2020 BNED ANNUAL REPORT

BNED

ELEVATING EDUCATION

BARNES & NOBLE EDUCATION, INC.

LETTER TO SHAREHOLDERS

Dear Fellow Shareholders,

Fiscal 2020 was a transformative year for BNED. We entered the fiscal year with a clear focus on executing our strategic initiatives, which were centered on scaling our rapidly growing Digital Student Solutions (DSS) business, introducing a new inclusive access model, building a new eCommerce platform and growing our general merchandise business. We made significant strides in each of these areas, and while the COVID-19 pandemic had a significant impact on our business towards the end of the fiscal year, it also further confirmed that our focus on providing customizable solutions through our physical and virtual campus bookstores and expanding our digital offerings has never been more important than it is right now.

The investments we have made in each of our business segments over the past few years have enabled us to provide extremely valuable solutions to our campus partners as they began to close their campuses due to COVID-19 this past March. We were able to seamlessly continue to serve students through our individualized school eCommerce sites, provide eTextbooks without charge to students who could not easily access course materials left behind, and through our bartleby® suite of solutions, provide tutoring and writing services to students who lost access to on-campus support and resources.

As schools face daunting challenges with their summer and fall term reopening plans, considering whether to fully open campuses, utilize distance learning or implement a hybrid model, we remain a valued partner with the ability to serve faculty and students seamlessly. By leveraging our campus bookstores, eCommerce platform, virtual bookstore business and digital offerings, we can ensure students will have full access to all of the tools they need to succeed in the classroom and beyond.

I would like to take this opportunity to highlight some of our fiscal 2020 accomplishments that will continue to enable us to provide leading edge solutions for our campus partners. This year we were proud to complete the build of our new eCommerce platform, which we began to roll out on a select basis and will continue to implement for our customers on a rolling basis throughout fiscal year 2021. These sites provide a superior hyper-personal, hyper-local shopping experience for our customers and will deliver increased high-margin general merchandise sales for BNED, in addition to providing even greater value for our partner institutions and their students, alumni and fans.

Our BNC First Day® inclusive access programs continued to meet the growing needs of our institutional partners to address affordability and accessibility concerns on campus, delivering students' course materials at a reduced price by the first day of class. Through BNC First Day, digital course materials are adopted by a faculty member for a single course, and students receive their materials through their learning management system. BNC First Day Complete is adopted by an entire institution, driving substantially greater adoption rates for the bookstore, enhancing revenue for the schools and providing the ability to utilize both physical and digital materials. We have seen continued growth for both First Day and First Day Complete this year, and are confident that these programs will allow us to attack and ultimately reverse historical long-term trends in courseware revenue declines.

Within our DSS segment, bartleby continued to prove its value as a tool to supplement in-classroom learning. Bartleby experienced significant improvement across all relevant metrics in fiscal 2020, gaining approximately 170,000 subscribers. This represents over 200% growth over fiscal 2019 new subscribers.

Our Wholesale segment continued to prove its immense value to BNED this year with its strength in fulfillment capabilities. It is because of our advanced, centrally located warehouse that we can offer programs such as First Day Complete. It allows us to source and ship the large number of materials required to execute the complete access model, and ensure that faculty members can utilize both physical and digital course materials for their classes.

Though a great deal of uncertainty still remains around the implications of this pandemic on higher education, we believe we are well positioned to continue serving our campus partners and students, with an ability to adapt to the changes that COVID-19 may bring to the education landscape.

I would like to thank our campus partners nationwide, who have shown tremendous fortitude throughout this pandemic and helped to ensure students continued their learning uninterrupted. I would also like to express my unlimited appreciation to our BNED teams for their continued hard work and commitment to BNED this year. And, finally, I would like to thank you, our shareholders, for your continued trust in BNED's mission.

Sincerely,

Michael P. Huseby
Chief Executive Officer and Chairman

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

FORM 10-K

(Mark One)

☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended May 2, 2020
OR

☐ **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: 1-37499

BARNES & NOBLE EDUCATION, INC.

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**46-0599018**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification No.)**
120 Mountain View Blvd., Basking Ridge, NJ	**07920**
(Address of Principal Executive Offices)	**(Zip Code)**

Registrant's Telephone Number, Including Area Code: (908) 991-2665

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

Title of Class	Trading Symbol	Name of Exchange on which registered
Common Stock, $0.01 par value per share	BNED	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes ☐ No ☒

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 definition 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 aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant was approximately $197 million based upon the closing market price of $4.19 per share of Common Stock on the New York Stock Exchange as of October 26, 2019. As of June 26, 2020, 48,485,711 shares of Common Stock, par value $0.01 per share, were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's Proxy Statement for the 2020 Annual Meeting of Shareholders are incorporated by reference into Part III.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES

INDEX TO FORM 10-K

DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K contains certain "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 and information relating to us and our business that are based on the beliefs of our management as well as assumptions made by and information currently available to our management. When used in this communication, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," "will," "forecasts," "projections," and similar expressions, as they relate to us or our management, identify forward-looking statements. Moreover, we operate in a very competitive and rapidly changing environment. New risks emerge from time to time. It is not possible for our management to predict all risks, nor can we assess the impact of all factors on our business or the extent to which any factor, or combination of factors, may cause actual results to differ materially from those contained in any forward-looking statements we may make. In light of these risks, uncertainties and assumptions, the future events and trends discussed in this Form 10-K may not occur and actual results could differ materially and adversely from those anticipated or implied in the forward-looking statements.

Such statements reflect our current views with respect to future events, the outcome of which is subject to certain risks, including, among others:

- risks associated with COVID-19 and the governmental responses to it, including its impacts across our businesses on demand and operations, as well as on the operations of our suppliers and other business partners, and the effectiveness of our actions taken in response to these risks;
- general competitive conditions, including actions our competitors and content providers may take to grow their businesses;
- a decline in college enrollment or decreased funding available for students;
- decisions by colleges and universities to outsource their physical and/or online bookstore operations or change the operation of their bookstores;
- implementation of our digital strategy may not result in the expected growth in our digital sales and/or profitability;
- risk that digital sales growth does not exceed the rate of investment spend;
- the performance of our online, digital and other initiatives, integration of and deployment of, additional products and services including new digital channels, and enhancements to higher education digital products, and the inability to achieve the expected cost savings;
- the risk of price reduction or change in format of course materials by publishers, which could negatively impact revenues and margin;
- the general economic environment and consumer spending patterns;
- decreased consumer demand for our products, low growth or declining sales;
- the strategic objectives, successful integration, anticipated synergies, and/or other expected potential benefits of various acquisitions, may not be fully realized or may take longer than expected;
- the integration of the operations of various acquisitions into our own may also increase the risk of our internal controls being found ineffective;
- changes to purchase or rental terms, payment terms, return policies, the discount or margin on products or other terms with our suppliers;
- our ability to successfully implement our strategic initiatives including our ability to identify, compete for and execute upon additional acquisitions and strategic investments;
- risks associated with operation or performance of MBS Textbook Exchange, LLC's point-of-sales systems that are sold to college bookstore customers;
- technological changes;
- risks associated with counterfeit and piracy of digital and print materials;
- our international operations could result in additional risks;
- our ability to attract and retain employees;
- risks associated with data privacy, information security and intellectual property;
- trends and challenges to our business and in the locations in which we have stores;
- non-renewal of managed bookstore, physical and/or online store contracts and higher-than-anticipated store closings;
- disruptions to our information technology systems, infrastructure and data due to computer malware, viruses, hacking and phishing attacks, resulting in harm to our business and results of operations;
- disruption of or interference with third party web service providers and our own proprietary technology;
- work stoppages or increases in labor costs;

- possible increases in shipping rates or interruptions in shipping service;
- product shortages, including decreases in the used textbook inventory supply associated with the implementation of publishers' digital offerings and direct to student textbook consignment rental programs, as well as the risks associated with the impacts that public health crises may have on the ability of our suppliers to manufacture or source products, particularly from outside of the United States;
- changes in domestic and international laws or regulations, including U.S. tax reform, changes in tax rates, laws and regulations, as well as related guidance;
- enactment of laws or changes in enforcement practices which may restrict or prohibit our use of texts, emails, interest based online advertising, recurring billing or similar marketing and sales activities;
- the amount of our indebtedness and ability to comply with covenants applicable to any future debt financing;
- our ability to satisfy future capital and liquidity requirements;
- our ability to access the credit and capital markets at the times and in the amounts needed and on acceptable terms;
- adverse results from litigation, governmental investigations, tax-related proceedings, or audits;
- changes in accounting standards; and
- the other risks and uncertainties detailed in the section titled "Risk Factors" in *Part I - Item 1A* of this Form 10-K.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this Form 10-K.

AVAILABILITY OF INFORMATION

Our website address is www.bned.com and our Investor Relations website address is investor.bned.com. Our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to reports filed pursuant to Sections 13(a) and 15(d) of the Securities Exchange Act of 1934, as amended (Exchange Act), are filed with the U.S. Securities and Exchange Commission (SEC), which maintains an Internet site at www.sec.gov to access such reports. We are subject to the informational requirements of the Exchange Act and file or furnish reports, proxy statements, and other information with the SEC. Such reports and other information filed by the Company with the SEC are available free of charge on our website at investor.bned.com when such reports are available on the SEC's website. We use our investor.bned.com website as a means of disclosing material non-public information and for complying with our disclosure obligations under Regulation FD. Accordingly, investors should monitor investor.bned.com, in addition to following our press releases, SEC filings and public conference calls and webcasts.

The contents of the websites referred to above are not incorporated into this filing. Further, our references to the URLs for these websites are intended to be inactive textual references only.

PART I

Item 1. *BUSINESS*

Unless the context otherwise indicates, references to "we," "us," "our" and "the Company" refer to Barnes & Noble Education, Inc. or "BNED", a Delaware corporation. References to "Barnes & Noble College" or "BNC" refer to our subsidiary Barnes & Noble College Booksellers, LLC. References to "MBS" refer to our subsidiary MBS Textbook Exchange, LLC. References to "Student Brands" refer to our subsidiary Student Brands, LLC.

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. "Fiscal 2020" means the 53 weeks ended May 2, 2020, "Fiscal 2019" means the 52 weeks ended April 27,2019, "Fiscal 2018" means the 52 weeks ended April 28, 2018, "Fiscal 2017" means the 52 weeks ended April 29, 2017, and "Fiscal 2016" means the 52 weeks ended April 30, 2016.

OVERVIEW

General

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also one of the largest textbook wholesalers, inventory management hardware and software providers, and a leading provider of digital education solutions. We operate 1,419 physical, virtual, and custom bookstores and serve more than 6 million students, delivering essential educational content and tools within a dynamic omni channel retail environment. Additionally, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We expect to continue to introduce scalable and advanced digital solutions focused largely on the student, expand our general merchandise e-commerce capabilities, increase market share with new accounts, and expand our strategic opportunities through acquisitions and partnerships. We expect general merchandise sales to increase over the long term, as we continue to change our product assortments to emphasize and reflect changing consumer trends, we evolve our presentation concepts and merchandising of products in stores and online, and we improve our e-commerce capabilities through investments we are making in new systems, processes and people. We have made continued progress in the development of our next generation e-commerce platform, which is launching in Fiscal 2021 to deliver increased high-margin general merchandise sales.

The *BNC* and *MBS* brands are virtually synonymous with innovation in bookselling and campus retail, and, we believe, are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important for leading publishers who rely on us as one of their primary distribution channels, and for being a trusted source for students in our direct-to-student digital solutions business. In Fiscal 2020, we made significant progress in the ongoing rollout of the BNC Adoption & Insights Portal (AIP), an innovative platform that provides enhanced support for faculty and academic leadership to research, submit and monitor course material selections, further driving affordability and student success.

We provide product and service offerings designed to address the most pressing issues in higher education, including affordable and accessible course materials and products designed to drive and improve student outcomes. We offer our *BNC First Day*® inclusive access programs, consisting of *First Day* and *First Day Complete* programs in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students on or before the first day of class. In 2019, we announced an agreement with VitalSource®, part of Ingram Content Group, to use their technology to power our *First Day* inclusive access platform, allowing us to increase penetration rates for course material sales, as well as accelerate and optimize *First Day* implementations. During Fiscal 2020, *First Day* total revenue increased 90% from the prior year period.

Technology-enabled learning is a rapid growth area in the higher education industry, as a growing number of students are enrolling in online services to complement print and digital course materials and classroom activities. We continue to enhance our digital content and services in an efficient, low-cost/high-value manner to complement our course materials business. We have launched a suite of online services, on *bartleby.com*, providing critical services for students to achieve better success throughout their academic journey. Bartleby is a central offering in our developing ecosystem of direct-to-student digital products and services, accessible anytime and anywhere. We offer these online solutions to students via internet search engine optimization, as well as by marketing directly to students in our physical and virtual bookstore footprint and nationally to students. We have demonstrated positive leverage of our managed bookstore footprint, with subscriber results that exceeded our expectations. During Fiscal 2020, we have acquired over 170,000 new customers for bartleby both within our managed bookstore footprint and nationally to students, representing 3x the growth over Fiscal 2019 and a small percentage of the total addressable market opportunity.

COVID-19 Business Impact and Other Recent Matters

Our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures. Beginning in March 2020, colleges and universities nationwide began to close their campuses in light of safety concerns and as a result of local and state issued stay-at-home orders. By mid-March, during our fiscal fourth quarter, we closed the majority of our physical campus stores to protect the health and safety of our customers and employees.

While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. Our fiscal fourth quarter is historically a lower revenue quarter for our operations as it does not include a back-to-school rush period, however, we experienced a loss in revenue in our Retail segment associated with the cancellation of events that traditionally drive sales in the fourth quarter, including athletics events such as March Madness, as well as graduation events.

To mitigate the impact of the business disruption, we have taken steps to significantly reduce costs, including furloughing the majority of our Retail workforce (effective April 2020). We developed and implemented plans to safely reopen our campus stores based on national, state and local guidelines, as well as the campus policies set by the school administration. Colleges and universities in the United States continue to adjust their plans for the upcoming fall term, with some implementing shortened semesters or choosing to remain fully virtual in order to best protect students and faculty.

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. Certain elements of this plan were implemented in late Fiscal 2020, while other actions are planned for Fiscal 2021. We anticipate meaningful annualized cost savings from this program, the majority of which is expected to be realized beginning in Fiscal 2021. As a result, we currently expect to see the most significant impacts of COVID-19 on our business in the first half of Fiscal 2021. However, we cannot accurately predict the duration or extent of the impact of COVID-19 on enrollments, university budgets, athletics and other areas that directly affect our business operations.

In Fiscal 2020, we retained Morgan Stanley & Co. to serve as a financial advisor in connection with our review of strategic opportunities. The review is designed to accelerate the execution of customer-focused strategic initiatives and enhance value for our shareholders, including, but not limited to, continued execution of our current business plan, new partnerships, joint ventures and other potential opportunities. There can be no assurance that the review will result in a transaction or announcement of any kind. We have not set a timetable for the conclusion of the review.

Segments

We identify our segments in accordance with the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker allocates resources and assesses financial performance. We have three reportable segments: Retail, Wholesale and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, continue to be presented as “Corporate Services”. The following discussion provides information regarding the three segments.

RETAIL SEGMENT

General

The *Retail Segment* operates 1,419 college, university, and K-12 school bookstores, comprised of 772 physical campus bookstores and 647 virtual bookstores. Our bookstores typically operate under agreements with college, university, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce sites which we operate and which offer students access to affordable course materials and affinity products, including emblematic apparel and gifts. Our physical and virtual bookstores, e-commerce sites and digital platforms serve and interact with the key constituents in our business ecosystem and enable us to act as a key partner for students, universities and publishers.

The Retail Segment offers existing and prospective clients the flexibility of physical, virtual or custom store solutions, which afford students a ship-to-campus option where course materials are conveniently delivered to a centralized campus location. Students have access to the right course materials at the right time, combined with a superior in-house customer service department to help with ordering, delivery, and digital content inquiries. Students also have the flexibility of using financial aid for their course material purchases.

The Retail Segment also offers our *First Day* and *First Day Complete* inclusive access programs, in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students on or before the first day of class. We have entered into several agreements with major publishers, including Cengage Learning, McGraw-Hill Education and Pearson Education, to distribute their content through *First Day*. In Fiscal 2020, *First Day* total sales increased by 90% from the prior year.

Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of OER courseware.

In Fiscal 2020, in the Retail Segment, we signed contracts for 121 new physical and virtual bookstores for estimated first year annual sales of approximately $110 million, which is generally fully achieved as store becomes fully-operational in their first full year of operations. On a net basis, we generated $45 million in net new business, as we looked to prune some under-performing stores and less profitable contracts were awarded to competitors. Currently, we estimate that approximately 30% of college and university affiliated bookstores in the United States are operated by their respective institutions. We anticipate the trend towards outsourcing in the campus bookstore market, and we intend to aggressively pursue these opportunities to grow our businesses. We evaluate each new contract based on established profitability measures to ensure we maintain a portfolio of profitable accounts. Our ability to offer existing and prospective clients physical, virtual and custom store solutions is a key element of our competitive strategy.

As discussed in the *Overview* above, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus and school closures. As colleges and universities moved to online remote learning, our wholesale operations continued to serve our bookstore and virtual retail customers. Additionally, the Wholesale operations assumed direct-to-student fulfillment of course material orders for the Retail Segment campus bookstores that were not fully operational due to COVID-19 campus store closures. Together, our Retail and Wholesale businesses responded very quickly to the store closures, transitioning more than 300 stores to a Custom Store Solutions, or “CSS,” model, as compared to only four stores last year. Through the CSS model, a customer places their courseware order on a bookstore website, and that order is then directed to the MBS warehouse, which fills and ships the order directly to the customer. This back-end solution is unnoticed by the customer but ensures there is no service delay. It underscores the strength of the virtual and fulfillment capabilities that MBS provides for the company and allowed us to support customers through a difficult and uncertain time.

Contracts

Physical and Custom Campus Bookstore Solutions

We operate 772 physical campus bookstores. Our physical bookstores are typically operated under management agreements with the college or university to be the official university bookstore and the exclusive seller of course materials and supplies, including physical and digital products sold in-store, online or through learning management systems. We pay the school a percentage of sales for the right to be the official college or university bookstore and the use of the premises; approximately half of our agreements do not have any minimum guaranteed amount to be paid to our partners. In addition, we have the non-exclusive right to sell all items typically sold in a college bookstore both in-store and online. We also have the ability to integrate the store's systems with the university’s systems in order to accept student financial aid, university debit cards and other forms of payment. Our decentralized management structure empowers local teams to make decisions based on the local campus needs and fosters collaborative working relationships with our partners.

We also offer “Custom Store Solutions” where an institution has a physical on-campus store for general merchandise sales, but course materials are offered virtually and fulfilled direct-to-student (either to an individual address or a central campus pick-up point). Our virtual-only solutions, discussed below, also have the ability to offer ship-to-campus options.

The physical bookstore management contracts with colleges and universities typically include five year terms with renewal options and are typically cancelable by either party without penalty with 90 to 120 days' notice. Our campus bookstores have an average relationship tenure of 15 years. From Fiscal 2017 through Fiscal 2020, approximately 90% of these contracts were renewed or extended, often before their termination dates.

Virtual Campus Bookstore Solutions

We operate 647 virtual campus bookstores. Our virtual bookstores operate under a contract with the school as the exclusive online seller of course materials. We operate as the institution’s official source of course materials with exclusive rights to booklists and access to online programs that link course materials to the courses offered by the school. Our virtual-only solutions typically ship course materials directly to students, but also have the ability to offer ship-to-campus options.

Virtual bookstore agreements typically have a term that ranges between three to five years, with automatic renewal periods. For the past three years, we have retained over 90% of our contracts annually, with the majority of the contracts being automatically renewed as per the contract terms or renewed before their expiration dates. We pay the school a percentage of sales for the right to be the official college or university bookstore.

We also operate Textbooks.com℠ which is one of the largest e-commerce sites for new and used textbooks. This division is primarily for direct-to-student sales.

Customers and Distribution Network

As of May 2, 2020, we operate 772 physical college and university bookstore operations and 647 virtual bookstore operations (425 K-12 virtual stores or 66% and 222 Higher Education virtual stores or 34%) located in the United States, in 49 states and the District of Columbia. Our Retail sales team is organized by specific territory and offer all solutions (physical, virtual or custom store solutions) to public, state, private, community college, trade and technical, for-profit, online education institutions, including K-12 locations, within their respective territories.

Product and Service Offerings

We offer a broad suite of affordable course materials, including new and used print textbooks (which are available for sale or rent), digital textbooks and publisher hosted digital courseware, at our physical and virtual bookstores, as well as directly to students through Textbooks.com. We offer a robust used textbook selection, unique guaranteed buyback program, dynamic pricing, and marketplace offerings.

We service our physical and virtual bookstores with a comprehensive e-commerce experience and a broad suite of affordable course materials. Additionally, our physical campus stores are social and academic hubs through which students can access affordable course materials, along with emblematic apparel and gifts, trade books, technology, school supplies, café offerings, convenience food and beverages, and graduation products. The majority of physical campus stores also have school-branded e-commerce sites which we operate and which offer the same products as the on campus stores.

Product and service offerings include:

- *Course Material Sales and Rentals*. Sales and rentals of course materials are a core revenue driver and our faculty and student platforms operate as a seamless extension of our partner schools' registration, student information and learning management systems. Students can access affordable course materials, including new and used print, eTextbooks, and e-content, which are available for sale or rent. We work directly with faculty to ensure the course materials they have chosen for their courses are available in all required formats before the start of classes. Our wholesale distribution channel enables our Retail Segment to optimize textbook sourcing so they are able to more efficiently source and distribute a comprehensive inventory of affordable course materials to customers. In Fiscal 2020, we made significant progress in the ongoing rollout of BNC Adoption & Insights Portal (AIP), an innovative platform that provides enhanced support for faculty and academic leadership to research, submit and monitor course material selections, further driving affordability and student success.
- *Inclusive Access.* We offer our *BNC First Day*™ inclusive access programs, consisting of *First Day* and *First Day Complete* in which course materials are offered at a reduced price through a course materials fee or included in tuition, and delivered to students on or before the first day of class. In 2019, we announced an agreement with VitalSource®, part of Ingram Content Group, to use their technology to power our *First Day* inclusive access platform, for digitally formatted courseware, allowing us to accelerate and optimize *First Day* implementations. We have entered into several agreements with major publishers, including Cengage Learning, McGraw-Hill Education and Pearson, to provide their e-content through *First Day*. The seamless delivery is made possible by our *First Day* technology and publishers' technology integrations with campus systems. These initiatives provide students, faculty and institutions greater access to more affordable course materials. *First Day* offers the inclusive access model on a class-by-class basis, as adopted by the individual instructors on a campus, as compared to our *First Day Complete* program, in which the entire school adopts the inclusive access model for essentially all of their courses. In Fiscal 2020, *First Day* programs' total sales increased by 90% from the prior year. *First Day Complete* offers the delivery of both digital and physical courseware priced at substantial discounts compared to traditional individual student sales offerings. Offering courseware sales through our inclusive access *First Day* and *First Day Complete* models is a key and increasingly important strategic initiative of ours to meet the market demands of substantially reduced pricing to students while, at the same time, increasing our market share, revenue and relative gross margins of courseware sales given the higher volumes of units sold in such models as compared to historical sales models that rely on individual student marketing and sales.
- *BNC OER+*. *BNC OER+*, a turnkey solution for colleges and universities, offers advanced, affordable learning materials built on a high-quality foundation of OER and enhanced with digital content that includes videos, activities and auto-graded practice assessments that faculty can easily customize to align with class objectives. *BNC OER+* significantly reduces course material costs for students and is easy for faculty to implement. *BNC OER+* is delivered digitally and can be seamlessly integrated with an institution's campus LMS. Optional print companions of the etextbook are available to students. In Fiscal 2020, we expanded our available subject offerings to 64 courses, offering general education courses, including sociology, psychology, economics, business, early childhood and criminal justice. In Fiscal 2020, we had *BNC OER+* sales to over 9,700 students at 125 unique colleges and universities, including technical colleges and online programs.
- *eTextbooks.* We have partnered with VitalSource, a global leader in building, enhancing and delivering digital content, on our digital reading platform and digital content catalog.
- *General Merchandise*. For our physical campus bookstores and custom store solutions, we drive high-margin general merchandise sales through both in-store and online channels and feature collegiate and athletic apparel, other custom-branded

school spirit products, lifestyle products, technology products, supplies and convenience items. We continue to see significant growth in our general merchandise e-commerce sales. We have made continued progress in the development of our next generation e-commerce platform, which is launching in Fiscal 2021 to deliver increased high-margin general merchandise sales.

We operate 109 True Spirit e-commerce websites, which are dedicated virtual stores that appeal specifically to the alumni and sports fan base. We also operate pop-up retail locations at major sporting events, such as football and basketball games, for our partner colleges and universities. The True Spirit e-commerce websites for athletic branded merchandise and the physical pop-up retail locations continue to build our partner schools' brands through alumni and athletics, fostering school spirit and capturing the excitement of collegiate sports. We utilize event driven direct marketing strategies for events, such as tournament playoffs or homecoming events, to target an online population of students, alumni and sports fans, with emails and search engine marketing.

- *Cafés and Convenience Stores.* At our physical campus locations, we operate 86 customized cafés, featuring Starbucks Coffee®, as well as regional coffee roasters, and 13 stand-alone convenience stores. Our Café locations and convenience marketplaces offer diverse grab-and-go options including organic, vegan, gluten-free and regional fresh food products. These offerings increase traffic and time spent in our physical stores. As market needs change, we are adapting our model to include more grab-and-go pre-packed fresh food items, simplified menus to reduce food waste and new technology to reduce operating complexity and make the customer experience more efficient.
- *Brand Partnerships.* Through our unique relationship with students, colleges and universities, and our premier position on campus, we operate as a media channel for brands looking to target the college demographic, and derive revenue from these marketing programs. We also focus on promoting lifestyle products to students and faculty by promoting various brands to connect on a much more personal level. We create strategic, integrated campaigns which include research, email, social media, display advertising, on-campus events, signage, and sampling. Our client list includes brands such as Chase, Target, Masterpass, GEICO, DirecTV, GrubHub, Shutterfly, The New York Times and Tom's of Maine. Revenue from these services have higher margin rates due to the relatively low incremental cost structure to provide these services.

Merchandising and Supply Chain Management

Our purchasing procedures vary based on type of bookstore (physical or virtual) and by product type (i.e. course materials, general merchandise or trade books).

Course Materials and Trade Books

Purchases are made at the bookstore level with strategic corporate oversight to determine purchase quantities and maintain appropriate inventory levels. After titles are adopted for an upcoming term, we determine how much inventory to purchase based on several factors, including student enrollment and the previous term's course material sales history. For physical campus bookstores, we use an automated sourcing system to determine if another store has the necessary new or used textbooks on hand and may transfer the inventory to the appropriate store.

The Retail Segment fulfillment order is directed first to our wholesale business before other sources of inventory are utilized. Our wholesale business significantly increases our textbook supply at competitive prices, as well as our ability to liquidate non-returnable inventory. Our broad wholesale distribution channel and warehousing systems also drive inventory efficiencies by using real-time information regarding title availability, edition status and market prices, allowing the Retail Segment to optimize its course material sourcing and purchasing processes. During late Fiscal 2020, we restructured our management of physical courseware inventory ordering and fulfillment functions to better integrate our Retail and Wholesale personnel and centralize decision-making to achieve efficiencies, cost savings and a more streamlined approach.

After internal sourcing, the bookstore purchases remaining inventory needs from outside suppliers and publishers. For course material sales and rentals, we utilize sophisticated inventory management platforms to manage pricing and inventory across all stores. Our primary suppliers of new textbooks are publishers, including Pearson Education, Cengage Learning, McGraw-Hill Education, Macmillan Learning, and John Wiley & Sons. Both unsold textbooks and trade books are generally returnable to publishers for full credit. Our primary suppliers of used textbooks are students, through returns of previously rented and purchased books. We offer a "Cash for Books" program in which students can sell their books back to the physical or virtual bookstore at the end of the semester, typically in December and May. Students typically receive up to 50% of the price they originally paid for the book if it has been adopted for a future class or the current wholesale price if it has not.

The larger physical bookstores feature an expanded selection of trade books (general reading) and use the Barnes & Noble, Inc. Book Master system, a proprietary merchandising system licensed from Barnes & Noble, Inc. ("Barnes & Noble"). Merchants meet with publishers on a regular basis to identify new titles and trends to support this changing business.

General Merchandise

General merchandise vendors and product selection is driven by our central merchant organization that is responsible for curating the overall product assortment for the academic year. Benchmarks are established across school type, region and the demographics of each of our schools to allow for store level insights and customization for a product assortment that is unique to address the needs of each school that we serve. Our ability to support and promote our partner schools' brands strengthens our relationships with the administration, faculty, alumni, fans, parents and students.

Customer Engagement and Marketing

Campus Community

Our campus relationships and contractual agreements allow us to seamlessly integrate into the college and university community. With direct access to our customer base through both physical and digital channels, we drive awareness, revenue and loyalty for the schools that we serve. We actively market and promote to all segments of our customer base for our physical and virtual bookstores, as well as Textbooks.com. We develop fully-integrated marketing programs to drive engagement with the students, parents, alumni and fans to promote all of our product and services, with a focus on academic course material needs, as well as school spirit, supply and technology categories. Textbooks.com marketing strategies target an online population of students, lifelong learners, parents and general textbook shoppers through a variety of channels including email, search engine marketing and affiliate marketing.

We have robust research capabilities that keep us ahead of the rapidly changing needs and behaviors of our customers, which allow us to proactively respond with relevant and dynamic solutions. Our Barnes & Noble College Insights® platform connects us to a community of over 7,000 students who help guide and inform our strategies and direction.

Our customizable technology delivers a seamless experience providing students and faculty with the ability to research, locate and purchase the most affordable course materials. Our platforms include single sign-on (SSO), student information system integration, registration integration, learning management system integration, real-time financial aid platform, point of sale platform and course fee solutions. Through our fully-integrated purchasing process, students can purchase their course materials in-store, online, or when registering for classes.

Faculty and School Administrators

We support faculty and academic leadership with our proprietary online platform which allows content search, discovery and course material adoption, enabling them to offer course materials that are both relevant and affordable for their students.

Seasonality

Our retail business is highly seasonal, with the major portion of sales and operating profit realized during the second and third fiscal quarters, when college students generally purchase and rent textbooks for the upcoming semesters. Revenue from the rental of physical textbooks is deferred and recognized over the rental period commencing at point of sale. Revenue from the rental of digital textbooks is recognized at time of sale.

WHOLESALE SEGMENT

General

The Wholesale Segment is comprised of the wholesale and virtual retail fulfillment, and support operations of our MBS subsidiary. The Wholesale Segment enables the Company to generate more value from the textbook marketplace through inventory and procurement synergies. Since our acquisition of MBS in February 2017, we have achieved certain operational and cost synergies by our ongoing integration of various activities and functions, such as new business sales, inventory management, customer support, and information technology support, amongst other activities.

We are one of the largest textbook wholesalers in the country, providing a comprehensive selection of new and used textbooks at a lower cost of supply to approximately 3,400 physical bookstores, including our Retail Segment's 772 physical campus bookstores. Our wholesale business also sources and distributes new and used textbooks to our 647 virtual bookstores. Additionally, through our Wholesale Segment, we sell hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 400 college bookstores.

As discussed in the *Overview* above, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus and school closures. As colleges and universities moved to online remote learning, our wholesale operations continued to serve our bookstore and virtual retail customers. Additionally, the Wholesale operations assumed direct-to-student fulfillment of course material orders for the Retail Segment campus bookstores that were not fully operational due to COVID-19 campus store closures. Together, our Retail and Wholesale businesses responded very quickly to the store closures, transitioning more than 300 stores to a Custom Store Solutions, or "CSS," model, as compared to only four stores last year. Through the CSS model, a customer places their courseware order on a bookstore website, and that order is then directed to the MBS warehouse, which fills and ships the order directly to the customer. This back-end solution is unnoticed by the customer but ensures there is no service delay. It underscores the strength of the virtual and fulfillment capabilities that MBS provides for the company and allowed us to support customers through a difficult and uncertain time.

Product and Service Offerings

Product and Service offerings include:

- *Wholesale Textbook Distribution.* Our large inventory of used textbooks consists of approximately 300,000 textbook titles in stock, and utilizes a highly automated distribution facility that processes approximately 11 million textbooks annually.

  Additionally, we are a national distributor for rental textbooks offered through McGraw-Hill Education's consignment rental program (which includes approximately 567 titles) and Pearson Education's consignment rental program (which includes approximately 456 titles). Through our centrally located, advanced distribution center, we offer the seamless integration of these consignment rental programs and centralized administration and distribution to 1,697 stores, including the Retail Segment stores. These consignment rental programs are available to our wholesale customers, including institutionally run and contract managed campus bookstores, as well as our physical and virtual bookstores.

- *Wholesale Inventory Management, Hardware and POS Software.* We sell hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 400 college bookstores. We provide on-site installation for point-of-sale terminals and servers, and offer technical assistance through user training and our support center facility. The cost savings and ease of deployment ensure clients get the most out of their management systems and create strong customer loyalty.

Supply Chain Management

An extensive national sales force secures a steady supply of high demand used textbooks, which is critical to the success of the wholesale business. A primary supplier of used textbooks are students, through the return of previously rented and purchased books to their campus bookstore. We purchase new and used textbooks from our physical and virtual bookstores, other bookstore operators, institutional bookstores, book dealers, publishers, other distributors and other wholesalers. We offer a "Cash for Books" program in which students can sell their books back to the store at the end of the semester, typically in December and May.

Our broad wholesale distribution channel and warehousing systems also drives inventory efficiencies, allowing us to optimize our textbook sourcing, purchasing and liquidation processes. We leverage our wholesale distribution channel and warehousing systems to more efficiently source and distribute a robust, comprehensive inventory of affordable course materials to our bookstore customers. Through our proprietary Database Buying Guide, we have access to the best maintained, most accurate, and most complete source of college textbook information available - a key asset that allows us to develop superior supply and demand insights and risk management capabilities.

Customer Marketing Strategies

We have developed deep relationships with our wholesale customer base as a result of our substantial inventory of used textbooks, a comprehensive catalog of textbooks, and superior service and systems support. We continue to maintain a portfolio of profitable accounts, given the demand for used and new textbooks has historically been greater than the available supply.

Seasonality

Our wholesale business is highly seasonal, as a major portion of sales and operating profit is realized during the first, second and third fiscal quarters, when textbooks are sold for retail distribution.

DIGITAL STUDENT SOLUTIONS SEGMENT

General

The Digital Student Solutions ("DSS") Segment includes direct-to-student product and service offerings to assist students to study more effectively and improve academic performance, thus enabling them to gain the valuable skills necessary to succeed after college. DSS is comprised of the operations of Student Brands, LLC, a leading direct-to-student subscription-based writing services business, and *bartleby*, a direct-to-student subscription-based offering providing textbook solutions, expert questions and answers, AI-based writing assistance, and tutoring services.

We offer these online solutions to students via internet search engine optimization, as well as by marketing directly to students in our physical and virtual bookstore footprint and nationally to students. Our physical and virtual bookstore footprint, and associated student relationships, present a sizable addressable market for our digital products and services. We continue to enhance and invest in our digital content and solutions to complement and leverage our bookstore and wholesale businesses. The revenue from these services have higher margin rates due to the relatively fixed cost structure of these operations.

We continue to aggressively expand our ecosystem of products and services through our own internal development, as well as by partnering with other companies to provide a complete hub of products and services designed to improve student success and outcomes. We continue to innovate and collaborate with our partners to provide solutions and services in an efficient, low-cost/high-value manner that extend well beyond sourcing course materials and sales to include new digital services that support successful student outcomes. We leverage our product offerings by bundling our products with complementary solution services.

