



Ross Stores Reports Fourth Quarter and Fiscal 2021 Results and Provides First Quarter and Fiscal 2022 Outlook

March 1, 2022

Announces New Two-Year \$1.9 Billion Stock Repurchase Authorization and Increases Quarterly Cash Dividend

Raises Long-Term Store Growth Potential

DUBLIN, Calif.--(BUSINESS WIRE)--Mar. 1, 2022-- Ross Stores, Inc. (NASDAQ: ROST) today reported earnings per share for the 13 weeks ended January 29, 2022 of \$1.04 on net income of \$367 million. This compares to \$1.28 per share on net earnings of \$456 million for the 13 weeks ended February 1, 2020. Sales for the fourth quarter of 2021 were \$5.0 billion, with comparable store sales up 9% versus the same period in 2019.

For the 2021 fiscal year ended January 29, 2022, earnings per share were \$4.87 on net income of \$1.72 billion, up from \$4.60 per share on net earnings of \$1.66 billion in 2019. Total sales for 2021 grew 18% to \$18.9 billion, up from \$16.0 billion in fiscal 2019, with comparable store sales up 13%.

Barbara Rentler, Chief Executive Officer, commented, "We achieved strong sales results in the fourth quarter despite the negative impact from both the surge in Omicron cases during the peak holiday selling period and continued supply chain congestion."

She continued, "Fourth quarter operating margin of 9.8% was down from 13.3% in 2019 mainly due to ongoing headwinds from higher freight, wages, and COVID-related costs."

Board Authorizes \$1.9 Billion Stock Repurchase Program and Increases Dividend

The Company's Board of Directors recently authorized a new two-year program to repurchase up to \$1.9 billion of common stock through fiscal 2023. This authorization replaces the \$850 million remaining under the prior buyback authorization announced in May 2021. A total of \$650 million of common stock was repurchased under the previous program in fiscal 2021. The Board also increased the quarterly cash dividend by 9% to \$0.31 per share to be payable on March 31, 2022 to stockholders of record as of March 15, 2022.

In commenting on these actions, Ms. Rentler noted, "The increases to our stock repurchase and dividend programs reflect our ongoing commitment to enhancing stockholder value and returns, confidence in our projected future cash flows as well as the strength of our balance sheet."

Fiscal 2022 Outlook

Looking ahead, Ms. Rentler commented, "Fiscal 2022 is extremely difficult to predict, especially early in the year. In addition to the ongoing Omicron surge that began just before Christmas, we are up against last year's record government stimulus and the lifting of COVID restrictions that led to unprecedented consumer demand which fueled extraordinary sales gains in the Spring of 2021."

She continued, "For the 52 weeks ending January 28, 2023, comparable store sales are forecast to be flat to up 3% versus a 13% gain in fiscal 2021. Earnings per share for fiscal 2022 are projected to be \$4.71 to \$5.12 compared to \$4.87 in the prior year. This guidance reflects our expectation for sales and profitability to improve as we move through the year."

Ms. Rentler added, "While we hope to do better, given the aforementioned stimulus benefits and strong pent-up demand early last year, we are forecasting comparable store sales to be down 2% to down 4% on top of a 13% gain for the 13 weeks ended May 1, 2021. Earnings per share for the 2022 first quarter are projected to be \$0.93 to \$0.99 versus \$1.34 in the prior year period, as we face larger headwinds from higher freight and wage costs early in the year."

Company Raises Targets for Long-Term Store Potential and EPS Growth

Turning to the longer term, Ms. Rentler noted, "Given consumers' increased focus on value and convenience, we have seen favorable sales trends in both our new and in-fill market stores. As a result, along with the large number of retail closures and bankruptcies over the last several years, we now believe that Ross Dress for Less can expand to about 2,900 locations, up from our prior target of 2,400, and that dd's DISCOUNTS can eventually become a chain of approximately 700 stores, versus our previous projection of 600. This represents an overall 20% increase in our forecasted potential to 3,600 stores, providing substantial runway for expansion relative to our year-end store count of 1,923 locations."

She added, "We operate in an attractive sector of retail and our mission continues to be delivering the best bargains possible to leverage our favorable market position. Looking at 2023 and beyond, we are targeting a return to double-digit earnings per share growth, driven by a combination of same store sales gains, operating margin improvement, accelerated new store openings, and our ongoing stock repurchase program."

