrowings or standby letters of credit outstanding under this facility, the $800 million credit facility remains in place and available, and we were in compliance with the amended covenant.

In May 2020, we entered into an additional $500 million 364-day senior revolving credit facility which was scheduled to expire in April 2021. In October 2020, we terminated this senior revolving credit facility. We had no borrowings under that credit facility at any time.

Senior notes. In April 2020, we issued an aggregate of $2.0 billion in unsecured senior notes in four tenors as follows: $700 million of 4.600% Senior Notes due April 2025, $400 million of 4.700% Senior Notes due April 2027, $400 million of 4.800% Senior Notes due April 2030, and $500 million of 5.450% Senior Notes due April 2050.

In October 2020, we accepted for repurchase approximately $775 million in aggregate principal amount of the senior notes issued in April 2020, pursuant to cash tender offers as follows: $351 million of the 2050 Notes, $266 million of the 2030 Notes, and $158 million of the 2027 Notes. We paid approximately $1.003 billion in aggregate consideration (including transaction costs, and accrued and unpaid interest) and recorded an approximately $240 million loss on the early extinguishment for the accepted senior notes.

In October 2020, we issued an aggregate of $1.0 billion in unsecured senior notes in two tenors as follows: 0.875% Senior Notes due April 2026 (the "2026 Notes") with an aggregate principal amount of $500 million and 1.875% Senior Notes due April 2031 (the "2031 Notes") with an aggregate principal amount of $500 million. Cash proceeds, net of discounts and other issuance costs, were approximately $987.2 million. Interest on the 2026 and 2031 Notes is payable semi-annually beginning April 2021. We used the net proceeds from the offering of the 2026 and 2031 Notes to fund the purchase of the accepted senior notes from our tender offers.

In June 2020, we amended the covenants associated with the $65 million outstanding Series B unsecured senior notes. As of October 30, 2021, we were in compliance with these covenants.

Other financing activities. In May 2021, our Board of Directors authorized a new program to repurchase up to $1.5 billion of our common stock through fiscal 2022, with plans to buy back $650 million in fiscal 2021 and $850 million in fiscal 2022. In March 2019, our Board of Directors had approved a two-year $2.55 billion stock repurchase program through fiscal 2020. Due to the economic uncertainty stemming from the severe impact of the COVID-19 pandemic, we suspended that stock repurchase program in March 2020, at which time we had repurchased $1.407 billion under the prior two-year $2.55 billion stock repurchase program.

We repurchased 3.5 million and 1.2 million shares of common stock for aggregate purchase prices of approximately $417.0 million and $132.5 million during the nine month periods ended October 30, 2021 and October 31, 2020, respectively. We also acquired 0.5 million and 0.5 million shares of treasury stock under our employee equity compensation programs, for aggregate purchase prices of approximately $57.1 million and $45.1 million during the nine month periods ended October 30, 2021 and October 31, 2020, respectively.

In November 2021, our Board of Directors declared a cash dividend of $0.285 per common share, payable on December 31, 2021. In August 2021, our Board of Directors declared a cash dividend of $0.285 per common share, payable on September 30, 2021. In May 2021, our Board of Directors declared a cash dividend of $0.285 per common share, payable on June 30, 2021. On March 2, 2021, our Board of Directors declared a quarterly cash dividend of $0.285 per common share, payable on March 31, 2021. Prior to fiscal 2021, our most recent quarterly dividend was a quarterly cash dividend of $0.285 per common share declared by our Board of Directors in March 2020. In May 2020, we temporarily suspended our quarterly dividends, due to the economic uncertainty stemming from the COVID-19 pandemic. Our Board of Directors declared quarterly cash dividends of $0.255 per common share in March, May, August, and November 2019, respectively.

For the nine month periods ended October 30, 2021 and October 31, 2020, we paid cash dividends of $304.5 million and $101.4 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 facility, and other credit sources to meet our capital and liquidity requirements, including lease and interest payment obligations.

We estimate that existing cash and cash equivalent balances, cash flows from operations, bank credit facility, and trade credit are adequate to meet our operating cash needs and to fund our planned capital investments, repayment of debt, common stock repurchases, and quarterly dividend payments 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 30, 2021:

($000)	Less than one year	1 - 3 years	3 - 5 years	After 5 years	Total[1]
Recorded contractual obligations:					
Senior notes	$ 65,000	$ 250,000	$ 1,200,000	$ 1,024,991	$ 2,539,991
Operating leases	645,047	1,200,915	780,816	568,239	3,195,017
New York buying office ground lease[2]	6,107	14,177	14,178	935,122	969,584
Unrecorded contractual obligations:					
Real estate obligations[3]	7,917	43,510	45,908	132,745	230,080
Interest payment obligations	82,438	160,631	93,269	261,550	597,888
Purchase obligations[4]	5,295,843	11,796	635	—	5,308,274
Total contractual obligations	$ 6,102,352	$ 1,681,029	$ 2,134,806	$ 2,922,647	$ 12,840,834

[1] We have a $74.3 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 30, 2021.