During Fiscal 2020, we invested in our student success platform and proprietary content to drive our ecosystem of products and services. In the future, our strategy is to aggressively grow the DSS Segment through: (i) internally developed new products and services; (ii) acquisitions of companies, products and services; (iii) and partnering with other leading service providers, like *The Princeton Review*. Unlike other providers of digital services to students, our well-established, deep relationships with college and university partners, as well as our physical presence on campus, provides us with a significant competitive advantage as we roll out new products and services on the campuses and universities we serve. This integration with the products and services from our other operating segments allows us to offer students new products and services in an increasingly relevant, cost effective, and targeted way. The addressable market outside our physical and virtual bookstore footprint is an additional area where we market these products and services to students.

Customers and Service Offerings

Student Brands

Student Brands provides writing services in a direct-to-student subscription-based model. The majority of subscriptions sold are one month in duration. Subscription revenue is deferred and recognized over the service period. Student Brands also generates revenue from digital advertisements. The revenue from these services have higher margin rates due to the relatively fixed cost structure of these operations.

Student Brands has a substantial and growing community of online learners, with over 100,000 gross subscribers across its digital properties, which include *bartleby.com*, *123HelpMe.com*, *PaperRater.com* and *StudyMode.com* in the United States and *TrabalhosFeitos.com*, *Etudier.com* and *Monografias.com* in Brazil, France and Mexico, respectively.

Student Brands addresses writing pain points; students can search for a topic, develop an outline, and access authenticity technology. The content database allows students to leverage academic resources and references, with over 42 million essays across 4 languages representing more than 15 different countries, and receives more than 35 million unique monthly visitors to its sites. Student Brands utilizes deep data analytics and artificial intelligence to drive its content management system, the “Content Brain”. The study tools supplement the student’s learning ecosystem by assisting across multiple subjects and varied assignments on a digital platform.

bartleby

Bartleby is a central offering in our developing ecosystem of direct-to-student digital products and services, accessible anytime and anywhere. *bartleby.com* provides critical services for students to achieve better success throughout their academic journey. The bartleby product offerings consist of *bartleby learn*™ comprised of textbook solutions (over 1,600 titles), question and answer solutions, and study guides; *bartleby write*™ comprised of revision, plagiarism, citation and scoring tools; and *bartleby tutor*™ comprised of online tutoring services.

We offer these online solutions to students via internet search engine optimization, as well as by marketing directly to students in our physical and virtual bookstore footprint and nationally to students. We provide these services in a direct-to-student subscription-based model. The majority of subscriptions sold are monthly in duration. Subscription revenue is deferred and recognized over the service period.

Customer Marketing Strategies

The implementation of our digital strategy initially relies on leveraging our bookstore relationships, both physical and virtual, to help accelerate the adoption of our new digital products and services. By leveraging the our physical and virtual bookstore footprints among students and faculty of both K-12 schools and higher education institutions, as well with our search engine optimization efforts and marketing investment in other channels such as search engine marketing (SEM), we have substantially more opportunities to market the solutions students need to improve success in the classroom and beyond. We have demonstrated positive leverage of our managed bookstore footprint, with subscriber results that exceeded our expectations. For Fiscal 2020, we have achieved over 170,000 customers subscribed for *bartleby* homework solutions and writing services utilizing marketing and promotional offers, both within our managed bookstore footprint and nationally to students, representing a small percentage of the total addressable market opportunity.

Seasonality

Revenues and operating profit are realized relatively consistently throughout the year, although quarterly results may fluctuate depending on the timing of the start of the various schools' semesters.

COMPETITION

We operate within a competitive and rapidly changing business environment, in general, and each of our lines of business face competition for the products and services they offer. As it relates to our full service campus bookstore operations, Follett is the primary competitor for institutional contracts. We also compete with other vendors for mostly smaller accounts, including BBA Solutions, Texas Book Company, indiCo and Tree of Life. Our online/virtual course material store operations primarily face competition from eCampus and Akademos, and on occasion, Ambassador Educational Solutions. We also face competition from direct-to-student course material channels, including Amazon, Chegg.com, publishers (e.g. Cengage Learning, Pearson Education and McGraw-Hill Education) that bypass the retail distribution channel by selling directly to students and institutions and other third-party websites and/or local bookstores. We face competition from eTextbook/digital content providers VitalSource Technologies, Inc. and Red Shelf, which offer independent bookstores a catalog of digital content and distribution services and also have direct-to-student selling channels for digital materials.

Competitors for institutional contracts for our general merchandise and spirit wear offerings include Fanatics, Sodexo and Aramark. Our general merchandise business also faces competition from direct-to-student sales from Fanatics, Walmart, Amazon, Dick's Sporting Goods, other third-party online retailers, physical and online office supply stores and local and national retailers that offer college-themed and other general merchandise.

Competitors for our wholesale new and used textbook inventory and distribution include Amazon, BBA Solutions, indiCo, Nebraska Book Company and Texas Book Company.

Our DSS Segment faces competition from other digital student solutions providers including Chegg.com, CourseHero, Grammarly, Quizlet, Noodle Tools, and Turnitin (iParadigms). As we develop a wider range of products and services, our competitive landscape will change and include other competitors in the broader student services market.

TRENDS AND OTHER BUSINESS CONDITIONS AFFECTING OUR BUSINESS

The market for educational materials is undergoing unprecedented change. As tuition and other costs rise, colleges and universities face increasing pressure to attract and retain students and provide them with innovative, affordable educational content and tools that support their educational development. Current trends and other factors affecting our business include:

- *Overall Economic Environment, College Enrollment and Consumer Spending Patterns.* Our business is affected by the overall economic environment, funding levels at colleges and universities, by changes in enrollments at colleges and universities, and spending on course materials and general merchandise.
    - *Impact of COVID-19:* The COVID-19 pandemic has materially and adversely impacted the U.S. economy and financial markets, with legislative and regulatory responses including unprecedented monetary and fiscal policy actions across all sectors, and there is significant uncertainty as to timing of stabilization and recovery. Many colleges and K-12 schools have been required to cease in-person classes in an attempt to limit the spread of the COVID-19 pandemic and ensure the safety of their students. Although many institutions plan to reopen, academic institutions are considering alternatives to traditional in-person instruction, including on-line learning and significantly reduced class room size.
    - *Economic Environment*: Retail general merchandise sales are subject to short-term fluctuations driven by the broader retail environment.
    - *Enrollment Trends.* The growth of our business depends on our ability to attract new customers and to increase the level of engagement by our current student customers. We continue to see downward enrollment trends and shrinking resources from state and federal government for colleges and universities. Enrollment trends, specifically at community colleges, generally correlate with changes in the economy and unemployment factors, e.g. low unemployment tends to lead to low enrollment and higher unemployment rates tend to lead to higher enrollment trends, as students generally enroll to obtain skills that are in demand in the workforce. Enrollment trends may be negatively impacted overall by COVID-19 concerns at physical campuses, although there is some preliminary evidence that community college systems that rely more on "commuter" rather than "residential" students may experience less of a negative impact, or some may even experience an increase, in enrollment due to projected high unemployment rates in the Fall of 2021. A significant reduction in U.S. economic activity and increased unemployment, which could lead to decreased enrollment and consumer spending. Additionally, enrollment trends are impacted by the dip in the United States birth rate resulting in fewer students at the traditional 18-24 year-old college age. Online degree program enrollments continue to grow, even in the face of declining overall higher education enrollment.
- *Increased Use of Online and Digital Platforms as Companions or Alternatives to Printed Course Materials*. Students and faculty can now choose from a wider variety of educational content and tools than ever before, delivered across both print and digital platforms.

- *Distribution Network Evolving*. The way course materials are distributed and consumed is changing significantly, a trend that is expected to continue. The market for course materials, including textbooks and supplemental materials, is intensely competitive and subject to rapid change.
  - *Disintermediation.* We are experiencing growing competition from alternative media and alternative sources of textbooks and other course materials. In addition to the official physical or virtual campus bookstore, course materials are also sold through off-campus bookstores, e-commerce outlets, digital platform companies, publishers, including Cengage, Pearson and McGraw Hill, bypassing the bookstore distribution channel by selling or renting directly to students and educational institutions, and student-to-student transactions over the Internet.
  - *Supply Chain and Inventory.* Since the demand for used textbooks has historically been greater than the available supply, our financial results are highly dependent upon Wholesale's ability to build its textbook inventory from suppliers in advance of the selling season. Some textbook publishers have begun to supply textbooks pursuant to consignment or rental programs which could impact used textbook supplies in the future. Additionally, Wholesale is a national distributor for rental textbooks offered through McGraw-Hill Education's and Pearson Education's consignment rental program, both of which are relatively nascent.
  - *Price Competition.* In addition to the competition in the services we provide to our customers, our textbook and other course materials business faces significant price competition. Students purchase textbooks and other course materials from multiple providers, are highly price sensitive, and can easily shift spending from one provider or format to another.
- *A Large Number of Traditional Campus Bookstores Have Yet to be Outsourced.*
  - *Outsourcing Trends.* We continue to see the trend towards outsourcing in the campus bookstore market and also continue to see a variety of business models being pursued for the provision of course materials (such as inclusive access programs and publisher subscription models) and general merchandise.
  - *New and Existing Bookstore Contracts.* We expect awards of new accounts resulting in new physical and virtual store openings will continue to be an important driver of future growth in our business. We also expect that certain less profitable or essential bookstores we operate may close. Such stores could be included in contracts for stores we operate that may be deemed non-essential; and such stores could be operated by others or independently by schools. The scope of any such store closures remains uncertain at this time, although we are not aware, at this time, of any significant volume of stores which we operate that are likely to close or have informed us of upcoming closures.

GOVERNMENT REGULATION

We are subject to a number of laws and regulations that affect companies conducting business on the Internet and in the education industry, many of which are still evolving and could be interpreted in ways that could harm our business. The manner in which existing laws and regulations will be applied to the Internet and students in general and how they will relate to our business in particular, are often unclear. For example, we often cannot be certain how existing laws will apply in the e-commerce and online context, including with respect to such topics as privacy, defamation, pricing, credit card fraud, advertising, taxation, sweepstakes, promotions, content regulation, financial aid, scholarships, student matriculation and recruitment, quality of products and services and intellectual property ownership and infringement.

Numerous laws and regulatory schemes have been adopted at the national and state level in the United States, and in some cases internationally, that have a direct impact on our business and operations. For example:

The CAN-SPAM Act of 2003 and similar laws adopted by a number of states, regulate unsolicited commercial emails, create criminal penalties for emails containing fraudulent headers and control other abusive online marketing practices. Similarly, the U.S. Federal Trade Commission ("FTC") has guidelines that impose responsibilities on us with respect to communications with consumers and impose fines and liability for failure to comply with rules with respect to advertising or marketing practices they may deem misleading or deceptive.

The Telephone Consumer Protection Act of 1991 ("TCPA") restricts telemarketing and the use of automated telephone equipment. The TCPA limits the use of automatic dialing systems, artificial or prerecorded voice messages, SMS text messages and fax machines. It also applies to unsolicited text messages advertising the commercial availability of goods or services. Additionally, a number of states have enacted statutes that address telemarketing. For example, some states, such as California, Illinois and New York, have created do-not-call lists. Other states, such as Oregon and Washington, have enacted "no rebuttal statutes" that require the telemarketer to end the call when the consumer indicates that he or she is not interested in the product being sold. Restrictions on telephone marketing, including calls and text messages, are enforced by the FTC, the Federal Communications Commission, states and through the availability of statutory damages and class action lawsuits for violations of the TCPA.

The Restore Online Shopper Confidence Act ("ROSCA"), and similar state laws, impose requirements and restrictions on online services that automatically charge payment cards on a periodic basis to renew a subscription service, if the consumer does not cancel the service.

The Credit Card Accountability Responsibility and Disclosure Act of 2009, or CARD Act, and similar laws and regulations adopted by a number of states regulate credit card and gift certificate use, including expiration dates and fees. Our business also requires that we comply with payment card industry data security and other standards. In particular, we are subject to payment card association operating rules, certification requirements and rules governing electronic funds transfers, which could change or be reinterpreted to make it difficult or impossible for us to comply. If we fail to comply with these rules or requirements, or if our data security systems are breached or compromised, we may be liable for card issuing banks' costs, subject to fines and higher transaction fees and lose our ability to accept credit and debit card payments from our customers, process electronic funds transfers or facilitate other types of online payments, and our business and operating results could be adversely affected.

Regulations related to the Program Participation Agreement of the U.S. Department of Education and other similar laws regulate the recruitment of students to colleges and other institutions of higher learning.

The Children's Online Privacy Protection Act imposes additional restrictions on the ability of online services to collect information from minors. In addition, certain states, including Utah and Massachusetts, have laws that impose criminal penalties on the production and distribution of content that is "harmful to a minor."

The Digital Millennium Copyright Act ("DMCA") provides relief for claims of circumvention of copyright protected technologies and includes a safe harbor intended to reduce the liability of online service providers for hosting, listing or linking to third-party content that infringes copyrights of others.

The Communications Decency Act provides that online service providers will not be considered the publisher or speaker of content provided by others, such as individuals who post content on an online service provider's website.

The General Data Protection Regulation ("GDPR"), became effective in May 2018. This European Union ("EU") law governing data practices and privacy which applies to all of our activities conducted from an establishment in the EU or related to products and services offered in the EU, imposes a range of new compliance obligations regarding the handling of personal data.

The California Consumer Privacy Act ("CCPA"), which will go into effect on January 1, 2020, provides consumers the right to know what personal data companies collect, how it is used, and the right to access, delete and opt out of sale of their personal information to third parties. It also expands the definition of personal information and gives consumers increased privacy rights and protections for that information. The CCPA also includes special requirements for California consumers under the age of 16.

EMPLOYEES

As of May 2, 2020, the Company had approximately 5,500 employees, of which approximately 3,400 were full time and the remaining were regularly scheduled part-time employees. In addition, we hired approximately 10,800 temporary employees during peak periods during Fiscal 2020. Our employees are not represented by unions, with the exception of 19 employees. We believe that our relationship with our employees is good.

INFORMATION ABOUT OUR EXECUTIVE OFFICERS

The following sets forth information regarding our executive officers, including their positions (ages as of June 25, 2020):

Name	Age	Position
Michael P. Huseby.	65	Chairman and Chief Executive Officer
Thomas D. Donohue	50	Executive Vice President, Chief Financial Officer
Kanuj Malhotra	53	Executive Vice President, Corporate Development; President, Digital Student Solutions
Michael C. Miller	48	Executive Vice President, Corporate Affairs, Chief Legal Officer, and Secretary
Stephen Culver	55	Senior Vice President, Chief Information Officer
JoAnn Magill.	66	Senior Vice President, Human Resources
Seema C. Paul	56	Senior Vice President, Chief Accounting Officer

Michael P. Huseby, age 65, serves as our Chairman of the Board of Directors and Chief Executive Officer. He was a member of the Board of Directors of Barnes & Noble from January 2014 and served as the Chief Executive Officer of Barnes & Noble until the complete legal and structural separation of the Company from Barnes & Noble on August 2, 2015. Mr. Huseby was elected to the Board of Directors of the Company and was appointed Executive Chairman effective August 2, 2015. Effective September 19, 2017, Mr. Huseby became Chief Executive Officer of the Company in addition to his role as Chairman of the Board of Directors. Previously, Mr. Huseby was appointed President of Barnes & Noble in July 2013, and Chief Financial Officer of Barnes & Noble in March 2012. From 2004 to 2011, Mr. Huseby served as Executive Vice President and Chief Financial Officer of Cablevision Systems Corporation, a leading telecommunications and media company, which was acquired by the Altice Group in June 2016. He served on the Cablevision Systems Corporation Board of Directors in 2000 and 2001. Prior to joining Cablevision, Mr. Huseby served as Executive Vice President and Chief Financial Officer of Charter Communications, Inc., a large cable operator in the United States. Mr. Huseby served on the Board of Directors of Charter Communications from May 2013 through May 2016. Mr. Huseby served as Executive Vice President, Finance and Administration, of AT&T Broadband, a leading provider of cable television services from 1999 to 2002, when it was sold to Comcast Corporation. In addition, Mr. Huseby spent over 20 years at Arthur Andersen, LLP and Andersen Worldwide, S.C., where he held the position of Global Equity Partner serving a myriad of clients, including a number of large publicly-traded companies. Mr. Huseby served on the Board of Directors of CommerceHub, Inc., a cloud-based e-commerce fulfillment and marketing software platform company previously listed on Nasdaq, from July 2016 until May 2018 with his tenure ending upon the consummation of the sale of CommerceHub to financial sponsors. While on the Board of CommerceHub, Mr. Huseby served as chair of the Audit Committee and as a member of the Compensation Committee.

Thomas D. Donohue, age 50, serves as our Executive Vice President, Chief Financial Officer. In this role he is responsible for overseeing accounting, tax and enterprise risk management, internal audit, treasury and investor relations. Previously, he served as Senior Vice President, Treasurer and Investor Relations for the Company since 2015. Prior to joining Barnes & Noble Education, Mr. Donohue served as Treasurer of Barnes & Noble, Inc. since June 2012. Prior to joining Barnes & Noble, he spent 12 years at the Interpublic Group of Companies, a global provider of advertising and marketing services, where he served as Vice President, Assistant Treasurer, International.

Kanuj Malhotra, age 53, serves as our Executive Vice President, Corporate Development and President of our Digital Student Solutions business. Mr. Malhotra was appointed Chief Financial Officer of NOOK Media LLC in July 2013. He joined Barnes & Noble as Vice President of Corporate Development in May 2012. Prior to joining the Company, Mr. Malhotra was Vice President and Finance Head for Kaplan Test Prep, a division of The Washington Post Company, from 2011 to 2012. At Kaplan, he led a business transformation from physical test centers to a digital online learning platform. From 2008 to 2010, Mr. Malhotra was Chief Financial Officer of Sloane Square Partners LLC. Between 2005 and 2007, he was the Chief Financial Officer for the International Division of the Cendant Marketing Group and Affinion International, which was divested by Cendant Corporation to Apollo Management. Mr. Malhotra began his career in Mergers and Acquisitions at Lehman Brothers.

Michael C. Miller, age 48, serves as our Executive Vice President, Corporate Affairs, Chief Legal Officer and Secretary. Previously, Mr. Miller served as Executive Vice President, Corporate Strategy and General Counsel. Mr. Miller joined Barnes & Noble Education in April 2017 and also serves as Corporate Secretary. Before joining the Company, he served as Executive Vice President, General Counsel and Secretary of Monster Worldwide, Inc. from December 2008 through December 2016, as Vice President and Deputy General Counsel from July 2008 to December 2008, and as Vice President and Associate General Counsel from October 2007 to July 2008. Prior to Monster, Mr. Miller was Senior Counsel for Motorola, Inc. from February 2007 to September 2007. From June 2002 to January 2007, he served in various capacities as Senior Corporate Counsel for Symbol Technologies, Inc. Prior to joining Symbol, Mr. Miller was associated with both Sullivan & Cromwell, LLP and Winthrop, Stimson, Putnam & Roberts in New York.

Stephen Culver, age 55, serves as our Senior Vice President, Chief Information Officer and is responsible for overseeing the Company's Information Technology operations and strategic development. Prior to joining Barnes & Noble College in 2005, Mr. Culver held leadership positions in both the private and public sectors. He owned and presided over an Information Technology consulting company, which specialized in the retail and wholesale industries. As CIO of Giorgio Armani Corporation, he led the Information Technology operations during the development and expansion of their North American operations.

JoAnn Magill, age 66, serves as Senior Vice President, Human Resources of Barnes & Noble Education. Since joining the Company in 2003, Ms. Magill has played an integral role in the development and implementation of policies, practices and programs for thousands of full and part time employees at the Company's corporate office and its campus bookstores nationwide. In her role as Senior Vice President, Human Resources, Ms. Magill oversees employee relations, recruitment, benefits, payroll and compensation. Prior to joining Barnes & Noble Education, she served as the Vice President of Human Resources at AT&T Broadband Media Services for five years. Ms. Magill also had an extensive 25-year career with Pathmark Supermarkets, where she held a variety of field and corporate leadership roles.

Seema C. Paul, age 56, joined the Company in July 2015 and serves as our Senior Vice President, Chief Accounting Officer. In this role she manages external reporting and technical accounting, corporate accounting, and financial reporting functions of the Company. Prior to joining the Company, Ms. Paul held positions of increasing responsibility at Covanta Holding Corporation, including Corporate Controller from July 2014 to July 2015, Senior Director-External Reporting & Technical Accounting from June 2013 to July 2014, Director-External Reporting from January 2011 to May 2013 and Manager-External Reporting from August 2005 to December 2010. Ms. Paul is a Certified Public Accountant and has held various senior financial roles with several large companies, including Net2Phone, Sybase, Inc. and Liberty Mutual Insurance Company.

Item 1A. *RISK FACTORS*

The risks and uncertainties set forth below, as well as other risks and uncertainties described elsewhere in this Annual Report on Form 10-K including in our consolidated financial statements and related notes and "Management's Discussion and Analysis of Financial Condition and Results of Operations" or in other filings by BNED with the SEC, could adversely affect our business, financial condition, results of operations and the trading price of our common stock. Additional risks and uncertainties that are not currently known to us or that are not currently believed by us to be material may also harm our business operations and financial results. Because of the following risks and uncertainties, as well as other factors affecting our financial condition and operating results, past financial performance should not be considered to be a reliable indicator of future performance, and investors should not use historical trends to anticipate results or trends in future periods.

Risks Relating to Our Business

The impact of the COVID-19 pandemic, or the impact of any future pandemic, is uncertain and difficult to predict, but the COVID-19 pandemic and the measures taken to contain it has had a material adverse effect on our business and revenues to date and may have a material adverse effect on our business, financial condition, results of operations, stock price, and liquidity in the future.

The COVID-19 pandemic has materially and adversely impacted the U.S. economy and financial markets, with legislative and regulatory responses including unprecedented monetary and fiscal policy actions across all sectors, and there is significant uncertainty as to timing of stabilization and recovery. Our business, results of operations and financial condition were adversely affected by the COVID-19 pandemic in the fourth quarter of 2020, especially beginning in mid-March, and such impact has continued. The COVID-19 pandemic, and measures taken to contain it, have subjected our business, results of operations, financial condition, stock price and liquidity to a number of material risks and uncertainties, all of which may continue or worsen.

Many colleges and K-12 schools have been required to cease in-person classes in an attempt to limit the spread of the COVID-19 pandemic and ensure the safety of their students. Although many institutions plan to reopen, academic institutions are considering alternatives to traditional in-person instruction, including on-line learning and significantly reduced class room size. An increase in the spread of COVID-19 could force schools to close again. In addition, as a result of individual health concerns or financial difficulties, enrollment could be negatively impacted. If colleges and schools are required to close or significantly fewer students are on campus, we may experience lower customer engagement with our products and services, which could lead to a materially adverse impact on our business and result of operations.

COVID-19, related governmental reactions and economic conditions may have a negative impact on our business, liquidity, results of operations, and stock price due to the occurrence of some, or all, of the following events or circumstances:

- the closing or limited operations of our campus retail stores;
- reductions in government funding of education could negatively impact the budgets of colleges and K-12 schools public colleges, which could impact the demand for our products and services;
- our inability to realize our expected return on textbooks in our print textbook library as educators transition to online curriculums;
- disruptions to the operations of our logistics and distribution partners, which could impact our ability to timely deliver our print textbooks to students;
- our textbook partners' inability to fill our textbook orders due to disruptions to their operations or overwhelming demand from their own customers; and
- system interruptions that slow our website or make our website unavailable as our third-party software and service providers experience increased usage;
- a significant reduction in U.S. economic activity and increased unemployment, which could lead to decreased enrollment and consumer spending;
- the potential negative impact on the health of our employees, particularly if a significant number of them are impacted, could affect our ability to ensure business continuity during the period of disruption related to the pandemic;
- governmental orders have forced many of our on-site and management office employees to work remotely, which may adversely impact our ability to effectively manage our business and maintain our financial reporting processes and related controls, as well as introduce operational risk, including an increased vulnerability to potential cyber security attacks; and
- actions we have taken and may take in the future in response to the COVID-19 pandemic, including significantly reducing our non-essential capital expenditures, reducing our workforce, and other cost reduction efforts, may negatively impact our operations.

Taken individually, or together in any combination, the above could cause a material adverse effect on our business, financial condition, results of operations, and liquidity, although the extent of the potential effect will depend on future actions and outcomes, which are highly uncertain and cannot be predicted with confidence, including the scope, severity and duration of the outbreak, the short-term and long-term economic impact of the outbreak, the actions taken to mitigate the impact of the virus, and the pace of economic and financial market recovery when the COVID-19 pandemic subsides, among others. Further, many of the Risk Factors described in this report may be more likely to occur and be further intensified as a result of the impact of the COVID-19 pandemic.

We face significant competition for our products and services, and we expect such competition to increase.

We operate within a competitive and rapidly changing business environment, in general, and each of our lines of business faces competition for the products and services they offer. We face competition from other college bookstore operators and educational content providers, including Follett Corporation, a contract operator of campus bookstores; indiCo, an entity created by National Association of College Bookstores ("NACS"); Texas Book Company, bookstore management and operations; Tree of Life; and BBA Solutions, a college textbook retailer. Our online/virtual course material store operations also face competition from eCampus, an online provider of course materials, and Akademos, a virtual bookstore and marketplace for academic institutions, and on occasion, Ambassador Educational Solutions. We also face competition from other third-party sellers and local bookstores, as well as direct-to-student platforms including, bn.com, the e-commerce platform of Barnes & Noble, Inc.; Chegg.com, an online textbook rental company; publishers, including Cengage Learning, Pearson Education and McGraw-Hill Education, which bypass the traditional retail distribution channel by selling directly to students and institutions. We face competition from eTextbooks/ digital content providers, VitalSource Technologies, Inc., and Red Shelf. Our wholesale business competes with Amazon, BBA Solutions, indiCo, Nebraska Book Company, and Texas Book Company. Competitors that compete with our general merchandise offerings include Fanatics, Sodexo and Aramark, online retailers, physical and online office supply stores and local and national retailers that offer college themed and other general merchandise. Students often purchase from multiple textbook providers, are highly price sensitive, and can easily shift spending from one provider or format to another. As a consequence, in addition to being competitive in the services we provide to our customers, our textbook business faces significant price competition. Some of our competitors have adopted, and may continue to adopt, aggressive pricing policies and devote substantial resources to marketing, website and systems development. In addition, a variety of business models are being pursued for the provision of print and digital textbooks, some of which may be more profitable or successful than our business model. Furthermore, the market for course materials is diluted from counterfeiting and piracy of digital and print copies or illegal copies of selected chapters made by students or others; user and faculty created content; and sharing or non-purchase of required course materials by students.

Our Digital Student Solutions business faces competition from other providers of online instruction platforms and other direct-to-student writing skills, study tools and tutor services, such as Chegg.com, CourseHero, Grammarly, Quizlet, Noodle Tools, and Turnitin (iParadigms). As we develop a wider range of products and services, our competitive landscape will change and include other competitors in the broader student services market. Since 2017, we have been focused on expanding these offerings, in many instances through the acquisition of other companies, like Student Brands, LLC, or through commercial arrangements. For example, in 2017, we entered into a partnership with *The Princeton Review* to provide their test preparation courses and tutoring services through our websites. In Fiscal 2019, we launched *bartleby* textbook solutions and expert question and answers, our first internally developed product within DSS, on *bartleby.com*. Our newer products and services, or any other products and services we may introduce or acquire, may not be integrated effectively into our business, achieve or sustain profitability or achieve market acceptance at levels sufficient to justify our investment. Our ability to fully integrate new products and services into our platforms or achieve satisfactory financial results from them is unproven. Because we have a limited history in operating a fully digital platform, and the market for our products and services, including newly acquired or developed products and services, is rapidly evolving, it is difficult for us to predict our operating results, particularly with respect to our newer offerings, and the ultimate size of the market for our products and services. If the market for a learning platform does not develop as we expect, or if we fail to address the needs of this market, our business will be harmed.

We have encountered and will continue to encounter these risks and if we do not manage them successfully, our business, financial condition, results of operations and prospects may be materially and adversely affected.

We may not be able to enter into new managed bookstore contracts or successfully retain or renew our managed bookstore contracts on profitable terms.

An important part of our business strategy for our retail operation is to expand sales for our college bookstore operations by being awarded additional contracts to manage physical and/or virtual bookstores for colleges and universities, and K-12 schools, across the United States. Our ability to obtain those additional contracts is subject to a number of factors that we are not able to control. In addition, the anticipated strategic benefits of new and additional college and university bookstores may not be realized at all or may not be realized within the time frames contemplated by management. In particular for the operation of physical bookstores, contracts for additional managed stores may involve a number of special risks, including adverse short-term effects on operating results, diversion of management's attention and other resources, standardization of accounting systems, dependence on retaining, hiring and training key personnel, unanticipated problems or legal liabilities, and actions of our competitors and customers. Because certain terms of any contract are generally fixed for the initial term of the contract and involve judgments and estimates that may not be accurate, including for reasons outside of our control, we have contracts that are not profitable and may have such contracts in the future. The retail price charged to the consumer for textbooks is set by our contracts with colleges and universities to be a maximum markup based on the publishers' costs and as colleges continue to focus on affordability those prices have been reduced, which has negatively impacted our revenue and margin and further reductions could continue to have a negative impact. Even if we have the right to terminate a contract, we may be reluctant to do so even when a contract is unprofitable due to, among other factors, the potential effect on our reputation.

In addition, we may face significant competition in retaining existing physical and virtual store contracts and when renewing those contracts as they expire. Our physical bookstore contracts are typically for five years with renewal options, and most contracts are cancelable by either party without penalty with 90 to 120 days' notice. Our virtual bookstore contracts are typically for three to five years and most are cancelable without penalty with notice. Despite the lower startup and ongoing operating expense associated with virtual stores, the loss of such contracts could impact revenue and profitability. We may not be successful in retaining our current contracts, renewing our current contracts or renewing our current contracts on terms that provide us the opportunity to improve or maintain the profitability of managing stores that are the subject matter of such contracts.

We face the risk of disruption of supplier relationships.

The products that we sell originate from a wide variety of domestic and international vendors. During Fiscal 2020, our four largest retail suppliers, excluding our wholesale business which fulfills orders for all our physical and virtual bookstores, accounted for approximately 31% of our merchandise purchased, with the largest supplier accounting for approximately 12% of our merchandise purchased. Our wholesale business sources over 90% of its inventory from two primary channels, approximately 48% from retail bookstores (including our retail bookstores) and approximately 43% from third-party suppliers. While we believe that our relationships with our suppliers are good, suppliers may modify the terms of these relationships due to general economic conditions or otherwise or, especially with respect to wholesale inventory, publishers could terminate distribution to wholesalers, including our wholesale business.

We do not have long-term arrangements with most of our suppliers to guarantee availability of merchandise, content or services, particular payment terms or the extension of credit limits. If our current suppliers were to stop selling merchandise, content or services to us on acceptable terms, including as a result of one or more supplier bankruptcies due to poor economic conditions, we may be unable to procure the same merchandise, content or services from other suppliers in a timely and efficient manner and on acceptable terms, or at all. Furthermore, certain of our merchandise is sourced indirectly from outside the United States. Political or financial instability, merchandise quality issues, product safety concerns, trade restrictions, work stoppages, tariffs, foreign currency exchange rates, transportation capacity and costs, inflation, civil unrest, natural disasters, outbreaks of pandemics and other factors relating to foreign trade are beyond our control and could disrupt our supply of foreign-sourced merchandise.

We face the risk of fluctuating inventory supplies as a consequence of changes in the way publishers distribute course materials.

Our traditional retail and wholesale businesses are dependent on the continued supply of textbooks. The publishing industry generally has suffered recently due to, among other things, changing consumer preferences away from the print medium and the economic climate. A significant disruption in this industry generally or a significant unfavorable change in our relationships with key suppliers could adversely impact our business. In addition, any significant change in the terms that we have with our key suppliers including, purchase or rental terms, payment terms, return policies, the discount or margin on products or changes to the distribution model of textbooks, could adversely affect our financial condition and liquidity. For example, some textbook publishers have proposed to supply textbooks on consignment terms, instead of selling to us, which would eliminate those titles from the used textbook inventory supply. With respect to our wholesale business, the demand for used and new textbooks is typically greater than the available supply, and our wholesale business is highly dependent upon its ability to build its textbook inventory from publishers and suppliers in advance of the selling season. These relationships are not generally governed by long-term contracts and publishers and suppliers could choose not to sell to us. Any negative impact on our ability to build our textbook inventory could have an adverse impact on financial results.

In response to changes in the market, over the last few years, we have also significantly increased our textbook rental business, offering students a lower cost alternative to purchasing textbooks, which is also subject to certain inventory risks, such as textbooks not being resold or re-rented due to textbooks being returned late or in poor condition, faculty members not continuing to adopt or use certain textbooks, or, as discussed below, changes in the way publishers supply textbooks to us.

Some textbook publishers rent textbooks on consignment terms directly to students. Accordingly, we have entered into agreements with a number of textbook publishers to administer their consignment rental programs with distributors and their direct to student textbook consignment rental programs. These programs, if successful, will result in a substantial decrease in the supply of those titles from the used textbook inventory supply, which impacts our wholesale business.

Our wholesale business is a national distributor for rental textbooks offered through McGraw-Hill Education's consignment rental program (which includes approximately 567 titles) and Pearson Education's consignment rental program (which includes approximately 456 titles). Through its centrally located, advanced distribution center, our wholesale business offers the seamless integration of these consignment rental programs and centralized administration and distribution to approximately 1,697 stores, including our Retail Segment stores. These consignment rental programs are available to our wholesale customers, including institutionally run and contract managed campus bookstores, as well as our physical and virtual bookstores.

In addition, the profit margins associated with the traditional distribution model are fairly predictable and constant, but the move to a model of increased consignment rental programs combined with pressure to provide more affordable course materials to students could result in lower profit margins for a substantial part of our wholesale and retail business.

Our wholesale business may not be able to manage its inventory levels effectively which may lead to excess inventory or inventory obsolescence.

Our wholesale business sources new textbooks from publishers and new and used textbooks from other suppliers to resell to its customers. If it is unable to appropriately manage its inventory and anticipate the release of new editions of titles, faculty's change in choice of titles, return rate, or use of alternative educational material, our wholesale business could be exposed to risks of excess inventory and less marketable or obsolete inventory. This may lead to excess or obsolete inventory which might have to be sold at a deep discount impacting its revenues and profit margin and may have a negative impact on our financial condition and results of operations.

Our results also depend on the successful implementation of our strategic initiative to grow our digital products and services. We may not be able to implement this strategy successfully, on a timely basis, or at all.

In response to our changing business environment and to adapt to industry trends, we are focused on our digital initiatives to retain and expand existing customer relationships, acquire new accounts, expand sales channels and marketing efforts, integrate and develop direct-to-student digital solutions, and develop and market higher education digital products. While we believe we have the capital resources, experience, management resources and internal systems to successfully operate our digital business, we may not be successful in implementing this strategy. The implementation of our digital strategy is a complex process and relies on leveraging our core products, services and relationships to help accelerate the adoption of our new digital products and services. Success of our future operating results will be dependent upon rapid customer adoption of our new digital products and services and our ability to scale our business to meet customer demand appropriately. If colleges and universities, faculty and students are not receptive to our new products and services or our new products and services do not meet the expectations of these constituencies, there could be a negative impact on the implementation of our strategy. To successfully execute on this strategy, we need to continue to further evolve the focus of our organization towards the delivery of cost effective and unique solutions for our customers. Any failure to successfully execute this strategy could adversely affect our operating results. Further, even if successfully implemented, our business strategy may not ultimately produce positive results.

Part of our strategy includes pursuing strategic acquisitions and partnerships and we may not be able to identify and successfully complete such transactions.

