

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 **April 29, 2023**

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

For the transition period from _____ to _____

Commission file number: **0-14678**

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-1390387

(I.R.S. Employer Identification No.)

5130 Hacienda Drive, Dublin, California
(Address of principal executive offices)

94568-7579
(Zip Code)

Registrant's telephone number, including area code

(925) 965-4400

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

Title of each class
Common stock, par value \$.01

Trading symbol
ROST

Name of each exchange on which registered
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 May 12, 2023 was 340,655,837.

Ross Stores, Inc.
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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

(\$000, except stores and per share data, unaudited)	Three Months Ended	
	April 29, 2023	April 30, 2022
Sales	\$ 4,494,686	\$ 4,333,100
Costs and Expenses		
Cost of goods sold	3,292,606	3,196,446
Selling, general and administrative	746,222	669,496
Interest (income) expense, net	(31,397)	17,696
Total costs and expenses	4,007,431	3,883,638
Earnings before taxes	487,255	449,462
Provision for taxes on earnings	116,064	111,017
Net earnings	\$ 371,191	\$ 338,445
Earnings per share		
Basic	\$ 1.10	\$ 0.98
Diluted	\$ 1.09	\$ 0.97
Weighted-average shares outstanding (000)		
Basic	338,049	347,053
Diluted	340,044	348,820

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

Condensed Consolidated Statements of Comprehensive Income

(\$000, unaudited)	Three Months Ended	
	April 29, 2023	April 30, 2022
Net earnings	\$ 371,191	\$ 338,445
Other comprehensive income	—	—
Comprehensive income	\$ 371,191	\$ 338,445

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

Condensed Consolidated Balance Sheets

(\$000, except share data, unaudited)

	April 29, 2023	January 28, 2023	April 30, 2022
Assets			
Current Assets			
Cash and cash equivalents	\$ 4,416,480	\$ 4,551,876	\$ 4,015,567
Accounts receivable	170,816	145,694	164,071
Merchandise inventory	2,241,735	2,023,495	2,673,551
Prepaid expenses and other	210,597	183,654	194,813
Total current assets	7,039,628	6,904,719	7,048,002
Property and Equipment			
Land and buildings	1,490,584	1,495,006	1,481,622
Fixtures and equipment	3,988,109	3,961,733	3,547,318
Leasehold improvements	1,449,771	1,433,647	1,353,940
Construction-in-progress	397,505	319,319	255,329
	7,325,969	7,209,705	6,638,209
Less accumulated depreciation and amortization	4,101,236	4,028,178	3,750,283
Property and equipment, net	3,224,733	3,181,527	2,887,926
Operating lease assets	3,122,474	3,098,134	3,057,641
Other long-term assets	232,069	232,083	240,129
Total assets	\$ 13,618,904	\$ 13,416,463	\$ 13,233,698
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$ 2,061,529	\$ 2,009,924	\$ 2,175,350
Accrued expenses and other	607,294	638,561	582,792
Current operating lease liabilities	654,709	655,976	635,799
Accrued payroll and benefits	299,465	279,710	272,760
Income taxes payable	158,170	52,075	89,361
Total current liabilities	3,781,167	3,636,246	3,756,062
Long-term debt	2,457,561	2,456,510	2,453,367
Non-current operating lease liabilities	2,619,466	2,593,961	2,567,286
Other long-term liabilities	222,463	224,104	236,211
Deferred income taxes	227,851	217,059	166,875
Commitments and contingencies			
Stockholders' Equity			
Common stock, par value \$.01 per share			
Authorized 1,000,000,000 shares			
Issued and outstanding 341,045,000, 342,753,000 and 350,327,000 shares, respectively	3,410	3,428	3,503
Additional paid-in capital	1,849,728	1,820,249	1,749,241
Treasury stock	(622,272)	(584,750)	(574,008)
Retained earnings	3,079,530	3,049,656	2,875,161
Total stockholders' equity	4,310,396	4,288,583	4,053,897
Total liabilities and stockholders' equity	\$ 13,618,904	\$ 13,416,463	\$ 13,233,698

