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 29, 2022

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

For the transition period from __________ to __________

Commission file number: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

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

The number of shares of Common Stock, with $.01 par value, outstanding on November 11, 2022 was 344,371,009.

Ross Stores, Inc.
Form 10-Q
Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

($000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Sales	**$ 4,565,489**	$ 4,574,541	**$ 13,481,598**	$ 13,895,595
Costs and Expenses				
Cost of goods sold	**3,424,046**	3,326,004	**10,020,027**	9,935,271
Selling, general and administrative	**693,367**	725,761	**2,029,926**	2,118,602
Interest (income) expense, net	**(2,802)**	18,744	**25,561**	56,500
Total costs and expenses	**4,114,611**	4,070,509	**12,075,514**	12,110,373
Earnings before taxes	**450,878**	504,032	**1,406,084**	1,785,222
Provision for taxes on earnings	**108,842**	119,002	**341,086**	429,455
Net earnings	**$ 342,036**	$ 385,030	**$ 1,064,998**	$ 1,355,767
Earnings per share				
Basic	**$ 1.00**	$ 1.10	**$ 3.09**	$ 3.85
Diluted	**$ 1.00**	$ 1.09	**$ 3.08**	$ 3.82
Weighted-average shares outstanding (000)				
Basic	**342,120**	351,071	**344,686**	352,308
Diluted	**343,720**	353,081	**346,212**	354,477
Store count at end of period	**2,019**	1,924	**2,019**	1,924

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

Condensed Consolidated Statements of Comprehensive Income

($000, unaudited)	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Net earnings	**$ 342,036**	$ 385,030	**$ 1,064,998**	$ 1,355,767
Other comprehensive income	**—**	—	**—**	—
Comprehensive income	**$ 342,036**	$ 385,030	**$ 1,064,998**	$ 1,355,767

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

Condensed Consolidated Balance Sheets

($000, except share data, unaudited)	**October 29, 2022**	January 29, 2022	October 30, 2021
Assets			
Current Assets			
Cash and cash equivalents	**$ 3,906,490**	$ 4,922,365	$ 5,259,595
Accounts receivable	**168,483**	119,247	158,765
Merchandise inventory	**2,494,002**	2,262,273	2,231,242
Prepaid expenses and other	**192,214**	169,291	195,309
Total current assets	**6,761,189**	7,473,176	7,844,911
Property and Equipment			
Land and buildings	**1,491,927**	1,240,246	1,194,125
Fixtures and equipment	**3,882,127**	3,425,762	3,357,986
Leasehold improvements	**1,402,653**	1,332,687	1,317,979
Construction-in-progress	**171,185**	574,333	506,903
	6,947,892	6,573,028	6,376,993
Less accumulated depreciation and amortization	**3,939,154**	3,674,501	3,592,707
Property and equipment, net	**3,008,738**	2,898,527	2,784,286
Operating lease assets	**3,101,882**	3,027,272	3,032,175
Other long-term assets	**228,286**	241,281	254,362
Total assets	**$ 13,100,095**	$ 13,640,256	$ 13,915,734
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	**$ 1,927,757**	$ 2,372,302	$ 2,652,881
Accrued expenses and other	**616,753**	613,089	625,426
Current operating lease liabilities	**656,837**	630,517	620,675
Accrued payroll and benefits	**251,479**	588,772	512,336
Income taxes payable	**11,404**	10,249	—
Current portion of long-term debt	**—**	—	64,991
Total current liabilities	**3,464,230**	4,214,929	4,476,309
Long-term debt	**2,455,460**	2,452,325	2,451,283
Non-current operating lease liabilities	**2,596,221**	2,539,297	2,551,162
Other long-term liabilities	**223,162**	236,013	296,819
Deferred income taxes	**214,022**	137,642	156,944
Commitments and contingencies			
Stockholders' Equity			
Common stock, par value $.01 per share Authorized 1,000,000,000 shares Issued and outstanding 344,808,000, 351,720,000 and 353,694,000 shares, respectively	**3,448**	3,517	3,537
Additional paid-in capital	**1,793,265**	1,717,530	1,681,802
Treasury stock	**(581,267)**	(535,895)	(535,642)
Retained earnings	**2,931,554**	2,874,898	2,833,520
Total stockholders' equity	**4,147,000**	4,060,050	3,983,217
Total liabilities and stockholders' equity	**$ 13,100,095**	$ 13,640,256	$ 13,915,734

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

Condensed Consolidated Statements of Stockholders' Equity

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

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

Condensed Consolidated Statements of Stockholders' Equity

	Nine Months Ended October 30, 2021						
	Common stock		Additional paid-in capital	Treasury stock	Retained earnings	Total
(000)	Shares	Amount				
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 01, 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 Cash Flows