Ms. Rentler concluded, "We especially want to thank our talented Associates throughout the Company whose dedication has enabled us to successfully navigate through the unprecedented challenges of the past two years. We believe their continued efforts will allow us to capitalize on our opportunities for future sales and earnings growth while also delivering strong returns to stockholders over the coming years."

The Company will host a conference call on Tuesday, March 1, 2022 at 4:15 p.m. Eastern time to provide additional details concerning its fourth quarter and fiscal year 2021 results, and management's outlook for fiscal 2022. A real-time audio webcast of the conference call will be available in the Investors section of the Company's website, located at www.rossstores.com. An audio playback will be available at 404-537-3406, PIN #3767311 until 8:00 p.m. Eastern time on March 8, 2022, as well as on the Company's website.

Forward-Looking Statements: This press release and the related conference call remarks contains forward-looking statements regarding projected sales and earnings, planned new store growth, and other financial results and market conditions in future periods that are subject to risks and uncertainties which could cause our actual results to differ materially from management's current expectations. The words "plan," "expect," "target," "anticipate," "estimate," "believe," "forecast," "projected," "guidance," "outlook," "looking ahead," and similar expressions identify forward-looking statements. Risk factors for Ross Dress for Less® ("Ross") and dd's DISCOUNTS® include without limitation, 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 mandates or restrictions, and the potential adverse impact on consumer demand and our business; changes in the level of consumer spending on or preferences for apparel and home-related merchandise; impacts from the macro-economic environment, including inflation, housing costs, energy and fuel costs, financial and credit markets, interest rates, geopolitical conflicts and conditions, unemployment levels or public health issues (such as pandemics) that affect consumer confidence and consumer disposable income; our need to effectively manage our inventories, markdowns, and inventory shortage to achieve planned gross margins; competitive pressures in the apparel or home-related merchandise retailing industry; issues 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, including those due to COVID-19 closures; unseasonable weather that may affect shopping patterns and consumer demand for seasonal apparel and other merchandise, and that may result in temporary store closures and disruptions in deliveries of merchandise to our stores; market availability, quantity, and quality of attractive brand name merchandise at desirable discounts and our buyers' ability to purchase merchandise that enables us to offer customers a wide assortment of merchandise at competitive prices; potential 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; potential disruptions in our information systems; 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, could increase our costs; damage to our corporate reputation or brands; our need to continually attract, train, and retain associates to execute our off-price 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 that could adversely affect our business; volatility in revenues and earnings; an additional pandemic, natural or man-made disaster in California or in another region where we have a concentration of stores, offices, or a distribution center; unexpected issues or costs from expanding in existing markets and entering new geographic markets; obtaining acceptable new store sites with favorable consumer demographics; and maintaining sufficient liquidity to support our continuing operations, new store openings, and ongoing capital expenditure plans. Other risk factors are set forth in our SEC filings including without limitation, the Form 10-K for fiscal 2020, and fiscal 2021 Form 10-Qs and Form 8-Ks on file with the SEC. The factors underlying our forecasts are dynamic and subject to change. As a result, our forecasts speak only as of the date they are given and do not necessarily reflect our outlook at any other point in time. We do not undertake to update or revise these forward-looking statements.

Ross Stores, Inc. is an S&P 500, Fortune 500, and Nasdaq 100 (ROST) company headquartered in Dublin, California, with fiscal 2021 revenues of \$18.9 billion. The Company operates Ross Dress for Less® ("Ross"), the largest off-price apparel and home fashion chain in the United States with 1,628 locations in 40 states, the District of Columbia, and Guam at fiscal 2021 year-end. 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. The Company also operates 295 dd's DISCOUNTS® stores in 21 states at the end of fiscal 2021 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. Additional information is available at www.rossstores.com.