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

Condensed Consolidated Statements of Stockholders' Equity

Three Months Ended April 29, 2023							
(000)	Common stock		Additional paid-in capital	Treasury stock	Retained earnings	Total	
	Shares	Amount					
Balance at January 28, 2023	342,753	\$ 3,428	\$ 1,820,249	\$ (584,750)	\$ 3,049,656	\$ 4,288,583	
Net earnings	—	—	—	—	371,191	371,191	
Common stock issued under stock plans, net of shares used for tax withholding	461	4	6,145	(37,522)	—	(31,373)	
Stock-based compensation	—	—	33,063	—	—	33,063	
Common stock repurchased, inclusive of excise tax	(2,169)	(22)	(9,729)	—	(226,523)	(236,274)	
Dividends declared (\$0.335 per share)	—	—	—	—	(114,794)	(114,794)	
Balance at April 29, 2023	341,045	\$ 3,410	\$ 1,849,728	\$ (622,272)	\$ 3,079,530	\$ 4,310,396	

Three Months Ended April 30, 2022							
(000)	Common stock		Additional paid-in capital	Treasury stock	Retained earnings	Total	
	Shares	Amount					
Balance at January 29, 2022	351,720	\$ 3,517	\$ 1,717,530	\$ (535,895)	\$ 2,874,898	\$ 4,060,050	
Net earnings	—	—	—	—	338,445	338,445	
Common stock issued under stock plans, net of shares used for tax withholding	1,131	11	5,906	(38,113)	—	(32,196)	
Stock-based compensation	—	—	36,071	—	—	36,071	
Common stock repurchased	(2,524)	(25)	(10,266)	—	(229,274)	(239,565)	
Dividends declared (\$0.310 per share)	—	—	—	—	(108,908)	(108,908)	
Balance at April 30, 2022	350,327	\$ 3,503	\$ 1,749,241	\$ (574,008)	\$ 2,875,161	\$ 4,053,897	

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

Condensed Consolidated Statements of Cash Flows

(\$000, unaudited)	Three Months Ended	
	April 29, 2023	April 30, 2022
Cash Flows From Operating Activities		
Net earnings	\$ 371,191	\$ 338,445
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	99,379	92,108
Stock-based compensation	33,063	36,071
Deferred income taxes	10,792	29,233
Change in assets and liabilities:		
Merchandise inventory	(218,240)	(411,278)
Other current assets	(51,914)	(70,331)
Accounts payable	46,577	(189,888)
Other current liabilities	16,336	(325,075)
Income taxes	105,225	81,625
Operating lease assets and liabilities, net	(102)	2,902
Other long-term, net	845	(79)
Net cash provided by (used in) operating activities	413,152	(416,267)
Cash Flows From Investing Activities		
Additions to property and equipment	(167,253)	(109,848)
Net cash used in investing activities	(167,253)	(109,848)
Cash Flows From Financing Activities		
Issuance of common stock related to stock plans	6,149	5,917
Treasury stock purchased	(37,522)	(38,113)
Repurchase of common stock	(234,468)	(239,565)
Dividends paid	(114,794)	(108,908)
Net cash used in financing activities	(380,635)	(380,669)
Net decrease in cash, cash equivalents, and restricted cash and cash equivalents	(134,736)	(906,784)
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of period	4,612,241	4,982,382
End of period	\$ 4,477,505	\$ 4,075,598
Supplemental Cash Flow Disclosures		
Interest paid	\$ 40,158	\$ 40,158
Income taxes paid	\$ 47	\$ 160

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

Notes to Condensed Consolidated Financial Statements

Three Months Ended April 29, 2023 and April 30, 2022
(Unaudited)

Note A: Summary of Significant Accounting Policies

Basis of presentation. The accompanying unaudited interim condensed consolidated financial statements have been prepared from the records of Ross Stores, Inc. and subsidiaries (the "Company") without audit and, in the opinion of management, include all adjustments (consisting of only normal, recurring adjustments) necessary to present fairly the Company's financial position as of April 29, 2023 and April 30, 2022, and the results of operations, comprehensive income, stockholders' equity, and cash flows for the three month periods ended April 29, 2023 and April 30, 2022. The Condensed Consolidated Balance Sheet as of January 28, 2023, presented herein, has been derived from the Company's audited consolidated financial statements for the fiscal year then ended.

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

The results of operations, comprehensive income, stockholders' equity, and cash flows for the three month periods ended April 29, 2023 and April 30, 2022 presented herein are not necessarily indicative of the results to be expected for the full fiscal year. The fiscal year ending February 3, 2024 is referred to as fiscal 2023 and is a 53-week year. The fiscal year ended January 28, 2023 is referred to as fiscal 2022 and was a 52-week year.