($000, unaudited)	Nine Months Ended October 29, 2022	Nine Months Ended October 30, 2021
Cash Flows From Operating Activities		
Net earnings	**$ 1,064,998**	$ 1,355,767
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	**290,565**	262,139
Stock-based compensation	**92,367**	96,775
Deferred income taxes	**76,380**	35,077
Change in assets and liabilities:		
Merchandise inventory	**(231,729)**	(722,260)
Other current assets	**(72,079)**	(50,139)
Accounts payable	**(452,968)**	422,277
Other current liabilities	**(308,202)**	160,984
Income taxes	**3,397**	(60,442)
Operating lease assets and liabilities, net	**8,634**	4,767
Other long-term, net	**1,304**	(1,292)
Net cash provided by operating activities	**472,667**	1,503,653
Cash Flows From Investing Activities		
Additions to property and equipment	**(417,901)**	(377,916)
Net cash used in investing activities	**(417,901)**	(377,916)
Cash Flows From Financing Activities		
Issuance of common stock related to stock plans	**18,298**	18,626
Treasury stock purchased	**(45,372)**	(57,092)
Repurchase of common stock	**(718,693)**	(416,979)
Dividends paid	**(324,648)**	(304,520)
Net cash used in financing activities	**(1,070,415)**	(759,965)
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	**(1,015,649)**	365,772
Cash, cash equivalents, and restricted cash and cash equivalents:		
Beginning of period	**4,982,382**	4,953,769
End of period	**$ 3,966,733**	$ 5,319,541
Supplemental Cash Flow Disclosures		
Interest paid	**$ 80,316**	$ 82,209
Income taxes paid	**$ 261,309**	$ 454,821

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

Three and Nine Months Ended October 29, 2022 and October 30, 2021
(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 29, 2022 and October 30, 2021, the results of operations, comprehensive income, and stockholders' equity for the three and nine month periods ended October 29, 2022 and October 30, 2021, and cash flows for the nine month periods ended October 29, 2022 and October 30, 2021. The Condensed Consolidated Balance Sheet as of January 29, 2022, 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 29, 2022.

The results of operations, comprehensive income, and stockholders' equity for the three and nine month periods ended October 29, 2022 and October 30, 2021, and cash flows for the nine month periods ended October 29, 2022 and October 30, 2021 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, and legal claims. The uncertainties and potential impacts from inflation, the Russia-Ukraine conflict, and the ongoing COVID-19 pandemic 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 and nine month periods ended October 29, 2022 and October 30, 2021:

	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Ladies	**25 %**	26 %	**25 %**	26 %
Home Accents and Bed and Bath	**25 %**	25 %	**25 %**	25 %
Men's	**15 %**	15 %	**15 %**	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**13 %**	13 %	**13 %**	14 %
Shoes	**13 %**	11 %	**13 %**	12 %
Children's	**9 %**	10 %	**9 %**	9 %
Total	**100 %**	100 %	**100 %**	100 %

Cash and cash equivalents. Cash equivalents consist of highly liquid, fixed income instruments purchased with an original maturity of three months or less.

Restricted cash, cash equivalents, and investments. Restricted cash, cash equivalents, and investments serve as collateral for certain insurance obligations. 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:

($000)	**October 29, 2022**	January 29, 2022	October 30, 2021
Cash and cash equivalents	**$ 3,906,490**	$ 4,922,365	$ 5,259,595
Restricted cash and cash equivalents included in:			
Prepaid expenses and other	**11,446**	11,403	10,790
Other long-term assets	**48,797**	48,614	49,156
Total restricted cash and cash equivalents	**60,243**	60,017	59,946
Total cash, cash equivalents, and restricted cash and cash equivalents	**$ 3,966,733**	$ 4,982,382	$ 5,319,541

Property and equipment. As of October 29, 2022 and October 30, 2021, the Company had $30.2 million and $14.4 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. Supplemental cash flow disclosures related to operating lease assets obtained in exchange for operating lease liabilities (includes new leases and remeasurements or modifications of existing leases) were as follows:

	Three Months Ended		**Nine Months Ended**	
($000)	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Operating lease assets obtained in exchange for operating lease liabilities	**$ 235,186**	$ 208,767	**$ 549,267**	$ 395,428

Cash dividends. The Company's Board of Directors declared a cash dividend of $0.310 per common share in March, May, and August 2022, and $0.285 per common share in March, May, August, and November 2021.

On November 16, 2022, the Company's Board of Directors declared a quarterly cash dividend of $0.310 per common share, payable on December 30, 2022.