As part of our strategy, we will continue to seek, and, may in the future acquire, businesses or business operations, or enter into other business transactions to grow our business and expand our product and service offerings. We may not be able to identify suitable candidates for additional business combinations and strategic investments, obtain financing on acceptable terms for such transactions, obtain necessary regulatory approvals, if any, or otherwise consummate such transactions on acceptable terms, or at all. In addition, we compete for acquisitions with other potential acquirers, some of which may have greater financial or operational resources than we do. This competition may increase costs of acquiring desirable businesses, and, as a result, we may be unable to make acquisitions or be forced to pay more or agree to less advantageous acquisition terms for the businesses that we are able to acquire. Any strategic acquisitions or investments that we are able to identify and complete may also involve a number of risks, including our inability to successfully or profitably integrate, operate, maintain and manage our newly acquired operations or employees; the diversion of our management's attention from our existing business to integrate operations and personnel; possible material adverse effects on our results of operations during the integration process; becoming subject to contingent or other liabilities, including liabilities arising from events or conduct predating the acquisition that were not known to us at the time of the acquisition; and our possible inability to achieve the intended objectives of the transaction, including the inability to achieve cost savings and synergies. Acquisitions may also have unanticipated tax, legal, regulatory and accounting ramifications, including recording goodwill and non-amortizable intangible assets that are subject to impairment testing on a regular basis and potential periodic impairment charges and incurring amortization expenses related to certain intangible assets.

Our business is dependent on the overall economic environment, college enrollment and consumer spending patterns.

A deterioration of the current economic environment could have a material adverse effect on our financial condition and operating results, as well as our ability to fund our growth and strategic business initiatives. Our business is affected by funding levels at colleges and universities and by changes in enrollments at colleges and universities, changes in student enrollments and lower spending on course materials and general merchandise. The growth of our business depends on our ability to attract new students and to increase the level of engagement by current student customers. To the extent we are unable to attract new students or students spend less generally, our business could be adversely affected.

We intend to offer new products and solutions to students to grow our business. If our efforts are not successful, our business and financial results would be adversely affected.

Our ability to attract and retain students and increase their engagement with our learning platform depends on our ability to connect them with the product, person or service they need to save time, save money, and get smarter. For example, in Fiscal 2019, we launched *bartleby* textbook solutions and expert question and answers, our first internally developed product within DSS, on *bartleby.com*. We also partnered with *The Princeton Review* in Fiscal 2018, to provide their test preparation courses and tutoring services through our websites. The markets for these new products and services may be unproven, and these products may include technologies and business models with which we have little or no prior development or operating experience or may significantly change our existing products and services. In addition, we may be unable to obtain long-term licenses from third-party content providers necessary to allow a product or service, including a new or planned product or service, to function. If our new or enhanced products and services fail to engage our students or attract new students, or if we are unable to obtain content from third parties that students want, we may fail to grow our student base or generate sufficient revenues, operating margin or other value to justify our investments, and our business would be adversely affected.

In the future, we may invest in new products and services and other initiatives to generate revenues, but there is no guarantee these approaches will be successful. Acquisitions of new companies, products and services create integration risk, while development of new products and services and enhancements to existing products and services involve significant time, labor and expense and are subject to risks and challenges, including managing the length of the development cycle, entry into new markets, integration into our existing business, regulatory compliance, evolution in sales and marketing methods and maintenance and protection of intellectual property and proprietary rights. If we are not successful with our new products and services, we may not be able to maintain or increase our revenues as anticipated or recover any associated acquisition or development costs, and our financial results could be adversely affected.

Our business depends on our ability to attract and retain talented employees, including senior management.

Management believes that our continued success will depend to a significant extent upon the efforts and abilities of certain of our executive officers and senior management, many of whom have significant experience and strong commercial relationships in our industry and capital market relationships. The loss of any of these individuals could harm our business, financial condition and results of operations. We do not maintain "key man" life insurance on any of our officers or other employees. Experienced management and technical, marketing and support personnel in our industry are in high demand, and competition for their talents is intense. If we are less successful in our recruiting efforts, or if we are unable to retain key employees, our ability to develop and deliver successful products and services may be adversely affected.

Our business is seasonal.

Our business is seasonal, particularly with respect to textbook sales and rentals, with sales and rentals attributable to our retail businesses generally highest in the second and third fiscal quarters, when college students generally purchase textbooks for the upcoming semesters, and lowest in the first and fourth fiscal quarters. Sales attributable to our wholesale business are generally highest in our first, second and third quarter as it sells textbooks for retail distribution. Less than satisfactory net sales during our peak fiscal quarters could have a material adverse effect on our financial condition or operating results for the year, and our results of operations from those quarters may not be sufficient to cover any losses that may be incurred in the other fiscal quarters of the year.

Our international operations could result in additional risks.

Our operations are substantially limited to the United States; however, we have operations in India, offer services and products to students and other customers internationally, contract with service providers outside the United States and may continue to expand internationally. Such international expansion may result in additional risks that are not present domestically and which could adversely affect our business or our results of operations, including compliance with additional United States regulations and those of other nations applicable to international operations; cultural and language differences; currency fluctuations between the U.S. dollar and foreign currencies, which are harder to predict in the current adverse global economic climate; restrictions on the repatriation of earnings; potentially adverse tax consequences and limitations on our ability to utilize losses generated in our foreign operations; different regulatory requirements and other barriers to conducting business; and different or less stable political and economic environments. Further, conducting business abroad subjects us to increased regulatory compliance and oversight. For example, in connection with our international operations, we are subject to laws prohibiting certain payments to governmental officials, such as the Foreign Corrupt Practices Act. A failure to comply with applicable regulations could result in regulatory enforcement actions, as well as substantial civil and criminal penalties assessed against us and our employees.

We face data security risks with respect to personal information.

Our business involves the receipt, storage, processing and transmission of personal information about customers and employees. We may share information about such persons with vendors and third parties that assist with certain aspects of our business. Also, in connection with our student financial aid platform and the processing of university debit cards, we secure and have access to certain student personal information that has been provided to us by the universities we serve. Our handling and use of personal information is regulated at the international, federal and state levels and by industry standards, such as the Payment Card Industry Data Security Standard. As an entity that provides services to institutions of higher education, we are contractually bound to handle certain personal information from student education records in accordance with the requirements of Family Educational Rights and Privacy Act ("FERPA"). Privacy and information security laws, regulations, and industry standards change from time to time, and compliance with them may result in cost increases due to necessary systems changes and the development of new processes and may be difficult to achieve. If we fail to comply with these laws, regulations and standards, we could be subjected to legal risk. In addition, even if we fully comply with all laws, regulations and standards, and even though we have taken significant steps to protect personal information, we could experience a data security breach, and our reputation could be damaged, possibly resulting in a material breach of contract with one or more of our clients, lost future sales or decreased usage of credit and debit card products. Further, in the event that we disclose student information in violation of FERPA, the U.S. Department of Education could require a client to suspend our access to their student information for at least five years. Because the techniques used to obtain unauthorized access, disable or degrade service, or sabotage systems change frequently and often are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventative measures. A party that is able to circumvent our security measures could misappropriate our or our users' proprietary information and cause interruption in our operations. Any compromise of our data security could result in a violation of applicable privacy and other laws or standards, significant legal and financial exposure beyond the scope or limits of insurance coverage, increased operating costs associated with remediation, equipment acquisitions or disposal and added personnel, and a loss of confidence in our security measures, which could harm our business or affect investor confidence. Data security breaches may also result from non-technical means, for example, actions by an employee.

Our business is subject to a variety of domestic and international laws, rules, policies and other obligations regarding data protection.

Although most of our operations are in the United States, we do have some operations and offer services and products internationally. Our international operations subject us to a complex array of federal, state and international laws relating to the collection, use, retention, disclosure, security and transfer of personally identifiable data. Many jurisdictions have passed laws in this area, and other jurisdictions are considering imposing additional restrictions. The interpretation and application of data protection laws in the United States, Europe, including but not limited to the GDPR, and elsewhere are uncertain and evolving. It is possible that these laws may be interpreted and applied in a manner that is inconsistent with our data practices. Complying with these various laws is difficult and could cause us to incur substantial costs or require us to change our business practices in a manner adverse to our business.

Further, although we are implementing internal controls and procedures designed to protect sensitive information and confidential and personal data and comply with the GDPR and other privacy-related laws, rules and regulations, our facilities, and systems may be vulnerable to security breaches and other data loss, including cyber-attacks. Such a security breach or data loss could lead to negative publicity, damage to our reputation, exposure to litigation and liability, theft, modification or destruction of proprietary information or key information, damage to or inaccessibility of critical systems, manufacture of defective products, production downtimes, operational disruptions and remediation and other significant costs, which could adversely affect our reputation, financial condition and results of operations.

Computer malware, viruses, hacking and phishing attacks could harm our business and results of operations.

We are increasingly dependent upon information technology systems, infrastructure and data. Our computer systems may be vulnerable to service interruption or destruction, malicious intrusion, ransomware and random attack. Cyber-attacks are increasing in their frequency, sophistication and intensity, and have become increasingly difficult to detect. Cyber-attacks could include the deployment of harmful malware, denial-of service, social engineering, ransomware and other means to affect service reliability and threaten data confidentiality, integrity and availability. Our key business partners face similar risks, and a security breach of their systems could adversely affect our security posture. While we continue to invest in data protection and information technology to prevent or minimize these risks and, to date, we have not experienced any material service interruptions and are not aware of any material breaches, there can be no assurance that our efforts will prevent service interruptions, or identify breaches in our systems, that could adversely affect our business and operations and/or result in the loss of critical or sensitive information, which could result in financial, legal, business or reputational harm.

Laws or regulations may be enacted which restrict or prohibit use of emails or similar marketing activities that we currently rely on.

Our marketing and sales efforts are centered around an active digital community, which includes engaged email subscribers, text messaging, interest-based online advertising, recurring billing and our continuous dialogue with customers on our school-customized social media channels. For example, the following laws and regulations may apply:

- the CAN-SPAM Act of 2003 and similar laws adopted by a number of states regulate unsolicited commercial emails, create civil and criminal penalties for emails containing fraudulent headers and control other abusive online marketing practices;
- the U.S. Federal Trade Commission (the "FTC") has guidelines that impose responsibilities on companies with respect to communications with consumers and impose fines and liability for failure to comply with rules with respect to advertising or marketing or sales practices they may deem misleading or deceptive.
- the Telephone Consumer Protection Act of 1991 ("TCPA") restricts telemarketing and the use of automated telephone equipment. The TCPA limits the use of automatic dialing systems, artificial or prerecorded voice messages and SMS text messages. It also applies to unsolicited text messages advertising the commercial availability of goods or services. Additionally, a number of states have enacted statutes that address telemarketing. For example, some states, such as California, Illinois and New York, have created do-not-call lists. Other states, such as Oregon and Washington, have enacted "no rebuttal statutes" that require the telemarketer to end the call when the consumer indicates that he or she is not interested in the product being sold. Restrictions on telephone marketing, including calls and text messages, are enforced by the FTC, the Federal Communications Commission, states and through the availability of statutory damages and class action lawsuits for violations of the TCPA;
- The Restore Online Shopper Confidence Act ("ROSCA"), and similar state laws, impose requirements and restrictions on online services that automatically charge payment cards on a periodic basis to renew a subscription service, if the consumer does not cancel the service;
- the General Data Protection Regulation ("GDPR"), became effective in May 2018. This European Union ("EU") law governing data practices and privacy which applies to certain of our activities related to products and services offered in the EU, imposes a range of new compliance obligations regarding the handling of personal data; and
- the California Consumer Privacy Act of 2018 ("CCPA"), which came into effect on January 1, 2020, requires companies that process information on California residents to make new disclosures to consumers about their data collection, use and sharing practices, allows consumers to request the deletion of certain data, and allows consumers to opt out of certain data sharing with third parties and provides a new cause of action for data breaches. The burdens imposed by the CCPA and other similar laws that may be enacted at the federal and state level may require us to modify our data processing practices and policies and how we advertise to our users and to incur substantial expenditure in order to comply.

Even if no relevant law or regulation is enacted, we may discontinue use or support of these activities if we become concerned that students or potential students deem them intrusive or they otherwise adversely affect our goodwill and brand. If our marketing activities are curtailed, our ability to attract new students may be adversely affected.

Our business could be impacted by changes in federal, state, local or international laws, rules or regulations.

We are subject to general business regulations and laws relating to all aspects of our business. These regulations and laws may cover taxation, privacy, data protection (including complying with GDPR), our access to student financial aid, pricing and availability of educational materials, competition and/or antitrust, content, copyrights, distribution, college distribution, mobile communications, electronic contracts and other communications, consumer protection, the provision of online payment services, unencumbered Internet access to our services, the design and operation of websites and mobile application (including complying with the Americans with Disabilities Act), digital content (including governmental investigations and litigation relating to the agency pricing model for digital content distribution), the characteristics and quality of products and services and labor and employee benefits (including the costs associated with complying with the Patient Protection and Affordable Care Act or any legislation enacted in connection with repeal of the Affordable Care Act). Changes in federal, state, local or international laws, rules or regulations relating to these matters could increase regulatory compliance requirements in addition to increasing our costs of doing business or otherwise impact our business. For example, changes in federal and state minimum wage laws could raise the wage requirements for certain of our employees at our retail locations, which would increase our selling costs and may cause us to reexamine our wage structure for such employees.

Changes in tax laws and regulations might adversely impact our businesses or financial performance.

We collected sales tax on the majority of the products and services that we sold in our respective prior fiscal years that were subject to sales tax, and we generally have continued the same policies for sales tax within the current fiscal year. While management believes that the financial statements included elsewhere in this Form 10-K reflect management's best current estimate of any potential additional sales tax liability based on current discussions with taxing authorities, we cannot assure you that the outcome of any discussions with any taxing authority will not result in the payment of sales taxes for prior periods or otherwise, or that the amount of any such payments will not be materially in excess of any liability currently recorded. In the future, our businesses may be subject to claims for not collecting sales tax on the products and services we currently sell for which sales tax is not collected. In addition, our provision for income taxes and our obligation to pay income tax is based on existing federal, state and local tax laws. Changes to these laws, in particular as they relate to depreciation, amortization and cost of goods sold, could have a significant impact on our income tax provision, our projected cash tax liability, or both.

Our expansion into new products, services and technologies subjects us to additional business, legal, financial and competitive risks.

We may have limited or no experience in our newer products and services, and our customers may not adopt our new product or service offerings. Some of these offerings may present new and difficult technological challenges, and we may be subject to claims if customers of these offerings experience service disruptions or failures or other quality issues. In addition, as we expand our digital offerings and services, we may be exposed to more intellectual property infringement claims. Our gross profits and margins in our newer activities may be lower than in our traditional activities, and we may not be successful enough in these newer activities to recoup our investments in them.

We are dependent upon access to the capital markets, bank credit facilities, and short-term vendor financing for liquidity needs.

We must have sufficient sources of liquidity to fund working capital requirements. We believe that the combination of cash-on-hand, cash flow received from operations, funds available under our credit agreements and short-term vendor financing will be sufficient to meet our normal working capital and debt service requirements for at least the next twelve months. If these sources of liquidity do not satisfy our requirements, we may need to seek additional financing. In addition, we may require additional capital in the future to sustain or grow our business. The future availability of financing will depend on a variety of factors, such as economic and market conditions, and the availability of credit. These factors could materially adversely affect our costs of borrowing, and our financial position and results of operations would be adversely impacted. Volatility in global financial markets may also limit our ability to access the capital markets at a time when we would like, or need, to raise capital, which could have an impact on our ability to react to changing economic and business conditions. Accordingly, if the economy worsens, our business, results of operations and financial condition could be materially and adversely affected.

We rely upon third party web service providers to operate certain aspects of our service and any disruption of or interference with such services would impact our operations and our business would be materially and adversely impacted.

Amazon Web Services ("AWS") and other third-party web service providers provide a distributed computing infrastructure platform for business operations, or what is commonly referred to as a "cloud" computing service. We have architected our software and computer systems so as to utilize data processing, storage capabilities, and other services provided by AWS and other providers.

We rely on third-party software and service providers, including AWS, to provide systems, storage and services, including user log in authentication, for our website. Any technical problem with, cyber-attack on, or loss of access to such third parties' systems, servers or technologies could result in the inability of our students to rent or purchase print textbooks, interfere with access to our digital content and other online products and services or result in the theft of end-user personal information.

Our reliance on AWS or other third-party providers makes us vulnerable to any errors, interruptions, or delays in their operations. Any disruption in the services provided by AWS could harm our reputation or brand or cause us to lose students or revenues or incur substantial recovery costs and distract management from operating our business.

Any disruption of or interference with our use of AWS or other third-party service providers would impact our operations and our business would be materially and adversely impacted.

AWS may terminate its agreement with us upon 30 days' notice. Upon expiration or termination of our agreement with AWS, we may not be able to replace the services provided to us in a timely manner or on terms and conditions, including service levels and cost, that are favorable to us, and a transition from one vendor to another vendor could subject us to operational delays and inefficiencies until the transition is complete.

We rely on third-party digital content and applications, which may not be available to us on commercially reasonable terms or at all.

We contract with certain third-parties to offer their digital content. Our licensing arrangements with these third-parties do not guarantee the continuation or renewal of these arrangements on reasonable terms, if at all. Some third-party content providers currently, or in the future, may offer competing products and services, and could take action to make it more difficult or impossible for us to license our content in the future. Other content owners, providers or distributors may seek to limit our access to, or increase the total cost of, such content. If we are unable to offer a wide variety of content at reasonable prices with acceptable usage rules, our business may be materially adversely affected.

We rely heavily on proprietary technology and sophisticated equipment to manage certain aspects of our business, including to manage textbook inventory, process deliveries and returns of the textbooks and manage warehousing and distribution.

We use a proprietary system to source, distribute and manage inventory of textbooks and to manage other aspects of our operations, including systems to consider the market pricing for textbooks, general availability of textbook titles and other factors to determine how to buy textbooks and set prices for textbooks and other content in real time. We have invested significant amounts of resources in the hardware and software to develop this system. We rely on the expertise of our engineering and software development teams to maintain and enhance the equipment and software used for our distribution operations. We cannot be sure that the maintenance and enhancements we make to our distribution operations will achieve the intended results or otherwise be of value to students. If we are unable to maintain and enhance our technology to manage textbook sourcing, distribution and inventory, it could disrupt our business operations and have a material adverse impact on our results.

Our wholesale business is also dependent on sophisticated equipment and related software technology for the warehousing and distribution of the vast majority of textbooks supplied to our retail business and others, which is located at MBS' warehouse facility in Columbia, Missouri. Our ability to efficiently manage our wholesale business depends significantly on the reliability and capacity of these systems. The failure of these systems to operate effectively, problems with maintenance, upgrading or transitioning to replacement systems, especially if such events were to occur during peak periods, could adversely affect our operations, the ability to serve our customers and our results of operations. In addition, substantially all of our wholesale inventory is located in the Columbia warehouse facility. We could experience significant interruption in the operation of this facility or damage or destruction of our inventory due to physical damage to the facility caused by natural disasters, accidents or otherwise. If a material portion of our inventory were to be damaged or destroyed, we would likely incur significant financial loss, including loss of revenue and harm to our customer relationships.

Defects, errors, installation difficulties or performance issues with our point-of-sales and other systems could expose us to potential liability, harm our reputation and negatively impact our business.

Our wholesale business sells and services point-of-sales systems to its college bookstore customers. These systems are complex and incorporate third-party hardware and software. Despite testing and quality control, we cannot be certain that defects or errors will not be found in these systems. In addition, because these systems are installed in different environments, we may experience difficulty or delay in installation. Our products may be integrated with other components or software, and, in the event that there are defects or errors, it may be difficult to determine the origin of defects or errors. Additionally, any difficulty or failure in the operation of these systems could cause business disruption for our customers. If any of these risks materialize, they could result in additional costs and expenses, exposure to liability claims, diversion of technical and other resources to engage in remediation efforts, loss of customers or negative publicity, each of which could impact our business and operating results.

We may not be able to adequately protect our intellectual property rights or may be accused of infringing upon intellectual property rights of third parties.

We regard our trademarks, service marks, copyrights, patents, trade dress, trade secrets, proprietary technology and similar intellectual property as important to our success, and we rely on trademark, copyright and patent law, domain name regulations, trade secret protection and confidentiality or license agreements to protect our proprietary rights, including our use of the *Barnes & Noble* trademark. Laws and regulations may not adequately protect our trademarks and similar proprietary rights. We may be unable to prevent third parties from acquiring domain names that are similar to, infringe upon or diminish the value of our trademarks and other proprietary or licensed rights.

We may not be able to discover or determine the extent of any unauthorized use of our proprietary rights. The protection of our intellectual property may require the expenditure of significant financial and managerial resources. Moreover, the steps we take to protect our intellectual property may not adequately protect our rights or prevent third parties from infringing or misappropriating our proprietary rights. We also cannot be certain that others will not independently develop or otherwise acquire equivalent or superior technology or other intellectual property rights.

Other parties also may claim that we infringe their proprietary rights. Because of the changes in Internet commerce and digital content businesses, current extensive patent coverage, and the rapid rate of issuance of new patents, it is possible that certain of our products, content and business methods may unknowingly infringe existing patents or intellectual property rights of others. Successful intellectual property infringement claims against us could result in monetary liability or a material disruption in the conduct of our business. We cannot be certain that our products, content and business methods do not or will not infringe valid patents, trademarks, copyrights or other intellectual property rights held by third parties. We expect that infringement claims in our markets will increase in number. We may be subject to legal proceedings and claims from time to time relating to the intellectual property of others in the ordinary course of our business. If we were found to have infringed the intellectual property rights of a third party, we could be liable to that party for license fees, royalty payments, lost profits or other damages, and the owner of the intellectual property might be able to obtain injunctive relief to prevent us from using the technology or software in the future. If the amounts of these payments were significant or we were prevented from incorporating certain technology or software into our products, our business could be significantly harmed.

We may incur substantial expenses in defending against these third-party infringement claims, regardless of their merit. As a result, due to the diversion of management time, the expense required to defend against any claim and the potential liability associated with any lawsuit, any significant litigation could significantly harm our business, financial condition and results of operations.

Our digital content offerings depend in part on effective digital rights management technology to control access to digital content. If the digital rights management technology that we use is compromised or otherwise malfunctions, we could be subject to claims, and content providers may be unwilling to include their content in our service.

In addition, the publishing industry has been, and we expect in the future will continue to be, the target of counterfeiting and piracy. We have entered into agreements with major textbook publishers to implement the textbook industry's Anti-Counterfeit Best Practices. These best practices were developed as a mechanism to assist publishers and distributors in the eradication of counterfeit copies of textbooks in the marketplace. While we have agreed to implement the Anti-Counterfeit Best Practices and have in place our anti-counterfeit policies and procedures (which include removing from distribution suspected counterfeit titles) for preventing the proliferation of counterfeit textbooks, we may inadvertently purchase counterfeit textbooks which may unknowingly be included in the textbooks we offer for sale or rent to students or we may purchase such textbooks through our buyback program. As such, we may be subject to allegations of selling counterfeit books. We have in the past and may continue to receive communications from publishers alleging that certain textbooks sold or rented by us are counterfeit. When receiving such communications, we cooperate, and will continue to cooperate in the future, with such publishers in identifying fraudulent textbooks and removing them from our inventory. We may implement measures in an effort to protect against these potential liabilities that could require us to spend substantial resources. Any costs incurred as a result of liability or asserted liability relating to sales of counterfeit textbooks could harm our business, reputation and financial condition.

Legal proceedings may significantly harm our business.

From time to time, we may become involved in litigation or other proceedings in the ordinary course of business. It is possible that such litigation or proceedings may significantly harm our future results of operations or financial condition due to expenses we may incur to defend ourselves or the ramifications of an adverse decision.

We do not own the Barnes & Noble trademark and instead rely on a license of that trademark and certain other trademarks, which license imposes limits on what those trademarks can be used to do.

In connection with the Spin-Off, Barnes & Noble, Inc. granted us an exclusive, perpetual, fully paid up, non-transferable and non-assignable license to use the trademarks "Barnes & Noble College," "B&N College," "Barnes & Noble Education" and "B&N Education" and the non-exclusive, perpetual, fully paid up, non-transferable and non-assignable license to use the marks "Barnes & Noble," "B&N" and "BN," solely in connection with the contract management of college and university bookstores and other bookstores associated with academic institutions and related websites, as well as education products and services (including digital education products and services) and related websites. These restrictions may materially limit our ability to use the licensed marks in the expansion of our operations in the future. In addition, we are reliant on Barnes & Noble, Inc. to maintain the licensed trademarks.

We remain subject to continuing contingent liabilities of Barnes & Noble, Inc. following the spinoff.

The separation and distribution, tax matters and employee matters agreement allocated certain liabilities as between us and our previous parent, Barnes & Noble, Inc. whether incurred prior to or after the spinoff on August 2, 2015. In addition, under the Internal Revenue Code ("Code") and the related rules and regulations, each corporation that was a member of the Barnes & Noble consolidated tax reporting group during any taxable period or portion of any taxable period ending on or before the completion of the spinoff is jointly and severally liable for the federal income tax liability of the entire consolidated tax reporting group for that taxable period. In connection with the spinoff, we entered into a tax matters agreement with Barnes & Noble, Inc. that allocated the responsibility for prior period taxes of the consolidated tax reporting group between us and Barnes & Noble, Inc. However, if Barnes & Noble, Inc. is unable to pay any prior period taxes for which it is responsible, we could be required to pay the entire amount of such taxes.

Risks Relating to our Common Stock and the Securities Market

Our stock price may fluctuate significantly.

We cannot predict the prices at which our Common Stock may trade. The market price of our Common Stock may fluctuate widely, depending on many factors, some of which may be beyond our control, including:

- actual or anticipated fluctuations in our operating results due to factors related to our businesses;
- success or failure of our business strategies, including our digital education initiative;
- our quarterly or annual earnings or those of other companies in our industries;
- our ability to obtain financing as needed;
- announcements by us or our competitors of significant acquisitions or dispositions;

- changes in accounting standards, policies, guidance, interpretations or principles;
- the failure of securities analysts to cover our Common Stock;
- changes in earnings estimates by securities analysts or our ability to meet those estimates;
- the operating and stock price performance of other comparable companies;
- investor perception of our Company and the higher education industry;
- overall market fluctuations;
- results from any material litigation or government investigation;
- changes in laws and regulations (including tax laws and regulations) affecting our business;
- changes in capital gains taxes and taxes on dividends affecting stockholders; and
- general economic conditions and other external factors.

Stock markets in general have experienced volatility that has often been unrelated to the operating performance of a particular company. These broad market fluctuations could adversely affect the trading price of our Common Stock.

We have recorded significant goodwill impairment charges and may be required to record additional charges to future earnings if our goodwill or intangible assets become impaired.

We are required under generally accepted accounting principles to review our intangible assets for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. Goodwill is required to be tested for impairment at least annually. Factors that may be considered a change in circumstances indicating that the carrying value of our intangible assets and/or goodwill may not be recoverable include a decline in stock price and market capitalization, slower growth rates in our industry or our own operations, and/or other materially adverse events that have implications on the profitability of our business. In Fiscal 2019 and Fiscal 2018, we recorded a pre-tax goodwill impairment loss of $49.3 million ($36.5 million net of tax) and $313.1 million ($302.9 million on a net of tax basis), respectively. See *Note 2. Summary of Significant Accounting Policies* of the Company's financial statements included in *Part II - Item 8 Financial Statement and Supplementary Data* of this Annual Report on Form 10-K for details. We may be required to record additional charges to earnings during the period in which any impairment of our goodwill or other intangible assets is determined which could adversely impact our results of operations. As of May 2, 2020, our goodwill balance was $4.7 million, which represented 0.4% of total consolidated assets.

The concentration of our Common Stock ownership may limit our stockholders' ability to influence corporate matters and may involve other risks.

A portion of our Common Stock is controlled by a few stockholders. This control may limit the ability of the Company's other stockholders to influence corporate matters and, as a result, we may take actions with which our other stockholders do not agree.

We do not intend to pay any cash dividends in the foreseeable future and, therefore, any return on your investment in our Common Stock must come from increases in the fair market value and trading price of our Common Stock.

We do not intend to pay cash dividends on our Common Stock in the foreseeable future. We expect to retain future earnings, if any, for reinvestment in our business. Also, our credit agreements may restrict our ability to pay dividends. Whether we pay cash dividends in the future will be at the discretion of our Board of Directors and will be dependent upon our financial condition, results of operations, cash requirements, future prospects and any other factors our Board of Directors deems relevant. Therefore, any return on your investment in our Common Stock must come from increases in the fair market value and trading price of our Common Stock.

Your percentage ownership in the Company may be diluted in the future.

Your percentage ownership in the Company may be diluted in the future because of equity awards that we expect to grant to our directors, officers and other employees. We have an incentive plan that provides for the grant of Common Stock-based equity awards to our directors, officers and other employees. In addition, we may issue equity as all or part of the consideration paid for acquisitions and strategic investments that we may make in the future or as necessary to finance our ongoing operations.

Provisions in our Amended and Restated Certificate of Incorporation and Amended and Restated By-laws and of Delaware law may prevent or delay an acquisition of the Company, which could affect the trading price of our Common Stock.

Our Amended and Restated Certificate of Incorporation and our Amended and Restated By-laws contain provisions which, together with applicable Delaware law, may discourage, delay or prevent a merger or acquisition that our stockholders consider favorable, including provisions that:

- authorize the issuance of "blank check" preferred stock that could be issued by our Board of Directors to increase the number of outstanding shares of capital stock, making a takeover more difficult and expensive;

- provide that special meetings of the stockholders may be called only by or at the direction of a majority of our Board or the chairman of our Board of Directors; and

• require advance notice to be given by stockholders for any stockholder proposals or director nominations.

In addition, Section 203 of the General Corporation Law of the State of Delaware, or the DGCL, may affect the ability of an "interested stockholder" to engage in certain business combinations, for a period of three years following the time that the stockholder becomes an "interested stockholder".

These provisions may discourage, delay or prevent certain types of transactions involving an actual or a threatened acquisition or change in control of the Company, including unsolicited takeover attempts, even though the transaction may offer our stockholders the opportunity to sell their Common Stock at a price above the prevailing market price.

We are exploring various strategic alternatives to enhance shareholder value, but this strategic review process may not result in the achievement of the desired goal of enhancing shareholder value.

On December 4, 2019, the we announced that our had approved the engagement of a financial advisor to assist in a review of strategic opportunities to accelerate the execution of customer-focused strategic initiatives and enhance value for BNED shareholders, including, but not limited to, continued execution of the Company's current business plan, new partnerships, joint ventures and other potential opportunities. The Company continues to be actively engaged with its strategic review process. There can be no assurance that a potential transaction will occur, that any such potential transaction that is pursued will be approved or consummated, or what a potential transaction would mean for value to the Company's shareholders. The Company does not intend to disclose developments relating to its strategic review unless and until it's Board of Directors has approved a specific agreement or transaction.

Our stockholder rights plan could make a third-party acquisition of us difficult.

On March 25, 2020, our Board of Directors approved the adoption of a short-term stockholder rights plan and declared a dividend distribution of one preferred share purchase right on each outstanding share of the Company's common stock. The rights are designed to ensure that all of the Company's stockholders receive fair and equal treatment in the event of any proposed takeover of the Company and to guard against tactics to gain control of the Company without paying all stockholders a premium for that control. The stockholder rights plan would cause substantial dilution to any person or group that attempts to acquire us on terms not approved in advance by our Board of Directors and may have the effect of delaying, discouraging or preventing a change in control that might otherwise be beneficial to stockholders and might adversely affect the market price of our Common Stock.

Our Amended and Restated By-laws designate courts in the State of Delaware as the sole and exclusive forum for certain types of actions and proceedings that may be initiated by our stockholders, which could limit our stockholders' ability to obtain a favorable judicial forum for disputes with us or our directors, officers or employees.

Our Amended and Restated By-laws provide that, subject to limited exceptions, the state and federal courts of the State of Delaware are the sole and exclusive forum for (a) any derivative action or proceeding brought on our behalf, (b) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (c) any action asserting a claim arising pursuant to any provision of the DGCL, our Amended and Restated Certificate of Incorporation or our Amended and Restated By-laws or (d) any other action asserting a claim that is governed by the internal affairs doctrine. Any person or entity purchasing or otherwise acquiring or holding any interest in shares of our capital stock will be deemed to have notice of and to have consented to these provisions. This provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for disputes with us or our directors, officers or other employees, which may discourage such lawsuits against us and our directors, officers and employees.

Alternatively, if a court were to find this provision of our Amended and Restated By-laws inapplicable to, or unenforceable in respect of, one or more of the specified types of actions or proceedings, we may incur additional costs associated with resolving such matters in other jurisdictions.

Item 1B. *UNRESOLVED STAFF COMMENTS*

None.

Item 2. *PROPERTIES*

Facilities

We lease various office space in New Jersey, New York, Missouri, California, and India and we lease warehouse space in Missouri.

For our physical campus retail operations, we typically have the exclusive right to operate the official physical school bookstore on college campuses through multi-year management service agreements with our schools. In turn, we pay the school a percentage of store sales and, in some cases, a minimum fixed guarantee. These contracts with colleges and universities are typically five years with renewal options, but can range from one to 15 years, and are typically cancelable by either party without penalty with 90 to120 days' notice.

As of May 2, 2020, these contracts for the 772 physical stores that we operate expire as follows:

Contract Terms to Expire During (12 months ending on or about April 30)	Number of Physical Campus Stores
2021	91
2022	52
2023	42
2024	35
2025	114
2026 and later	438

Item 3. *LEGAL PROCEEDINGS*

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. We record a liability when we believe that it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations or cash flows.

Between January 22, 2020, and May 20, 2020, eleven purported class action complaints were filed in the United States District Court for the District of Delaware, the United States District Court for the District of New Jersey, and the United States District Court for the Northern District of Illinois against the Company, along with several publishers, another collegiate bookstore retailer, and an industry association. The plaintiffs are retailers of collegiate course materials or current or former college students. Although the specific allegations vary slightly, they claim, on their own behalf and on behalf of the purported classes, that the Company and the other defendants violated Section 1 of the Sherman Act (15 U.S.C. § 1), Section 2 of the Sherman Act (15 U.S.C. § 2), Section 13(a) of the Robinson-Patman Act (15 U.S.C. §13(a)), and various state antitrust and unfair trade practices laws for alleged activities in connection with inclusive access and the sale of course materials to universities and their students. The United States Judicial Panel on Multidistrict Litigation is considering whether to consolidate these and other related cases in a consolidated proceeding. We intend to vigorously defend this matter and are currently unable to estimate any potential losses.

Item 4. *MINE SAFETY DISCLOSURES*

Not applicable.

PART II

Item 5. *MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES*

Our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share. Our common stock trades on the New York Stock Exchange (“NYSE”) under the symbol “BNED.”

As of May 2, 2020, 48,297,554 shares of our common stock and 0 shares of our preferred stock were outstanding. We have reserved 10,409,345 shares of common stock for future grants in accordance with the Barnes & Noble Education Inc. Equity Incentive Plan. See *Item 8. Financial Statements and Supplementary Data - Note 14. Stock-Based Compensation*.

On March 25, 2020, our Board of Directors approved the adoption of a short-term stockholder rights plan and declared a dividend distribution of one preferred share purchase right on each outstanding share of our common stock. The dividend was payable to holders of record as of the close of business on April 10, 2020. The rights will be exercisable only if a person or group acquires 10% or more of our outstanding common stock. Each right will entitle stockholders to buy one one-thousandth of a share of our preferred stock at an established exercise price. The rights will expire no later than December 31, 2020. For additional information, see the Form 8-K dated March 25, 2020 and filed with the SEC on March 26, 2020.

Issuer Purchases of Equity Securities

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to $50 million, in the aggregate, of our outstanding common stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During Fiscal 2018, Fiscal 2019, and Fiscal 2020, we did not repurchase shares under the stock repurchase program. As of May 2, 2020, approximately $26.7 million remains available under the stock repurchase program.

During the years ended May 2, 2020, April 27, 2019, and April 28, 2018, we also repurchased 374,733 shares, 351,043 shares, and 260,531 shares of our common stock in connection with employee tax withholding obligations for vested stock awards, respectively.

Item 6. *SELECTED FINANCIAL DATA*

The selected financial information presented below should be read in conjunction with *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations* and *Item 8. Financial Statements and Supplementary Data*.