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

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, and legal claims. The uncertainties and potential impacts from macroeconomic factors, such as inflation, increase the challenge of making these 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 month periods ended April 29, 2023 and April 30, 2022:

	Three Months Ended	
	April 29, 2023	April 30, 2022
Home Accents and Bed and Bath	26 %	26 %
Ladies	24 %	24 %
Men's	14 %	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	14 %	14 %
Shoes	13 %	13 %
Children's	9 %	9 %
Total	100 %	100 %

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

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

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

(\$000)	April 29, 2023	January 28, 2023	April 30, 2022
Cash and cash equivalents	\$ 4,416,480	\$ 4,551,876	\$ 4,015,567
Restricted cash and cash equivalents included in:			
Prepaid expenses and other	12,815	12,677	11,406
Other long-term assets	48,210	47,688	48,625
Total restricted cash and cash equivalents	61,025	60,365	60,031
Total cash, cash equivalents, and restricted cash and cash equivalents	\$ 4,477,505	\$ 4,612,241	\$ 4,075,598

Property and equipment. As of April 29, 2023 and April 30, 2022, the Company had \$46.4 million and \$19.0 million, respectively, of property and equipment purchased but not yet paid. These purchases are included in Property and equipment, Accounts payable, and Accrued expenses and other in the accompanying Condensed Consolidated Balance Sheets.

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

(\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Operating lease assets obtained in exchange for operating lease liabilities	\$ 183,633	\$ 187,845

Cash dividends. On May 17, 2023, the Company's Board of Directors declared a quarterly cash dividend of \$0.335 per common share, payable on June 30, 2023. The Company's Board of Directors declared a cash dividend of \$0.335 per common share in February 2023 and \$0.310 per common share in March, May, August, and November 2022.

Stock repurchase program. In March 2022, the Company's Board of Directors approved a two-year program to repurchase up to \$1.9 billion of the Company's common stock through fiscal 2023. During the three month period ended April 29, 2023, the Company repurchased 2.2 million shares of common stock for \$234.5 million, excluding excise tax due under the Inflation Reduction Act of 2022. The Company repurchased 2.5 million shares of common stock for \$239.6 million during the three month period ended April 30, 2022.

Litigation, claims, and assessments. Like many retailers, the Company has been named in class/representative action lawsuits, primarily in California, alleging violations by the Company of wage and hour laws. Class/representative action litigation remains pending as of April 29, 2023.

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

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

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

All outstanding payments owed under the program are recorded within Accounts payable in the Consolidated Balance Sheets. The Company accounts for all payments made under the program as a reduction to operating cash flows in Accounts payable within the Consolidated Statements of Cash Flows. The amounts owed to a participating financial institution under the program and included in Accounts payable were \$146.5 million, \$119.2 million, and \$155.0 million at April 29, 2023, January 28, 2023, and April 30, 2022, respectively.

Note B: Fair Value Measurements

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

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

(\$000)	April 29, 2023	January 28, 2023	April 30, 2022
Cash and cash equivalents (Level 1)	\$ 4,416,480	\$ 4,551,876	\$ 4,015,567
Restricted cash and cash equivalents (Level 1)	\$ 61,025	\$ 60,365	\$ 60,031

The underlying assets in the Company's nonqualified deferred compensation program as of April 29, 2023, January 28, 2023, and April 30, 2022 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) are as follows:

(\$000)	April 29, 2023	January 28, 2023	April 30, 2022
Level 1	\$ 154,857	\$ 155,496	\$ 161,603

Note C: Stock-Based Compensation

For the three month periods ended April 29, 2023 and April 30, 2022, the Company recognized stock-based compensation expense as follows:

(\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Restricted stock	\$ 21,493	\$ 20,213
Performance awards	10,484	14,813
Employee stock purchase plan	1,086	1,045
Total	\$ 33,063	\$ 36,071

Total stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Earnings for the three month periods ended April 29, 2023 and April 30, 2022 is as follows:

Statements of Earnings Classification (\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Cost of goods sold	\$ 17,325	\$ 18,546
Selling, general and administrative	15,738	17,525
Total	\$ 33,063	\$ 36,071

The tax benefits related to stock-based compensation expense for the three month periods ended April 29, 2023 and April 30, 2022 were \$7.0 million and \$7.4 million, respectively.

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

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

As of April 29, 2023, shares related to unvested restricted stock, restricted stock units, and performance share awards totaled 4.2 million shares. A summary of restricted stock, restricted stock units, and performance share award activity for the three month period ended April 29, 2023, is presented below:

(000, except per share data)	Number of shares	Weighted-average grant date fair value
Unvested at January 28, 2023	3,943	\$ 99.69
Awarded	1,144	109.05
Released	(896)	94.20
Forfeited	(26)	101.35
Unvested at April 29, 2023	4,165	\$ 103.43

The unamortized compensation expense at April 29, 2023 was \$240.4 million which is expected to be recognized over a weighted-average remaining period of 2.4 years. The unamortized compensation expense at April 30, 2022 was \$261.6 million which was expected to be recognized over a weighted-average remaining period of 2.4 years.