Stock repurchase program. In March 2022, the Company's Board of Directors approved a new two-year program to repurchase up to $1.9 billion of the Company's common stock through fiscal 2023. This new program replaced the previous $1.5 billion stock repurchase program, effective at the end of fiscal 2021 (at which time the Company had repurchased $650 million of stock under the $1.5 billion program). The Company repurchased 8.2 million shares of common stock for $718.7 million during the nine month period ended October 29, 2022. The Company repurchased 3.5 million shares of common stock for $417.0 million during the nine month period ended October 30, 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 29, 2022.

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 issued 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 initial guidance in the ASU will be effective for the Company for interim and annual reporting periods beginning after December 15, 2022, with early adoption permitted. The Company is currently evaluating the impact of this guidance on its disclosures in the consolidated financial statements.

In November 2021, the FASB issued ASU 2021-10, *Government Assistance (Topic 832): Disclosures by Business Entities about Government Assistance,* to increase the transparency of the effects of government assistance, including disclosure of the types of assistance an entity receives, an entity's method of accounting for government assistance, and the effect of government assistance on an entity's financial statements. The guidance in this ASU will be effective for the Company for its fiscal 2022 Form 10-K. The Company is currently evaluating the impact of this guidance on its disclosures in the consolidated financial statements.

Note B: Fair Value Measurements

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

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

($000)		**October 29, 2022**		January 29, 2022		October 30, 2021
Cash and cash equivalents (Level 1)	**$**	**3,906,490**	$	4,922,365	$	5,259,595
Restricted cash and cash equivalents (Level 1)	**$**	**60,243**	$	60,017	$	59,946

The underlying assets in the Company's non-qualified deferred compensation program as of October 29, 2022, January 29, 2022, and October 30, 2021 (included in Other long-term assets and in Other long-term liabilities) primarily consist of participant-directed money market, stock, and bond funds. The fair value measurement for funds with quoted market prices in active markets (Level 1) are as follows:

($000)		**October 29, 2022**		January 29, 2022		October 30, 2021
Level 1	**$**	**148,849**	$	163,891	$	178,966

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 2022, the Compensation Committee of the Board of Directors established the performance measures for determining cash incentive bonuses and performance share awards based on profitability-based performance goals.

For fiscal 2021, the Compensation Committee of the Board of Directors established the performance measures for determining cash incentive bonuses and performance share awards based on 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.

Stock-based compensation. For the three and nine month periods ended October 29, 2022 and October 30, 2021, the Company recognized stock-based compensation expense as follows:

	Three Months Ended		Nine Months Ended	
($000)	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Restricted stock	**$ 22,177**	$ 18,841	**$ 63,337**	$ 53,487
Performance awards	**6,186**	18,601	**25,800**	40,000
Employee stock purchase plan	**1,130**	1,075	**3,230**	3,288
Total	**$ 29,493**	$ 38,517	**$ 92,367**	$ 96,775

Total stock-based compensation expense recognized in the Company's Condensed Consolidated Statements of Earnings for the three and nine month periods ended October 29, 2022 and October 30, 2021, is as follows:

	Three Months Ended		Nine Months Ended	
Statements of Earnings Classification ($000)	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Cost of goods sold	**$ 16,547**	$ 18,594	**$ 50,768**	$ 48,354
Selling, general and administrative	**12,946**	19,923	**41,599**	48,421
Total	**$ 29,493**	$ 38,517	**$ 92,367**	$ 96,775

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

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 29, 2022 and October 30, 2021, shares purchased by the Company for tax withholding totaled 74,844 and 490,060, and 70,488 and 471,081, 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 29, 2022, shares related to unvested restricted stock, restricted stock units, and performance share awards totaled 4.5 million shares. A summary of restricted stock, restricted stock units, and performance share award activity for the nine month period ended October 29, 2022, is presented below:

(000, except per share data)	Number of shares	Weighted-average grant date fair value
Unvested at January 29, 2022	4,378	$ 99.58
Awarded	1,504	88.98
Released	(1,266)	90.38
Forfeited	(101)	101.39
Unvested at October 29, 2022	**4,515**	**$ 98.44**

The unamortized compensation expense at October 29, 2022 was $213.6 million, which is expected to be recognized over a weighted-average remaining period of 2.0 years. The unamortized compensation expense at October 30, 2021, was $193.8 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 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, 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 the three and nine month periods ended October 29, 2022, approximately 85,000 and 492,000 weighted-average shares were excluded from the calculation of diluted EPS, respectively, because their effect would have been anti-dilutive for the periods presented. 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, respectively, because their effect would have been anti-dilutive for the periods presented.