(In thousands of dollars, except for share and per share amounts)	Fiscal Year [a]				
	2020 [b]	2019 [c]	2018 [c]	2017 [c]	2016 [c]
STATEMENT OF OPERATIONS DATA:					
Sales:					
Product sales and other	$ 1,671,200	$ 1,838,760	$ 1,984,472	$ 1,641,881	$ 1,581,104
Rental income	179,863	195,883	219,145	232,481	226,925
Total sales	1,851,063	2,034,643	2,203,617	1,874,362	1,808,029
Cost of sales:					
Product and other cost of sales	1,303,702	1,395,339	1,522,687	1,281,043	1,224,927
Rental cost of sales	104,812	111,578	123,697	134,258	128,403
Total cost of sales	1,408,514	1,506,917	1,646,384	1,415,301	1,353,330
Gross profit	442,549	527,726	557,233	459,061	454,699
Selling and administrative expenses	404,472	423,880	433,746	380,793	374,171
Depreciation and amortization expense	61,860	65,865	65,586	53,318	52,690
Impairment loss (non-cash) [d]	433	57,748	313,130	—	11,987
Restructuring and other charges [d]	18,567	7,233	5,429	1,790	8,830
Transaction costs [e]	—	654	2,045	9,605	2,398
Operating (loss) income	(42,783)	(27,654)	(262,703)	13,555	4,623
Interest expense, net	7,445	9,780	10,306	3,464	1,872
(Loss) earnings before taxes	(50,228)	(37,434)	(273,009)	10,091	2,751
Income tax (benefit) expense	(11,978)	(13,060)	(20,443)	4,730	2,667
Net (loss) income	$ (38,250)	$ (24,374)	$ (252,566)	$ 5,361	$ 84
(Loss) Earnings per common share:					
Basic	$ (0.80)	$ (0.52)	$ (5.40)	$ 0.12	$ —
Diluted	$ (0.80)	$ (0.52)	$ (5.40)	$ 0.11	$ —
Weighted average common shares (thousands):					
Basic	48,013	47,306	46,763	46,317	46,238
Diluted	48,013	47,306	46,763	46,763	46,479

(In thousands of dollars, except for share and per share amounts)	Fiscal Year [a] 2020 [b]	2019 [c]	2018 [c]	2017 [c]	2016 [c]
OTHER OPERATING DATA:					
Adjusted EBITDA (non-GAAP) [f]	$ 42,159	$ 104,942	$ 126,760	$ 78,268	$ 80,528
Adjusted Earnings (non-GAAP) [f]	$ (21,126)	$ 25,412	$ 56,949	$ 12,347	$ 15,462
Capital expenditures	$ 36,192	$ 46,420	$ 42,809	$ 34,670	$ 50,790
OTHER OPERATING DATA - STORE COUNT:					
Number of physical stores at period end	772	772	768	769	751
Number of virtual stores at period end	647	676	676	712	N/A

(In thousands of dollars, except for share and per share amounts)	Fiscal Year [a] 2020 [b]	2019 [c]	2018 [c]	2017 [c]	2016 [c]
BALANCE SHEET DATA (at period end):					
Total assets	$ 1,156,432	$ 946,180	$ 1,039,211	$ 1,299,832	$ 1,071,683
Total liabilities	$ 738,681	$ 495,552	$ 571,248	$ 586,124	$ 363,297
Short-term debt	$ 75,000	$ 100,000	$ 100,000	$ 100,000	$ —
Long-term debt	$ 99,700	$ 33,500	$ 96,400	$ 59,600	$ —
Total stockholders' equity	$ 417,751	$ 450,628	$ 467,963	$ 713,708	$ 708,386

(a) Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. "Fiscal 2020" means the 53 weeks ended May 2, 2020, "Fiscal 2019" means the 52 weeks ended April 27, 2019, "Fiscal 2018" means the 52 weeks ended April 28, 2018, "Fiscal 2017" means the 52 weeks ended April 29, 2017, and "Fiscal 2016" means the 52 weeks ended April 30, 2016.

(b) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

(c) We acquired PaperRater on August 21, 2018. The consolidated financial statements for Fiscal 2019 include the financial results of PaperRater from the acquisition date, August 21, 2018, to April 27, 2019.

We acquired Student Brands, LLC on August 3, 2017. The consolidated financial statements for Fiscal 2018 include the financial results of Student Brands from the acquisition date, August 3, 2017, to April 28, 2018.

We acquired MBS Textbook Exchange, LLC on February 27, 2017. The consolidated financial statements for Fiscal 2017 include the financial results of MBS from the acquisition date, February 27, 2017, to April 29, 2017.

We completed the legal separation ("Spin-Off") from Barnes & Noble, Inc. on August 2, 2015 (the beginning of our second quarter of Fiscal 2016), at which time we began to operate as an independent publicly-traded company.

(d) For additional information, see *Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies* and *Note 11. Supplementary Information.*

(e) Transaction costs are costs incurred for business development and acquisitions.

(f) To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted EBITDA and Adjusted Earnings, which are non-GAAP financial measures as defined by the Securities and Exchange Commission (the "SEC"). See *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Adjusted Earnings (non-GAAP)* and - *Adjusted EBITDA (non-GAAP).*

Item 7. *MANAGMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS*

Unless the context otherwise indicates, references to "we," "us," "our" and "the Company" refer to Barnes & Noble Education, Inc. or "BNED", a Delaware corporation. References to "Barnes & Noble College" or "BNC" refer to our subsidiary Barnes & Noble College Booksellers, LLC. References to "MBS" refer to our subsidiary MBS Textbook Exchange, LLC. References to "Student Brands" refer to our subsidiary Student Brands, LLC.

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. "Fiscal 2020" means the 53 weeks ended May 2, 2020, "Fiscal 2019" means the 52 weeks ended April 27,2019, "Fiscal 2018" means the 52 weeks ended April 28, 2018, "Fiscal 2017" means the 52 weeks ended April 29, 2017, and "Fiscal 2016" means the 52 weeks ended April 30, 2016.

Overview

Description of business

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also one of the largest textbook wholesalers, inventory management hardware and software providers, and a leading provider of digital education solutions. We operate 1,419 physical, virtual, and custom bookstores and serve more than 6 million students, delivering essential educational content and tools within a dynamic omni channel retail environment. Additionally, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We expect to continue to introduce scalable and advanced digital solutions focused largely on the student, expand our general merchandise e-commerce capabilities, increase market share with new accounts, and expand our strategic opportunities through acquisitions and partnerships. We expect general merchandise sales to continue to increase over the long term, as our product assortments continue to emphasize and reflect the changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online, as we improve our e-commerce capabilities through investments we are making in new systems, processes and people.

The *BNC* and *MBS* brands are virtually synonymous with innovation in bookselling and campus retail, and, we believe, are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important for leading publishers who rely on us as one of their primary distribution channels, and for being a trusted source for students in our direct-to-student digital solutions business.

For a discussion of our business, see *Part I - Item 1. Business.*

COVID-19 Business Impact and Other Recent Matters

Our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures. Beginning in March 2020, colleges and universities nationwide began to close their campuses in light of safety concerns and as a result of local and state issued stay-at-home orders. By mid-March, during our fiscal fourth quarter, we closed the majority of our physical campus stores to protect the health and safety of our customers and employees.

While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. Our fiscal fourth quarter is historically a lower revenue quarter for our operations as it does not include a back-to-school rush period, however, we experienced a loss in revenue in our Retail segment associated with the cancellation of events that traditionally drive sales in the fourth quarter, including athletics events such as March Madness, as well as graduation events.

To mitigate the impact of the business disruption, we have taken steps to significantly reduce costs, including furloughing the majority of our Retail workforce (effective April 2020). We developed and implemented plans to safely reopen our campus stores based on national, state and local guidelines, as well as the campus policies set by the school administration. Colleges and universities in the United States continue to adjust their plans for the upcoming fall term, with some implementing shortened semesters or choosing to remain fully virtual in order to best protect students and faculty.

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. Certain elements of this plan were implemented in late Fiscal 2020, while other actions are planned for Fiscal 2021. We anticipate meaningful annualized cost savings from this program, the majority of which is expected to be realized beginning in Fiscal 2021. As a result, we currently expect to see the most significant impacts of COVID-19 on our business in the first half of Fiscal 2021. However, we cannot accurately predict the duration or extent of the impact of COVID-19 on enrollments, university budgets, athletics and other areas that directly affect our business operations.

In Fiscal 2020, we retained Morgan Stanley & Co. to serve as a financial advisor in connection with our review of strategic opportunities. The review is designed to accelerate the execution of customer-focused strategic initiatives and enhance value for our shareholders, including, but not limited to, continued execution of our current business plan, new partnerships, joint ventures and other potential opportunities. There can be no assurance that the review will result in a transaction or announcement of any kind. We have not set a timetable for the conclusion of the review.

Segments

We have three reportable segments: Retail, Wholesale and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, continue to be presented as “Corporate Services”. The following discussion provides information regarding the three segments.

Retail Segment

The *Retail Segment* operates 1,419 college, university, and K-12 school bookstores, comprised of 772 physical bookstores and 647 virtual bookstores. Our bookstores typically operate under agreements with the college, university, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce sites which we operate and which offer students access to affordable course materials and affinity products, including emblematic apparel and gifts. The Retail Segment also offers inclusive access programs, in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students on or before the first day of class. Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

Wholesale Segment

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 3,400 physical bookstores (including our Retail Segment's 772 physical bookstores) and sources and distributes new and used textbooks to our 647 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 400 college bookstores.

DSS Segment

The *Digital Student Solutions ("DSS") Segment* includes direct-to-student products and services to assist students to study more effectively and improve academic performance. The DSS Segment is comprised of the operations of Student Brands, LLC, a leading direct-to-student subscription-based writing services business, and bartleby, a direct-to-student subscription-based offering providing textbook solutions, expert questions and answers, tutoring and test prep services.

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

Seasonality

Our business is highly seasonal. Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods. Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April.

For certain of our retail operations, sales are generally highest in the second and third fiscal quarters, when students purchase and rent textbooks and other course materials for the typical academic year, and lowest in the first and fourth fiscal quarters. Sales attributable to our wholesale business are generally highest in our first, second and third quarters, as MBS sells textbooks and other course materials for retail distribution. Our DSS segment sales and operating profit are realized relatively consistently throughout the year.

Trends and Other Factors Affecting Our Business

For a discussion of our trends and other factors affecting our business, see *Part I - Item 1. Business.*

Results of Operations

Elements of Results of Operations

Our consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States (“GAAP”).

Our sales are primarily derived from the sale of course materials, which include new, used and digital textbooks, and at college and university bookstores which we operate, we sell high margin general merchandise, including emblematic apparel and gifts, trade books, computer products, school and dorm supplies, convenience and café items and graduation products. Our rental income is primarily derived from the rental of physical textbooks. We also derive revenue from other sources, such as sales of inventory management, hardware and point-of-sale software, direct-to-student subscription-based services, and other services.

Our cost of sales primarily includes costs such as merchandise costs, textbook rental amortization, content development cost amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as merchandising, procurement, field support, finance and accounting, and operating costs related to our direct-to-student subscription-based services business. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to any specific reporting segment and are recorded in Corporate Services as discussed in the *Overview - Segments* discussion above.

Basis of Consolidation

The results of operations reflected in our consolidated financial statements are presented on a consolidated basis. All material intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements include acquisitions effective their respective acquisition date.

- The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of PaperRater from the acquisition date, August 21, 2018, to April 27, 2019.
- The consolidated financial statements for the 52 weeks ended April 28, 2018 include the financial results of Student Brands from the acquisition date, August 3, 2017, to April 28, 2018.

Results of Operations - Summary

Dollars in thousands	53 weeks ended May 2, 2020 [(a)]	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Sales:			
Product sales and other	$ 1,671,200	$ 1,838,760	$ 1,984,472
Rental income	179,863	195,883	219,145
Total sales	$ 1,851,063	$ 2,034,643	$ 2,203,617
Net loss	$ (38,250)	$ (24,374)	$ (252,566)
Adjusted Earnings (non-GAAP) [(b)]	$ (21,126)	$ 25,412	$ 56,949
Adjusted EBITDA (non-GAAP) [(b)]			
Retail	$ 36,227	$ 89,094	$ 101,242
Wholesale	21,567	35,018	40,849
DSS	3,409	6,169	7,559
Corporate Services	(19,403)	(24,873)	(22,166)
Eliminations	359	(466)	(724)
Total Adjusted EBITDA (non-GAAP)	$ 42,159	$ 104,942	$ 126,760

(a) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

(b) Adjusted Earnings and Adjusted EBITDA are a non-GAAP financial measures. See *Adjusted Earnings (non-GAAP)* and *Adjusted EBITDA (non-GAAP)* discussion below.

The following table sets forth, for the periods indicated, the percentage relationship that certain items bear to total sales:

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Sales:			
Product sales and other	90.3 %	90.4 %	90.1 %
Rental income	9.7	9.6	9.9
Total sales	100.0	100.0	100.0
Cost of sales:			
Product and other cost of sales [(a)]	78.0	75.9	76.7
Rental cost of sales [(a)]	58.3	57.0	56.4
Total cost of sales	76.1	74.1	74.7
Gross margin	23.9	25.9	25.3
Selling and administrative expenses	21.9	20.8	19.7
Depreciation and amortization expense	3.3	3.2	3.0
Impairment loss (non-cash)	—	2.8	14.2
Restructuring and other charges	1.0	0.4	0.2
Transactions costs	—	—	0.1
Operating loss	(2.3)%	(1.4)%	(11.9)%

(a) Represents the percentage these costs bear to the related sales, instead of total sales.

Results of Operations - 53 weeks ended May 2, 2020 compared with the 52 weeks ended April 27, 2019

	53 weeks ended, May 2, 2020					
Dollars in thousands	Retail	Wholesale	DSS	Corporate Services	Eliminations [(b)]	Total
Sales:						
Product sales and other	$ 1,533,029	$ 198,353	$ 23,661	$ —	$ (83,843)	1,671,200
Rental income	179,863	—	—	—	—	179,863
Total sales	1,712,892	198,353	23,661	—	(83,843)	1,851,063
Cost of sales:						
Product and other cost of sales	1,224,798	158,548	4,348	—	(83,992)	1,303,702
Rental cost of sales	104,812	—	—	—	—	104,812
Total cost of sales	1,329,610	158,548	4,348	—	(83,992)	1,408,514
Gross profit	383,282	39,805	19,313	—	149	442,549
Selling and administrative expenses	347,869	18,238	19,172	19,403	(210)	404,472
Depreciation and amortization expense	47,099	5,963	8,670	128	—	61,860
Sub-Total:	$ (11,686)	$ 15,604	$ (8,529)	$ (19,531)	$ 359	(23,783)
Impairment loss (non-cash)						433
Restructuring and other charges						18,567
Transaction costs						—
Operating loss						$ (42,783)

Dollars in thousands	52 weeks ended, April 27, 2019 Retail	Wholesale	DSS [a]	Corporate Services	Eliminations [b]	Total
Sales:						
Product sales and other	$ 1,693,125	$ 223,374	$ 21,339	$ —	$ (99,078)	1,838,760
Rental income	195,883	—	—	—	—	195,883
Total sales	1,889,008	223,374	21,339	—	(99,078)	2,034,643
Cost of sales:						
Product and other cost of sales	1,325,559	167,033	1,309	—	(98,562)	1,395,339
Rental cost of sales	111,578	—	—	—	—	111,578
Total cost of sales	1,437,137	167,033	1,309	—	(98,562)	1,506,917
Gross profit	451,871	56,341	20,030	—	(516)	527,726
Selling and administrative expenses	363,230	21,323	14,504	24,873	(50)	423,880
Depreciation and amortization expense	51,728	6,014	7,974	149	—	65,865
Sub-Total:	$ 36,913	$ 29,004	$ (2,448)	$ (25,022)	$ (466)	37,981
Impairment loss (non-cash)						57,748
Restructuring and other charges						7,233
Transaction costs						654
Operating loss						$ (27,654)

(a) We acquired PaperRater, LLC on August 21, 2018. The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of PaperRater in the DSS Segment from the acquisition date, August 21, 2018, to April 27, 2019.

(b) For additional information related to the intercompany activities and eliminations, see *Part II - Item 8. Financial Statements* and *Supplementary Data - Note 6. Acquisitions and Note 7. Segment Reporting.*

COVID-19 Business Impact

Our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures. Beginning in March 2020, colleges and universities nationwide began to close their campuses in light of safety concerns and as a result of local and state issued stay-at-home orders. By mid-March, during our fiscal fourth quarter, we closed the majority of our physical campus stores to protect the health and safety of our customers and employees.

While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. Our fiscal fourth quarter is historically a lower revenue quarter for our operations as it does not include a back-to-school rush period, however, we experienced a loss in revenue in our Retail segment associated with the cancellation of events that traditionally drive sales in the fourth quarter, including athletics events such as March Madness, as well as graduation events.

To mitigate the impact of the business disruption, we have taken steps to significantly reduce costs, including furloughing the majority of our Retail workforce (effective April 2020). We developed and implemented plans to safely reopen our campus stores based on national, state and local guidelines, as well as the campus policies set by the school administration. Colleges and universities in the United States continue to adjust their plans for the upcoming fall term, with some implementing shortened semesters or choosing to remain fully virtual in order to best protect students and faculty.

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. Certain elements of this plan were implemented in late Fiscal 2020, while other actions are planned for Fiscal 2021. We anticipate meaningful annualized cost savings from this program, the majority of which is expected to be realized beginning in Fiscal 2021. As a result, we currently expect to see the most significant impacts of COVID-19 on our business in the first half of Fiscal 2021. However, we cannot accurately predict the duration or extent of the impact of COVID-19 on enrollments, university budgets, athletics and other areas that directly affect our business operations.

Sales

The following table summarizes our sales:

Dollars in thousands		53 weeks ended May 2, 2020		52 weeks ended April 27, 2019	%
Product sales and other		1,671,200		1,838,760	(9.1)%
Rental income		179,863		195,883	(8.2)%
Total Sales	$	1,851,063	$	2,034,643	(9.0)%

Our total sales decreased by $183.6 million, or 9.0%, to $1,851.1 million during the 53 weeks ended May 2, 2020 from $2,034.6 million during the 52 weeks ended April 27, 2019. The components of the variances are reflected in the table below.

Sales variances		53 weeks ended
Dollars in millions		May 2, 2020
Retail Sales		
New stores	$	68.0
Closed stores		(60.2)
Comparable stores [(a)]		(177.2)
Textbook rental deferral		4.3
Service revenue [(b)]		(7.8)
Other [(c)]		(3.2)
Retail Sales subtotal:	$	(176.1)
Wholesale Sales	$	(25.0)
DSS Sales	$	2.3
Eliminations [(d)]	$	15.2
Total sales variance	$	(183.6)

(a) Comparable store sales includes sales from physical stores that have been open for an entire fiscal year period and virtual store sales for the period, does not include sales from closed stores for all periods presented, and digital agency sales are included on a gross basis.

(b) Service revenue includes Promoversity, brand partnerships, shipping and handling, digital content, software, services, and revenue from other programs.

(c) Other includes inventory liquidation sales to third parties, marketplace sales and certain accounting adjusting items related to return reserves, and other deferred items.

(d) Eliminates Wholesale sales and service fees to Retail and Retail commissions earned from Wholesale. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 7. Segment Reporting* for a discussion of intercompany activities and eliminations.

Retail

Retail total sales decreased by $176.1 million, or 9.3%, to $1,712.9 million during the 53 weeks ended May 2, 2020 from $1,889.0 million during the 52 weeks ended April 27, 2019. Retail added 121 new stores and closed 150 stores (not including temporary store closings due to COVID-19) during the 53 weeks ended May 2, 2020, ending the period with a total of 1,419 stores.

	Fiscal 2020		Fiscal 2019	
	Physical	Virtual	Physical	Virtual
Number of stores at beginning of period	772	676	768	676
Opened	50	71	35	33
Closed	50	100	31	33
Number of stores at end of period	772	647	772	676

Product and other sales for Retail decreased by $160.1 million, or 9.5%, to $1,533.0 million during the 53 weeks ended May 2, 2020 from $1,693.1 million during the 52 weeks ended April 27, 2019. Product and other sales are impacted by comparable store sales (as noted in the chart below), new store openings and store closings, as well as the impact from temporary store closings related to COVID-19. Textbook (Course Materials) revenue for Retail decreased primarily due to lower new and used textbook and other course materials sales, while First Day, digital and eTextbook revenue increased. General merchandise sales for Retail decreased primarily due to lower emblematic apparel sales (as many athletic events were canceled due to COVID-19), lower supply product sales and lower graduation product sales (primarily due to COVID-19 related campus closures). We have made continued progress in the development of our next generation e-commerce platform, which is launching in Fiscal 2021 to deliver increased high-margin general merchandise sales.

Rental income for Retail decreased by $16.0 million, or 8.2%, to $179.9 million during the 53 weeks ended May 2, 2020 from $195.9 million during the 52 weeks ended April 27, 2019. Rental income is impacted by comparable store sales, new store openings and store closings. The decrease in rental income is primarily due to decreased rental activity impacted by increased digital offerings.

Comparable store sales for Retail decreased for the 53 week sales period. Comparable store sales were impacted primarily by COVID-19 related campus store closures, a shift to lower cost options and more affordable solutions, including digital offerings, increased consumer purchases directly from publishers and other online providers, lower general merchandise sales (including graduation products and logo products for athletic events) and lower student enrollment, specifically in two-year community colleges. These decreases were partially offset by increased First Day, digital and eTextbook revenue. Comparable store sales variances for Retail by category for the 53 week period is as follows:

Comparable Store Sales variances for Retail	53 weeks ended		
Dollars in millions	May 2, 2020		
Textbooks (Course Materials)	$	(93.8)	(8.4)%
General Merchandise		(68.0)	(11.9)%
Trade Books		(9.4)	(22.3)%
Total Comparable Store Sales	$	(171.2)	(9.9)%

Wholesale

Wholesale sales decreased by $25.0 million, or 11.2%, to $198.4 million during the 53 weeks ended May 2, 2020 from $223.4 million during the 52 weeks ended April 27, 2019. The decrease is driven primarily due to a decrease in customer demand resulting from a shift in buying patterns from physical textbooks to digital products and lower demand due to COVID-19 related campus store closures at our Retail Segment and other third-party clients.

DSS

DSS total sales increased by $2.3 million, or 10.9%, to $23.7 million during the 53 weeks ended May 2, 2020 from $21.3 million during the 52 weeks ended April 27, 2019, primarily due to higher *bartleby* subscription sales, which were partially offset by lower Student Brands sales.

Cost of Sales and Gross Margin

Our cost of sales increased as a percentage of sales to 76.1% during the 53 weeks ended May 2, 2020 compared to 74.1% during the 52 weeks ended April 27, 2019. Our gross margin decreased by $85.2 million, or 16.1%, to $442.5 million, or 23.9% of sales, during the 53 weeks ended May 2, 2020 from $527.7 million, or 25.9% of sales, during the 52 weeks ended April 27, 2019. During the 53 weeks ended May 2, 2020, gross margin as a percentage of sales decreased to 23.9% from 25.9% or 200 basis points primarily due to the items discussed below for each segment.

Retail

The following table summarizes the Retail cost of sales:

	53 weeks ended			52 weeks ended		
Dollars in thousands		May 2, 2020	% of Related Sales		April 27, 2019	% of Related Sales
Product and other cost of sales	$	1,224,798	79.9%	$	1,325,559	78.3%
Rental cost of sales		104,812	58.3%		111,578	57.0%
Total Cost of Sales	$	1,329,610	77.6%	$	1,437,137	76.1%

The following table summarizes the Retail gross margin:

Dollars in thousands	53 weeks ended May 2, 2020	53 weeks ended % of Related Sales	52 weeks ended April 27, 2019	52 weeks ended % of Related Sales
Product and other gross margin	$ 308,231	20.1%	$ 367,566	21.7%
Rental gross margin	75,051	41.7%	84,305	43.0%
Gross Margin	$ 383,282	22.4%	$ 451,871	23.9%

For the 53 weeks ended May 2, 2020, the Retail gross margin as a percentage of sales decreased as discussed below:

- Product and other gross margin decreased (160 basis points), driven primarily by lower margin rates due to higher markdowns (135 basis points), higher costs related to our college and university contracts (75 basis points) resulting from contract renewals and new store contracts, and an unfavorable sales mix (10 basis points) due to lower high-margin general merchandise sales, partially offset by improvements in shrink rates (60 basis points).
- Rental gross margin decreased (130 basis points), driven primarily by higher costs related to our college and university contracts (210 basis points) resulting from contract renewals and new store contracts, partially offset by a favorable rental mix (50 basis points) and higher rental margin rates (25 basis points).

Wholesale

The cost of sales and gross margin for Wholesale were $158.5 million, or 79.9% of sales, and $39.8 million, or 20.1% of sales, respectively, during the 53 weeks ended May 2, 2020. The cost of sales and gross margin for Wholesale were $167.0 million, or 74.8% of sales, and $56.3 million, or 25.2% of sales, respectively, during the 52 weeks ended April 27, 2019. The gross margin decreased to 20.1% during the 53 weeks ended May 2, 2020 from 25.2% during the 52 weeks ended April 27, 2019. The decrease was primarily due to an unfavorable sales mix (higher priced inventory sold) and higher inventory markdowns.

DSS

Gross margin for the DSS segment was $19.3 million, or 81.6% of sales, during the 53 weeks ended May 2, 2020 and $20.0 million, or 93.9% of sales, during the 52 weeks ended April 27, 2019. The decrease in gross margin was primarily due to the amortization of content development costs of $4.1 million during the 53 weeks ended May 2, 2020 compared to $1.1 million during the 52 weeks ended April 27, 2019 for *bartleby* textbook solutions which was launched in the latter half of Fiscal 2019.

Intercompany Eliminations

During the 53 weeks ended May 2, 2020 and 52 weeks ended April 27, 2019, sales eliminations were $83.9 million and $99.1 million, respectively. These sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

During the 53 weeks ended May 2, 2020 and 52 weeks ended April 27, 2019, the cost of sales eliminations were $84.0 million and $98.6 million, respectively. These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

The $0.1 million and $(0.5) million of gross margin elimination reflects the net impact of the sales eliminations and cost of sales eliminations during the 53 weeks ended May 2, 2020 and 52 weeks ended April 27, 2019, respectively. The gross margin eliminations reflect the net impact of the sales eliminations and cost of sales eliminations during the above mentioned reporting periods.

Selling and Administrative Expenses

Dollars in thousands	53 weeks ended May 2, 2020	53 weeks ended % of Sales	52 weeks ended April 27, 2019	52 weeks ended % of Sales
Selling and Administrative Expenses	$ 404,472	21.9%	$ 423,880	20.8%

During the 53 weeks ended May 2, 2020, selling and administrative expenses decreased by $19.4 million, or 4.6%, to $404.5 million from $423.9 million during the 52 weeks ended April 27, 2019. The variances by segment are as follows:

Retail

For Retail, selling and administrative expenses decreased by $15.4 million, or 4.2%, to $347.9 million during the 53 weeks ended May 2, 2020 from $363.2 million during the 52 weeks ended April 27, 2019. This decrease was primarily due to a $17.7 million decrease in stores payroll and operating expenses, including comparable stores, virtual stores and new/closed stores payroll and operating expenses, partially offset by an increase of $1.2 million in corporate payroll and infrastructure costs and a $1.1 million increase in product development costs and digital operations costs.

Wholesale

For Wholesale, selling and administrative expenses decreased by $3.1 million, or 14.5%, to $18.2 million during the 53 weeks ended May 2, 2020 from $21.3 million during the 52 weeks ended April 27, 2019. The decrease in selling and administrative expenses was primarily driven by lower payroll and operating costs.

DSS

For DSS, selling and administrative expenses increased by $4.7 million to $19.2 million during the 53 weeks ended May 2, 2020 from $14.5 million during the 52 weeks ended April 27, 2019. The increase in costs was primarily driven by higher payroll and professional fees related to developing, marketing and selling our student success hub on *bartleby* which launched during the latter half of Fiscal 2019.

Corporate Services

Corporate Services' selling and administrative expenses decreased by $5.5 million, or 22.0%, to $19.4 million during the 53 weeks ended May 2, 2020 from $24.9 million during the 52 weeks ended April 27, 2019. The decrease was primarily due to lower compensation-related expense and lower operating expenses.

Depreciation and Amortization Expense

	53 weeks ended		52 weeks ended	
Dollars in thousands	May 2, 2020	% of Sales	April 27, 2019	% of Sales
Depreciation and Amortization Expense	$ 61,860	3.3%	$ 65,865	3.2%

Depreciation and amortization expense decreased by $4.0 million, or 6.1%, to $61.9 million during the 53 weeks ended May 2, 2020 from $65.9 million during the 52 weeks ended April 27, 2019. The decrease was primarily attributable to lower depreciation related to closed stores and lower capital expenditures.

Impairment loss (non-cash)

During the 53 weeks ended May 2, 2020, we recognized an impairment loss (non-cash) of $0.4 million in the Retail segment related to net capitalized development costs for a project which are not recoverable. During the 52 weeks ended April 27, 2019, we recorded an impairment loss (non-cash) of $57.8 million, related to $49.3 million of goodwill and $8.5 million of long-lived assets. For information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies*.

Restructuring and other charges

During the 53 weeks ended May 2, 2020, we recognized restructuring and other charges totaling $18.6 million comprised primarily of $12.7 million for severance and other employee termination and benefit costs associated with several management changes, the elimination of various positions as part of cost reduction objectives, and professional service costs for process improvements, $2.8 million for professional service costs for shareholder activist activities, $2.7 million in an actuarial loss related to a frozen retirement benefit plan (non-cash), and $0.6 million for a store level asset impairment charge, offset by $0.2 million related to reduction of liabilities for a facility closure.

During the 52 weeks ended April 27, 2019, we recognized restructuring and other charges totaling $7.2 million comprised of $4.6 million for severance and transition payments related to senior management changes, other employee termination and benefit costs, and other charges totaling approximately $2.6 million, primarily comprised of $2.3 million in an actuarial loss related to a frozen retirement benefit plan (non-cash), $0.2 million related to additional liabilities for a facility closure, and a write-off of $0.1 million of existing unamortized debt issuance costs.

Transaction Costs

Transaction costs were $0.7 million during the 52 weeks ended April 27, 2019. We incur transaction costs for business development and acquisitions. For additional information related to our recent acquisitions, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 6. Acquisitions.*

Operating Loss

Dollars in thousands	53 weeks ended May 2, 2020	53 weeks ended % of Sales	52 weeks ended April 27, 2019	52 weeks ended % of Sales
Operating Loss	$ (42,783)	(2.3)%	$ (27,654)	(1.4)%

Our operating loss was $(42.8) million during the 53 weeks ended May 2, 2020 compared to operating loss of $(27.7) million during the 52 weeks ended April 27, 2019. This decrease was due to the matters discussed above.

For the 53 weeks ended May 2, 2020, excluding the $18.6 million of restructuring and other charges and the $0.4 million impairment loss, all discussed above, operating loss was $(23.8) million (or (1.3)% of sales).

For the 52 weeks ended April 27, 2019, excluding the $57.8 million impairment loss, the $7.2 million restructuring and other charges, and the transaction costs of $0.7 million, all discussed above, operating income was $38.0 million (or 1.9% of sales).

Interest Expense, Net

Dollars in thousands	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019
Interest Expense, Net	$ 7,445	$ 9,780

Net interest expense decreased by $2.4 million to $7.4 million during the 53 weeks ended May 2, 2020 from $9.8 million during the 52 weeks ended April 27, 2019 primarily due to lower average borrowings.

Income Tax Benefit

Dollars in thousands	53 weeks ended April 27, 2019	53 weeks ended Effective Rate	52 weeks ended April 27, 2019	52 weeks ended Effective Rate
Income Tax Benefit	$ (11,978)	23.8%	$ (13,060)	34.9%

We recorded an income tax benefit of $(12.0) million on a pre-tax loss of $(50.2) million during the 53 weeks ended May 2, 2020, which represented an effective income tax rate of 23.8% and an income tax benefit of $(13.1) million on a pre-tax loss of $(37.4) million during the 52 weeks ended April 27, 2019, which represented an effective income tax rate of 34.9%.

The effective tax rate for the 53 weeks ended May 2, 2020 is significantly lower as compared to the comparable prior year period due to various permanent differences and the impact of the Tax Cuts and Jobs Act recorded in Fiscal 2019.

Impact of U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, among other provisions. In accordance with *SAB 118,* "*Income Tax Accounting Implications of the Tax Cuts and Jobs Act*" (SAB 118), we completed our accounting for the tax effects of the enactment of the Act within the provisional period as of April 27, 2019. We recorded measurement period adjustments during Fiscal 2019 to reduce our net deferred tax liability by $3.9 million, which primarily relates to the acceleration of certain deductions as permitted by the U.S. tax code. The most significant impact of the legislation for the Company was a $20.4 million reduction of the value of our net deferred (which represents future tax liabilities) and long-term tax liabilities as a result of lowering the U.S. corporate income tax rate from 35% to 21%, which was recorded in Fiscal 2018. We also recorded a liability associated with the one-time transition tax. This amount is not material.

Net Loss

Dollars in thousands	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019
Net Loss	$ (38,250)	$ (24,374)

As a result of the factors discussed above, we reported net loss of $(38.3) million during the 53 weeks ended May 2, 2020, compared with net loss of $(24.4) million during the 52 weeks ended April 27, 2019. Adjusted Earnings (non-GAAP) is $(21.1) million during the 53 weeks ended May 2, 2020, compared with $25.4 million during the 52 weeks ended April 27, 2019. See *Adjusted Earnings (non-GAAP)* discussion below.

Results of Operations - 52 weeks ended April 27, 2019 compared with the 52 weeks ended April 28, 2018

	52 weeks ended, April 27, 2019					
Dollars in thousands	Retail	Wholesale	DSS [a]	Corporate Services	Eliminations [b]	Total
Sales:						
Product sales and other	$ 1,693,125	$ 223,374	$ 21,339	$ —	$ (99,078)	1,838,760
Rental income	195,883	—	—	—	—	195,883
Total sales	1,889,008	223,374	21,339	—	(99,078)	2,034,643
Cost of sales:						
Product and other cost of sales	1,325,559	167,033	1,309	—	(98,562)	1,395,339
Rental cost of sales	111,578	—	—	—	—	111,578
Total cost of sales	1,437,137	167,033	1,309	—	(98,562)	1,506,917
Gross profit	451,871	56,341	20,030	—	(516)	527,726
Selling and administrative expenses	363,230	21,323	14,504	24,873	(50)	423,880
Depreciation and amortization expense	51,728	6,014	7,974	149	—	65,865
Sub-Total:	$ 36,913	$ 29,004	$ (2,448)	$ (25,022)	$ (466)	37,981
Impairment loss (non-cash)						57,748
Restructuring and other charges						7,233
Transaction costs						654
Operating loss						$ (27,654)

	52 weeks ended, April 28, 2018					
Dollars in thousands	Retail	Wholesale	DSS [a]	Corporate Services	Eliminations [b]	Total
Sales:						
Product sales and other	$ 1,805,396	$ 258,369	$ 15,762	$ —	$ (95,055)	1,984,472
Rental income	219,145	—	—	—	—	219,145
Total sales	2,024,541	258,369	15,762	—	(95,055)	2,203,617
Cost of sales:						
Product and other cost of sales	1,418,618	198,041	359	—	(94,331)	1,522,687
Rental cost of sales	123,697	—	—	—	—	123,697
Total cost of sales	1,542,315	198,041	359	—	(94,331)	1,646,384
Gross profit	482,226	60,328	15,403	—	(724)	557,233
Selling and administrative expenses	380,984	22,752	7,844	22,166	—	433,746
Depreciation and amortization expense	53,955	6,188	5,253	190	—	65,586
Sub-Total:	$ 47,287	$ 31,388	$ 2,306	$ (22,356)	$ (724)	57,901
Impairment loss (non-cash)						313,130
Restructuring and other charges						5,429
Transaction costs						2,045
Operating loss						$ (262,703)

(a) We acquired PaperRater, LLC on August 21, 2018. The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of PaperRater in the DSS Segment from the acquisition date, August 21, 2018, to April 27, 2019.