During the three month periods ended April 29, 2023 and April 30, 2022, shares purchased by the Company for tax withholding totaled 367,286 and 408,465, respectively, and are considered treasury shares which are available for reissuance.

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 Per Share

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

For the three month periods ended April 29, 2023 and April 30, 2022, approximately 20,000 and 677,000 weighted-average shares were excluded from the calculation of diluted EPS, respectively, because their effect would have been anti-dilutive for the periods presented.

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

Shares in (000s)	Three Months Ended			Diluted EPS
	Basic EPS	Effect of dilutive common stock equivalents		
April 29, 2023				
Shares	338,049	1,995		340,044
Amount	\$ 1.10	\$ (0.01)	\$	1.09
April 30, 2022				
Shares	347,053	1,767		348,820
Amount	\$ 0.98	\$ (0.01)	\$	0.97

Note E: Debt

Long-term debt. Unsecured senior debt (the "Senior Notes"), net of unamortized discounts and debt issuance costs, consisted of the following:

(\$000)	April 29, 2023	January 28, 2023	April 30, 2022
3.375% Senior Notes due 2024	\$ 249,370	\$ 249,257	\$ 248,920
4.600% Senior Notes due 2025	697,480	697,161	696,205
0.875% Senior Notes due 2026	496,345	496,038	495,119
4.700% Senior Notes due 2027	240,007	239,899	239,577
4.800% Senior Notes due 2030	132,645	132,602	132,473
1.875% Senior Notes due 2031	495,395	495,254	494,831
5.450% Senior Notes due 2050	146,319	146,299	146,242
Total Long-term debt	\$ 2,457,561	\$ 2,456,510	\$ 2,453,367

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

As of April 29, 2023, January 28, 2023, and April 30, 2022, total unamortized discount and debt issuance costs were \$17.4 million, \$18.5 million, and \$21.6 million, respectively, and were classified as a reduction of Long-term debt.

The aggregate fair value of the seven outstanding series of Senior Notes was approximately \$2.3 billion as of April 29, 2023 and January 28, 2023, and approximately \$2.4 billion as of April 30, 2022. The fair value is estimated by obtaining comparable market quotes which are considered to be Level 1 inputs under the fair value measurements and disclosures guidance.

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

The Credit Facility is subject to a quarterly Consolidated Adjusted Debt to Consolidated EBITDAR financial leverage ratio covenant. As of April 29, 2023, the Company was in compliance with the financial covenant, had no borrowings or standby letters of credit outstanding under the Credit Facility, and the \$1.3 billion Credit Facility remained in place and available.

The table below shows the components of interest expense and income for the three month periods ended April 29, 2023 and April 30, 2022:

(\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Interest expense on long-term debt	\$ 21,166	\$ 21,154
Other interest expense	373	388
Capitalized interest	(2,108)	(2,651)
Interest income	(50,828)	(1,195)
Interest (income) expense, net	\$ (31,397)	\$ 17,696

Note F: Taxes on Earnings

The Company's effective tax rate for the three month periods ended April 29, 2023 and April 30, 2022, was approximately 24% and 25%, respectively. The Company's effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with stock-based compensation, and uncertain tax positions.

As of April 29, 2023, January 28, 2023, and April 30, 2022, the reserves for unrecognized tax benefits were \$59.9 million, \$60.6 million, and \$70.7 million, inclusive of \$6.5 million, \$7.1 million, and \$8.2 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, \$47.9 million would impact the Company's effective tax rate. It is reasonably possible that certain federal and state tax matters may be concluded or statutes of limitations may lapse during the next 12 months. Accordingly, the total amount of unrecognized tax benefits may decrease by up to \$11.3 million. The difference between the total amount of unrecognized tax benefits and the amounts that would impact the effective tax rate relates to amounts attributable to deferred income tax assets and liabilities. These amounts are net of federal and state income taxes.

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

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the "Company") as of April 29, 2023 and April 30, 2022, the related condensed consolidated statements of earnings, comprehensive income, stockholders' equity, and cash flows, for the three month periods ended April 29, 2023 and April 30, 2022 and the related notes (collectively referred to as the "interim financial information"). Based on our reviews, we are not aware of any material modifications that should be made to the accompanying interim financial information for it to be in conformity with accounting principles generally accepted in the United States of America.