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

	Three Months Ended			Nine Months Ended		
Shares in (000s)	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS	Basic EPS	Effect of dilutive common stock equivalents	Diluted EPS
October 29, 2022						
Shares	**342,120**	**1,600**	**343,720**	**344,686**	**1,526**	**346,212**
Amount	**$ 1.00**	**$ —**	**$ 1.00**	**$ 3.09**	**$ (0.01)**	**$ 3.08**
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

Note E: Debt

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

($000)		**October 29, 2022**		January 29, 2022		October 30, 2021
6.530% Series B Senior Notes due 2021	**$**	**—**	$	—	$	64,991
3.375% Senior Notes due 2024		**249,144**		248,808		248,697
4.600% Senior Notes due 2025		**696,841**		695,888		695,571
0.875% Senior Notes due 2026		**495,732**		494,814		494,508
4.700% Senior Notes due 2027		**239,791**		239,470		239,364
4.800% Senior Notes due 2030		**132,559**		132,431		132,388
1.875% Senior Notes due 2031		**495,113**		494,691		494,551
5.450% Senior Notes due 2050		**146,280**		146,223		146,204
Total long-term debt	**$**	**2,455,460**	$	2,452,325	$	2,516,274
Less: current portion		**—**		—		64,991
Total due beyond one year	**$**	**2,455,460**	$	2,452,325	$	2,451,283

As of October 29, 2022, January 29, 2022, and October 30, 2021, total unamortized discount and debt issuance costs were $19.5 million, $22.7 million, and $23.7 million, respectively, and were classified as a reduction of Long-term debt.

As of October 29, 2022 and January 29, 2022 the aggregate fair value of the seven outstanding series of Senior Notes was approximately $2.2 billion and $2.6 billion, respectively. As of October 30, 2021 the aggregate fair value of the then eight outstanding series of Senior Notes was approximately $2.6 billion. 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.

See Note D: Debt, in the Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2022, for additional information regarding the terms of the Company's unsecured senior notes.

Revolving credit facilities. In February 2022, the Company entered into a new, $1.3 billion senior unsecured revolving Credit Agreement (the "2022 Credit Facility"), which replaced its previous $800 million unsecured revolving credit facility. The 2022 Credit Facility expires in February 2027, and may be extended, at the Company's request and with the consent of the lenders, for up to two additional one year periods, subject to customary conditions. The new 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. The interest rate on borrowings under the 2022 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 2022 Credit Facility is subject to a quarterly Consolidated Adjusted Debt to Consolidated EBITDAR financial leverage ratio covenant. As of October 29, 2022, the Company was in compliance with this financial covenant.

As of October 29, 2022, the Company had no borrowings or standby letters of credit outstanding under the 2022 Credit Facility, and the $1.3 billion credit facility remains in place and available.

The table below shows the components of interest expense and income for the three and nine month periods ended October 29, 2022 and October 30, 2021:

	Three Months Ended		Nine Months Ended	
($000)	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Interest expense on long-term debt	**$ 21,150**	$ 22,227	**63,429**	$ 66,626
Other interest expense	**448**	391	**1,242**	1,012
Capitalized interest	**(663)**	(3,682)	**(4,489)**	(10,511)
Interest income	**(23,737)**	(192)	**(34,621)**	(627)
Interest (income) expense, net	**$ (2,802)**	$ 18,744	**$ 25,561**	$ 56,500

Note F: Taxes on Earnings

The Company’s effective tax rate for the three and nine month periods ended October 29, 2022 and October 30, 2021, was approximately 24%. The Company's effective tax rate is impacted by changes in tax law and accounting guidance, location of new stores, level of earnings, tax effects associated with stock-based compensation, and uncertain tax positions.

As of October 29, 2022, January 29, 2022, and October 30, 2021, the reserves for unrecognized tax benefits were $70.7 million, $68.1 million, and $76.9 million, inclusive of $9.1 million, $7.6 million, and $9.8 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, $56.7 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 $10.0 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 2021. The Company’s state income tax returns are generally open to audit under the various statutes of limitations for fiscal years 2017 through 2021. Certain federal and state tax returns are currently under audit by various tax authorities. The Company does not expect the results of these audits to have a material impact on the condensed consolidated financial statements.

Report of Independent Registered Public Accounting Firm

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

Results of Review of Interim Financial Information

We have reviewed the accompanying condensed consolidated balance sheets of Ross Stores, Inc. and subsidiaries (the “Company”) as of October 29, 2022 and October 30, 2021, the related condensed consolidated statements of earnings, comprehensive income, and stockholders’ equity, for the three and nine month periods ended October 29, 2022 and October 30, 2021, and cash flows for the nine month periods ended October 29, 2022 and October 30, 2021, 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 29, 2022, 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 29, 2022, 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 29, 2022 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 6, 2022

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 2021. 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 2021. 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 1,696 locations in 40 states, the District of Columbia, and Guam as of October 29, 2022. 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 323 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

Comparable store sales declined 3% in the third quarter of fiscal 2022, compared to a 14% gain in the third quarter of 2021 (versus 2019), reflecting the continued impact of inflationary pressures our customers are facing as well as an increasingly promotional retail environment. During the quarter, we experienced the deleveraging effects from the comparable store sales decline as well as higher merchandise markdowns, which were partially offset by lower incentive compensation costs. These factors resulted in diluted earnings per share of $1.00 in the third quarter of fiscal 2022, compared to $1.09 per share in the third quarter of fiscal 2021. We expect our customers and operations will continue to be impacted by ongoing inflationary headwinds.