We acquired Student Brands, LLC on August 3, 2017. The consolidated financial statements for the 52 weeks ended April 28, 2018 include the financial results of Student Brands in the DSS Segment from the acquisition date, August 3, 2017, to April 28, 2018.

(b) For additional information related to the intercompany activities and eliminations, see *Part II - Item 8. Financial Statements* and *Supplementary Data - Note 6. Acquisitions and Note 7. Segment Reporting.*

Sales

The following table summarizes our sales for the 52 weeks ended April 27, 2019 and April 28, 2018:

	52 weeks ended		
Dollars in thousands	April 27, 2019	April 28, 2018	%
Product sales and other	1,838,760	1,984,472	(7.3)%
Rental income	195,883	219,145	(10.6)%
Total Sales	$ 2,034,643	$ 2,203,617	(7.7)%

Our total sales decreased by $169.0 million, or 7.7%, to $2,034.6 million during the 52 weeks ended April 27, 2019 from $2,203.6 million during the 52 weeks ended April 28, 2018. The components of the variances are reflected in the table below.

Sales variances	52 weeks ended
Dollars in millions	April 29, 2019
Retail Sales	
New stores	$ 54.2
Closed stores	(83.2)
Comparable stores [(a)]	(103.1)
Textbook rental deferral	0.2
Service revenue [(b)]	(4.1)
Other [(c)]	0.4
Retail Sales subtotal:	$ (135.6)
Wholesale Sales	$ (35.0)
DSS Sales [(d)]	$ 5.6
Eliminations [(e)]	$ (4.0)
Total sales variance	$ (169.0)

(a) Comparable store sales includes sales from physical stores that have been open for an entire fiscal year period and virtual store sales for the period, does not include sales from closed stores for all periods presented, and digital agency sales are included on a gross basis.

(b) Service revenue includes Promoversity, brand partnerships, shipping and handling, digital content, software, services, and revenue from other programs.

(c) Other includes inventory liquidation sales to third parties, marketplace sales and certain accounting adjusting items related to return reserves, and other deferred items.

(d) DSS revenue includes Student Brands subscription-based writing services business, which we acquired on August 3, 2017. The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of Student Brands in the DSS segment and the consolidated financial statements for the 52 weeks ended April 28, 2018 include the financial results of Student Brands from the date of acquisition on August 3, 2017.

(e) Eliminates Wholesale sales and service fees to Retail and Retail commissions earned from Wholesale. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 7. Segment Reporting* for a discussion of intercompany activities and eliminations.

Retail

Retail total sales decreased by $135.6 million, or 6.7%, to $1,889.0 million during the 52 weeks ended April 27, 2019 from $2,024.6 million during the 52 weeks ended April 28, 2018. Retail added 68 new stores and closed 64 stores during the 52 weeks ended April 27, 2019, ending the period with a total of 1,448 stores.

	Fiscal 2019		Fiscal 2018	
	Physical	Virtual	Physical	Virtual
Number of stores at beginning of period	768	676	769	712
Opened	35	33	33	21
Closed	31	33	34	57
Number of stores at end of period	772	676	768	676

Product and other sales for Retail for the 52 weeks ended April 27, 2019 decreased by $112.3 million, or 6.2% to $1,693.1 million from $1,805.4 million. Product and other sales are impacted by comparable store sales (as noted in the chart below), new store openings and store closings. Textbook (Course Materials) revenue for Retail for the 52 weeks ended April 27, 2019 decreased primarily due to lower new and used textbook and other course materials sales, while digital and eTextbook revenue increased. General merchandise sales for Retail increased for the 52 weeks ended April 27, 2019 primarily due to higher emblematic apparel, graduation, and computer products sales.

Rental income for Retail for the 52 weeks ended April 27, 2019 decreased by $23.3 million, or 10.6% to $195.9 million from $219.2 million. Rental income is impacted by comparable store sales, new store openings and store closings. The decrease in rental income for the 52 weeks ended April 28, 2018 is due to decreased rental activity impacted by increased digital offerings.

Comparable store sales for Retail decreased for the 52 weeks ended April 27, 2019 and were impacted primarily by a shift to lower cost options and more affordable solutions, including digital offerings, increased consumer purchases directly from publishers and other online providers, and lower student enrollment, specifically in two-year community colleges. These decreases were partially offset by improved general merchandise sales. Comparable store sales variances for Retail by category for the 52 week periods are as follows:

Comparable Store Sales variances for Retail	52 weeks ended	
Dollars in millions	April 27, 2019	
Textbooks (Course Materials)	$ (97.9)	(8.0)%
General Merchandise	8.7	1.5 %
Trade Books	(3.8)	(8.2)%
Total Comparable Store Sales	$ (93.0)	(5.1)%

Wholesale

Wholesale sales decreased by $35.0 million, or 13.5%, to $223.4 million during the 52 weeks ended April 27, 2019 from $258.4 million during the 52 weeks ended April 28, 2018, primarily due to lower demand.

DSS

DSS total sales increased by $5.6 million, or 35.4%, to $21.3 million during the 52 weeks ended April 27, 2019 from $15.7 million during the 52 weeks ended April 28, 2018, primarily due to the acquisition of Student Brands on August 3, 2017 and PaperRater on August 21, 2018.

Cost of Sales and Gross Margin

Our cost of sales decreased as a percentage of sales to 74.1% during the 52 weeks ended April 27, 2019 compared to 74.7% during the 52 weeks ended April 28, 2018. Our gross margin decreased by $29.5 million, or 5.3%, to $527.7 million, or 25.9% of sales, during the 52 weeks ended April 27, 2019 from $557.2 million, or 25.3% of sales, during the 52 weeks ended April 28, 2018. During the 52 weeks ended April 27, 2019, gross margin as a percentage of sales increased to 25.9% from 25.3% or 60 basis points primarily due to the items discussed below for each segment.

Retail

The following table summarizes the Retail cost of sales for the 52 weeks ended April 27, 2019 and April 28, 2018:

Dollars in thousands	52 weeks ended April 27, 2019	% of Related Sales	52 weeks ended April 28, 2018	% of Related Sales
Product and other cost of sales	$ 1,325,559	78.3%	$ 1,418,618	78.6%
Rental cost of sales	111,578	57.0%	123,697	56.4%
Total Cost of Sales	$ 1,437,137	76.1%	$ 1,542,315	76.2%

The following table summarizes the Retail gross margin for the 52 weeks ended April 27, 2019 and April 28, 2018:

Dollars in thousands	52 weeks ended April 27, 2019	% of Related Sales	52 weeks ended April 28, 2018	% of Related Sales
Product and other gross margin	$ 367,566	21.7%	$ 386,778	21.4%
Rental gross margin	84,305	43.0%	95,448	43.6%
Gross Margin	$ 451,871	23.9%	$ 482,226	23.8%

For the 52 weeks ended April 27, 2019, the Retail gross margin as a percentage of sales increased as discussed below:

- Product and other gross margin increased (30 basis points), driven primarily by a favorable sales mix (105 basis points), partially offset by higher costs related to our college and university contracts (50 basis points) resulting from contract renewals and new store contracts and lower course material margin rates (30 basis points).
- Rental gross margin decreased (60 basis points), driven primarily by higher costs related to our college and university contracts (125 basis points) resulting from contract renewals and new store contracts, and an unfavorable rental mix (25 basis points), partially offset by higher rental margin rates (90 basis points).

Wholesale

The cost of sales and gross margin for Wholesale were $167.0 million, or 74.8% of sales, and $56.3 million, or 25.2% of sales, respectively, during the 52 weeks ended April 27, 2019. The cost of sales and gross margin for Wholesale were $198.0 million, or 76.7% of sales, and $60.3 million, or 23.3% of sales, respectively, during the 52 weeks ended April 28, 2018. For the 52 weeks ended April 28, 2018, the margin was impacted by incremental cost of sales of $3.3 million related to recording wholesale inventory at fair value as of the acquisition date. Excluding the $3.3 million inventory fair value amortization, cost of sales and gross margin for Wholesale was $194.7 million or 75.4% of sales and $63.6 million or 24.6% of sales, respectively, during the 52 weeks ended April 28, 2018. The gross margin increased to 25.2% during the 52 weeks ended April 27, 2019 from 24.6% (excluding the $3.3 million inventory fair value amortization) during the 52 weeks ended April 28, 2018. The increase was primarily due to improved sales mix resulting in higher margin rates.

DSS

Gross margin for the DSS segment was $20.0 million, or 93.9% of sales, during the 52 weeks ended April 27, 2019 and $15.4 million, or 97.7% of sales, during the 52 weeks ended April 28, 2018. The increase in gross margin dollars was driven primarily by high margin Student Brands and PaperRater subscription service revenue earned. The lower gross margin rate is primarily due to the amortization of content development costs for *bartleby.com* textbook solutions which was launched in Fiscal 2019.

Intercompany Eliminations

During the 52 weeks ended April 27, 2019 and April 28, 2018, sales eliminations were $99.1 million and $95.1 million, respectively. These sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

During the 52 weeks ended April 27, 2019 and April 28, 2018, the cost of sales eliminations were $98.6 million and $94.3 million, respectively. These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

The $0.5 million and $0.7 million of gross margin elimination reflects the net impact of the sales eliminations and cost of sales eliminations during the 52 weeks ended April 27, 2019 and April 28, 2018, respectively. The gross margin eliminations reflect the net impact of the sales eliminations and cost of sales eliminations during the above mentioned reporting periods.

Selling and Administrative Expenses

Dollars in thousands	52 weeks ended April 27, 2019	% of Sales	52 weeks ended April 28, 2018	% of Sales
Selling and Administrative Expenses	$ 423,880	20.8%	$ 433,746	19.7%

During the 52 weeks ended April 27, 2019, selling and administrative expenses decreased by $9.9 million, or 2.3%, to $423.9 million from $433.8 million during the 52 weeks ended April 28, 2018. The variances by segment are as follows:

Retail

For Retail, selling and administrative expenses decreased by $17.8 million, or 4.7%, to $363.2 million during the 52 weeks ended April 27, 2019 from $381.0 million during the 52 weeks ended April 28, 2018. The decrease was primarily due to a decrease of $6.8 million in physical stores payroll and operating expenses including comparable stores and new/closed stores payroll and operating expenses, a decrease of $5.3 million in LoudCloud digital operations, a decrease of $2.9 million in home office payroll and infrastructure costs, a $2.1 million decrease in virtual store payroll and operating expenses, and a decrease of $0.7 million due to lower stock-based compensation primarily due to forfeiture of stock-based compensation resulting from the BNC President retirement in the current year and position eliminations.

Wholesale

For Wholesale, selling and administrative expenses decreased by $1.4 million, or 6.3%, to $21.3 million during the 52 weeks ended April 27, 2019 from $22.7 million during the 52 weeks ended April 28, 2018. The decrease in selling and administrative expenses was primarily driven by lower expenses related to payroll and professional fees, partially offset by higher medical benefit expenses.

DSS

For DSS, selling and administrative expenses increased by $6.7 million to $14.5 million during the 52 weeks ended April 27, 2019 from $7.8 million during the 52 weeks ended April 28, 2018. The increase in costs was primarily due to the acquisition of Student Brands on August 3, 2017 and increased payroll, advertising and professional fees related to developing our student success hub on *bartleby.com*.

Corporate Services

Corporate Services' selling and administrative expenses increased by $2.7 million, or 12.2%, to $24.9 million during the 52 weeks ended April 27, 2019 from $22.2 million during the 52 weeks ended April 28, 2018. The increase was primarily due to higher payroll and stock-based compensation expenses compared to prior year (which included lower bonus expense and forfeitures of stock-based compensation resulting from the CEO resignation in the prior year), and higher professional fees, partially offset by lower expenses related to legal and insurance.

Depreciation and Amortization Expense

Dollars in thousands	52 weeks ended April 27, 2019	% of Sales	52 weeks ended April 28, 2018	% of Sales
Depreciation and Amortization Expense	$ 65,865	3.2%	$ 65,586	3.0%

Depreciation and amortization expense increased by $0.3 million, or 0.4%, to $65.9 million during the 52 weeks ended April 27, 2019 from $65.6 million during the 52 weeks ended April 28, 2018. This increase was primarily attributable to incremental depreciation and amortization expense associated with the property and equipment and identified intangibles recorded at fair value as of the acquisition date for Student Brands (August 3, 2017), incremental amortization expense resulting from the acquisition of identified intangibles recorded at fair value as of the acquisition date for PaperRater (August 21, 2018), and additional capital expenditures, offset by lower depreciation related to closed stores.

Impairment loss (non-cash)

During the 52 weeks ended April 27, 2019, we recorded an impairment loss (non-cash) of $57.8 million, related to $49.3 million of goodwill and $8.5 million of long-lived assets. During the 52 weeks ended April 28, 2018, we recorded an impairment loss (non-cash) of $313.1 million related to goodwill. For information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies*.

Restructuring and other charges

Restructuring

During the 52 weeks ended April 27, 2019, we recognized expenses totaling approximately $4.6 million, comprised of severance and transition payments related to senior management changes, and other employee termination and benefit costs. Mr. Patrick Maloney resigned as Executive Vice President, Operations of the Company and President, BNC effective as of April 27, 2019, resulting in $2.5 million of severance and transition payments. For additional information, see the Form 8-K dated December 13, 2018, filed with the SEC on December 18, 2018. Additionally, as part of the Company's cost reduction objectives, various positions were eliminated, resulting in approximately $2.1 million in employee termination costs.

During the 52 weeks ended April 28, 2018, we recognized expenses totaling approximately $5.4 million, which is comprised of severance and transition payments as well as related expenses, resulting from the resignation of Mr. Max J. Roberts as Chief Executive Officer of the Company. Mr. Michael P. Huseby was appointed to the position of Chief Executive Officer and Chairman of the Board, both effective as of September 19, 2017. For additional information, see the Form 8-K dated July 19, 2017, filed with the SEC on July 20, 2017.

Other Charges

During the 52 weeks ended April 27, 2019, we recognized other charges totaling approximately $2.6 million, primarily comprised of $2.3 million in an actuarial loss related to a retirement benefit plan (non-cash), $0.2 million related to additional liabilities for a facility closure, and a write-off of $0.1 million of existing unamortized debt issuance costs.

Transaction Costs

Transaction costs were $0.7 million during the 52 weeks ended April 27, 2019 compared to $2.0 million during the 52 weeks ended April 28, 2018. We incur transaction costs for business development and acquisitions. For additional information related to our recent acquisitions, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 6. Acquisitions.*

Operating Loss

	52 weeks ended		52 weeks ended	
Dollars in thousands	April 27, 2019	% of Sales	April 28, 2018	% of Sales
Operating Loss	$ (27,654)	(1.4)%	$ (262,703)	(11.9)%

Our operating loss was $(27.7) million during the 52 weeks ended April 27, 2019 compared to operating loss of $(262.7) million during the 52 weeks ended April 28, 2018. This decrease was due to the matters discussed above.

For the 52 weeks ended April 27, 2019, excluding the $57.8 million impairment loss, the $7.2 million restructuring and other charges, and the transaction costs of $0.7 million, all discussed above, operating income was $38.0 million (or 1.9% of sales).

For the 52 weeks ended April 28, 2018, excluding the $313.1 million impairment loss, the $3.3 million of incremental cost of sales related to amortization of the wholesale inventory fair value adjustment, the $5.4 million restructuring and other charges and transaction costs of $2.0 million, all discussed above, operating income was $61.2 million (or 2.8% of sales).

Interest Expense, Net

	52 weeks ended	
Dollars in thousands	April 27, 2019	April 28, 2018
Interest Expense, Net	$ 9,780	$ 10,306

Net interest expense decreased by $0.5 million to $9.8 million during the 52 weeks ended April 27, 2019 from $10.3 million during the 52 weeks ended April 28, 2018 primarily due to lower borrowings.

Income Tax (Benefit) Expense

	52 weeks ended		52 weeks ended	
Dollars in thousands	April 27, 2019	Effective Rate	April 28, 2018	Effective Rate
Income Tax (Benefit) Expense	$ (13,060)	34.9%	$ (20,443)	7.5%

We recorded an income tax benefit of $(13.1) million on a pre-tax loss of $(37.4) million during the 52 weeks ended April 27, 2019, which represented an effective income tax rate of 34.9% and an income tax benefit of $(20.4) million on a pre-tax loss of $(273.0) million during the 52 weeks ended April 28, 2018, which represented an effective income tax rate of 7.5%.

The effective tax rate for the 52 weeks ended April 27, 2019 is significantly higher as compared to the comparable prior year period due to the income tax benefit of revaluing deferred tax liabilities recorded in the prior year period and permanent differences, partially offset by the reduced federal tax rate because of U.S. Tax Reform.

Impact of U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, among other provisions. In accordance with *SAB 118,* "*Income Tax Accounting Implications of the Tax Cuts and Jobs Act*" (SAB 118), we completed our accounting for the tax effects of the enactment of the Act within the provisional period as of April 27, 2019. We recorded measurement period adjustments during Fiscal 2019 to reduce our net deferred tax liability by $3.9 million, which primarily relates to the acceleration of certain deductions as permitted by the U.S. tax code. The most significant impact of the legislation for the Company was a $20.4 million reduction of the value of our net deferred (which represents future tax liabilities) and long-term tax liabilities as a result of lowering the U.S. corporate income tax rate from 35% to 21%, which was recorded in Fiscal 2018. We also recorded a liability associated with the one-time transition tax. This amount is not material.

Net Loss

	52 weeks ended	
Dollars in thousands	April 27, 2019	April 28, 2018
Net Loss	$ (24,374)	$ (252,566)

As a result of the factors discussed above, we reported net loss of $(24.4) million during the 52 weeks ended April 27, 2019, compared with net loss of $(252.6) million during the 52 weeks ended April 28, 2018. Adjusted Earnings (non-GAAP) is $25.4 million during the 52 weeks ended April 27, 2019, compared with $56.9 million during the 52 weeks ended April 28, 2018. See *Adjusted Earnings (non-GAAP)* discussion below.

Use of Non-GAAP Measures - Adjusted Earnings and Adjusted EBITDA

To supplement our results prepared in accordance with GAAP, we use the measure of Adjusted Earnings and Adjusted EBITDA, which are non-GAAP financial measures under Securities and Exchange Commission (the "SEC") regulations. We define Adjusted Earnings as net income as adjusted for items that are subtracted from or added to net income. We define Adjusted EBITDA as net income plus (1) depreciation and amortization; (2) interest expense and (3) income taxes, (4) as adjusted for items that are subtracted from or added to net income.

To properly and prudently evaluate our business, we encourage you to review our consolidated financial statements included elsewhere in this Form 10-K, the reconciliation of Adjusted Earnings to net income and the reconciliation of Adjusted EBITDA to net income, the most directly comparable financial measure presented in accordance with GAAP, set forth in the tables below. All of the items included in the reconciliations below are either (i) non-cash items or (ii) items that management does not consider in assessing our on-going operating performance.

These non-GAAP financial measures are not intended as substitutes for and should not be considered superior to measures of financial performance prepared in accordance with GAAP. In addition, our use of these non-GAAP financial measures may be different from similarly named measures used by other companies, limiting their usefulness for comparison purposes.

We review these non-GAAP financial measures as internal measures to evaluate our performance and manage our operations. We believe that these measures are useful performance measures which are used by us to facilitate a comparison of our on-going operating performance on a consistent basis from period-to-period. We believe that these non-GAAP financial measures provide for a more complete understanding of factors and trends affecting our business than measures under GAAP can provide alone, as they exclude certain items that do not reflect the ordinary earnings of our operations. Our Board of Directors and management also use Adjusted EBITDA as one of the primary methods for planning and forecasting overall expected performance, for evaluating on a quarterly and annual basis actual results against such expectations, and as a measure for performance incentive plans. We believe that the inclusion of Adjusted Earnings and Adjusted EBITDA results provides investors useful and important information regarding our operating results.

Adjusted Earnings (non-GAAP)

Dollars in thousands	53 weeks ended May 2, 2020 [a]	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Net loss	$ (38,250)	$ (24,374)	$ (252,566)
Reconciling items, after-tax *(below)*	17,124	49,786	309,515
Adjusted Earnings (non-GAAP)	$ (21,126)	$ 25,412	$ 56,949
Reconciling items, pre-tax			
Impairment loss (non-cash) [b]	$ 433	$ 57,748	$ 313,130
Inventory valuation amortization (non-cash) [c]	—	—	3,273
Content amortization (non-cash) [d]	4,082	1,096	—
Restructuring and other charges [b]	18,567	7,233	5,429
Transaction costs [b]	—	654	2,045
Reconciling items, pre-tax	23,082	66,731	323,877
Less: Pro forma income tax impact [e]	5,958	16,945	14,362
Reconciling items, after-tax	$ 17,124	$ 49,786	$ 309,515

(a) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.
(b) See *Management Discussion and Analysis - Results of Operations* discussion above.
(c) Gross margin excludes $3.3 million of incremental cost of sales related to amortization of the Wholesale inventory fair value adjustment related to the MBS acquisition in February 2017.
(d) Earnings are adjusted for amortization expense (non-cash) related to content development costs which are included in cost of goods sold.
(e) Represents the income tax effects of the non-GAAP items.

Adjusted EBITDA (non-GAAP)

Dollars in thousands	53 weeks ended May 2, 2020 [a][b]	52 weeks ended April 27, 2019 [b]	52 weeks ended April 28, 2018
Net loss	$ (38,250)	$ (24,374)	$ (252,566)
Add:			
Depreciation and amortization expense	61,860	65,865	65,586
Content amortization (non-cash) [b]	4,082	1,096	—
Interest expense, net	7,445	9,780	10,306
Income tax benefit	(11,978)	(13,060)	(20,443)
Impairment loss (non-cash) [c]	433	57,748	313,130
Inventory valuation amortization (non-cash) [d]	—	—	3,273
Restructuring and other charges [c]	18,567	7,233	5,429
Transaction costs [c]	—	654	2,045
Adjusted EBITDA (non-GAAP)	$ 42,159	$ 104,942	$ 126,760

(a) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

(b) For the 53 weeks ended May 2, 2020 and 52 weeks ended April 27, 2019, earnings are adjusted for amortization expense (non-cash) related to content development costs which are included in cost of goods sold.

(c) See *Management Discussion and Analysis - Results of Operations* discussion above.

(d) For the 52 weeks ended April 28, 2018, gross margin excludes $3.3 million of incremental cost of sales related to amortization of the Wholesale inventory fair value adjustment related to the MBS acquisition in February 2017.

The following is Adjusted EBITDA by segment for Fiscal 2020, Fiscal 2019, and Fiscal 2018.

Adjusted EBITDA - by Segment	**53 weeks ended May 2, 2020 [(a)]**					
Dollars in thousands	**Retail**	**Wholesale**	**DSS**	**Corporate Services**	**Eliminations**	**Total Fiscal 2020**
Sales	$ 1,712,892	$ 198,353	$ 23,661	$ —	$ (83,843)	$ 1,851,063
Cost of sales [(b)]	(1,328,796)	(158,548)	(1,080)	—	83,992	(1,404,432)
Gross profit	384,096	39,805	22,581	—	149	446,631
Selling and administrative expenses	347,869	18,238	19,172	19,403	(210)	404,472
Adjusted EBITDA (non-GAAP)	$ 36,227	$ 21,567	$ 3,409	$ (19,403)	$ 359	$ 42,159

Adjusted EBITDA - by Segment	**52 weeks ended April 27, 2019**					
Dollars in thousands	**Retail**	**Wholesale**	**DSS**	**Corporate Services**	**Eliminations**	**Total Fiscal 2019**
Sales	$ 1,889,008	$ 223,374	$ 21,339	$ —	$ (99,078)	$ 2,034,643
Cost of sales [(c)]	(1,436,684)	(167,033)	(666)	—	98,562	(1,505,821)
Gross profit	452,324	56,341	20,673	—	(516)	528,822
Selling and administrative expenses	363,230	21,323	14,504	24,873	(50)	423,880
Adjusted EBITDA (non-GAAP)	$ 89,094	$ 35,018	$ 6,169	$ (24,873)	$ (466)	$ 104,942

Adjusted EBITDA - by Segment	**52 weeks ended April 28, 2018**					
Dollars in thousands	**Retail**	**Wholesale**	**DSS**	**Corporate Services**	**Eliminations**	**Total Fiscal 2018**
Sales	$ 2,024,541	$ 258,369	$ 15,762	$ —	$ (95,055)	$ 2,203,617
Cost of sales [(d)]	(1,542,315)	(194,768)	(359)	—	94,331	(1,643,111)
Gross profit	482,226	63,601	15,403	—	(724)	560,506
Selling and administrative expenses	380,984	22,752	7,844	22,166	—	433,746
Adjusted EBITDA (non-GAAP)	$ 101,242	$ 40,849	$ 7,559	$ (22,166)	$ (724)	$ 126,760

(a) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

(b) For the 53 weeks ended May 2, 2020, gross margin excludes $0.8 million and $3.7 million of amortization expense (non-cash) related to content development costs in the Retail Segment and DSS Segment, respectively.

(c) For the 52 weeks ended April 27, 2019, gross margin excludes $0.5 million and $0.6 million of amortization expense (non-cash) related to content development costs in the Retail Segment and DSS Segment, respectively.

(d) For the 52 weeks ended April 28, 2018, gross margin excludes $3.3 million of incremental cost of sales related to amortization of the Wholesale inventory fair value adjustment related to the MBS acquisition in February 2017. See *Management Discussion and Analysis - Results of Operations* discussion above.

Liquidity and Capital Resources

Our primary sources of cash are net cash flows from operating activities, funds available under a credit agreement and short-term vendor financing. As of May 2, 2020, we had $174.7 million of borrowings outstanding under the Credit Agreement.

Our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures. Beginning in March 2020, colleges and universities nationwide began to close their campuses in light of safety concerns and as a result of local and state issued stay-at-home orders. By mid-March, during our fiscal fourth quarter, we closed the majority of our physical campus stores to protect the health and safety of our customers and employees.

While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. Our fiscal fourth quarter is historically a lower revenue quarter for our operations as it does not include a back-to-school rush period, however, we experienced a loss in revenue in our Retail segment associated with the cancellation of events that traditionally drive sales in the fourth quarter, including athletics events such as March Madness, as well as graduation events.

To mitigate the impact of the business disruption, we have taken steps to significantly reduce costs, including furloughing the majority of our Retail workforce (effective April 2020). We developed and implemented plans to safely reopen our campus stores based on national, state and local guidelines, as well as the campus policies set by the school administration. Colleges and universities in the United States continue to adjust their plans for the upcoming fall term, with some implementing shortened semesters or choosing to remain fully virtual in order to best protect students and faculty.

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. Certain elements of this plan were implemented in late Fiscal 2020, while other actions are planned for Fiscal 2021. We anticipate meaningful annualized cost savings from this program, the majority of which is expected to be realized beginning in Fiscal 2021. As a result, we currently expect to see the most significant impacts of COVID-19 on our business in the first half of Fiscal 2021. However, we cannot accurately predict the duration or extent of the impact of COVID-19 on enrollments, university budgets, athletics and other areas that directly affect our business operations.

We believe that our future cash from operations, access to borrowings under the Credit Facility, FILO Facility and short-term vendor financing will provide adequate resources to fund our operating and financing needs for the foreseeable future. Our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for and pace of sustainable growth in our markets, the levels at which we maintain inventory, the number and timing of new store openings, and any potential acquisitions of other brands or companies including digital properties. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. Our access to, and the availability of, financing in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. There can be no assurances that we will have access to capital markets on acceptable terms.

Sources and Uses of Cash Flow

Dollars in thousands	Fiscal 2020	Fiscal 2019	Fiscal 2018
Cash, cash equivalents, and restricted cash at beginning of period	$ 14,768	$ 16,869	$ 21,697
Net cash flows (used in) provided by operating activities	(16,103)	120,817	60,042
Net cash flows used in investing activities	(29,592)	(54,646)	(100,032)
Net cash flows provided by (used in) financing activities	39,935	(68,272)	35,162
Cash, cash equivalents, and restricted cash at end of period	$ 9,008	$ 14,768	$ 16,869

Cash Flow from Operating Activities

Our business is highly seasonal. For our retail operations, cash flows from operating activities are typically a source of cash in the second and third fiscal quarters, when students generally purchase and rent textbooks and other course materials for the upcoming semesters based on the typical academic semester. For our wholesale operations, cash flows from operating activities are typically a source of cash in the second and fourth fiscal quarters, as payments are received from the summer and winter selling season when textbooks and other course materials are sold for retail distribution. For both retail and wholesale, cash flows from operating activities are typically a use of cash in the fourth fiscal quarter, when sales volumes are materially lower than the other quarters. For our DSS segment, cash flows are not seasonal as cash flows from operating activities are typically consistent throughout the year. Our quarterly cash flows also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in our fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

Cash flows used in operating activities during Fiscal 2020 were $(16.1) million compared to cash flows provided by operating activities of $120.8 million during Fiscal 2019. This decrease of $136.9 million was primarily due to higher net loss compared to the prior year and changes in working capital. As discussed above, our operations were highly impacted by COVID-19 related campus store closures in Fiscal 2020.

Cash flows provided by operating activities during Fiscal 2019 were $120.8 million compared to $60.0 million during Fiscal 2018. This increase of $60.8 million was primarily due to lower net loss, and changes in deferred taxes and working capital.

Cash Flow from Investing Activities

Cash flows used in investing activities during Fiscal 2020 were $(29.6) million compared to $(54.7) million during Fiscal 2019. The decrease is primarily due to lower capital expenditures and contractual capital investments associated with content development, digital initiatives, enhancements to internal systems, renewing existing contracts and new store construction and lower payments to acquire businesses, partially offset by the change in other noncurrent assets for contractual obligations.

Cash flows used in investing activities during Fiscal 2019 were $(54.7) million compared to $(100.0) million during Fiscal 2018. The decrease is primarily due to lower payments to acquire businesses, offset by higher capital expenditures and contractual capital investments associated with content development, digital initiatives, enhancements to internal systems, renewing existing contracts and new store construction.

Our investing activities consist principally of capital expenditures for contractual capital investments associated with renewing existing contracts, new store construction, digital initiatives and enhancements to internal systems and our website. Capital expenditures totaled $36.2 million, $46.4 million and $42.8 million, during Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively.

Cash Flow from Financing Activities

Cash flows provided by financing activities during Fiscal 2020 were $39.9 million compared to cash flows used in financing activities $(68.3) million during Fiscal 2019. This net change of $108.2 million is primarily due to higher net borrowings under the credit agreement to fund operations due to low cash flow from operating activities. As discussed above, our operations were highly impacted by COVID-19 related campus store closures in Fiscal 2020.

Cash flows used in financing activities during Fiscal 2019 were $(68.3) million compared to cash flows provided by financing activities of $35.2 million during Fiscal 2018. This net change of $103.5 million is primarily due to decreased net borrowings of $99.7 million under the credit agreement and payment of deferred financing costs of $3.4 million.

Financing Arrangements

We have a credit agreement (the "Credit Agreement"), amended March 1, 2019, under which the lenders committed to provide us with a five-year asset-backed revolving credit facility in an aggregate committed principal amount of $400 million (the "Credit Facility"). We have the option to request an increase in commitments under the Credit Facility of up to $100 million, subject to certain restrictions. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs. The agreement includes an incremental first in, last out seasonal loan facility (the "FILO Facility") for a $100 million incremental facility maintaining the maximum availability under the Credit Agreement at $500 million. On March 2, 2020, we were granted a waiver to the condition to the current draw under the FILO Facility that Consolidated EBITDA (as defined in the Credit Agreement) minus Restricted Payments (as defined in the Credit Agreement) equal at least $90 million.

During the 52 weeks ended May 2, 2020, we borrowed $600.9 million and repaid $559.1 million under the Credit Agreement, with $174.7 million of outstanding borrowings as of May 2, 2020. During the 52 weeks ended April 27, 2019, we borrowed $521.2 million and repaid $584.1 million under the Credit Agreement, with $133.5 million of outstanding borrowings as of April 27, 2019. As of both May 2, 2020 and April 27, 2019, we have issued $4.8 million in letters of credit under the Credit Facility.

During Fiscal 2019, we incurred debt issuance costs totaling $3.4 million related to the March 1, 2019 Credit Facility amendment and recorded a write-off of $0.1 million of existing unamortized debt issuance costs. The debt issuance costs have been deferred and are presented as an asset which is subsequently amortized ratably over the term of the credit agreement.

The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility, but excluding the equity interests in us and our subsidiaries, intellectual property, equipment and certain other property.

Interest under the Credit Facility accrues, at our election, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is determined by reference to the level of excess availability under the Credit Facility. Loans will initially bear interest at LIBOR plus 1.750% per annum, in the case of LIBOR borrowings, or at the alternate base rate plus 0.750% per annum, in the alternative, and thereafter the interest rate will fluctuate between LIBOR plus 1.750% per annum and LIBOR plus 1.250% per annum (or between the alternate base rate plus 0.750% per annum and the alternate base rate plus 0.250% per annum), based upon the excess availability under the Credit Facility at such time.

Loans under the FILO Facility will bear interest at a rate equal to the LIBOR rate, plus 2.750%. In connection with the waiver, the applicable margin for credit extensions made under the FILO Facility after March 2, 2020 through the end of 2020 was increased by 0.50% (to 3.25% per annum for LIBO rate loans and 2.25% for base rate loans). The FILO Facility will be available solely during the draw period each year, from April 1 through July 31. We are required to borrow 100% of the aggregate commitments under the FILO Facility on April 1 of each year, and the loans must be repaid in full (including interest and fees) on July 31 of each year. The commitments under the FILO Facility will decrease from $75 million to $50 million on August 1, 2020 and from $50 million to $25 million on August 1, 2021. We will pay a commitment fee of 0.375% on the daily unused portion of the FILO Facility.

The Credit Facility contains customary negative covenants, which limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets, among other things. In addition, if excess availability under the Credit Facility were to fall below certain specified levels, certain additional covenants (including fixed charge coverage ratio requirements) would be triggered, and the lenders would have the right to assume dominion and control over the Company's cash.

The Credit Facility contains customary events of default, including payment defaults, material breaches of representations and warranties, covenant defaults, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Credit Facility also contains customary affirmative covenants and representations and warranties. On March 2, 2020, we were granted a waiver to the condition to the upcoming draw under the FILO Facility that Consolidated EBITDA (as defined in the Credit Agreement) minus Restricted Payments (as defined in the Credit Agreement) equal at least $90 million. We are in compliance with all covenants, representations and warranties under the Credit Facility as of May 2, 2020.

Income Tax Implications on Liquidity

As of May 2, 2020, other long-term liabilities includes $25.7 million related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and is dependent on the inventory levels at the end of our tax year (on or about January 31st) which is in the middle of our second largest selling cycle. At the end of the most recent tax year, inventory levels declined as compared to the prior year resulting in approximately $7.6 million of the LIFO reserve becoming currently payable. Given recent trends relating to the pricing and rental of textbooks, management believes that an additional portion of the remaining long-term tax payable associated with the LIFO reserve could be payable within the next twelve months. We are unable to predict future trends for CPI and inventory levels, therefore it is difficult to project with reasonable certainty how much of this liability will become payable within the next twelve months.

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to $50 million, in the aggregate, of our outstanding common stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During Fiscal 2020, Fiscal 2019, and Fiscal 2018, we did not purchase shares under the stock repurchase program. As of May 2, 2020, approximately $26.7 million remains available under the stock repurchase program.

During Fiscal 2020, Fiscal 2019, and Fiscal 2018, we also repurchased 374,733 shares, 351,043 shares, and 260,531 shares of our common stock, respectively, in connection with employee tax withholding obligations for vested stock awards.