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

Basis for Review Results

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

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

/s/ Deloitte & Touche LLP

San Francisco, California
June 6, 2023

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

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

Overview

Ross Stores, Inc. operates two brands of off-price retail apparel and home fashion stores—Ross Dress for Less® ("Ross") and dd's DISCOUNTS®. Ross is the largest off-price apparel and home fashion chain in the United States, with 1,704 locations in 40 states, the District of Columbia, and Guam as of April 29, 2023. Ross offers first-quality, in-season, name brand and designer apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 60% off department and specialty store regular prices every day. We also operate 330 dd's DISCOUNTS stores in 22 states that feature a more moderately-priced assortment of first-quality, in-season, name brand apparel, accessories, footwear, and home fashions for the entire family at savings of 20% to 70% off moderate department and discount store regular prices every day.

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

Results of Operations

The following table summarizes the financial results for the three month periods ended April 29, 2023 and April 30, 2022:

	Three Months Ended	
	April 29, 2023	April 30, 2022
Sales		
Sales (millions)	\$ 4,495	\$ 4,333
Sales growth (decline)	3.7 %	(4.1 %)
Comparable store sales growth (decline) ¹	1 %	(7 %)
Costs and expenses (as a percent of sales)		
Cost of goods sold	73.3 %	73.8 %
Selling, general and administrative	16.6 %	15.4 %
Interest (income) expense, net	(0.7 %)	0.4 %
Earnings before taxes (as a percent of sales)	10.8 %	10.4 %
Net earnings (as a percent of sales)	8.3 %	7.8 %

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

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

We opened 19 new stores in the first quarter of fiscal 2023 and expect to open a total of approximately 100 new stores throughout the year.

The following table summarizes the stores opened and closed during the three month periods ended April 29, 2023 and April 30, 2022:

Store Count	Three Months Ended	
	April 29, 2023	April 30, 2022
Ross Dress for Less		
Beginning of the period	1,693	1,628
Opened in the period	11 ¹	22
Closed in the period	—	(2) ²
Total Ross Dress for Less stores end of period	1,704	1,648
dd's DISCOUNTS		
Beginning of the period	322	295
Opened in the period	8	8
Closed in the period	—	—
Total dd's DISCOUNTS stores end of period	330	303
Total stores end of period	2,034	1,951

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

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

Sales. Sales for the three month period ended April 29, 2023 increased \$161.6 million or 3.7% compared to the three month period ended April 30, 2022, primarily due to the opening of 83 net new stores between April 30, 2022 and April 29, 2023, and a 1% comparable store sales increase for the three month period ended April 29, 2023.

Our sales mix for the three month periods ended April 29, 2023 and April 30, 2022 is shown below:

	Three Months Ended	
	April 29, 2023	April 30, 2022
Home Accents and Bed and Bath	26 %	26 %
Ladies	24 %	24 %
Men's	14 %	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	14 %	14 %
Shoes	13 %	13 %
Children's	9 %	9 %
Total	100 %	100 %

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

Cost of goods sold. Cost of goods sold for the three month period ended April 29, 2023 increased \$96.2 million compared to the three month period ended April 30, 2022, primarily due to higher sales from the opening of 83 net new stores between

April 30, 2022 and April 29, 2023, and the 1% comparable store sales increase, increased distribution costs, and higher buying costs, partially offset by lower ocean and domestic freight costs.

Cost of goods sold as a percentage of sales for the three month period ended April 29, 2023 decreased approximately 50 basis points compared to the three month period ended April 30, 2022, primarily due to a 120 basis point increase in merchandise margin mainly due to lower ocean freight costs and a 60 basis point decrease in domestic freight costs. Partially offsetting these items were higher distribution expenses of 65 basis points primarily due to the timing of packaway inventory carrying costs and the deleveraging effect from the opening of our Brookshire, Texas distribution center, a 60 basis point increase in buying costs primarily due to higher incentive compensation expense, and a 5 basis point deleverage in occupancy costs.

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

Selling, general and administrative expenses. For the three month period ended April 29, 2023, selling, general and administrative expenses ("SG&A") increased \$76.7 million compared to the three month period ended April 30, 2022. This increase was primarily due to higher incentive compensation expense, the opening of 83 net new stores between April 30, 2022 and April 29, 2023, and increased store wages.