There remains significant uncertainty in the current macro-economic environment, driven by inflation, increasing interest rates, the continuing impacts from the Russia-Ukraine conflict, and concerns of a possible recession. These factors impact both consumer demand and many of the costs in our business. In addition, there continues to be uncertainty surrounding the COVID-19 pandemic, including its unknown duration, the potential for future resurgences and new virus variants, its potential impact on consumer behavior and shopping patterns, and the potential adverse impact on our business.

The following table summarizes the financial results for the three and nine month periods ended October 29, 2022 and October 30, 2021:

	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Sales				
Sales (millions)	**$ 4,566**	$ 4,575	**$ 13,482**	$ 13,896
Comparable store sales (decline) growth	**(3 %)** [1]	14 % [2]	**(5 %)** [1]	14 % [2]
Costs and expenses (as a percent of sales)				
Cost of goods sold	**75.0 %**	72.7 %	**74.3 %**	71.5 %
Selling, general and administrative	**15.2 %**	15.9 %	**15.1 %**	15.2 %
Interest (income) expense, net	**(0.1 %)**	0.4 %	**0.2 %**	0.4 %
Earnings before taxes (as a percent of sales)	**9.9 %**	11.0 %	**10.4 %**	12.9 %
Net earnings (as a percent of sales)	**7.5 %**	8.4 %	**7.9 %**	9.8 %

[1] Amounts shown are for the three and nine month periods of fiscal 2022 compared to the same periods of fiscal 2021 for stores that have been open for more than 14 complete months.

[2] Amounts shown are for the three and nine month periods of fiscal 2021 compared to the same periods of 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.

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.

The following table summarizes the stores opened and closed during the three and nine month periods ended October 29, 2022 and October 30, 2021:

	Three Months Ended		Nine Months Ended	
Store Count	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Beginning of the period	**1,980**	1,896	**1,923**	1,859
Opened in the period	**40**	28	**99**	65
Closed in the period	**(1)**	—	**(3)** [1]	—
End of the period	**2,019**	1,924	**2,019**	1,924

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

Sales. Sales for the three and nine month periods ended October 29, 2022 decreased $9.1 million and $414.0 million, or 0.2% and 3.0%, respectively, compared to the three and nine month periods ended October 30, 2021. The respective 3% and 5% comparable store sales declines for the three and nine month periods ended October 29, 2022 were primarily due to escalating inflationary pressures impacting our customers in the current quarter and fiscal year to date combined with the prior year benefiting from government stimulus as well as pent-up customer demand as COVID-19 restrictions eased. These comparable store sales declines were partially offset by the opening of 95 net new stores between October 30, 2021 and October 29, 2022.

Our sales mix for the three and nine month periods ended October 29, 2022 and October 30, 2021 is shown below:

	Three Months Ended		Nine Months Ended	
	October 29, 2022	October 30, 2021	**October 29, 2022**	October 30, 2021
Ladies	**25 %**	26 %	**25 %**	26 %
Home Accents and Bed and Bath	**25 %**	25 %	**25 %**	25 %
Men's	**15 %**	15 %	**15 %**	14 %
Accessories, Lingerie, Fine Jewelry, and Cosmetics	**13 %**	13 %	**13 %**	14 %
Shoes	**13 %**	11 %	**13 %**	12 %
Children's	**9 %**	10 %	**9 %**	9 %
Total	**100 %**	100 %	**100 %**	100 %

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, adjust our merchandise mix, and more fully develop our systems to improve our merchandise offerings. 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 29, 2022 increased $98.0 million and $84.8 million, respectively, compared to the three and nine month periods ended October 30, 2021, primarily due to increased distribution costs, higher ocean freight costs, and the opening of 95 net new stores between October 30, 2021 and October 29, 2022.

Cost of goods sold as a percentage of sales for the three month period ended October 29, 2022 increased approximately 230 basis points compared to the three month period ended October 30, 2021, due to a 165 basis point decline in merchandise margin primarily due to increased markdowns, a 140 basis point increase in distribution expenses primarily due to a combination of timing of packaway inventory carrying costs and additional costs from our new distribution center, and deleverage of 20 basis points in occupancy costs. These increases were partially offset by a 75 basis point decrease in buying costs primarily due to lower incentive compensation expenses and a 20 basis point decrease in domestic freight costs.