Ross Stores, Inc.
Condensed Consolidated Statements of Earnings

| (\$000, except stores and per share data, unaudited) | Three Months Ended | | | Twelve Months Ended | | |
|--|---------------------|---------------------|---------------------|----------------------|---------------------|---------------------|
| | January 29, 2022 | January 30, 2021 | February 1, 2020 | January 29, 2022 | January 30, 2021 | February 1, 2020 |
| Sales | \$ 5,020,649 | \$ 4,249,671 | \$ 4,413,445 | \$ 18,916,244 | \$ 12,531,565 | \$ 16,039,073 |
| Costs and Expenses | | | | | | |
| Cost of goods sold | 3,773,636 | 3,157,044 | 3,224,237 | 13,708,907 | 9,838,574 | 11,536,187 |
| Selling, general and administrative | 755,867 | 690,624 | 601,879 | 2,874,469 | 2,503,281 | 2,356,704 |
| Interest expense (income), net | 17,828 | 19,152 | (3,287) | 74,328 | 83,413 | (18,106) |
| Total costs and expenses | 4,547,331 | 3,866,820 | 3,822,829 | 16,657,704 | 12,425,268 | 13,874,785 |
| Earnings before taxes | 473,318 | 382,851 | 590,616 | 2,258,540 | 106,297 | 2,164,288 |
| Provision for taxes on earnings | 106,496 | 144,871 | 134,483 | 535,951 | 20,915 | 503,360 |
| Net earnings | \$ 366,822 | \$ 237,980 | \$ 456,133 | \$ 1,722,589 | \$ 85,382 | \$ 1,660,928 |
| Earnings per share | | | | | | |
| Basic | \$ 1.05 | \$ 0.67 | \$ 1.29 | \$ 4.90 | \$ 0.24 | \$ 4.63 |
| Diluted | \$ 1.04 | \$ 0.67 | \$ 1.28 | \$ 4.87 | \$ 0.24 | \$ 4.60 |

**Weighted-average shares outstanding
(000)**

| | | | | | | |
|---------|----------------|---------|---------|----------------|---------|---------|
| Basic | 349,060 | 352,609 | 354,090 | 351,496 | 352,392 | 358,462 |
| Diluted | 351,245 | 355,163 | 356,918 | 353,734 | 354,619 | 361,182 |

| | | | | | | |
|------------------------------|--------------|-------|-------|--------------|-------|-------|
| Store count at end of period | 1,923 | 1,859 | 1,805 | 1,923 | 1,859 | 1,805 |
|------------------------------|--------------|-------|-------|--------------|-------|-------|

Ross Stores, Inc.
Condensed Consolidated Balance Sheets

(\$000, unaudited) January 29, 2022 January 30, 2021 February 1, 2020

Assets

Current Assets

| | | | |
|----------------------------|---------------------|--------------|--------------|
| Cash and cash equivalents | \$ 4,922,365 | \$ 4,819,293 | \$ 1,351,205 |
| Accounts receivable | 119,247 | 115,067 | 102,236 |
| Merchandise inventory | 2,262,273 | 1,508,982 | 1,832,339 |
| Prepaid expenses and other | 169,291 | 249,149 | 147,048 |
| Total current assets | 7,473,176 | 6,692,491 | 3,432,828 |

| | | | |
|-----------------------------|----------------------|---------------|--------------|
| Property and equipment, net | 2,898,527 | 2,710,496 | 2,653,436 |
| Operating lease assets | 3,027,272 | 3,084,819 | 3,053,782 |
| Other long-term assets | 241,281 | 230,061 | 208,321 |
| Total assets | \$ 13,640,256 | \$ 12,717,867 | \$ 9,348,367 |

Liabilities and Stockholders' Equity

Current Liabilities

| | | | |
|-------------------------------------|---------------------|--------------|--------------|
| Accounts payable | \$ 2,372,302 | \$ 2,256,928 | \$ 1,296,482 |
| Accrued expenses and other | 613,089 | 592,122 | 462,111 |
| Current operating lease liabilities | 630,517 | 598,120 | 564,481 |
| Accrued payroll and benefits | 588,772 | 400,273 | 364,435 |
| Income taxes payable | 10,249 | 54,680 | 14,425 |
| Current portion of long-term debt | - | 64,910 | - |
| Total current liabilities | 4,214,929 | 3,967,033 | 2,701,934 |

| | | | |
|---|------------------|-----------|-----------|
| Long-term debt | 2,452,325 | 2,448,175 | 312,891 |
| Non-current operating lease liabilities | 2,539,297 | 2,621,594 | 2,610,528 |
| Other long-term liabilities | 236,013 | 268,558 | 214,086 |
| Deferred income taxes | 137,642 | 121,867 | 149,679 |