SG&A as a percentage of sales for the three month period ended April 29, 2023 increased 115 basis points, compared to the three month period ended April 30, 2022, primarily due to higher incentive compensation expense and increased store wages.

We expect SG&A to continue to increase as a result of higher incentive compensation expense and increasing store wages.

Interest (income) expense, net. For the three month period ended April 29, 2023, interest (income) expense, net increased \$49.1 million compared to the three month period ended April 30, 2022, primarily due to increased interest income from higher interest rates.

Interest (income) expense, net for the three month periods ended April 29, 2023 and April 30, 2022 consists of the following:

(\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Interest expense on long-term debt	\$ 21,166	\$ 21,154
Other interest expense	373	388
Capitalized interest	(2,108)	(2,651)
Interest income	(50,828)	(1,195)
Interest (income) expense, net	\$ (31,397)	\$ 17,696

Taxes on earnings. Our effective tax rates for the three month periods ended April 29, 2023 and April 30, 2022 were approximately 24% and 25%, respectively. Our effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with stock-based compensation, and uncertain tax positions.

Net earnings. Net earnings as a percentage of sales for the three month periods ended April 29, 2023 and April 30, 2022 were 8.3% and 7.8%, respectively. Net earnings as a percentage of sales for the three month period ended April 29, 2023 were higher primarily due to higher interest income and lower cost of goods sold, partially offset by higher SG&A expenses.

Earnings per share. Diluted earnings per share for the three month period ended April 29, 2023 was \$1.09 compared to \$0.97 for the three month period ended April 30, 2022. The \$0.12 increase in the diluted earnings per share for the three month period ended April 29, 2023 was primarily attributable to a 10% increase in net earnings and a 2% reduction in weighted-average diluted shares outstanding, largely due to stock repurchases under our stock repurchase program.

Financial Condition

Liquidity and Capital Resources

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

(\$000)	Three Months Ended	
	April 29, 2023	April 30, 2022
Cash provided by (used in) operating activities	\$ 413,152	\$ (416,267)
Cash used in investing activities	(167,253)	(109,848)
Cash used in financing activities	(380,635)	(380,669)
Net decrease in cash, cash equivalents, and restricted cash and cash equivalents	\$ (134,736)	\$ (906,784)

Operating Activities

Net cash provided by operating activities was \$413.2 million for the three month period ended April 29, 2023. This was primarily driven by net earnings and higher accounts payable leverage (defined as accounts payable divided by merchandise inventory). Net cash used in operating activities was \$416.3 million for the three month period ended April 30, 2022. This was primarily driven by higher packaway inventory receipts and higher associated payments combined with shorter payment terms, and by payment of fiscal 2021 incentive bonuses, partially offset by net earnings excluding non-cash expenses for depreciation, amortization, and stock-based compensation.

The increase in cash flow from operating activities for the three month period ended April 29, 2023 compared to the same period in the prior year was primarily driven by lower incentive compensation payments, higher accounts payable leverage, and higher earnings.

Accounts payable leverage was 92% and 81% as of April 29, 2023 and April 30, 2022, respectively. The increase in accounts payable leverage was primarily due to the timing of inventory receipts and related payments versus last year.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling merchandise purchase opportunities in the marketplace and our decisions on the timing for release of that inventory. Packaway merchandise is purchased with the intent that it will be stored in our warehouses until a later date. The timing of the release of packaway inventory to our stores is principally driven by the product mix and seasonality of the merchandise, and its relation to our store merchandise assortment plans. As such, the aging of packaway varies by merchandise category and seasonality of purchase, but typically packaway remains in storage 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 April 29, 2023, packaway inventory was 42% of total inventory, compared to 40% at the end of fiscal 2022. As of April 30, 2022, packaway inventory was 43% of total inventory, compared to 40% at the end of fiscal 2021.

Investing Activities

Net cash used in investing activities was \$167.3 million and \$109.8 million for the three month periods ended April 29, 2023 and April 30, 2022, respectively, and was related to our capital expenditures. Our capital expenditures include costs to build, expand, and improve distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems and buying and corporate offices.

The increase in cash used in investing activities for the three month period ended April 29, 2023, compared to the same period in the prior year, was primarily due to higher capital expenditures related to the construction of our new Buckeye, Arizona distribution center and the construction of new stores and existing store projects.

Capital expenditures for fiscal 2023 are currently projected to be approximately \$810 million. Our planned capital expenditures for fiscal 2023 are for investments in our supply chain to support long-term growth, including construction of our next distribution centers, costs for fixtures and leasehold improvements to open new Ross and dd's DISCOUNTS stores, investments in information technology systems, and for various other expenditures related to our stores, distribution centers, and buying and corporate offices. We expect to fund capital expenditures with available cash.