Contractual Obligations

The following table sets forth our contractual obligations as of May 2, 2020 (in millions):

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
Credit Facility [a]	$ 99.7	$ 99.7	$ —	$ —	$ —
FILO Facility [a]	150.0	75.0	75.0	—	—
Lease obligations (excluding imputed interest) [b]	315.8	107.0	101.0	58.0	49.8
Purchase obligations [c]	21.8	10.6	8.0	3.2	—
Other long-term liabilities reflected on the balance sheet under GAAP [d] [e]	—	—	—	—	—
Total	$ 587.3	$ 292.3	$ 184.0	$ 61.2	$ 49.8

(a) As of May 2, 2020, we had a total of $174.7 million of outstanding borrowings under the Credit Facility and FILO Facility. Excludes interest which is generally at a base rate of LIBOR, plus a variable rate. See *Financing Arrangements* discussion above for information about future borrowings and payments under the FILO Credit Facility.

(b) Our contracts for physical bookstores with colleges and universities are typically five years with renewal options, but can range from one to 15 years, and are typically cancelable by either party without penalty with 90 to120 days' notice. Annual projections are based on current minimum guarantee amounts. In approximately 72% of our contracts with colleges and universities that include minimum guarantees, the minimum guaranteed amounts adjust annually to equal less than the prior year's commission earned. Excludes obligations under store leases for property insurance and real estate taxes, which totaled approximately 1.7% of the minimum rent payments under those leases.

(c) Includes information technology contracts.

(d) Other long-term liabilities excludes $25.7 million of tax liabilities related to the long-term tax payable associated with the LIFO reserve and $0.1 million of unrecognized tax benefits, for which we cannot make a reasonably reliable estimate of the amount and period of payment. See *Income Tax Implications on Liquidity* discussed above.

(e) Other long-term liabilities excludes expected payments related to employee benefit plans. See *Part II - Item 8. Financial Statements and Supplementary Data — Note 13. Employee Benefit Plans*.

Off-Balance Sheet Arrangements

As of May 2, 2020, we have no off-balance sheet arrangements as defined in Item 303 of Regulation S-K.

Certain Relationships and Related Party Transactions

See *Part II - Item 8. Financial Statements and Supplementary Data — Note 12. Related Party Transactions*.

Critical Accounting Policies and Estimates

In preparing our consolidated financial statements in accordance with GAAP, we are required to use judgment in making estimates and assumptions that affect the amounts reported in our consolidated financial statements and related notes. In preparing these financial statements, management has made its best estimates and judgments with respect to certain amounts included in the financial statements, giving due consideration to materiality. We do not believe there is a great likelihood that materially different amounts would be reported related to the accounting policies described below. However, application of these accounting policies involves the exercise of judgment and use of assumptions as to future uncertainties and, as a result, actual results could differ from these estimates.

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of our revenue is derived from the sale of products through our bookstore locations, including virtual bookstores, and our bookstore affiliated e-commerce websites, and contains a single performance obligation. Revenue from sales of our products is recognized at the point in time when control of the products is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for the products. For additional information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 4. Revenue.*

Retail product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Wholesale product revenue is recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of goods sold.

Revenue from the rental of physical textbooks, which contains a single performance obligation, is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer. Rental periods are typically for a single semester and are always less than one year in duration. We offer a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. We record the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, we accelerate any remaining deferred rental revenue at the point of sale.

Revenue from the rental of digital textbooks, which contains a single performance obligation, is recognized at the point of sale. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the rental term the customer is no longer able to access the content. While the digital rental allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete.

We estimate returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis.

We do not have gift card or customer loyalty programs. We do not treat any promotional offers as expenses. Sales tax collected from our customers is excluded from reported revenues. Our payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue is primarily derived from DSS segment subscription-based service revenues and partnership marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers.

Subscription-based revenue, which contains a single performance obligation, is deferred and recognized based on the passage of time over the subscription period commencing at the point of sale, when control of the service transfers to the customer. The majority of subscriptions sold are one month in duration.

Partnership marketing agreements often include multiple performance obligations which are individually negotiated with our customers. For these arrangements that contain distinct performance obligations, we allocate the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for partnership marketing service and overtime for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory.

Cost is determined primarily by the retail inventory method for our Retail Segment and last-in first out, or "LIFO", method for our Wholesale Segment. Our textbook inventories, for Retail and Wholesale, and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories. There were no LIFO adjustments in Fiscal 2020, Fiscal 2019, and Fiscal 2018.

Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate the non-returnable inventory reserve. However, if assumptions based on our history of liquidating non-returnable inventory are incorrect, we may be exposed to losses or gains that could be material. A 10% change in actual non-returnable inventory would have affected pre-tax earnings by approximately $5.2 million in Fiscal 2020.

For our physical bookstores, we also estimate and accrue shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate shortage rates. However, if our estimates regarding shortage rates are incorrect, we may be exposed to losses or gains that could be material. A 10 basis point change in actual shortage rates would have affected pre-tax earnings by approximately $0.5 million in Fiscal 2020.

Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to calculate rental cost of goods sold. However, if our estimates regarding residual value are incorrect, we may be exposed to losses or gains that could be material. A 1% change in rental cost of goods sold would have affected pre-tax earnings by approximately $0.6 million in Fiscal 2020.

Stock-Based Compensation

The assumptions used in calculating the fair value of stock-based payment awards represent management's best estimates, but these estimates involve inherent uncertainties and the application of management's judgment. See *Part II - Item 8. Financial Statements and Supplementary Data — Note 14. Stock-Based Compensation* for a further discussion of our stock-based incentive plan. We are required to estimate the expected forfeiture rate, and only recognize expense for those shares expected to vest. If their actual forfeiture rate is materially different from their estimate, our stock-based compensation expense could be significantly different from what we recorded in the current period. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions used to determine stock-based compensation expense. If actual results are not consistent with the assumptions used, the stock-based compensation expense reported in our financial statements may not be representative of the actual economic cost of the stock-based compensation. A 10% change in our stock-based compensation expense would have affected pre-tax earnings by approximately $0.6 million in Fiscal 2020.

Evaluation of Other Long-Lived Assets Impairment

Our other long-lived assets include property and equipment and amortizable intangibles. As of May 2, 2020, we had $97.7 million and $175.1 million of property and equipment and amortizable intangible assets, net of depreciation and amortization, respectively, on our consolidated balance sheet.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*. We evaluated long-lived assets for impairment at the lowest asset group level at which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we first compared the carrying amount of the asset group to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to their fair value based on its estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value.

During Fiscal 2020, we recorded an impairment loss (non-cash) of $0.4 million in the Retail segment related to net capitalized development costs for a project which are not recoverable.

During the fourth quarter of Fiscal 2020, in conjunction with COVID-19 related campus store closures, we evaluated certain of our long-lived assets associated with our Retail and Wholesale segments for impairment. We evaluated the long-lived assets of these reporting units for impairment at the lowest asset group level for which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we first compared the carrying amount of the asset group to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to the fair value based on estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Based on the results of the tests, for the Wholesale segment, an impairment loss calculation was not required as the estimated future undiscounted cash flows of the identified asset groups exceeded the carrying amount of the respective asset group. Based on the results of the tests, for the Retail segment, we recognized an impairment loss of $0.6 million related to store-level assets in restructuring and other charges. These long-lived assets were not recoverable and had a de minimis fair value, as determined using an income approach (Level 3 input), resulting in a non-cash impairment charge for the full carrying value of those long-lived assets.

During Fiscal 2019, in conjunction with the change to reporting segments and the interim goodwill impairment test noted below, as well as operational changes in certain long-lived asset groups, we evaluated certain of our long-lived assets for impairment and recognized an impairment loss of $8.4 million, comprised of $8.1 million of intangible assets, primarily acquired technology, and $0.3 million of property and equipment related to our LoudCloud and Promoversity operations. These long-lived assets were not recoverable and had a de minimis fair value, as determined using the relief-from-royalty and income approaches, resulting in a non-cash impairment charge for the full carrying value of those long-lived assets. See *Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies* for additional information related to impairment charges.

We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions used to calculate long-lived asset impairment losses. However, if actual results are not consistent with estimates and assumptions used in estimating future cash flows and asset fair values, we may be exposed to losses that could be material. A 10% decrease in our estimated discounted cash flows would not have materially affected the results of our operations in Fiscal 2020.

Evaluation of Goodwill Impairment

In accordance with *ASC 350-10, Intangibles - Goodwill and Other*, we complete our annual goodwill impairment test as of the first day of the third quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value.

During the third quarter of Fiscal 2020, we completed our annual goodwill impairment test and concluded that the fair value of the DSS reporting unit was determined to exceed the carrying value of the reporting unit; therefore, no goodwill impairment was recognized. In performing the valuation, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions.

During the third quarter of Fiscal 2019, we completed our annual goodwill impairment test for our reporting units as they existed at that date. Based on the quantitative test performed, the fair value of the MBS and DSS reporting units exceeded their carrying values; therefore, no goodwill impairment was recognized for these reporting units. While the carrying value of the BNC reporting unit exceeded its fair value, there was no goodwill allocated to the reporting unit as of the Fiscal 2019 annual goodwill impairment test date.

During the third quarter of Fiscal 2019, we completed our annual goodwill impairment test and concluded that the fair value of the MBS and DSS reporting units, as they existed at that time, each exceeded their respective carrying values and no goodwill impairment was recognized. In the fourth quarter of Fiscal 2019, due to the change in our reporting units identified as a result of the change in our reportable segments, we recognized a total goodwill impairment (non-cash impairment loss) of $49.3 million associated with the MBS reporting unit (as it existed at that date) and allocated $20.5 million of goodwill to the Retail Segment and $28.7 million of goodwill to the Wholesale Segment.

Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; and the determination of the fair value of each reporting unit. In performing the valuation, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions.

We estimated the fair value of our reporting units using a weighting of fair values derived from the income approach and the market approach for our annual impairment testing and using the income approach for our interim impairment test. Under the income approach, we calculate the fair value of the reporting unit based on the present value of estimated future cash flows. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates, market data, and other observable trends, such as comparable store sales trends, recent changes in publisher relationships, and development of innovative digital products and services in the rapidly changing education landscape. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows. Under the market approach, we estimate the fair value based on market multiples of cash flows and earnings derived from comparable publicly-traded companies with similar operating and investment characteristics as the reporting unit and considering a reasonable control premium.

Many of the factors used in assessing fair value are outside the control of management, and these assumptions and estimates may change in future periods. Changes in assumptions or estimates could materially affect the estimate of the fair value, and therefore could affect the likelihood and amount of potential impairment. The following assumptions are significant to our evaluation process:

Business Projections- We make assumptions about the level of revenues, gross profit, operating expenses, as well as capital expenditures and net working capital requirements. These assumptions drive our planning assumptions and represent key inputs for developing our cash flow projections. These projections are developed using our internal business plans over a five-year planning period that are updated at least annually;

Long-term Growth Rates- We also utilize an assumed long-term growth rate representing the expected rate at which our cash flow stream is projected to grow. These rates are used to calculate the terminal value and are added to the cash flows projected during our five-year planning period; and

Discount Rates- The estimated future cash flows are then discounted at a rate that is consistent with a weighted-average cost of capital that is likely to be expected by market participants. The weighted-average cost of capital is an estimate of the overall after-tax rate of return required by equity and debt holders of a business enterprise.

Income Taxes

Deferred income tax balances reflect the effects of temporary differences between the carrying amounts of assets and liabilities and their tax basis and are stated at enacted tax rates expected to be in effect when taxes are actually paid or recovered. FASB guidance on accounting for income taxes requires that deferred tax assets be evaluated for future realization and reduced by a valuation allowance to the extent we believe a portion will not be realized. We consider many factors when assessing the likelihood of future realization of our deferred tax assets, including our recent earnings experience and expectations of future taxable income by taxing jurisdiction, the carryforward periods available to us for tax reporting purposes and other relevant factors. The actual realization of deferred tax assets may differ significantly from the amounts we have recorded.

During the ordinary course of business, there are many transactions and calculations for which the ultimate tax determination is uncertain. Accounting for income taxes requires a two-step approach to recognizing and measuring uncertain tax positions. The first step is to evaluate the tax position for recognition by determining if available evidence indicates it is more likely than not that the tax position will be fully sustained upon review by taxing authorities, including resolution of related appeals or litigation processes, if any. The second step is to measure the tax benefit as the largest amount with a greater than 50 percent likelihood of being realized upon ultimate settlement. For tax positions that are 50 percent or less likely of being sustained upon audit, we do not recognize any portion of that benefit in the financial statements. We consider many factors when evaluating and estimating our tax positions and tax benefits, which may require periodic adjustments and which may not accurately anticipate actual outcomes. Our actual results could differ materially from our current estimates.

Recent Accounting Pronouncements

See *Item 8. Financial Statements and Supplementary Data — Note 3. Recent Accounting Pronouncements* for information related to new accounting pronouncements.

Item 7A. *QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK*

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

We limit our interest rate risk by investing certain of our excess cash balances in short-term, highly-liquid instruments with an original maturity of one year or less. We do not expect any material losses from our invested cash balances and we believe that our interest rate exposure is modest. As of May 2, 2020, our cash and cash equivalents totaled approximately $8.2 million. A 25 basis point increase in interest rates or 25 basis point decrease in interest rates would not have materially affected interest income in Fiscal 2020.

We may from time to time borrow money under the Credit Facility and FILO Facility at various interest rate options based on LIBOR or alternate base rate (each term as defined therein) depending upon certain financial tests. Accordingly, we may be exposed to interest rate risk on borrowings outstanding under the Credit Facility and FILO Facility. We had $174.7 million of borrowings outstanding under Credit Facility and FILO Facility at May 2, 2020. A 25 basis point increase in interest rates or 25 basis point decrease in interest rates would affect interest expense by approximately less than $0.1 million in Fiscal 2020.

Effective April 28, 2019, we adopted *Accounting Standards Codification ("ASC") Topic 842, Leases*, and recognized lease assets and lease liabilities on the consolidated balance sheet for all operating lease arrangements based on the present value of future lease payments. We used our incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable. We utilized an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later. A 25 basis point increase in the rate or 25 basis point decrease in the rate would not have materially affected the present value of future lease payments.

Foreign Currency Risk

We do not have any material foreign currency exposure as nearly all of our business is transacted in United States currency.

Item 8. ***FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA***

FINANCIAL STATEMENT INDEX

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Barnes & Noble Education, Inc.

Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Barnes & Noble Education, Inc. and subsidiaries (the Company) as of May 2, 2020 and April 27, 2019, the related consolidated statements of operations, equity and cash flows for each of the three years in the period ended May 2, 2020 and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at May 2, 2020 and April 27, 2019, and the results of its operations and its cash flows for each of the three years in the period ended May 2, 2020, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of May 2, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated July 14, 2020 expressed an unqualified opinion thereon.

Adoption of Accounting Standards Update (ASU) No. 2016-02

As discussed in Note 2 to the consolidated financial statements, the Company changed its method for accounting for leases in the fiscal year ended May 2, 2020 due to the adoption of ASU 2016-02, Leases and associated amendments (Topic 842), using the modified retrospective approach.

Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. 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 audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2015.

Iselin, New Jersey
July 14, 2020

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Sales:			
Product sales and other	$ 1,671,200	$ 1,838,760	$ 1,984,472
Rental income	179,863	195,883	219,145
Total sales	1,851,063	2,034,643	2,203,617
Cost of sales:			
Product and other cost of sales	1,303,702	1,395,339	1,522,687
Rental cost of sales	104,812	111,578	123,697
Total cost of sales	1,408,514	1,506,917	1,646,384
Gross profit	442,549	527,726	557,233
Selling and administrative expenses	404,472	423,880	433,746
Depreciation and amortization expense	61,860	65,865	65,586
Impairment loss (non-cash)	433	57,748	313,130
Restructuring and other charges	18,567	7,233	5,429
Transaction costs	—	654	2,045
Operating loss	(42,783)	(27,654)	(262,703)
Interest expense, net	7,445	9,780	10,306
Loss before income taxes	(50,228)	(37,434)	(273,009)
Income tax benefit	(11,978)	(13,060)	(20,443)
Net loss	$ (38,250)	$ (24,374)	$ (252,566)
Loss per share of Common Stock			
Basic	$ (0.80)	$ (0.52)	$ (5.40)
Diluted	$ (0.80)	$ (0.52)	$ (5.40)
Weighted average shares of Common Stock outstanding:			
Basic	48,013	47,306	46,763
Diluted	48,013	47,306	46,763

See accompanying notes to consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands, except per share data)

	As of	
	May 2, 2020	April 27, 2019
ASSETS		
Current assets:		
Cash and cash equivalents	$ 8,242	$ 14,013
Receivables, net	90,851	98,246
Merchandise inventories, net	428,939	420,322
Textbook rental inventories	40,710	47,001
Prepaid expenses and other current assets	16,177	11,778
Total current assets	584,919	591,360
Property and equipment, net	97,739	109,777
Operating lease right-of-use assets	250,837	—
Intangible assets, net	175,125	194,978
Goodwill	4,700	4,700
Deferred tax assets, net	7,805	2,425
Other noncurrent assets	35,307	42,940
Total assets	$ 1,156,432	$ 946,180
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	$ 143,678	$ 186,818
Accrued liabilities	95,420	121,720
Current operating lease liabilities	92,571	—
Short-term borrowings	75,000	100,000
Total current liabilities	406,669	408,538
Long-term operating lease liabilities	186,142	—
Other long-term liabilities	46,170	53,514
Long-term borrowings	99,700	33,500
Total liabilities	738,681	495,552
Commitments and contingencies	—	—
Stockholders' equity:		
Preferred stock, $0.01 par value; authorized, 5,000 shares; issued and outstanding, none	—	—
Common stock, $0.01 par value; authorized, 200,000 shares; issued, 52,140 and 51,030 shares, respectively; outstanding, 48,298 and 47,563 shares, respectively	521	510
Additional paid-in capital	732,958	726,331
Accumulated deficit	(282,827)	(244,577)
Treasury stock, at cost	(32,901)	(31,636)
Total stockholders' equity	417,751	450,628
Total liabilities and stockholders' equity	$ 1,156,432	$ 946,180

See accompanying notes to consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(In thousands)

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Cash flows from operating activities:			
Net loss	$ (38,250)	$ (24,374)	$ (252,566)
Adjustments to reconcile net loss to net cash flows from operating activities:			
Depreciation and amortization expense	61,860	65,865	65,586
Content amortization expense	4,082	1,096	—
Amortization of deferred financing costs	1,095	1,550	1,502
Impairment loss (non-cash)	433	57,748	313,130
Deferred taxes	(5,380)	(4,531)	(14,765)
Stock-based compensation expense	6,638	9,017	8,459
Changes in operating lease right-of-use assets and liabilities	18,399	—	—
Changes in other long-term liabilities and other	(6,480)	(6,314)	(36,823)
Changes in other operating assets and liabilities, net	(58,500)	20,760	(24,481)
Net cash flows (used in) provided by operating activities	(16,103)	120,817	60,042
Cash flows from investing activities:			
Purchases of property and equipment	(36,192)	(46,420)	(42,809)
Acquisition of business, net of cash and restricted cash acquired	—	(10,000)	(58,259)
Changes in other noncurrent assets and other	6,600	1,774	1,036
Net cash flows used in investing activities	(29,592)	(54,646)	(100,032)
Cash flows from financing activities:			
Proceeds from borrowings under Credit Agreement	600,900	521,200	674,500
Repayments of borrowings under Credit Agreement	(559,700)	(584,100)	(637,700)
Payment of deferred financing costs	—	(3,395)	—
Purchase of treasury shares	(1,265)	(1,977)	(1,638)
Net cash flows provided by (used in) financing activities	39,935	(68,272)	35,162
Net decrease in cash, cash equivalents, and restricted cash	(5,760)	(2,101)	(4,828)
Cash, cash equivalents, and restricted cash at beginning of period	14,768	16,869	21,697
Cash, cash equivalents, and restricted cash at end of period	$ 9,008	$ 14,768	$ 16,869
Changes in other operating assets and liabilities, net:			
Receivables, net	$ 7,320	$ 1,814	$ (13,670)
Merchandise inventories	(8,617)	23,237	(9,495)
Textbook rental inventories	6,291	778	5,047
Prepaid expenses and other current assets	(4,399)	69	(2,648)
Accounts payable and accrued liabilities	(59,095)	(5,138)	(3,715)
Changes in other operating assets and liabilities, net	$ (58,500)	$ 20,760	$ (24,481)
Supplemental cash flow information:			
Cash paid during the period for:			
Interest paid	$ 6,796	$ 8,589	$ 8,035
Income taxes paid (net of refunds)	$ (4,141)	$ 10,277	$ 25,549

See accompanying notes to consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Consolidated Statements of Equity
(In thousands)

	Common Stock		Additional Paid-In	Accumulated	Treasury Stock		Total
	Shares	Amount	Capital	Deficit	Shares	Amount	Equity
Balance at April 28, 2018 . .	50,032	$ 501	$ 717,323	$ (220,203)	3,115	$ (29,658)	$ 467,963
Stock-based compensation expense			9,017				9,017
Vested equity awards.	998	9	(9)				—
Shares repurchased for tax withholdings for vested stock awards					352	(1,978)	(1,978)
Net loss				(24,374)			(24,374)
Balance at April 27, 2019 . .	51,030	$ 510	$ 726,331	$ (244,577)	3,467	$ (31,636)	$ 450,628
Stock-based compensation expense			6,638				6,638
Vested equity awards.	1,110	11	(11)				—
Shares repurchased for tax withholdings for vested stock awards					375	(1,265)	(1,265)
Net loss				(38,250)			(38,250)
Balance at May 2, 2020. . . .	52,140	$ 521	$ 732,958	$ (282,827)	3,842	$ (32,901)	$ 417,751

See accompanying notes to consolidated financial statements.

BARNES & NOBLE EDUCATION, INC. AND SUBSIDIARIES
Notes to Consolidated Financial Statements
(Thousands of dollars, except share and per share data)

Unless the context otherwise indicates, references in these Notes to the accompanying consolidated financial statements to "we," "us," "our" and "the Company" refer to Barnes & Noble Education, Inc., a Delaware corporation. References to "Barnes & Noble College" refer to our college bookstore business operated through our subsidiary Barnes & Noble College Booksellers, LLC. References to "MBS" refer to our virtual bookstore and wholesale textbook distribution business operated through our subsidiary MBS Textbook Exchange, LLC. References to "Student Brands" refer to our direct-to-student subscription-based writing services business operated through our subsidiary Student Brands, LLC.

Note 1. Organization

Description of Business

Barnes & Noble Education, Inc. ("BNED") is one of the largest contract operators of physical and virtual bookstores for college and university campuses and K-12 institutions across the United States. We are also one of the largest textbook wholesalers, inventory management hardware and software providers, and a leading provider of digital education solutions. We operate 1,419 physical, virtual, and custom bookstores and serve more than 6 million students, delivering essential educational content and tools within a dynamic omni channel retail environment. Additionally, we offer direct-to-student products and services to help students study more effectively and improve academic performance.

The strengths of our business include our ability to compete by developing new products and solutions to meet market needs, our large operating footprint with direct access to students and faculty, our well-established, deep relationships with academic partners and stable, long-term contracts and our well-recognized brands. We expect to continue to introduce scalable and advanced digital solutions focused largely on the student, expand our general merchandise e-commerce capabilities, increase market share with new accounts, and expand our strategic opportunities through acquisitions and partnerships. We expect general merchandise sales to continue to increase over the long term, as our product assortments continue to emphasize and reflect the changing consumer trends, and we evolve our presentation concepts and merchandising of products in stores and online, as we improve our e-commerce capabilities through investments we are making in new systems, processes and people.

The *BNC* and *MBS* brands are virtually synonymous with innovation in bookselling and campus retail, and, we believe, are widely recognized and respected brands in the United States. Our large college footprint, reputation, and credibility in the marketplace not only support our marketing efforts to universities, students, and faculty, but are also important for leading publishers who rely on us as one of their primary distribution channels, and for being a trusted source for students in our direct-to-student digital solutions business.

We have three reportable segments: Retail, Wholesale and DSS. For additional information related to our strategies, operations and segments, see *Part I - Item 1. Business* and *Part II - Item 8. Financial Statements and Supplementary Data - Note 7. Segment Reporting.*

COVID-19 Business Impact and Other Recent Matters

Our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures. Beginning in March 2020, colleges and universities nationwide began to close their campuses in light of safety concerns and as a result of local and state issued stay-at-home orders. By mid-March, during our fiscal fourth quarter, we closed the majority of our physical campus stores to protect the health and safety of our customers and employees.

While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. Our fiscal fourth quarter is historically a lower revenue quarter for our operations as it does not include a back-to-school rush period, however, we experienced a loss in revenue in our Retail segment associated with the cancellation of events that traditionally drive sales in the fourth quarter, including athletics events such as March Madness, as well as graduation events.

To mitigate the impact of the business disruption, we have taken steps to significantly reduce costs, including furloughing the majority of our Retail workforce (effective April 2020). We developed and implemented plans to safely reopen our campus stores based on national, state and local guidelines, as well as the campus policies set by the school administration. Colleges and universities in the United States continue to adjust their plans for the upcoming fall term, with some implementing shortened semesters or choosing to remain fully virtual in order to best protect students and faculty.

We have implemented a significant cost reduction program designed to streamline our operations, maximize productivity and drive profitability. Certain elements of this plan were implemented in late Fiscal 2020, while other actions are planned for Fiscal 2021. We anticipate meaningful annualized cost savings from this program, the majority of which is expected to be realized beginning in Fiscal 2021. As a result, we currently expect to see the most significant impacts of COVID-19 on our business in the first half of Fiscal 2021. However, we cannot accurately predict the duration or extent of the impact of COVID-19 on enrollments, university budgets, athletics and other areas that directly affect our business operations.

In Fiscal 2020, we retained Morgan Stanley & Co. to serve as a financial advisor in connection with our review of strategic opportunities. The review is designed to accelerate the execution of customer-focused strategic initiatives and enhance value for our shareholders, including, but not limited to, continued execution of our current business plan, new partnerships, joint ventures and other potential opportunities. There can be no assurance that the review will result in a transaction or announcement of any kind. We have not set a timetable for the conclusion of the review.

Note 2. Summary of Significant Accounting Policies

Basis of Presentation

Our consolidated financial statements reflect our consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States ("GAAP"). In the opinion of the Company's management, the accompanying consolidated financial statements of the Company contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly its consolidated financial position and the results of its operations and cash flows for the periods reported.

Our fiscal year is comprised of 52 or 53 weeks, ending on the Saturday closest to the last day of April. The fiscal year periods for each of the last three fiscal years consisted of the 53 weeks ended May 2, 2020 ("Fiscal 2020"), 52 weeks ended April 27, 2019 ("Fiscal 2019"), and 52 weeks ended April 28, 2018 ("Fiscal 2018").

For certain of our retail operations, sales are generally highest in the second and third fiscal quarters, when students purchase and rent textbooks and other course materials for the typical academic year, and lowest in the first and fourth fiscal quarters. Sales attributable to our wholesale business are generally highest in our first and third quarter, as it sells textbooks and other course materials for retail distribution. Our DSS sales and operating profit are realized relatively consistently throughout the year.

Our quarterly results also may fluctuate depending on the timing of the start of the various schools' semesters, as well as shifts in fiscal calendar dates. These shifts in timing may affect the comparability of our results across periods.

As discussed in *Note 1. Organization*, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). While our campus stores were closed, we continued to serve institutions and students through our campus websites, providing free shipping on all orders and an expanded digital content offering to provide immediate access to course materials to students at our campuses that closed due to COVID-19. The impact of the store closures affects the comparability of our results of operations and cash flows.

Consolidation

The results of operations reflected in our consolidated financial statements are presented on a consolidated basis. All material intercompany accounts and transactions have been eliminated in consolidation.

The consolidated financial statements include acquisitions effective their respective acquisition date.

- The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of PaperRater from the acquisition date, August 21, 2018, to April 27, 2019.
- The consolidated financial statements for the 52 weeks ended April 28, 2018 include the financial results of Student Brands from the acquisition date, August 3, 2017, to April 28, 2018.

Use of Estimates

In preparing financial statements in conformity with GAAP, we are required to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents

We consider all short-term, highly liquid instruments purchased with an original maturity of three months or less to be cash equivalents.

(Thousands of dollars, except share and per share data)

Restricted Cash

Restricted cash of $766 and $755 is included in other noncurrent assets in the consolidated balance sheet as of May 2, 2020 and April 27, 2019, respectively. These funds are amounts held in trust for future distributions related to employee benefit plans.

Accounts Receivable

Receivables represent customer, private and public institutional and government billings (colleges, universities and other financial aid providers), credit/debit card receivables, advances for book buybacks, advertising and other receivables due within one year. Components of accounts receivables are as follows:

	As of	
	5/2/2020	4/27/2019
Trade accounts	$ 75,702	$ 74,311
Advances for book buybacks	766	6,339
Credit/debit card receivables	2,177	4,173
Other receivables	12,206	13,423
Total receivables, net	$ 90,851	$ 98,246

Accounts receivable are presented on our consolidated balance sheets net of allowances. An allowance for doubtful accounts is determined through an analysis of the aging of accounts receivable and assessments of collectability based on historical trends, the financial condition of our customers and an evaluation of economic conditions. We write-off uncollectible trade receivables once collection efforts have been exhausted and record bad debt expenses related to textbook rentals that are not returned and we are unable to successfully charge the customer. Allowance for doubtful accounts were $1,986, and $2,135 as of May 2, 2020 and April 27, 2019, respectively.

Merchandise Inventories

Merchandise inventories, which consist of finished goods, are stated at the lower of cost or market. Market value of our inventory, which is all purchased finished goods, is determined based on its estimated net realizable value, which is generally the selling price less normally predictable costs of disposal and transportation. Reserves for non-returnable inventory are based on our history of liquidating non-returnable inventory.

Cost is determined primarily by the retail inventory method for our Retail segment and last-in first out, or “LIFO”, method for our Wholesale segment. Our textbook inventories, for Retail and Wholesale, and trade book inventories are valued using the LIFO method and the related reserve was not material to the recorded amount of our inventories. There were no LIFO adjustments in Fiscal 2020, Fiscal 2019 and Fiscal 2018.

For our physical bookstores, we also estimate and accrue shortage for the period between the last physical count of inventory and the balance sheet date. Shortage rates are estimated and accrued based on historical rates and can be affected by changes in merchandise mix and changes in actual shortage trends.

The Retail Segment fulfillment order is directed first to our wholesale business before other sources of inventory are utilized. The products that we sell originate from a wide variety of domestic and international vendors. After internal sourcing, the bookstore purchases textbooks from outside suppliers and publishers. The Retail Segments four largest suppliers, excluding the supply sourced from our Wholesale Segment, accounted for approximately 32.2% of our merchandise purchased during the 53 weeks ended May 2, 2020. For our Wholesale Segment, the four largest suppliers, excluding textbooks purchased from students at our Retail Segment's bookstores, accounted for approximately 33.9% of merchandise purchases during the 53 weeks ended May 2, 2020.

Textbook Rental Inventories

Physical textbooks out on rent are categorized as textbook rental inventories. At the time a rental transaction is consummated, the book is removed from merchandise inventories and moved to textbook rental inventories at cost. The cost of the book is amortized down to its estimated residual value over the rental period. The related amortization expense is included in cost of goods sold. At the end of the rental period, upon return, the book is removed from textbook rental inventories and recorded in merchandise inventories at its amortized cost.

(Thousands of dollars, except share and per share data)

Implementation Costs Incurred in a Cloud Computing Arrangement

We adopted *ASU No. 2018-15, Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract ("ASU 2018-15")* effective April 28, 2019 (first day of Fiscal 2020) prospectively for all implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract. The guidance requires implementation costs incurred in a cloud computing arrangement (or hosting arrangement) that is a service contract to be amortized to hosting expense over the term of the arrangement, beginning when the module or component of the hosting arrangement is ready for its intended use. Prior to adoption, we capitalized certain implementation costs, primarily related to digital and consumer data platforms, to property and equipment on the consolidated balance sheets and depreciated these implementation costs to depreciation and amortization expense in the consolidated statement of operations over the term of the service contract once the asset was ready for its intended use. Subsequent to adoption, implementation costs which were previously capitalized and depreciated as described above, are included in prepaid expenses and other assets in the consolidated balance sheets and amortized to selling and administrative expense in the consolidated statement of operations. Implementation costs incurred in cloud computing arrangements reflected in prepaid and other assets in the consolidated balance sheets were $4,262, and $0 as of May 2, 2020 and April 27, 2019, respectively. We had $96, $0 and $0 of amortization of implementation costs in selling and administrative expense in the consolidated statement of operations, respectively.

Property and Equipment

Property and equipment are carried at cost, less accumulated depreciation and amortization. Depreciation and amortization is computed using the straight-line method over estimated useful lives. Maintenance and repairs are expensed as incurred, however major maintenance and remodeling costs are capitalized if they extend the useful life of the asset. We had $42,550, $44,550, and $46,531 of depreciation expense for the 53 weeks ended May 2, 2020, 52 weeks ended April 27, 2019, and 52 weeks ended April 28, 2018, respectively.

Content development costs are primarily related to *bartleby.com* textbook solutions which was launched in Fiscal 2019. Content amortization is computed using the straight-line method over estimated useful lives. Amortization of content development costs is recorded to cost of goods sold. We had $4,082, $1,096, and $0 of content amortization expense for the 53 weeks ended May 2, 2020, 52 weeks ended April 27, 2019, and 52 weeks ended April 28, 2018, respectively.

Components of property and equipment are as follows:

		As of	
	Useful Life	May 2, 2020	April 27, 2019
Property and equipment:			
Leasehold improvements	(a)	$ 141,602	$ 148,015
Machinery, equipment and display fixtures	3 - 5	246,447	240,171
Computer hardware and capitalized software costs	(b)	145,764	136,267
Office furniture and other	2 - 7	62,209	59,327
Content development costs	3 - 5	16,729	11,593
Construction in progress		3,878	5,499
Total property and equipment		616,629	600,872
Less accumulated depreciation and amortization		518,890	491,095
Total property and equipment, net		$ 97,739	$ 109,777

(a) Leasehold improvements are capitalized and depreciated over the shorter of the lease term or the useful life of the improvements, ranging from one to 15 years.

(b) System costs are capitalized and amortized over their estimated useful lives, from the date the systems become operational. Purchased software is generally amortized over a period of between 2 - 5 years.

Leases

Effective April 28, 2019, we adopted *Accounting Standards Codification ("ASC") Topic 842, Leases*, and recognized lease assets and lease liabilities on the consolidated balance sheet for all operating lease arrangements based on the present value of future lease payments. We do not recognize lease assets or lease liabilities for short-term leases (i.e., those with a term of twelve months or less). We recognize lease expense on a straight-line basis over the lease term for contracts with fixed lease payments, including those with fixed annual minimums, or over a rolling twelve-month period for leases where the annual guarantee resets at the start of each contract year, in order to best reflect the pattern of usage of the underlying leased asset.

As a result of adopting ASC Topic 842, we recorded an initial operating lease right-of-use asset of $277,006 (inclusive of prepaid assets and accrued liabilities related to existing leases) and an operating lease liability of $294,727 as of April 28, 2019 for all leases that were not completed and with lease terms in excess of twelve months at that date. For additional information, see *Note 5. Leases*.

Other Long-Lived Assets

Our other long-lived assets include property and equipment and amortizable intangibles. We had $175,125 and $194,978 of amortizable intangible assets, net of amortization, as of May 2, 2020 and April 27, 2019, respectively. These amortizable intangible assets relate primarily to our customer and bookstore relationships with our colleges and university clients, and technology acquired. For additional information related to amortizable intangibles, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 11. Supplementary Information - Intangible Assets*.

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable and consider market participants in accordance with *Accounting Standards Codification ("ASC") 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets*.

In the first quarter of Fiscal 2020, we recorded an impairment loss (non-cash) of $433 in the Retail segment related to net capitalized development costs for a project which are not recoverable.