Commitments and contingencies

| | | | |
|--|----------------------|---------------|--------------|
| Stockholders' Equity | 4,060,050 | 3,290,640 | 3,359,249 |
| Total liabilities and stockholders' equity | \$ 13,640,256 | \$ 12,717,867 | \$ 9,348,367 |

Ross Stores, Inc.
Condensed Consolidated Statements of Cash Flows

(\$000, unaudited) **Twelve Months Ended**
January 29, 2022 January 30, 2021 February 1, 2020

Cash Flows From Operating Activities

| | | | |
|---|---------------------|-----------|--------------|
| Net earnings | \$ 1,722,589 | \$ 85,382 | \$ 1,660,928 |
| Adjustments to reconcile net earnings to net cash provided by operating activities: | | | |
| Depreciation and amortization | 360,664 | 364,245 | 350,892 |
| Loss on early extinguishment of debt | - | 239,953 | - |
| Stock-based compensation | 134,217 | 101,568 | 95,438 |

| | | | |
|---|-----------|-----------|-----------|
| Deferred income taxes | 15,775 | (27,812) | 32,009 |
| Change in assets and liabilities: | | | |
| Merchandise inventory | (753,291) | 323,357 | (81,897) |
| Other current assets | 1,420 | (39,406) | (10,315) |
| Accounts payable | 135,311 | 938,837 | 114,153 |
| Other current liabilities | 198,595 | 171,444 | 30,513 |
| Income taxes | (44,579) | 39,806 | (35,239) |
| Operating lease assets and liabilities, net | 7,647 | 13,669 | 15,631 |
| Other long-term, net | (39,499) | 34,890 | (567) |
| Net cash provided by operating activities | 1,738,849 | 2,245,933 | 2,171,546 |

Cash Flows From Investing Activities

| | | | |
|---------------------------------------|-----------|-----------|-----------|
| Additions to property and equipment | (557,840) | (405,433) | (555,483) |
| Proceeds from investments | - | - | 517 |
| Net cash used in investing activities | (557,840) | (405,433) | (554,966) |

Cash Flows From Financing Activities

| | | | |
|---|-------------|-----------|-------------|
| Issuance of common stock related to stock plans | 25,069 | 23,534 | 22,209 |
| Treasury stock purchased | (57,345) | (45,222) | (60,665) |
| Repurchase of common stock | (649,997) | (132,467) | (1,275,000) |
| Dividends paid | (405,123) | (101,404) | (369,793) |
| Net proceeds from issuance of short-term debt | - | 805,601 | - |
| Payments of short-term debt | - | (805,601) | - |
| Net proceeds from issuance of long-term debt | - | 2,965,115 | - |
| Payments of long-term debt | (65,000) | (775,009) | - |
| Payments of debt extinguishment and debt issuance costs | - | (232,688) | - |
| Net cash (used in) provided by financing activities | (1,152,396) | 1,701,859 | (1,683,249) |

Net increase (decrease) in cash, cash equivalents, and restricted cash and cash equivalents 28,613 3,542,359 (66,669)

Cash, cash equivalents, and restricted cash and cash equivalents:

| | | | |
|---------------------|--------------|--------------|--------------|
| Beginning of period | 4,953,769 | 1,411,410 | 1,478,079 |
| End of period | \$ 4,982,382 | \$ 4,953,769 | \$ 1,411,410 |

Reconciliations:

| | | | |
|---|--------------|--------------|--------------|
| Cash and cash equivalents | \$ 4,922,365 | \$ 4,819,293 | \$ 1,351,205 |
| Restricted cash and cash equivalents included in prepaid expenses and other | 11,403 | 85,711 | 10,235 |
| Restricted cash and cash equivalents included in other long-term assets | 48,614 | 48,765 | 49,970 |
| Total cash, cash equivalents, and restricted cash and cash equivalents: | \$ 4,892,382 | \$ 4,953,769 | \$ 1,411,410 |

Supplemental Cash Flow Disclosures

| | | | |
|-------------------|------------|-----------|------------|
| Interest paid | \$ 84,331 | \$ 72,471 | \$ 12,682 |
| Income taxes paid | \$ 564,755 | \$ 8,921 | \$ 506,591 |

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