Cost of goods sold as a percentage of sales for the nine month period ended October 29, 2022 increased approximately 280 basis points compared to the nine month period ended October 30, 2021, due to a 180 basis point decline in merchandise margin primarily due to higher ocean freight costs and increased markdowns, an 85 basis point increase in distribution expenses primarily due to timing of packaway inventory carrying costs, additional costs from our new distribution center, and higher wages, deleverage of 40 basis points in occupancy costs, and a 30 basis point increase in domestic freight costs mainly driven by higher fuel prices and costs associated with industry-wide supply chain congestion. These increases were partially offset by a 55 basis point decrease in buying costs primarily due to lower incentive compensation expenses.

We expect the unfavorable timing of packaway-related costs and higher merchandise markdowns to impact margins through the fourth quarter of fiscal 2022.

Selling, general and administrative expenses. For the three and nine month periods ended October 29, 2022, selling, general and administrative expenses ("SG&A") decreased $32.4 million and $88.7 million, respectively, compared to the three and nine month periods ended October 30, 2021. These decreases were primarily due to lower incentive compensation, partially offset by the opening of 95 net new stores between October 30, 2021 and October 29, 2022.

SG&A as a percentage of sales for the three month period ended October 29, 2022 decreased 70 basis points, compared to the three month period ended October 30, 2021, primarily due to lower incentive compensation costs which were partially offset by the deleveraging effect of lower comparable store sales.

SG&A as a percentage of sales for the nine month period ended October 29, 2022 decreased 20 basis points, compared to the nine month period ended October 30, 2021, primarily due to both lower incentive compensation and COVID-19 costs, partially offset by higher wages and the deleveraging effect of lower comparable store sales.

We expect our operating costs in fiscal 2022 to continue to reflect the impact from higher wages and inflation.

Interest (income) expense, net. Interest (income) expense, net for the three and nine month periods ended October 29, 2022 decreased $21.5 million and $30.9 million, respectively, compared to the same periods in the prior year. These decreases were primarily due to higher interest income and lower interest expense on long-term debt due to the repayment of the principal on the $65.0 million notes in the fourth quarter of fiscal 2021, partially offset by lower capitalized interest.

Interest (income) expense, net for the three and nine month periods ended October 29, 2022 and October 30, 2021 consists of the following:

	Three Months Ended		Nine Months Ended	
($000)	**October 29, 2022**	October 30, 2021	**October 29, 2022**	October 30, 2021
Interest expense on long-term debt	**$ 21,150**	$ 22,227	**$ 63,429**	$ 66,626
Other interest expense	**448**	391	**1,242**	1,012
Capitalized interest	**(663)**	(3,682)	**(4,489)**	(10,511)
Interest income	**(23,737)**	(192)	**(34,621)**	(627)
Interest (income) expense, net	**$ (2,802)**	$ 18,744	**$ 25,561**	$ 56,500

Taxes on earnings. Our effective tax rate for the three and nine month periods ended October 29, 2022 and October 30, 2021 was approximately 24%. 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 period ended October 29, 2022 and October 30, 2021 were 7.5% and 8.4%, respectively. Net earnings as a percentage of sales for the three month period ended October 29, 2022 was lower primarily due to higher cost of goods sold, partially offset by lower SG&A expenses and higher interest income.

Net earnings as a percentage of sales for the nine month periods ended October 29, 2022 and October 30, 2021 were 7.9% and 9.8%, respectively. Net earnings as a percentage of sales for the nine month period ended October 29, 2022 was lower primarily due to higher cost of goods sold, partially offset by lower SG&A expenses and lower interest expense.

Earnings per share. Diluted earnings per share for the three month period ended October 29, 2022 was $1.00 compared to $1.09 for the three month period ended October 30, 2021. Diluted earnings per share for the nine month period ended October 29, 2022 was $3.08 compared to $3.82 for the nine month period ended October 30, 2021. The $0.09 and $0.74 decreases in the diluted earnings per share for the three and nine month periods ended October 29, 2022 were primarily attributable to an 11% and 21% decrease in net earnings, respectively, partially offset by the 3% and 2%, respectively, reductions 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.