Financing Activities

Net cash used in financing activities was \$380.6 million and \$380.7 million for the three month periods ended April 29, 2023 and April 30, 2022, respectively, primarily resulting from stock repurchases under our current \$1.9 billion stock repurchase program and payment of dividends.

Revolving credit facilities. We have a \$1.3 billion senior unsecured revolving credit facility ("Credit Facility"). As of April 29, 2023, we had no borrowings or standby letters of credit outstanding under the Credit Facility, the \$1.3 billion Credit Facility remained in place and available, and we were in compliance with the financial covenant. Refer to Note E: Debt in the Notes to Condensed Consolidated Financial Statements for additional information.

Senior notes. As of April 29, 2023, we had approximately \$2.5 billion of outstanding unsecured Senior Notes. Refer to Note E: Debt in the Notes to Condensed Consolidated Financial Statements for additional information.

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

For the three month period ended April 29, 2023, we repurchased 2.2 million shares of common stock for \$234.5 million, excluding excise tax due under the Inflation Reduction Act of 2022. We repurchased 2.5 million shares of common stock for \$239.6 million during the three month period ended April 30, 2022. We also acquired 0.4 million shares of treasury stock under our employee equity compensation programs, for aggregate purchase prices of approximately \$37.5 million and \$38.1 million during the three month periods ended April 29, 2023 and April 30, 2022, respectively.

On May 17, 2023, our Board of Directors declared a quarterly cash dividend of \$0.335 per common share, payable on June 30, 2023. The Board of Directors declared a cash dividend of \$0.335 per common share in February 2023 and \$0.310 per common share in March, May, August, and November 2022.

For the three month periods ended April 29, 2023 and April 30, 2022, we paid cash dividends of \$114.8 million and \$108.9 million, respectively.

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

We ended the first quarter of fiscal 2023 with \$4.4 billion of unrestricted cash balances, which were held primarily in overnight money market funds invested in U.S. treasury and government instruments across a highly diversified set of banks and other financial institutions. We also have \$1.3 billion available under our Credit Facility. We estimate that existing cash and cash equivalent balances, cash flows from operations, bank credit, and trade credit are adequate to meet our operating cash needs and to fund our planned capital investments, common stock repurchases, quarterly dividend payments, and interest payment obligations for at least the next 12 months.

Contractual Obligations and Off-Balance Sheet Arrangements

The table below presents our significant contractual obligations as of April 29, 2023:

(\$000)	Less than one year	Greater than one year	Total ¹
Recorded contractual obligations:			
Senior notes	\$ —	\$ 2,474,991	\$ 2,474,991
Operating leases	686,717	2,644,431	3,331,148
New York buying office ground lease ²	7,552	1,107,370	1,114,922
Unrecorded contractual obligations:			
Real estate obligations ³	17,900	288,876	306,776
Interest payment obligations	80,316	394,976	475,292
Purchase obligations ⁴	4,153,686	80,438	4,234,124
Total contractual obligations	\$ 4,946,171	\$ 6,991,082	\$ 11,937,253

¹ We have a \$56.5 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 April 29, 2023.

Standby letters of credit and collateral trust. We use standby letters of credit outside of our Credit Facility in addition to a funded trust to collateralize some of our insurance obligations. As of April 29, 2023 and January 28, 2023, we had \$2.6 million in standby letters of credit outstanding and \$58.4 million and \$57.8 million, respectively, in a collateral trust. As of April 30, 2022, we had \$3.3 million in standby letters of credit outstanding and \$56.7 million in a collateral trust. The standby letters of credit are collateralized by restricted cash and the collateral trust consists of restricted cash and cash equivalents.

Trade letters of credit. We had \$10.3 million, \$7.6 million, and \$24.9 million in trade letters of credit outstanding at April 29, 2023, January 28, 2023, and April 30, 2022, respectively.

Dividends. In May 2023, our Board of Directors declared a cash dividend of \$0.335 per common share, payable on June 30, 2023.