Standby letters of credit and collateral trust. We use standby letters of credit outside of our revolving credit facility in addition to a funded trust to collateralize some of our insurance obligations. We have also used standby letters of credit outside of our revolving credit facility to collateralize some of our trade payable obligations. As of October 30, 2021, January 30, 2021, and October 31, 2020, we had $3.3 million, $15.3 million, and $16.2 million, respectively, in standby letters of credit outstanding and $56.6 million, $56.1 million, and $56.5 million, respectively, in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash, cash equivalents, and investments.

Trade letters of credit. We had $30.6 million, $16.3 million, and $24.7 million in trade letters of credit outstanding at October 30, 2021, January 30, 2021, and October 31, 2020, respectively.

Dividends. In November 2021, our Board of Directors declared a cash dividend of $0.285 per common share, payable on December 31, 2021.

Critical Accounting Policies and Estimates

Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of our condensed consolidated financial statements requires our management to make estimates and assumptions that affect the reported amounts. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and on various other factors that management believes to be reasonable. The ongoing uncertainties and continuing impacts from the COVID-19 pandemic increase the challenge of making these estimates; actual results could differ materially from our estimates. During the third quarter of fiscal 2021, there have been no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the year ended January 30, 2021.

See Note A to the Condensed Consolidated Financial Statements - Summary of Significant Accounting Policies (Recently Adopted Accounting Standards) for information regarding our adoption of ASU 2019-12.

Forward-Looking Statements

This report may contain a number of forward-looking statements regarding, without limitation, the rapidly developing challenges arising from the COVID-19 pandemic and related economic disruptions, and our plans and responses to them, including adjustments to our operations, planned new store growth, capital expenditures, 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," "looking ahead," and similar expressions identify forward-looking statements.

Future impact from the ongoing COVID-19 pandemic, and other economic and industry trends that could potentially impact 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 are not limited to but may include:

- The uncertainties and potential for the recurrence of significant business disruptions arising from the COVID-19 pandemic, including its unknown duration, the potential for new virus variants and future resurgences, as well as possible vaccine mandates or restrictions, and the potential adverse impact on consumer demand and our business.
- Unexpected changes in the level of consumer spending on, or preferences for, apparel and home-related merchandise, which could adversely affect us.
- Impacts from the macro-economic environment, including inflation, housing costs, energy and fuel costs, financial and credit markets, geopolitical conditions, pandemics, or public health and public safety issues, that affect consumer confidence and consumer disposable income.
- Our need to effectively manage our inventories, markdowns, and inventory shortage in order to achieve our planned gross margins.
- Competitive pressures in the apparel and home-related merchandise retailing industry.
- Risks associated with importing and selling merchandise produced in other countries, including risks from supply chain disruptions due to port of exit/entry congestion, shipping delays, and ocean freight cost increases, and risks from other supply chain related disruptions in other countries, including those due to COVID-19 closures.
- Unseasonable weather 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 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 that 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, that 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 30, 2021.

Interest that is payable on our revolving credit facility is based on variable interest rates, and is therefore affected by changes in market interest rates. As of October 30, 2021, we had no borrowings outstanding under our revolving credit facility.

As of October 30, 2021, we have outstanding eight 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.

Interest is receivable on our short- and long-term investments. Changes in interest rates may impact interest income recognized in the future, or the fair value of our investment portfolio.

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 short- and long-term investments as of and for the three and nine month periods ended October 30, 2021. 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 2021 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 2021.

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 30, 2021 for a description of the 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 2021 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 (8/1/2021 - 8/28/2021)	499,501	$122.76	499,501	$ 1,262,895
September (8/29/2021 - 10/02/2021)	925,723	$114.71	855,235	$ 1,164,782
October (10/03/2021 - 10/30/2021)	746,270	$109.56	746,270	$ 1,083,021
Total	2,171,494	$114.79	2,101,006	$ 1,083,021

[1] We acquired 70,488 shares of treasury stock during the quarter ended October 30, 2021. 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 May 2021, our Board of Directors authorized a new program to repurchase up to $1.5 billion of our common stock through fiscal 2022, with plans to buy back $650 million in fiscal 2021 and $850 million in fiscal 2022.

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, 2017), incorporated by reference to Exhibit 3.2 to the Form 10-K filed by Ross Stores, Inc. for its fiscal year ended January 28, 2017.
10.1	Employment Agreement effective October 1, 2021 between Adam Orvos and Ross Stores, Inc.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 8, 2021.
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 8, 2021

By: /s/Adam Orvos
Adam Orvos
Executive Vice President, Chief Financial Officer