($000)	Nine Months Ended October 29, 2022		Nine Months Ended October 30, 2021	
Cash provided by operating activities	**$**	**472,667**	$	1,503,653
Cash used in investing activities		**(417,901)**		(377,916)
Cash used in financing activities		**(1,070,415)**		(759,965)
Net (decrease) increase in cash, cash equivalents, and restricted cash and cash equivalents	**$**	**(1,015,649)**	$	365,772

Operating Activities

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

The decrease in cash flow from operating activities for the nine month period ended October 29, 2022, compared to the same period in the prior year, was primarily driven by lower accounts payable leverage, payment of fiscal 2021 incentive bonuses, and lower net earnings. Accounts payable leverage was 77% and 119% as of October 29, 2022 and October 30, 2021, respectively. The decrease in accounts payable leverage from the prior year was primarily driven by higher packaway receipts and associated merchandise payments combined with shorter payment terms.

As a regular part of our business, packaway inventory levels will vary over time based on availability of compelling 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 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 29, 2022, packaway inventory was 41% of total inventory compared to 40% at the end of fiscal 2021. As of October 30, 2021, packaway inventory was 31% of total inventory compared to 38% at the end of fiscal 2020. The year-over-year increase reflects higher receipts used to build our packaway inventory to more normal operating levels and the earlier than expected arrival of merchandise that will flow to stores later in fiscal 2022. The prior year reflects our use of a substantial amount of packaway merchandise to support the increased level of sales.

Investing Activities

Net cash used in investing activities was $417.9 million and $377.9 million for the nine month periods ended October 29, 2022 and October 30, 2021, respectively, and was related to our capital expenditures. Our capital expenditures include costs to build, expand, and improve distribution centers, open new stores and improve existing stores, and for various other expenditures related to our information technology systems, and buying and corporate offices. The increase in cash used in investing activities for the nine month period ended October 29, 2022, compared to the same period in the prior year, was primarily driven by higher capital expenditures related to construction of new stores and existing store projects, partially offset by lower expenditures related to the construction of our Brookshire, Texas distribution center, which opened in the first quarter of fiscal 2022.

Capital expenditures for fiscal 2022 are currently projected to be approximately $700 million. Our planned capital expenditures for fiscal 2022 are expected to be used for investments in our supply chain to support long-term growth, including construction of our next 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, and buying and corporate offices. We expect to fund capital expenditures with available cash.

Financing Activities

Net cash used in financing activities was $1.1 billion and $760.0 million for the nine month periods ended October 29, 2022 and October 30, 2021, respectively. The increase in cash used in financing activities for the nine month period ended October 29, 2022, compared to the nine month period ended October 30, 2021, was primarily due to stock repurchases under our current $1.9 billion stock repurchase program.

Revolving credit facilities. In February 2022, we entered into a new, $1.3 billion senior unsecured revolving Credit Agreement (the "2022 Credit Facility"), which replaced our previous $800 million unsecured revolving credit facility. The 2022 Credit Facility expires in February 2027, and may be extended, at our request and with the consent of the lenders, for up to two additional one year periods, subject to customary conditions. The new facility contains a $300 million sublimit for issuance of standby letters of credit. It also contains an option allowing us to increase the size of our credit facility by up to an additional $700 million, with the agreement of the committing lenders. The interest rate on borrowings under the 2022 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 2022 Credit Facility is subject to a quarterly Consolidated Adjusted Debt to Consolidated EBITDAR financial leverage ratio covenant. As of October 29, 2022, we were in compliance with this financial covenant.

As of October 29, 2022, we had no borrowings or standby letters of credit outstanding under the 2022 Credit Facility and the $1.3 billion credit facility remains in place and available.

Senior notes. As of October 29, 2022, we had $2.5 billion of outstanding unsecured Senior Notes. Refer to Note E: Debt, for further information on the unsecured senior debt.

Other financing activities. In March 2022, our Board of Directors approved a new two-year program to repurchase up to $1.9 billion of our common stock through fiscal 2023, with the expectation to buy back $950 million of common stock in fiscal 2022. This new program replaced the previous $1.5 billion two-year stock repurchase program, effective at the end of fiscal 2021 (at which time we had repurchased $650 million of stock under the previous $1.5 billion program).

We repurchased 8.2 million and 3.5 million shares of common stock for $718.7 million and $417.0 million during the nine month periods ended October 29, 2022 and October 30, 2021, 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 $45.4 million and $57.1 million during the nine month periods ended October 29, 2022 and October 30, 2021, respectively.

Our Board of Directors declared a cash dividend of $0.310 per common share in March, May, and August 2022, and $0.285 per common share in March, May, August, and November 2021.

In November 2022, our Board of Directors declared a cash dividend of $0.310 per common share, payable on December 30, 2022.