During the fourth quarter of Fiscal 2020, in conjunction with COVID-19 related campus store closures, we evaluated certain of our long-lived assets associated with our Retail and Wholesale segments for impairment. We evaluated the long-lived assets of these reporting units for impairment at the lowest asset group level for which individual cash flows can be identified. When evaluating long-lived assets for potential impairment, we first compared the carrying amount of the asset group to the estimated future undiscounted cash flows. The impairment loss calculation compares the carrying amount of the assets to the fair value based on estimated discounted future cash flows. If required, an impairment loss is recorded for that portion of the asset's carrying value in excess of fair value. Based on the results of the tests, for the Wholesale segment, an impairment loss calculation was not required as the estimated future undiscounted cash flows of the identified asset groups exceeded the carrying amount of the respective asset group. Based on the results of the tests, for the Retail segment, we recognized an impairment loss of $587 related to store-level assets in restructuring and other charges. These long-lived assets were not recoverable and had a de minimis fair value, as determined using an income approach (Level 3 input), resulting in a non-cash impairment charge for the full carrying value of those long-lived assets.

During the fourth quarter of Fiscal 2019, in conjunction with the change to reporting segments and the interim goodwill impairment test noted below, as well as operational changes in certain long-lived asset groups, we evaluated certain of our long-lived assets for impairment and recognized an impairment loss of $8,466, comprised of $8,138 of intangible assets, primarily acquired technology, and $328 of property and equipment related to our LoudCloud and Promoversity operations. These long-lived assets were not recoverable and had a de minimis fair value, as determined using the relief-from-royalty and income approaches (Level 3 input), resulting in a non-cash impairment charge for the full carrying value of those long-lived assets. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 11. Supplementary Information - Intangible Assets.*

Goodwill

The costs in excess of net assets of businesses acquired are carried as goodwill in the accompanying consolidated balance sheets. In accordance with *ASC 350-10, Intangibles - Goodwill and Other*, we complete our annual goodwill impairment test as of the first day of the third quarter of each fiscal year, or whenever events or changes in circumstances indicate that the carrying amount of the reporting unit exceeds its fair value.

During the third quarter of Fiscal 2020, we completed our annual goodwill impairment test and concluded that the fair value of the DSS reporting unit was determined to exceed the carrying value of the reporting unit; therefore, no goodwill impairment was recognized. In performing the valuation, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions.

During the third quarter of Fiscal 2019, we completed our annual goodwill impairment test and concluded that the fair value of the MBS and DSS reporting units, as they existed at that time, each exceeded their respective carrying values and no goodwill impairment was recognized. In the fourth quarter of Fiscal 2019, due to the change in our reporting units identified as a result of the change in our reportable segments, we recognized a total goodwill impairment (non-cash impairment loss) of $49,282 associated with the MBS reporting unit (as it existed at that date) and allocated $20,538 of goodwill to the Retail Segment and $28,744 of goodwill to the Wholesale Segment.

In Fiscal 2018, the carrying value of the BNC reporting unit (as it existed at that date) exceeded its fair value and we recognized a goodwill impairment (non-cash impairment loss) of $313,130.

As of both May 2, 2020 and April 27, 2019, we had $0, $0 and $4,700 of goodwill on our consolidated balance sheets related to our Retail, Wholesale, and DSS reporting units, respectively.

Application of the goodwill impairment test requires judgment, including: the identification of reporting units; assignment of assets and liabilities to reporting units; assignment of goodwill to reporting units; and the determination of the fair value of each reporting unit. In performing the valuation, we used cash flows that reflected management's forecasts and discount rates that included risk adjustments consistent with the current market conditions.

We estimated the fair value of our reporting units using a weighting of fair values derived from the income approach. Under the income approach, we calculate the fair value of the reporting unit based on the present value of estimated future cash flows. Inherent in our preparation of cash flow projections are assumptions and estimates derived from a review of our operating results, business plans, expected growth rates, cost of capital and tax rates. We also make certain forecasts about future economic conditions, interest rates, market data, and other observable trends, such as comparable store sales trends, recent changes in publisher relationships, and development of innovative digital products and services in the rapidly changing education landscape. The discount rate used is based on the weighted-average cost of capital adjusted for the relevant risk associated with business-specific characteristics and the uncertainty related to the business's ability to execute on the projected cash flows.

Refer to *Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations - Critical Accounting Policies and Estimates* for a discussion of key assumptions used in our testing.

Revenue Recognition and Deferred Revenue

Product sales and rentals

The majority of our revenue relates to the sales of products through our bookstore locations, including virtual bookstores, and our bookstore affiliated ecommerce websites, and contains a single performance obligation. Revenue from sales of our products is recognized at the point in time when control of the products is transferred to our customers in an amount that reflects the consideration we expect to be entitled to in exchange for the products. For additional information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 4. Revenue.*

Retail product revenue is recognized when the customer takes physical possession of our products, which occurs either at the point of sale for products purchased at physical locations or upon receipt of our products by our customers for products ordered through our websites and virtual bookstores. Wholesale product revenue is recognized upon shipment of physical textbooks at which point title passes and risk of loss is transferred to the customer. Additional revenue is recognized for shipping charges billed to customers and shipping costs are accounted for as fulfillment costs within cost of goods sold.

Revenue from the rental of physical textbooks, which contains a single performance obligation, is deferred and recognized over the rental period based on the passage of time commencing at the point of sale, when control of the product transfers to the customer. Rental periods are typically for a single semester and are always less than one year in duration. We offer a buyout option to allow the purchase of a rented physical textbook at the end of the rental period if the customer desires to do so. We record the buyout purchase when the customer exercises and pays the buyout option price which is determined at the time of the buyout. In these instances, we accelerate any remaining deferred rental revenue at the point of sale.

Revenue from the rental of digital textbooks, which contains a single performance obligation, is recognized at the point of sale. A software feature is embedded within the content of our digital textbooks, such that upon expiration of the rental term the customer is no longer able to access the content. While the digital rental allows the customer to access digital content for a fixed period of time, once the digital content is delivered to the customer, our performance obligation is complete.

We estimate returns based on an analysis of historical experience. A provision for anticipated merchandise returns is provided through a reduction of sales and cost of goods sold in the period that the related sales are recorded.

For sales and rentals involving third-party products, we evaluate whether we are acting as a principal or an agent. Our determination is based on our evaluation of whether we control the specified goods or services prior to transferring them to the customer. There are significant judgments involved in determining whether we control the specified goods or services prior to transferring them to the customer including whether we have the ability to direct the use of the good or service and obtain substantially all of the remaining benefits from the good or service. For those transactions where we are the principal, we record revenue on a gross basis, and for those transactions where we are an agent to a third-party, we record revenue on a net basis.

We do not have gift card or customer loyalty programs. We do not treat any promotional offers as expenses. Sales tax collected from our customers is excluded from reported revenues. Our payment terms are generally 30 days and do not extend beyond one year.

Service and other revenue

Service and other revenue primarily relates to direct-to-student subscription-based writing service revenues and partnership marketing services which includes promotional activities and advertisements within our physical bookstores and web properties performed on behalf of third-party customers.

Subscription-based revenue, which contains a single performance obligation, is deferred and recognized based on the passage of time over the subscription period commencing at the point of sale, when control of the service transfers to the customer. The majority of subscriptions sold are one month in duration.

Partnership marketing agreements often include multiple performance obligations which are individually negotiated with our customers. For these arrangements that contain distinct performance obligations, we allocate the transaction price based on the relative standalone selling price method by comparing the standalone selling price ("SSP") of each distinct performance obligation to the total value of the contract. The revenue is recognized as each performance obligation is satisfied, typically at a point in time for partnership marketing service and overtime for advertising efforts as measured based upon the passage of time for contracts that are based on a stated period of time or the number of impressions delivered for contracts with a fixed number of impressions.

Cost of Sales

Our cost of sales primarily include costs such as merchandise costs, textbook rental amortization, content development cost amortization, warehouse costs related to inventory management and order fulfillment, insurance, certain payroll costs, and management service agreement costs, including rent expense, related to our college and university contracts and other facility related expenses.

Selling and Administrative Expenses

Our selling and administrative expenses consist primarily of store payroll and store operating expenses. Selling and administrative expenses also include stock-based compensation and general office expenses, such as merchandising, procurement, field support, finance and accounting, and operating costs related to our DSS segment subscription-based services business. Shared-service costs such as human resources, legal, treasury, information technology, and various other corporate level expenses and other governance functions, are not allocated to any specific reporting segment and are recorded in Corporate Services.

Stock-Based Compensation

We have granted awards in accordance with the Barnes & Noble Education Inc. Equity Incentive Plan (the "Equity Incentive Plan"). Types of equity awards that can be granted under the Equity Incentive Plan include options, restricted stock ("RS"), restricted stock units ("RSU"), performance shares ("PS") and performance share units ("PSU"). We have not granted options under the Equity Incentive Plan. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 14. Stock-Based Compensation* for a further discussion of our stock-based incentive plan.

We recognize compensation expense for awards ratably over the requisite service period of the award, which is generally three years. We recognize compensation expense based on the number of awards expected to vest using an estimated average forfeiture rate. We calculate the fair value of stock-based awards based on the closing price on the date the award was granted for awards with only performance or service conditions. For those awards with market conditions, we have determined the grant date fair value using the Monte Carlo simulation model.

Advertising Costs

The costs of advertising are expensed as incurred during the year pursuant to *ASC No. 720-35, Advertising Costs*. Advertising costs charged to selling and administrative expenses were $10,349, $10,636, and $10,691 during Fiscal 2020, Fiscal 2019 and Fiscal 2018, respectively.

Income Taxes

The provision for income taxes includes federal, state and local income taxes currently payable and those deferred because of temporary differences between the financial statement and tax basis of assets and liabilities. The deferred tax assets and liabilities are measured using the enacted tax rates and laws that are expected to be in effect when the differences reverse. We regularly review deferred tax assets for recoverability and establish a valuation allowance, if determined to be necessary. For additional information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 15. Income Taxes*.

As of May 2, 2020, other long-term liabilities includes $25,748 related to the long-term tax payable associated with the LIFO reserve. The LIFO reserve is impacted by changes in the consumer price index ("CPI") and is dependent on the inventory levels at the end of our tax year (on or about January 31st) which is in the middle of our second largest selling cycle. At the end of the most recent tax year, inventory levels declined as compared to the prior year resulting in approximately $7,597 of the LIFO reserve becoming currently payable. Given recent trends relating to the pricing and rental of textbooks, management believes that an additional portion of the remaining long-term tax payable associated with the LIFO reserve could be payable within the next twelve months. We are unable to predict future trends for CPI and inventory levels, therefore it is difficult to project with reasonable certainty how much of this liability will become payable within the next twelve months.

Earnings Per Common Share

Basic earnings per share represent net earnings to common stockholders divided by the weighted-average number of common shares outstanding for the period. Diluted earnings per share reflect, in periods in which they have a dilutive effect, the impact of our stock based compensation. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 8. Equity and Earnings Per Share* for further information regarding the calculation of basic and diluted earnings per common share.

Note 3. Recent Accounting Pronouncements

In December 2019, the Financial Accounting Standards Board ("FASB") issued *ASU 2019-12, Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The guidance seeks to simplify the accounting for income taxes by removing the following exceptions: 1) exception to the incremental approach for intraperiod tax allocation when there is a loss from continuing operations and income or a gain from other items, 2) exception to the requirement to recognize a deferred tax liability for equity method investments when a foreign subsidiary becomes an equity method investment, 3) exception to the ability not to recognize a deferred tax liability for a foreign subsidiary when a foreign equity method investment becomes a subsidiary and 4) exception to the general methodology for calculating income taxes in an interim period when a year-to-date loss exceeds the anticipated loss for the year. Additionally, the guidance seeks to further simplify the accounting for income taxes by: 1) requiring that an entity recognize a franchise tax (or similar tax) that is partially based on income as an income-based tax and account for any incremental amount incurred as a non-income-based tax, 2) requiring that an entity evaluate when a step up in the tax basis of goodwill should be considered part of the business combination in which the book goodwill was originally recognized and when it should be considered a separate transaction, 3) specifying that an entity is not required to allocate the consolidated amount of current and deferred tax expense to a legal entity that is not subject to tax in its separate financial statements (although the entity may elect to do so (on an entity-by-entity basis) for a legal entity that is both not subject to tax and disregarded by the taxing authority), 4) requiring that an entity reflect the effect of an enacted change in tax laws or rates in the annual effective tax rate computation in the interim period that includes the enactment date and 5) making minor improvements for income tax accounting related to employee stock ownership plans and investments in qualified affordable housing projects accounted for using the equity method. This guidance will be effective for fiscal years and interim periods beginning after December 15, 2020. Different components of the guidance require retrospective, modified retrospective or prospective adoption, and early adoption is permitted. We are currently assessing whether we will early adopt this guidance, and the impact on our consolidated financial statements is not currently estimable.

In June 2016, the FASB issued *ASU 2016-13*, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. The ASU replaces the existing incurred loss impairment model for trade receivables with an expected loss model which requires the use of forward-looking information to calculate expected credit loss estimates. These changes may result in earlier recognition of credit losses. Early adoption is permitted and the guidance requires a modified retrospective method of adoption through a cumulative-effect adjustment to retained earnings as of the beginning of the first reporting period in which the guidance is effective. This guidance is effective for annual periods beginning after December 15, 2019. We plan to adopt this guidance during the first quarter of Fiscal 2021 and we are currently in the process of evaluating the impact of this update. We believe the adoption of the guidance will not have a material impact on our consolidated financial statements.

(Thousands of dollars, except share and per share data)

Note 4. Revenue

In May 2014, the FASB issued *ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606) ("ASU 2014-09")*. The standard provides companies with a single model for use in accounting for revenue arising from contracts with customers and supersedes current revenue recognition guidance, including industry-specific revenue guidance. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. New disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers are also required.

We have analyzed the impacts of the guidance across all of our revenue streams and have adopted the standard using the modified retrospective method effective with the first quarter of Fiscal 2019. Financial results for reporting periods beginning after April 28, 2018 are presented in accordance with Topic 606, while comparative period information continues to reflect our historic accounting under the accounting standards in effect for those periods. There was no cumulative change to retained earnings as a result of adopting the guidance. We reclassified the product return asset of $2,610 from Merchandise Inventories, Net to Prepaid Expenses and Other Current Assets on the consolidated balance sheets for the period ended April 28, 2018.

See *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Pronouncements* for additional information related to our revenue recognition policies and *Part II - Item 8. Financial Statements and Supplementary Data - Note 7. Segment Reporting* for a description of each segments product and service offerings.

Disaggregation of Revenue

The following table disaggregates the revenue associated with our major product and service offerings.

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Retail			
Product Sales	$ 1,493,044	$ 1,645,357	$ 1,753,528
Rental Income	179,863	195,883	219,145
Service and Other Revenue [(a)]	39,985	47,768	51,868
Retail Total Sales	$ 1,712,892	$ 1,889,008	$ 2,024,541
Wholesale Sales	$ 198,353	$ 223,374	$ 258,369
DSS Sales [(b)]	$ 23,661	$ 21,339	$ 15,762
Eliminations [(c)]	$ (83,843)	$ (99,078)	$ (95,055)
Total Sales	$ 1,851,063	$ 2,034,643	$ 2,203,617

(a) Service and other revenue primarily relates to brand partnerships and other service revenues.
(b) DSS sales primarily relate to direct-to-student subscription-based revenue.
(c) The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale.

Contract Assets and Contract Liabilities

Contract assets represent the sale of goods or services to a customer before we have the right to obtain consideration from the customer. Contract assets consist of unbilled amounts at the reporting date and are transferred to accounts receivable when the rights become unconditional. Contract assets (Unbilled Receivables) were $0 as of both May 2, 2020 and April 27, 2019 on our consolidated balance sheets.

Contract liabilities represent an obligation to transfer goods or services to a customer for which we have received consideration and consists of our deferred revenue liability (Deferred Revenue). Deferred revenue primarily consists of advanced payments from customers related to textbook rental and subscription-based performance obligations that have not yet been satisfied, as well as unsatisfied performance obligations associated with partnership marketing services. Deferred revenue is recognized ratably over the terms of the related rental or subscription periods, or when the contracted services are provided to our partnership marketing customers. Deferred revenue of $13,373 and $20,418 is recorded within Accrued Liabilities on our consolidated balance sheets for the periods ended May 2, 2020 and April 27, 2019, respectively.

(Thousands of dollars, except share and per share data)

The following table presents changes in contract liabilities during the fiscal year ended May 2, 2020:

Deferred revenue as of April 28, 2018	$	20,144
Additions to deferred revenue during the period		212,424
Reductions to deferred revenue for revenue recognized during the period		(212,150)
Deferred revenue as of April 27, 2019	$	20,418
Additions to deferred revenue during the period		193,235
Reductions to deferred revenue for revenue recognized during the period		(200,280)
Deferred revenue balance as of May 2, 2020	$	13,373

As of May 2, 2020, we expect to recognize $13,373 of the deferred revenue balance within in the next 12 months.

Note 5. Leases

Effective the first quarter of Fiscal 2020 (April 28, 2019), we adopted FASB *ASC 842, Leases* (Topic 842), which requires us to recognize lease assets and lease liabilities on the consolidated balance sheets for substantially all lease arrangements. We adopted this standard using a modified retrospective basis, with no restatement of prior periods. We elected the package of practical expedients permitted under the transition guidance for existing or expired contracts and did not reassess whether such contracts contain leases, the lease classification or the initial direct costs. Additionally, we utilized the historical lease term and did not utilize the practical expedient allowing the use of hindsight in determining the lease term and in assessing impairment of its right-of-use ("ROU") assets. Additionally, we elected to apply the available practical expedient allowing for the election of an accounting policy by class of underlying asset to combine lease and non-lease components for all of our asset classes.

Our portfolio of leases consists of operating leases comprised of operations agreements which grant us the right to operate on-campus bookstores at colleges and universities; real estate leases for office and warehouse operations; and vehicle leases. We do not have finance leases or short-term leases (i.e., those with a term of twelve months or less).

We recognize a ROU asset and lease liability in our consolidated balance sheets for leases with a term greater than twelve months. Options to extend or terminate a lease are included in the determination of the ROU asset and lease liability when it is reasonably certain that such options will be exercised. Our lease terms generally range from one year to fifteen years and a number of agreements contain minimum annual guarantees, many of which are adjusted at the start of each contract year based on the actual sales activity of the leased premises for the most recently completed contract year.

Payment terms are based on the fixed rates explicit in the lease, including minimum annual guarantees, and/or variable rates based on: i) a percentage of revenues or sales arising at the relevant premises ("variable commissions"), and/or ii) operating expenses, such as common area charges, real estate taxes and insurance. For contracts with fixed lease payments, including those with minimum annual guarantees, we recognize lease expense on a straight-line basis over the lease term or over the contract year in order to best reflect the pattern of usage of the underlying leased asset and our minimum obligations arising from these types of leases. Our lease agreements do not contain any material residual value guarantees, material restrictions or covenants.

We used our incremental borrowing rates to determine the present value of fixed lease payments based on the information available at the lease commencement date, as the rate implicit in the lease is not readily determinable. We utilized an estimated collateralized incremental borrowing rate as of the effective date or the commencement date of the lease, whichever is later.

The following table summarizes lease expense for the 53 weeks ended May 2, 2020:

	53 weeks ended May 2, 2020	
Variable lease expense	$	73,455
Operating lease expense		159,289
Net lease expense	$	232,744

(Thousands of dollars, except share and per share data)

The following table summarizes our minimum fixed lease obligations, excluding variable commissions, as of May 2, 2020:

	As of May 2, 2020
Fiscal 2021	$ 107,010
Fiscal 2022	56,663
Fiscal 2023	44,356
Fiscal 2024	35,326
Fiscal 2025	22,727
Thereafter	49,767
Total lease payments	315,849
Less: imputed interest	(37,136)
Operating lease liabilities at period end	$ 278,713

Future lease payment obligations related to leases that were entered into, but did not commence as of May 2, 2020, were not material.

The following summarizes additional information related to our operating leases:

	As of May 2, 2020
Weighted average remaining lease term (in years)	5.2 years
Weighted average discount rate	4.6%
Supplemental cash flow information:	
Cash payments for lease liabilities within operating activities	$ 140,670
ROU assets obtained in exchange for lease liabilities from initial recognition	$ 131,175

Note 6. Acquisitions

Acquisitions

PaperRater

On August 21, 2018, we acquired the assets of PaperRater in the DSS Segment. PaperRater is a leading website that offers students a suite of writing services aimed at improving multiple facets of writing. PaperRater's services include plagiarism detection, grammar feedback, and an AI-based writing score predictor, and are highly complementary to Student Brands' existing writing service offerings. PaperRater adds millions of pieces of content, from essays and dissertations to personal narratives and speeches, to our growing digital content library.

We completed the purchase for cash consideration of $10,000 and the transaction was funded from cash on-hand and availability under our existing Credit Agreement. The final purchase price was allocated primarily as follows: $5,300 intangible assets (primarily content with an estimated useful life of 5 years) and $4,700 goodwill. This acquisition is not material to our consolidated financial statements and therefore, disclosure of pro forma financial information has not been presented. The results of operations reflect the period of ownership of the acquired business.

Student Brands, LLC

On August 3, 2017, we acquired 100% of the equity interests of Student Brands in the DSS Segment. Student Brands operates multiple direct-to-student businesses focused on study tools and writing help, all centered on assisting students with the writing process. We completed the purchase for cash consideration of $61,997, including cash acquired of $4,626, and the transaction was funded from cash on-hand and availability under our existing Credit Agreement. The final purchase price allocation was as follows: $28,300 intangible assets, $1,593 acquired working capital and $31,782 goodwill. This acquisition is not material to our consolidated financial statements and therefore, disclosure of pro forma financial information has not been presented.

(Thousands of dollars, except share and per share data)

The results of operations reflect the period of ownership of the acquired business. Identified intangible assets include the following:

Type of Intangible		Amount	Estimated Useful Life
Content	$	14,500	5
Technology		8,000	5
Non-Compete Agreements		4,000	3
Subscriber List		1,800	2
Total Intangibles:	$	28,300	

Note 7. <u>Segment Reporting</u>

We have three reportable segments: Retail, Wholesale and DSS. Additionally, unallocated shared-service costs, which include various corporate level expenses and other governance functions, continue to be presented as "Corporate Services".

We identify our segments in accordance with the way our business is managed (focusing on the financial information distributed) and the manner in which our chief operating decision maker allocates resources and assesses financial performance. The following summarizes the three segments. For additional information about this segments operations, see *Part I - Item 1. Business.*

Retail Segment

The *Retail Segment* operates 1,419 college, university, and K-12 school bookstores, comprised of 772 physical bookstores and 647 virtual bookstores. Our bookstores typically operate under agreements with the college, university, or K-12 schools to be the official bookstore and the exclusive seller of course materials and supplies, including physical and digital products. The majority of the physical campus bookstores have school-branded e-commerce sites which we operate and which offer students access to affordable course materials and affinity products, including emblematic apparel and gifts. The Retail Segment also offers inclusive access programs, in which course materials, including e-content, are offered at a reduced price through a course materials fee, and delivered to students on or before the first day of class. Additionally, the Retail Segment offers a suite of digital content and services to colleges and universities, including a variety of open educational resource-based courseware.

Wholesale Segment

The *Wholesale Segment* is comprised of our wholesale textbook business and is one of the largest textbook wholesalers in the country. The Wholesale Segment centrally sources, sells, and distributes new and used textbooks to approximately 3,400 physical bookstores, including our Retail Segment's 772 physical bookstores and sources and distributes new and used textbooks to our 647 virtual bookstores. Additionally, the Wholesale Segment sells hardware and a software suite of applications that provides inventory management and point-of-sale solutions to approximately 400 college bookstores.

DSS Segment

The *Digital Student Solutions ("DSS") Segment* includes direct-to-student products and services to assist students to study more effectively and improve academic performance. The DSS Segment is comprised of the operations of Student Brands, LLC, a leading direct-to-student subscription-based writing services business, and bartleby, a direct-to-student subscription-based offering providing textbook solutions, expert questions and answers, tutoring and test prep services.

Corporate Services

Corporate Services represents unallocated shared-service costs which include corporate level expenses and other governance functions, including executive functions, such as accounting, legal, treasury, information technology, and human resources.

(Thousands of dollars, except share and per share data)

Eliminations

The eliminations are primarily related to the following intercompany activities:

- The sales eliminations represent the elimination of Wholesale sales and fulfillment service fees to Retail and the elimination of Retail commissions earned from Wholesale, and
- These cost of sales eliminations represent (i) the recognition of intercompany profit for Retail inventory that was purchased from Wholesale in a prior period that was subsequently sold to external customers during the current period and the elimination of Wholesale service fees charged for fulfillment of inventory for virtual store sales, net of (ii) the elimination of intercompany profit for Wholesale inventory purchases by Retail that remain in ending inventory at the end of the current period.

Our international operations are not material and the majority of the revenue and total assets are within the United States.

	As of	
	May 2, 2020	April 27, 2019
Total Assets		
Retail (includes goodwill of $0 and $0, respectively)	$ 867,288	$ 707,975
Wholesale (includes goodwill of $0 and $0, respectively)	248,464	191,976
DSS (includes goodwill of $4,700 and $4,700, respectively)	35,689	40,543
Corporate Services	4,991	5,686
Total Assets	$ 1,156,432	$ 946,180

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Capital Expenditures			
Retail	$ 28,546	$ 33,008	$ 38,598
Wholesale	2,126	1,824	1,559
DSS [(a)]	5,425	11,444	2,620
Corporate Services	95	144	32
Total Capital Expenditures	$ 36,192	$ 46,420	$ 42,809

(a) Primarily comprised of content development costs for *bartleby.com* textbook solutions which was launched in Fiscal 2019.

(Thousands of dollars, except share and per share data)

Summarized financial information for our reportable segments is reported below:

	53 weeks ended May 2, 2020 [(a)]	52 weeks ended April 27, 2019[(b)]	52 weeks ended April 28, 2018[(c)]
Sales:			
Retail	$ 1,712,892	$ 1,889,008	$ 2,024,541
Wholesale	198,353	223,374	258,369
DSS	23,661	21,339	15,762
Eliminations	(83,843)	(99,078)	(95,055)
Total Sales	$ 1,851,063	$ 2,034,643	$ 2,203,617
Gross Profit			
Retail	$ 383,282	$ 451,871	$ 482,226
Wholesale	39,805	56,341	60,328
DSS	19,313	20,030	15,403
Eliminations	149	(516)	(724)
Total Gross Profit	$ 442,549	$ 527,726	$ 557,233
Depreciation and Amortization			
Retail	$ 47,099	$ 51,728	$ 53,955
Wholesale	5,963	6,014	6,188
DSS	8,670	7,974	5,253
Corporate Services	128	149	190
Total Depreciation and Amortization	$ 61,860	$ 65,865	$ 65,586
Operating Loss			
Retail [(d)]	$ (24,445)	$ 3,751	$ (265,843)
Wholesale [(d)]	12,909	(2,131)	31,388
DSS	(8,529)	(3,345)	226
Corporate Services	(23,077)	(25,463)	(27,750)
Eliminations	359	(466)	(724)
Total Operating Loss [(d)]	$ (42,783)	$ (27,654)	$ (262,703)
The following is a reconciliation of segment Operating Loss to consolidated Income Before Income Taxes			
Total Operating Loss	$ (42,783)	$ (27,654)	$ (262,703)
Interest Expense, net	(7,445)	(9,780)	(10,306)
Total Loss Before Income Taxes	$ (50,228)	$ (37,434)	$ (273,009)

(a) In Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

(b) We acquired PaperRater on August 21, 2018. The consolidated financial statements for the 52 weeks ended April 27, 2019 include the financial results of PaperRater from the acquisition date, August 21, 2018, to April 27, 2019.

(c) We acquired Student Brands, LLC on August 3, 2017. The consolidated financial statements for the 52 weeks ended April 28, 2018 include the financial results of Student Brands from the acquisition date, August 3, 2017, to April 28, 2018.

(d) In Fiscal 2019, we recorded goodwill impairment (non-cash impairment loss) of $20,538 and $28,744 in our Retail and Wholesale Segments, respectively.

In Fiscal 2018, we recorded a goodwill impairment (non-cash impairment loss) of $313,130 in our Retail Segment (prior BNC segment) based on the results of our annual goodwill impairment test.

Note 8. Equity and Earnings Per Share

Equity

Our authorized capital stock consists of 200,000,000 shares of common stock, par value $0.01 per share, and 5,000,000 shares of preferred stock, par value $0.01 per share. As of May 2, 2020, 48,297,554 shares of our common stock and 0 shares of our preferred stock were issued and outstanding. Our common stock trades on the NYSE under the symbol "BNED".

The holders of our common stock are entitled to one vote for each share held of record on all matters submitted to a vote of the stockholders. Holders of shares of our common stock do not have cumulative voting rights in the election of directors. The holders of our common stock will be entitled to share ratably in our assets legally available for distribution to our stockholders, subject to the prior distribution rights of preferred stock, if any, then outstanding. The holders of our common stock do not have preemptive rights or preferential rights to subscribe for shares of our capital stock.

We have reserved 10,409,345 shares of common stock for future grants in accordance with the Barnes & Noble Education Inc. Equity Incentive Plan. See *Part II - Item 8. Financial Statements and Supplementary Data - Note 14. Stock-Based Compensation*.

On March 25, 2020, our Board of Directors approved the adoption of a short-term stockholder rights plan and declared a dividend distribution of one preferred share purchase right on each outstanding share of our common stock. The dividend was payable to holders of record as of the close of business on April 10, 2020. The rights will be exercisable only if a person or group acquires 10% or more of our outstanding common stock. Each right will entitle stockholders to buy one one-thousandth of a share of our preferred stock at an established exercise price. The Rights will expire no later than December 31, 2020. For additional information, see the Form 8-K dated March 25, 2020 and filed with the SEC on March 26, 2020.

Share Repurchases

On December 14, 2015, our Board of Directors authorized a stock repurchase program of up to $50,000, in the aggregate, of our outstanding common stock. The stock repurchase program is carried out at the direction of management (which may include a plan under Rule 10b5-1 of the Securities Exchange Act of 1934). The stock repurchase program may be suspended, terminated, or modified at any time. Any repurchased shares will be held as treasury stock and will be available for general corporate purposes. During the Fiscal 2020, Fiscal 2019 and Fiscal 2018, we did not purchase shares under the stock repurchase program. As of May 2, 2020, approximately $26,669 remains available under the stock repurchase program.

During the Fiscal 2020, Fiscal 2019 and Fiscal 2018, we also repurchased 374,733 shares, 351,043 shares, and 260,531 shares of our common stock in connection with employee tax withholding obligations for vested stock awards, respectively.

Dividends

We paid no other dividends to common stockholders during Fiscal 2020, Fiscal 2019 and Fiscal 2018. We do not intend to pay dividends on our common stock in the foreseeable future.

Earnings Per Share

Basic EPS is computed based upon the weighted average number of common shares outstanding for the year. Diluted EPS is computed based upon the weighted average number of common shares outstanding for the year plus the dilutive effect of common stock equivalents using the treasury stock method and the average market price of our common stock for the year. We include participating securities (unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents) in the computation of EPS pursuant to the two-class method. Our participating securities consist solely of unvested restricted stock awards, which have contractual participation rights equivalent to those of stockholders of unrestricted common stock. The two-class method of computing earnings per share is an allocation method that calculates earnings per share for common stock and participating securities. During periods of net loss, no effect is given to the participating securities because they do not share in the losses of the Company. During the Fiscal 2020, Fiscal 2019 and Fiscal 2018, average shares of 3,795,603, 2,939,089 and 2,494,799 were excluded from the diluted earnings per share calculation using the two-class method as their inclusion would have been antidilutive, respectively.

The following is a reconciliation of the basic and diluted earnings per share calculation:

(shares in thousands)	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Numerator for basic and diluted earnings per share:			
Net loss available to common shareholders	$ (38,250)	$ (24,374)	$ (252,566)
Denominator for basic and diluted earnings per share:			
Basic and diluted weighted average shares of Common Stock	48,013	47,306	46,763
Loss per share of Common Stock:			
Basic	$ (0.80)	$ (0.52)	$ (5.40)
Diluted	$ (0.80)	$ (0.52)	$ (5.40)

Note 9. Fair Values of Financial Instruments

In accordance with *ASC No. 820, Fair Value Measurements and Disclosures*, the fair value of an asset is considered to be the price at which the asset could be sold in an orderly transaction between unrelated knowledgeable and willing parties. A liability's fair value is defined as the amount that would be paid to transfer the liability to a new obligor, not the amount that would be paid to settle the liability with the creditor. Assets and liabilities recorded at fair value are measured using a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value. These tiers include:

Level 1—Observable inputs that reflect quoted prices in active markets

Level 2—Inputs other than quoted prices in active markets that are either directly or indirectly observable

Level 3—Unobservable inputs in which little or no market data exists, therefore requiring us to develop our own assumptions

Our financial instruments include cash and cash equivalents, receivables, accrued liabilities and accounts payable. The fair values of cash and cash equivalents, receivables, accrued liabilities and accounts payable approximates their carrying values due to the short-term nature of these instruments, which are all considered Level 1. The fair value of short-term and long-term debt approximates its carrying value.

For nonrecurring fair value measurements associated with impairment testing performed during Fiscal 2019, refer to *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies - Other Long-lived Assets* and *Note 2. Summary of Significant Accounting Policies - Goodwill* where we determined the fair value of impaired assets using Level 3 inputs.

Note 10. Credit Facility

We have a credit agreement (the "Credit Agreement"), amended March 1, 2019, under which the lenders committed to provide us with a five-year asset-backed revolving credit facility in an aggregate committed principal amount of $400,000 (the "Credit Facility") effective from the date of the amendment. We have the option to request an increase in commitments under the Credit Facility of up to $100,000, subject to certain restrictions. Proceeds from the Credit Facility are used for general corporate purposes, including seasonal working capital needs. The agreement includes an incremental first in, last out seasonal loan facility (the "FILO Facility") for a $100,000 incremental facility maintaining the maximum availability under the Credit Agreement at $500,000. On March 2, 2020, we were granted a waiver to the condition to the current draw under the FILO Facility that Consolidated EBITDA (as defined in the Credit Agreement) minus Restricted Payments (as defined in the Credit Agreement) equal at least $90,000.

As of May 2, 2020, we had outstanding borrowings of $99,700 and $75,000 under the Credit Facility and FILO Facility, respectively. As of April 27, 2019, we had outstanding borrowings of $33,500 and $100,000 under the Credit Facility and FILO Facility, respectively.

During the 53 weeks ended May2, 2020, we borrowed $600,900 and repaid $559,700 under the Credit Agreement, and had a net total $174,700 of outstanding borrowings as of May 2, 2020. During 52 weeks ended April 27, 2019, we borrowed $521,200 and repaid $584,100 under the Credit Agreement, and had a net total of $133,500 of outstanding borrowings as of April 27, 2019. As of both May 2, 2020 and April 27, 2019, we issued $4,759 in letters of credit under the Credit Facility, respectively. During 52 weeks ended April 28, 2018, we borrowed $674,500 and repaid $637,700 under the Credit Facility.

During 52 weeks ended April 27, 2019, we incurred debt issuance costs totaling $3,395 related to the March 1, 2019 Credit Facility amendment and recorded a write-off of $118 of existing unamortized debt issuance costs. The debt issuance costs have been deferred and are presented as an asset which is subsequently amortized ratably over the term of the credit agreement.

The Credit Facility is secured by substantially all of the inventory, accounts receivable and related assets of the borrowers under the Credit Facility, but excluding the equity interests in us and our subsidiaries, intellectual property, equipment and certain other property.

Interest under the Credit Facility accrues, at our election, at a LIBOR or alternate base rate, plus, in each case, an applicable interest rate margin, which is determined by reference to the level of excess availability under the Credit Facility. Loans will initially bear interest at LIBOR plus 1.750% per annum, in the case of LIBOR borrowings, or at the alternate base rate plus 0.750% per annum, in the alternative, and thereafter the interest rate will fluctuate between LIBOR plus 1.750% per annum and LIBOR plus 1.250% per annum (or between the alternate base rate plus 0.750% per annum and the alternate base rate plus 0.250% per annum), based upon the excess availability under the Credit Facility at such time.