Critical Accounting Estimates

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

Forward-Looking Statements

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

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

- Impacts from the macroeconomic environment, including inflation, interest rates, housing costs, energy and fuel costs, financial and credit market conditions, recession concerns, geopolitical conditions (including the current Russia-Ukraine conflict), the COVID-19 pandemic, or public health and public safety issues, that affect our costs, consumer confidence, and consumer disposable income.
- Unexpected changes in the level of consumer spending on, or preferences for, apparel and home-related merchandise, which could adversely affect us.
- Competitive pressures in the apparel and home-related merchandise retailing industry.
- Our need to effectively manage our inventories, markdowns, and inventory shortage in order to achieve our planned gross margins.
- Risks associated with importing and selling merchandise produced in other countries, including risks from supply chain disruption, shipping delays, and higher than expected ocean freight costs.
- Unseasonable weather that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise.
- Our dependence on the market availability, quantity, and quality of attractive brand name merchandise at desirable discounts, and on the ability of our buyers to anticipate consumer preferences and to purchase merchandise to enable us to offer customers a wide assortment of merchandise at competitive prices.
- Information or data security breaches, including cyber-attacks on our transaction processing and computer information systems, which could result in theft or unauthorized disclosure of customer, credit card, employee, or other private and valuable information that we handle in the ordinary course of our business.
- Disruptions in our supply chain or in our information systems, including from ransomware or other cyber-attacks, 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 April 29, 2023.

Interest that is payable on our Credit Facility is based on variable interest rates and is therefore affected by changes in market interest rates. As of April 29, 2023, we had no borrowings outstanding under the Credit Facility.

As of April 29, 2023, we have outstanding seven series of unsecured Senior Notes. Interest that is payable on all series of our Senior Notes is based on fixed interest rates, and is therefore unaffected by changes in market interest rates.

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

A hypothetical 100 basis point increase or decrease in prevailing market interest rates would not have had a material negative impact on our condensed consolidated financial position, results of operations, cash flows, or the fair values of our cash and cash equivalents and restricted cash and cash equivalents as of and for the three month period ended April 29, 2023. We do not consider the potential losses in future earnings and cash flows from reasonably possible, near-term changes in interest rates to be material.

ITEM 4. CONTROLS AND PROCEDURES

Disclosure Controls and Procedures

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

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

Quarterly Evaluation of Changes in Internal Control Over Financial Reporting

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

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2023 for a description of 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 first quarter of fiscal 2023 is as follows:

Period	Total number of shares (or units) purchased ¹	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs (\$000) ²
February (1/29/2023 - 2/25/2023)	665,878	\$115.35	665,878	\$ 873,190
March (2/26/2023- 4/01/2023)	1,142,415	\$103.58	775,592	\$ 792,340
April (4/02/2023- 4/29/2023)	728,437	\$105.51	727,974	\$ 715,530
Total	<u>2,536,730</u>	<u>\$107.22</u>	<u>2,169,444</u>	<u>\$ 715,530</u>

¹ We acquired 367,286 shares of treasury stock during the quarter ended April 29, 2023. Treasury stock includes shares acquired from employees for tax withholding purposes related to vesting of restricted stock grants. All remaining shares were repurchased under our publicly announced stock repurchase program.

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

ITEM 6. EXHIBITS

Exhibit Number	Exhibit
3.1	Certificate of Incorporation of Ross Stores, Inc. as amended (Corrected First Restated Certificate of Incorporation, dated March 17, 1999, together with amendments thereto through Amendment of Certificate of Incorporation dated May 29, 2015) incorporated by reference to Exhibit 3.1 to the Form 10-Q filed by Ross Stores, Inc. for its quarter ended August 1, 2015.
3.2	Amended and Restated Bylaws of Ross Stores, Inc. (as amended March 8, 2023), incorporated by reference to Exhibit 3.2 to the Form 8-K filed by Ross Stores, Inc. on March 14, 2023.
10.1	Form of Executive Employment Agreement for Executive Officers (CA).
10.2	Form of Executive Employment Agreement for Executive Officers (NON-CA).
10.3	Employment Agreement effective March 16, 2023 between Adam Onos and Ross Stores, Inc.
10.4	Employment Agreement effective March 16, 2023 between Michael Hartshorn and Ross Stores, Inc.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated June 6, 2023.
31.1	Certification of Chief Executive Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
31.2	Certification of Chief Financial Officer Pursuant to Sarbanes-Oxley Act Section 302(a).
32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350.
32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350.
101.INS	XBRL Instance Document. (The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)
101.SCH	Inline XBRL Taxonomy Extension Schema
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase
104	Cover Page Interactive Data File. (The cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.)

SIGNATURES

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

ROSS STORES, INC.

(Registrant)

Date: June 6, 2023

By: /s/Adam Orvos

Adam Orvos

Executive Vice President, Chief Financial Officer