For the nine month periods ended October 29, 2022 and October 30, 2021, we paid cash dividends of $324.6 million and $304.5 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 ended the third quarter of fiscal 2022 with $3.9 billion of unrestricted cash balances, and we have $1.3 billion available under our senior unsecured revolving credit facility. 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, 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 29, 2022:

($000)		Less than one year		Greater than one year		Total[1]
Recorded contractual obligations:						
Senior notes	$	—	$	2,474,991	$	2,474,991
Operating leases		684,692		2,611,399		3,296,091
New York buying office ground lease[2]		7,552		1,111,490		1,119,042
Unrecorded contractual obligations:						
Real estate obligations[3]		7,343		197,130		204,473
Interest payment obligations		80,316		435,134		515,450
Purchase obligations[4]		3,617,969		136,049		3,754,018
Total contractual obligations	$	4,397,872	$	6,966,193	$	11,364,065

[1] We have a $67.6 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 29, 2022.

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. As of October 29, 2022, January 29, 2022, and October 30, 2021, we had $3.0 million, $3.3 million, and $3.3 million, respectively, in standby letters of credit outstanding and $57.2 million, $56.7 million, and $56.6 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 $7.8 million, $19.3 million, and $30.6 million in trade letters of credit outstanding at October 29, 2022, January 29, 2022, and October 30, 2021, respectively.

Dividends. In November 2022, our Board of Directors declared a cash dividend of $0.310 per common share, payable on December 30, 2022.

Critical Accounting 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 uncertainties and potential impacts from inflation, interest rate increases, the Russia-Ukraine conflict, and the ongoing COVID-19 pandemic increase the challenge of making these estimates; actual results could differ materially from our estimates. During the third quarter of fiscal 2022, 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 29, 2022.

Forward-Looking Statements

This report contains a number of forward-looking statements regarding, without limitation, the continuing challenges from the COVID-19 pandemic and related economic disruptions, and our plans and responses to them, 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, military conflicts and economic sanctions, inflation, interest rate increases, 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, 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, interest rates, housing costs, energy and fuel costs, financial and credit market conditions, recession concerns, geopolitical conditions (including the current Russia-Ukraine conflict), 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 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 October 29, 2022.

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 29, 2022, we had no borrowings outstanding under our revolving credit facility.

As of October 29, 2022, 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.

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 29, 2022. 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 2022 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 2022.

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 29, 2022 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 2022 is as follows:

Period	Total number of shares (or units) purchased[1]	Average price paid per share (or unit)	Total number of shares (or units) purchased as part of publicly announced plans or programs	Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs ($000)[2]
August (7/31/2022 - 8/27/2022)	719,413	$86.12	719,413	$ 1,363,044
September (8/28/2022 - 10/01/2022)	1,195,691	$88.27	1,124,640	$ 1,263,915
October (10/02/2022- 10/29/2022)	951,184	$87.19	947,391	$ 1,181,307
Total	2,866,288	$87.37	2,791,444	$ 1,181,307

[1] We acquired 74,844 shares of treasury stock during the quarter ended October 29, 2022. 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 new two-year program to repurchase up to $1.9 billion of our common stock through fiscal 2023, replacing the $850 million that remained available at the end of fiscal 2021 under the previous $1.5 billion program.

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.
15	Letter re: Unaudited Interim Financial Information from Deloitte & Touche LLP dated December 6, 2022.
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 6, 2022

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

EXHIBIT 15

December 6, 2022

Ross Stores, Inc.:

We are aware that our report dated December 6, 2022, on our review of the interim financial information of Ross Stores, Inc. appearing in this Quarterly Report on Form 10-Q for the quarter ended October 29, 2022, is incorporated by reference in Registration Statements Nos. 333-06119, 333-34988, 333-51478, 333-56831, 333-115836, 333-151116, 333-210465, and 333-218052 on Form S-8, and No. 333-237546 on Form S-3.

Yours truly,

/s/Deloitte & Touche LLP

San Francisco, California

EXHIBIT 31.1

Ross Stores, Inc.
Certification of Chief Executive Officer
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Barbara Rentler, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2022

/s/Barbara Rentler
Barbara Rentler
Chief Executive Officer

EXHIBIT 31.2

Ross Stores, Inc.
Certification of Chief Financial Officer
Pursuant to Sarbanes-Oxley Act Section 302(a)

I, Adam Orvos, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Ross Stores, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

    (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

    (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2022

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

EXHIBIT 32.1

Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the “Company”) on Form 10-Q for the quarter ended October 29, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Barbara Rentler, as Chief Executive Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2022

/s/Barbara Rentler
Barbara Rentler
Chief Executive Officer

EXHIBIT 32.2

Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350,
As Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Quarterly Report of Ross Stores, Inc. (the “Company”) on Form 10-Q for the quarter ended October 29, 2022 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Adam Orvos, as Chief Financial Officer of the Company, hereby certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (“Section 906”), that, to the best of my knowledge:

(1) The Report fully complies with the requirements of Section 13(a) of the Securities Exchange Act of 1934 (15 U.S.C. 78m); and
(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2022

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