Loans under the FILO Facility will bear interest at a rate equal to the LIBOR rate, plus 2.750%. In connection with the waiver, the applicable margin for credit extensions made under the FILO Facility after March 2, 2020 through the end of 2020 was increased by 0.50% (to 3.25% per annum for LIBO rate loans and 2.25% for base rate loans). The FILO Facility will be available solely during the draw period each year, from April 1 through July 31. We are required to borrow 100% of the aggregate commitments under the FILO Facility on April 1 of each year, and the loans must be repaid in full (including interest and fees) on July 31 of each year. The commitments under the FILO Facility will decrease from $75 million to $50 million on August 1, 2020 and from $50 million to $25 million on August 1, 2021. We will pay a commitment fee of 0.375% on the daily unused portion of the FILO Facility.

The Credit Facility contains customary negative covenants, which limit the Company's ability to incur additional indebtedness, create liens, make investments, make restricted payments or specified payments and merge or acquire assets, among other things. In addition, if excess availability under the Credit Facility were to fall below certain specified levels, certain additional covenants (including fixed charge coverage ratio requirements) would be triggered, and the lenders would have the right to assume dominion and control over the Company's cash.

The Credit Facility contains customary events of default, including payment defaults, material breaches of representations and warranties, covenant defaults, default on other material indebtedness, customary ERISA events of default, bankruptcy and insolvency, material judgments, invalidity of liens on collateral, change of control or cessation of business. The Credit Facility also contains customary affirmative covenants and representations and warranties. We are in compliance with all covenants, representations and warranties under the Credit Facility as of May 2, 2020.

We believe that our future cash from operations, access to borrowings under the Credit Facility, FILO Facility and short-term vendor financing will provide adequate resources to fund our operating and financing needs for the foreseeable future. Our future capital requirements will depend on many factors, including, but not limited to, the economy and the outlook for and pace of sustainable growth in our markets, the levels at which we maintain inventory, the number and timing of new store openings, and any potential acquisitions of other brands or companies including digital properties. To the extent that available funds are insufficient to fund our future activities, we may need to raise additional funds through public or private financing of debt or equity. Our access to, and the availability of, financing in the future will be impacted by many factors, including the liquidity of the overall capital markets and the current state of the economy. There can be no assurances that we will have access to capital markets on acceptable terms.

Note 11. Supplementary Information

Impairment Loss (non-cash)

We review our long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable in accordance with *ASC 360-10, Accounting for the Impairment or Disposal of Long-Lived Assets.* For information, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies*.

During the 53 weeks ended May 2, 2020, we recognized an impairment loss (non-cash) of $433 in the Retail segment related to net capitalized development costs for a project which are not recoverable.

During the 52 weeks ended April 27, 2019, we recorded an impairment loss (non-cash) of $57,748, comprised of $49,282 of goodwill and $8,466 of long-lived assets.

(Thousands of dollars, except share and per share data)

During the 52 weeks ended April 28, 2018, we recorded an impairment loss (non-cash) of $313,130 related to goodwill.

Restructuring and Other Charges

During the 53 weeks ended May 2, 2020, we recognized restructuring and other charges totaling $18,567 comprised of $12,667 for severance and other employee termination and benefit costs associated with several management changes ($10,370 is included in accrued liabilities in the consolidated balance sheet as of May 2, 2020), the elimination of various positions as part of cost reduction objectives, and professional service costs for process improvements, and $2,695 related to an actuarial loss for a frozen retirement benefit plan (non-cash), $2,841 for professional service costs for shareholder activist activities, and $587 related to a store-level asset impairment charge, offset by $223 related to reduction of liabilities for a facility closure.

During the 52 weeks ended April 27, 2019, we recognized restructuring and other charges totaling $7,233 comprised of $4,554 for severance and transition payments related to senior management changes, other employee termination and benefit costs, and other charges totaling $2,679, primarily comprised of$2,274 in an actuarial loss for a frozen retirement benefit plan (non-cash), $281 related to additional liabilities for a facility closure, and a write-off of $118 of existing unamortized debt issuance costs.

During the 52 weeks ended April 28, 2018, we recognized restructuring and other charges totaling $5,429, which is primarily comprised of severance and transition payments related to senior management changes.

Intangible Assets

Amortizable intangible assets as of May 2, 2020 and April 27, 2019 are as follows:

		As of May 2, 2020		
Amortizable intangible assets	Remaining Life	Gross Carrying Amount	Accumulated Amortization	Total
Customer relationships	10 - 14	$ 271,800	$ (113,280)	$ 158,520
Content	2 - 3	19,400	(9,615)	9,785
Technology [(a)]	2	9,500	(5,900)	3,600
Other [(b)]	1 - 8	8,930	(5,710)	3,220
		$ 309,630	$ (134,505)	$ 175,125

(a) Other consists of recognized intangibles for non-compete agreements and trade names.

		As of April 27, 2019		
Amortizable intangible assets	Remaining Life	Gross Carrying Amount	Accumulated Amortization	Total
Customer relationships	1 - 15	$ 271,800	$ (101,781)	$ 170,019
Content	3 - 4	19,400	(5,728)	13,672
Technology [(a)]	1 - 3	9,500	(3,883)	5,617
Other [(b)]	1 - 9	9,831	(4,161)	5,670
		$ 310,531	$ (115,553)	$ 194,978

(a) See *Impairment Loss (non-cash)* discussion above.
(b) Other consists of recognized intangibles for non-compete agreements, trade names, and favorable leasehold interests.

All amortizable intangible assets are being amortized over their useful life on a straight-line basis.

Aggregate Amortization Expense:		
For the 53 weeks ended May 2, 2020	$	19,310
For the 52 weeks ended April 27, 2019	$	21,314
For the 52 weeks ended April 28, 2018	$	19,056

(Thousands of dollars, except share and per share data)

Estimated Amortization Expense: (Fiscal Year)		
2021	$	17,634
2022	$	17,301
2023	$	13,923
2024	$	12,060
2025	$	11,700
After 2025	$	102,507

For additional information about intangible assets, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies* and *Note 6. Acquisitions*.

Goodwill

The following table details the changes in carrying value of goodwill (including foreign currency translation):

Balance at April 29, 2018	$	49,282
Goodwill related to PaperRater acquisition		4,700
Impairment loss (non-cash) [(a)]		(49,282)
Balance at both April 27, 2019 and May 2, 2020	$	4,700

(a) See *Impairment Loss (non-cash)* discussion above.

As of May 2, 2020, goodwill of approximately $73,119 was deductible for federal income tax purposes. This is higher than the goodwill balance reflected on the consolidated balance sheet as of May 2, 2020 due to impairment losses recorded in Fiscal 2018 and Fiscal 2019.

For additional information related to goodwill, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 2. Summary of Significant Accounting Policies* and *Note 6. Acquisitions*.

Note 12. Related Party Transactions

MBS Textbook Exchange, LLC

Prior to the acquisition of MBS on February 27, 2017, MBS was considered a related-party as it was majority-owned by Leonard Riggio, who is a principal owner holding substantial shares of our common stock, and other members of the Riggio family. Subsequent to the acquisition, the consolidated financial statements include the accounts of MBS and all material intercompany accounts and transactions have been eliminated in consolidation.

MBS leases its main warehouse and distribution facility located in Columbia, Missouri from MBS Realty Partners L.P. which is majority-owned by Leonard Riggio, with the remaining ownership by other sellers of MBS. The lease was originally entered into in 1991 and included a renewal option which extended the lease through September 1, 2023. Based upon a valuation performed as of the acquisition date, the lease was determined to be favorable from a lessee perspective with below market rent. Rent payments to MBS Realty Partners L.P. were approximately $1,380 in Fiscal 2020, Fiscal 2019 and Fiscal 2018.

Note 13. Employee Benefit Plans

We sponsor defined contribution plans for the benefit of substantially all of the employees of BNC and DSS. MBS maintains a profit sharing plan covering substantially all full-time employees of MBS. For all plans, we are responsible to fund the employer contributions directly. Total employee benefit expense for these plans was $5,015, $6,702, and $7,196 during 53 weeks ended May 2, 2020, 52 weeks ended April 27, 2019, and 52 weeks ended April 28, 2018, respectively.

Effective April 2020, due to the significant impact as a result of COVID-19 related campus store closures, we have temporarily suspended employer matching contributions into our 401(k) plans through the end of December 2020 (the first 9 months of Fiscal 2021).

Note 14. Stock-Based Compensation

We have reserved 10,409,345 shares of our common stock for future grants in accordance with the Barnes & Noble Education Inc. Equity Incentive Plan. Types of equity awards that can be granted under the Equity Incentive Plan include options, restricted stock ("RS"), restricted stock units ("RSU"), performance shares ("PS") and performance share units ("PSU"). We have not granted options under the Equity Incentive Plan.

A RS award is an award of common stock that is subject to certain restrictions during a specified period. Restricted stock awards are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the shares before the restricted shares vest. Shares of unvested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon (although payment may be deferred until the shares have vested) and are considered to be currently issued and outstanding. Restricted stock awards will have a minimum vesting period of one year.

A RSU is a grant valued in terms of our common stock, but no stock is issued at the time of grant. Each restricted stock unit may be redeemed for one share of our common stock once vested. Restricted stock units are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the units except in very limited circumstances and with the consent of the compensation committee. Shares associated with unvested restricted stock units have no voting rights but are entitled to receive dividends and other distributions thereon (although payment may be deferred until the units have vested). Restricted stock units generally vest over a period of three years, but will have a minimum vesting period of one year.

PS awards and PSU awards were granted to employees. Each PS and PSU may be redeemed for one share of our common stock once vested and are generally subject to forfeiture if employment terminates prior to the release of the restrictions. The grantee cannot transfer the PS or PSU awards except in very limited circumstances and with the consent of the compensation committee. Shares of unvested PSU awards have no voting rights but are entitled to receive dividends and other distributions thereon (although payment may be deferred until the shares or units, as the case may be, have vested). The PS and PSU awards will only vest based upon the achievement of pre-established performance goals related to Adjusted EBITDA, segment revenue, new business, and/or total shareholder return performance achieved over a period of time. The PS and PSU awards will vest based on company performance and/or market conditions during the subsequent two year period with one additional year of time-based vesting. The number of PS and PSU awards that will vest range from 0%-150% of the target award based on actual performance.

We recognize compensation expense for awards ratably over the requisite service period of the award, which is generally three years. We recognize compensation expense based on the number of awards expected to vest using an estimated average forfeiture rate. We calculate the fair value of stock-based awards based on the closing price on the date the award was granted. For those awards with market conditions, we have determined the grant date fair value using the Monte Carlo simulation model.

(Thousands of dollars, except share and per share data)

Stock-Based Compensation Activity

The following table presents a summary of awards activity related to our current Equity Incentive Plan:

	Restricted Stock Awards		Restricted Stock Units		Performance Shares		Performance Share Units	
	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value	Number of Shares	Weighted Average Grant Date Fair Value
Balance, April 29, 2017	12,371	$ 9.70	1,731,623	$ 10.70	406,078	$ 9.52	—	$ —
Granted	19,704	$ 6.09	1,640,926	$ 5.88	—	$ —	537,756	$ 7.90
Vested	(12,371)	$ 9.70	(697,370)	$ 10.93	—	$ —	—	$ —
Forfeited [a]	—	$ —	(355,055)	$ 9.04	(120,142)	$ 9.52	—	$ —
Balance, April 28, 2018	19,704	$ 6.09	2,320,124	$ 7.47	285,936	$ 9.52	537,756	$ 7.90
Granted	21,506	$ 5.58	1,443,746	$ 5.58	—	$ —	385,171	$ 4.18
Vested	(19,704)	$ 6.09	(1,056,486)	$ 8.31	—	$ —	—	$ —
Forfeited [a]	—	$ —	(355,067)	$ 6.23	(60,425)	$ 9.52	(157,028)	$ 6.83
Balance, April 27, 2019	21,506	$ 5.58	2,352,317	$ 6.12	225,511	$ 9.52	765,899	$ 6.25
Granted	38,096	$ 3.15	1,541,154	$ 3.08	—	$ —	709,517	$ 2.23
Vested	(21,506)	$ 5.58	(1,138,984)	$ 6.56	(56,380)	$ 9.52	—	$ —
Forfeited [a]	—	$ —	(504,409)	$ 4.69	(169,131)	$ 9.52	(151,649)	$ 5.31
Balance, May 2, 2020	38,096	$ 3.15	2,250,078	$ 4.21	—	$ —	1,323,767	$ 4.20

(a) The PS and PSUs forfeitures reflect a cumulative adjustment to reflect changes to the expected level of achievement of the respective grants.

Total fair value of vested share awards since the inception of the Equity Incentive Plan is $35,494.

Stock-Based Compensation Expense

We recognized stock-based compensation expense for equity-based awards in selling and administrative expenses as follows:

	53 weeks ended May 2, 2020	52 weeks ended April 27, 2019	52 weeks ended April 28, 2018
Restricted Stock Expense	$ 120	$ 110	$ 120
Restricted Stock Units Expense	6,253	7,846	8,370
Performance Shares Expense [a]	12	87	(218)
Performance Share Units Expense [a]	253	974	187
Stock-Based Compensation Expense	$ 6,638	$ 9,017	$ 8,459

(a) Stock-based compensation expense reflects cumulative adjustments to reflect changes to the expected level of achievement of the respective grants.

Total unrecognized compensation cost related to unvested awards as of May 2, 2020 was $6,400 and is expected to be recognized over a weighted-average period of 1.58 years.

(Thousands of dollars, except share and per share data)

Note 15. Income Taxes

For Fiscal 2020, Fiscal 2019, and Fiscal 2018, we had no material revenue or expense in jurisdictions outside the United States.

Impact of U.S. Tax Reform

The Tax Cuts and Jobs Act (the "Act") was enacted on December 22, 2017. The Act reduces the U.S. federal corporate income tax rate from 35% to 21% and requires companies to pay a one-time transition tax on earnings of certain foreign subsidiaries that were previously tax deferred, among other provisions. In accordance with *SAB 118,* "*Income Tax Accounting Implications of the Tax Cuts and Jobs Act*" (SAB 118), we completed our accounting for the tax effects of the enactment of the Act within the provisional period as of April 27, 2019. We recorded measurement period adjustments during Fiscal 2019 to reduce our net deferred tax liability by $3,911, which primarily related to the acceleration of certain deductions as permitted by the U.S. tax code. The most significant impact of the legislation for the Company was a $20,425 reduction of the value of our net deferred (which represents future tax liabilities) and long-term tax liabilities as a result of lowering the U.S. corporate income tax rate from 35% to 21%, which was recorded in Fiscal 2018. We also recorded a liability associated with the one-time transition tax, however, such amount is not material.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act (The "CARES Act") was enacted. We have analyzed the provisions, which provide for a technical correction to allow for full expensing of qualified leasehold improvements, modifications to charitable contribution and net operating loss limitations, modifications to the deductibility of business interest expense, as well as Alternative Minimum Tax ("AMT") credit acceleration. The technical correction for qualified leasehold improvements allows us to accelerate deductions for assets placed in service in prior years, but the CARES Act is not otherwise expected to have a material impact on our income tax provision for Fiscal 2020.

Income tax benefits for Fiscal 2020, Fiscal 2019 and Fiscal 2018 are as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Current:			
Federal [(a)]	$ (5,471)	$ (6,494)	$ (8,089)
State	(1,127)	(2,035)	2,410
Total Current	(6,598)	(8,529)	(5,679)
Deferred:			
Federal [(a)]	(4,086)	(3,681)	(13,250)
State	(1,294)	(850)	(1,514)
Total Deferred	(5,380)	(4,531)	(14,764)
Total	$ (11,978)	$ (13,060)	$ (20,443)

(a) For Fiscal 2018, the income tax benefit was caused largely by the revaluation due to the change in the U.S. corporate income tax rate from 35% to 21% as described above.

Reconciliation between the effective income tax rate and the federal statutory income tax rate is as follows:

	Fiscal 2020	Fiscal 2019	Fiscal 2018
Federal statutory income tax rate [(a)]	21.0%	21.0%	34.1%
State income taxes, net of federal income tax benefit	3.7	6.3	(0.3)
Permanent book / tax differences	(2.9)	(3.9)	(0.7)
Goodwill impairment	—	—	(34.2)
Provisional remeasurement due to Tax Legislation	—	10.4	7.5
Credits	0.5	0.3	0.2
Other, net	1.5	0.8	0.9
Effective income tax rate	23.8%	34.9%	7.5%

(Thousands of dollars, except share and per share data)

(a) Due to the Act, we applied a U.S. statutory federal income tax rate of 33.9% for earnings between April 30, 2017 and January 27, 2018, and 21% for earnings between January 28, 2018 and April 28, 2018. The result is an effective statutory rate of 34.1% for Fiscal 2018.

The effective tax rate for Fiscal 2020 is significantly lower as compared to the comparable prior year period due to various permanent differences and the impact of the Act recorded in Fiscal 2019.

One percentage point on our Fiscal 2020 effective tax rate is approximately $502. The permanent book / tax differences are principally comprised of non-deductible compensation, non-deductible meals and entertainment costs, and federal income tax credits.

We account for income taxes using the asset and liability method. Deferred taxes are recorded based on differences between the financial statement basis and tax basis of assets and liabilities and available tax loss and credit carryforwards. The significant components of our deferred taxes consisted of the following:

	As of	
	5/2/2020	4/27/2019
Deferred tax assets:		
Estimated accrued liabilities	$ 11,046	$ 10,972
Inventory	7,167	2,969
Stock-based compensation	1,511	1,738
Insurance liability	528	518
Operating lease liabilities	65,334	982
Tax credits	484	402
Goodwill	18,438	19,903
Net operating losses	4,992	4,928
Other	8,853	8,253
Gross deferred tax assets	118,353	50,665
Valuation allowance	(1,231)	(1,194)
Net deferred tax assets	117,122	49,471
Deferred tax liabilities:		
Intangible asset amortization	(37,864)	(40,790)
Operating lease right-of-use assets	(64,695)	—
Property and equipment	(6,758)	(6,256)
Gross deferred tax liabilities	(109,317)	(47,046)
Net deferred tax asset	$ 7,805	$ 2,425

(Thousands of dollars, except share and per share data)

As of May 2, 2020, we had $52 of unrecognized tax benefits, all of which, if recognized, would affect our effective tax rate. We do not believe that it is reasonably possible that these unrecognized tax benefits will decrease in the next twelve months. A reconciliation of the beginning and ending amount of unrecognized tax benefits is as follows:

Balance at April 29, 2017	$	86
Additions for tax positions of the current period		25
Additions for tax positions of prior periods		2
Reductions due to settlements		—
Other reductions for tax positions of prior periods		(16)
Balance at April 28, 2018	$	97
Additions for tax positions of the current period		—
Additions for tax positions of prior periods		—
Reductions due to settlements		—
Other reductions for tax positions of prior periods		(6)
Balance at April 27, 2019	$	91
Additions for tax positions of the current period		—
Additions for tax positions of prior periods		—
Reductions due to settlements		—
Other reductions for tax positions of prior periods		(39)
Balance at May 2, 2020	$	52

Our policy is to recognize interest and penalties related to income tax matters in income tax expense. As of May 2, 2020 and April 27, 2019, we had accrued $3 and $4, respectively, for net interest and penalties. The change in the amount accrued for net interest and penalties includes $1 in reductions for net interest and penalties recognized in income tax expense in our Fiscal 2020 consolidated statement of operations.

In assessing the realizability of the deferred tax assets, management considered whether it is more likely than not that some or all of the deferred tax assets would be realized. In evaluating our ability to utilize our deferred tax assets, we considered all available evidence, both positive and negative, in determining future taxable income on a jurisdiction by jurisdiction basis. We have recorded a valuation allowance of $1,231 and $1,194 for May 2, 2020 and April 27, 2019, respectively.

As of May 2, 2020, and based on our tax year ended January 2020, we had state net operating loss carryforwards (“NOLs”) of approximately $83,999 that are available to offset taxable income in our respective taxing jurisdiction beginning in the current period and that expire beginning in 2030. We had net state tax credit carryforwards totaling $612, which expire beginning in 2021.

As of May 2, 2020, we recorded $200 of foreign withholding tax related to repatriations of earnings from certain foreign subsidiaries. If additional earnings in these foreign subsidiaries were repatriated in the future, additional income and withholding tax expense would be incurred. Additional income and withholding tax expense on any future repatriated earnings is estimated to be less than $100.

We are subject to U.S. federal income tax, as well as income tax in jurisdictions of each state having an income tax. The tax years that remain subject to examination are primarily Fiscal 2014 and forward. Some earlier years remain open for a small minority of states. We retain an income tax liability for periods prior to the Spin-Off from Barnes & Noble, Inc. only for returns filed on a stand-alone basis.

(Thousands of dollars, except share and per share data)

Note 16. Legal Proceedings

We are involved in a variety of claims, suits, investigations and proceedings that arise from time to time in the ordinary course of our business, including actions with respect to contracts, intellectual property, taxation, employment, benefits, personal injuries and other matters. We record a liability when we believe that it is both probable that a loss has been incurred and the amount of loss can be reasonably estimated. Based on our current knowledge, we do not believe that there is a reasonable possibility that the final outcome of any pending or threatened legal proceedings to which we or any of our subsidiaries are a party, either individually or in the aggregate, will have a material adverse effect on our future financial results. However, legal matters are inherently unpredictable and subject to significant uncertainties, some of which are beyond our control. As such, there can be no assurance that the final outcome of these matters will not materially and adversely affect our business, financial condition, results of operations or cash flows.

Between January 22, 2020, and May 20, 2020, eleven purported class action complaints were filed in the United States District Court for the District of Delaware, the United States District Court for the District of New Jersey, and the United States District Court for the Northern District of Illinois against the Company, along with several publishers, another collegiate bookstore retailer, and an industry association. The plaintiffs are retailers of collegiate course materials or current or former college students. Although the specific allegations vary slightly, they claim, on their own behalf and on behalf of the purported classes, that the Company and the other defendants violated Section 1 of the Sherman Act (15 U.S.C. § 1), Section 2 of the Sherman Act (15 U.S.C. § 2), Section 13(a) of the Robinson-Patman Act (15 U.S.C. §13(a)), and various state antitrust and unfair trade practices laws for alleged activities in connection with inclusive access and the sale of course materials to universities and their students. The United States Judicial Panel on Multidistrict Litigation is considering whether to consolidate these and other related cases in a consolidated proceeding. We intend to vigorously defend this matter and are currently unable to estimate any potential losses.

Note 17. Commitments and Contingencies

We generally operate our physical bookstores pursuant to multi-year school management contracts under which a school designates us to operate the official school physical bookstore on campus and we provide the school with regular payments that represent a percentage of store sales and, in some cases, include a minimum fixed guaranteed payment. We account for these service agreements for our physical bookstores under lease accounting. Prior to the adoption of FASB *ASC 842, Leases* (Topic 842) ("ASC 842") as discussed below, the excess of such minimum contract expense over actual contract payments (net of school allowances) was reflected in other long-term liabilities and accrued liabilities in the consolidated balance sheets.

Effective the first quarter of Fiscal 2020 (April 28, 2019), we adopted ASC 842, which requires us to recognize lease assets and lease liabilities on the consolidated balance sheets for substantially all fixed lease arrangements (excluding variable obligations) with a term greater than twelve months. For additional information on Fiscal 2020 lease expense and minimum fixed lease obligations, excluding variable commissions, see *Part II - Item 8. Financial Statements and Supplementary Data - Note 5. Leases*.

The expense related to our college and university contracts for physical bookstores, including rent expense, and other facility costs in the consolidated statements of operations for periods prior to adoption of ASC 842 in Fiscal 2020 are as follows:

	Fiscal 2019	Fiscal 2018
Minimum contract expense	$ 169,131	$ 170,351
Percentage contract expense	73,368	80,630
Total expense	$ 242,499	$ 250,981

Purchase obligations, which includes information technology contracts and inventory purchase commitments, as of May 2, 2020 are as follows:

Less Than 1 Year	$ 10,650
1-3 Years	8,026
3-5 Years	3,154
Total	$ 21,830

Note 18. Selected Quarterly Financial Information (Unaudited)

A summary of quarterly financial information for 53 weeks ended May 2, 2020 and 52 weeks ended April 27, 2019 is as follows:

Fiscal 2020 Quarterly Period Ended	13 weeks ended July 27, 2019	13 weeks ended October 26, 2019	13 weeks ended January 25, 2020	14 weeks ended May 2, 2020 [a]	53 weeks ended May 2, 2020
Sales	$ 319,657	$ 772,228	$ 502,292	$ 256,886	$ 1,851,063
Gross profit	$ 71,657	$ 186,950	$ 118,535	$ 65,407	$ 442,549
Net (loss) income	$ (32,155)	$ 35,931	$ (1,693)	$ (40,333)	$ (38,250)
Basic (loss) earnings per common share:					
Net (loss) income	$ (0.68)	$ 0.75	$ (0.04)	$ (0.84)	$ (0.80)
Diluted (loss) earnings per common share:					
Net (loss) income	$ (0.68)	$ 0.74	$ (0.04)	$ (0.84)	$ (0.80)

Fiscal 2019 Quarterly Period Ended	13 weeks ended July 28, 2018	13 weeks ended October 27, 2018	13 weeks ended January 26, 2019	13 weeks ended April 27, 2019	52 weeks ended April 27, 2019
Sales	$ 337,484	$ 814,766	$ 548,008	$ 334,385	$ 2,034,643
Gross profit	$ 66,610	$ 210,760	$ 132,953	$ 117,403	$ 527,726
Net (loss) income	$ (38,622)	$ 59,697	$ 769	$ (46,218)	$ (24,374)
Basic (loss) earnings per common share:					
Net (loss) income	$ (0.82)	$ 1.26	$ 0.02	$ (0.97)	$ (0.52)
Diluted (loss) earnings per common share:					
Net (loss) income	$ (0.82)	$ 1.25	$ 0.02	$ (0.97)	$ (0.52)

(a) During the fourth quarter of Fiscal 2020, our business experienced an unprecedented and significant impact as a result of COVID-19 related campus store closures (the majority of which began in mid-March). The impact of the store closures affects the comparability of our results of operations and cash flows.

Schedule II—Valuation and Qualifying Accounts

Receivables Valuation and Qualifying Accounts
(In thousands)

For the 53 weeks ended May 2, 2020, 52 weeks ended April 27, 2019, and 52 weeks ended April 28, 2018:

	Balance at beginning of period	Charge (recovery) to costs and expenses	Write-offs	Balance at end of period
Allowance for Doubtful Accounts				
May 2, 2020	$ 2,135	$ 1,710	$ (1,859)	$ 1,986
April 27, 2019	$ 2,083	$ 2,670	$ (2,618)	$ 2,135
April 28, 2018	$ 2,259	$ 3,518	$ (3,694)	$ 2,083

	Balance at beginning of period	Addition Charged to Costs	Deductions	Balance at end of period
Sales Returns Reserves				
May 2, 2020	$ 5,282	$ 186,305	$ (186,524)	$ 5,063
April 27, 2019	$ 5,229	$ 197,799	$ (197,746)	$ 5,282
April 28, 2018	$ 6,817	$ 170,469	$ (172,057)	$ 5,229

All other schedules are omitted because the conditions requiring their filing do not exist, or because the required information is provided in the consolidated financial statements, including the notes thereto.

Item 9. *CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE*

There were no disagreements with accountants on accounting and financial disclosure.

Item 9A. *CONTROLS AND PROCEDURES*

(a) Evaluation of Disclosure Controls and Procedures

Management of the Company established and maintains disclosure controls and procedures that are designed to ensure that material information relating to the Company and its subsidiaries required to be disclosed in the reports that are filed or submitted under the Exchange Act are recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms. Such information is accumulated and communicated to management, including the Company's Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. As of the end of the period covered by this report, the Company's management conducted an evaluation (as required under Rules 13a-15(b) and 15d-15(b) under the Exchange Act), under the supervision and with the participation of the principal executive officer and principal financial officer, of the Company's "disclosure controls and procedures" (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act). A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports. Based on management's evaluation, and considering the items noted below, the principal executive officer and principal financial officer concluded that, as of the end of the period covered by this report, the Company's disclosure controls and procedures are effective at the reasonable assurance level.

(b) Management's Annual Report on Internal Control over Financial Reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. As defined in Exchange Act Rule 13a-15(f), internal control over financial reporting is a process designed by, or under the supervision of, the principal executive and principal financial officer and effected by the board of directors, management and other personnel, 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, and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of the Company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and (iii) that receipts and expenditures of the Company are being made only in accordance with authorizations of management and directors of the Company; and (iv) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, the Company conducted an evaluation of the effectiveness of the Company's internal control over financial reporting based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO 2013 framework). Based upon the Company's evaluation under this framework, management concluded that the Company's internal control over financial reporting was effective as of May 2, 2020.

The effectiveness of internal control over financial reporting was audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in their report included on page 94.

(c) Changes in Internal Control over Financial Reporting

There have been no changes in the Company's internal control over financial reporting during the most recent quarter ended May 2, 2020 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

MANAGEMENT'S RESPONSIBILITY FOR CONSOLIDATED FINANCIAL STATEMENTS

The management of Barnes & Noble Education, Inc. is responsible for the contents of the Consolidated Financial Statements, which are prepared in conformity with accounting principles generally accepted in the United States of America. The Consolidated Financial Statements necessarily include amounts based on judgments and estimates. Financial information elsewhere in the Annual Report is consistent with that in the Consolidated Financial Statements.

The Company maintains a comprehensive accounting system, which includes controls designed to provide reasonable assurance as to the integrity and reliability of the financial records and the protection of assets. An internal audit staff is employed to regularly test and evaluate both internal accounting controls and operating procedures, including compliance with the Company's Code of Business Conduct and Ethics. The Audit Committee of the Board of Directors, composed of directors who are not members of management, meets regularly with management, the independent registered public accountants and the internal auditors to ensure that their respective responsibilities are properly discharged.

Ernst & Young LLP and the internal auditors have full and free independent access to the Audit Committee. The role of Ernst & Young LLP, an independent registered public accounting firm, is to provide an objective examination of the Consolidated Financial Statements and the underlying transactions in accordance with the standards of the Public Company Accounting Oversight Board. The report of Ernst & Young LLP appears on page 94 of this report on Form 10-K for the year ended May 2, 2020.

OTHER INFORMATION

The Company has included the Section 302 certifications of the Chief Executive Officer and the Chief Financial Officer of the Company as Exhibits 31.1 and 31.2 to its Annual Report on Form 10-K for Fiscal 2020 filed with the Securities and Exchange Commission, and the Company will submit to the New York Stock Exchange a certificate of the Chief Executive Officer of the Company certifying that he is not aware of any violation by the Company of New York Stock Exchange corporate governance listing standards.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of Barnes & Noble Education, Inc.

Opinion on Internal Control over Financial Reporting

We have audited Barnes & Noble Education, Inc. and subsidiaries' internal control over financial reporting as of May 2, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Barnes & Noble Education, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of May 2, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of May 2, 2020 and April 27, 2019, the related consolidated statements of operations, equity and cash flows for each of the three years in the period ended May 2, 2020, and the related notes and financial statement schedule listed in the Index at Item 15(a)(2) and our report dated July 14, 2020 expressed an unqualified opinion thereon.

Basis for Opinion

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. 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 audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

Definition and Limitations of Internal Control Over Financial Reporting

A company's internal control over financial reporting is a process designed 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. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young LLP
Iselin, New Jersey
July 14, 2020

Item 9B. ***OTHER INFORMATION***

On July 13, 2020, the Company entered into the First Amendment to Rights Agreement (the "Amendment") by and between the Company and Computershare Trust Company, N.A., as rights agent (the "Rights Agent"), that amends the Rights Agreement, dated as of March 25, 2020 (the "Rights Agreement"), by and between the Company and the Rights Agent. The Amendment makes certain modifications to the Rights Agreement that give the Board of Directors of the Company authority to grant certain exemptions under the Rights Agreement in the Board of Directors' sole discretion, which exemptions may be granted by resolution of the Board of Directors in whole or in part, and may be subject to limitations or conditions to the extent the Board of Directors determines, in its sole discretion, necessary or desirable. The foregoing description of the Amendment is qualified in its entirety by reference to the full text of the Amendment attached to this Annual Report on Form 10-K as Exhibit 4.3 and incorporated herein by reference.

PART III

Item 10. ***DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE***

Information regarding our executive officers is incorporated by reference herein from the discussion under *Part I - Item 1. Business - Executive Officers* of this Annual Report on Form 10-K. The remaining information with respect to directors, executive officers, the code of ethics and corporate governance of the Company is incorporated herein by reference to the Company's definitive Proxy Statement relating to the Company's 2019 Annual Meeting of Stockholders to be filed with the SEC within 120 days of the Company's fiscal year ended May 2, 2020 (the "Proxy Statement").

The information with respect to compliance with Section 16(a) of the Exchange Act is incorporated herein by reference to the Proxy Statement.

Item 11. ***EXECUTIVE COMPENSATION***

The information with respect to executive compensation is incorporated herein by reference to the Proxy Statement.

The information with respect to compensation of directors is incorporated herein by reference to the Proxy Statement.

Item 12. ***SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS***

Equity Compensation Plan Information

The following table sets forth equity compensation plan information as of May 2, 2020:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted-average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance under equity compensation plans (excluding securities in column (a))
	(a)	(b)	(c)
Equity compensation plans approved by security holders	3,611,941	$ 4.19	2,493,276
Equity compensation plans not approved by security holders	N/A	N/A	N/A
Total	3,611,941	$ 4.19	2,493,276

The information with respect to security ownership of certain beneficial owners and management is incorporated herein by reference to the Proxy Statement.

Item 13. ***CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE***

The information with respect to certain relationships and related transactions and director independence is incorporated herein by reference to the Proxy Statement.

Item 14. ***PRINCIPAL ACCOUNTING FEES AND SERVICES***

The information with respect to principal accountant fees and services is incorporated herein by reference to the Proxy Statement.

PART IV

Item 15. ***EXHIBITS, FINANCIAL STATEMENT SCHEDULES***

(a) Documents filed as part of this report:

1. Consolidated Financial Statements of Barnes & Noble Education, Inc.:

   Included in Part II of this Report:

   Consolidated Statements of Operations for the years ended May 2, 2020, April 27, 2019, and April 28, 2018
   Consolidated Balance Sheets as of May 2, 2020 and April 27, 2019
   Consolidated Statements of Cash Flows for the years ended May 2, 2020, April 27, 2019, and April 28, 2018
   Consolidated Statements of Equity for the years ended May 2, 2020 and April 27, 2019
   Notes to Consolidated Financial Statements, for the years ended May 2, 2020, April 27, 2019, and April 28, 2018
   Report of Ernst & Young LLP, Independent Registered Public Accounting Firm, on the consolidated financial statements of Barnes & Noble Education, Inc. for the years ended May 2, 2020, April 27, 2019, and April 28, 2018

2. Financial Statement Schedules of Barnes & Noble Education, Inc.:

   Included in Part II of this report: Schedule II - Valuation and Qualifying Accounts

   All other schedules are omitted because they are not applicable, not significant or not required, or because the required information is included in the financial statement notes thereto.

3. Exhibits:

EXHIBIT INDEX

Exhibit Number	Exhibit Description
Plan of acquisition, reorganization, arrangement, liquidation or succession.	
2.1.	Separation and Distribution Agreement, dated as of July 14, 2015, between Barnes & Noble, Inc. and Barnes & Noble Education, Inc., filed as Exhibit 2.1 to Report on Form 10-Q filed with the SEC on September 10, 2015, and incorporated herein by reference.
2.2.	Purchase Agreement, dated as of February 27, 2017, by and among Barnes & Noble Education, Inc., Ellar LLC, Leonard Riggio and the other unitholders party thereto, and Ellar LLC, as the Designated Representative, filed as Exhibit 2.1 to Report on Form 8-K filed with the SEC on February 28, 2017, and incorporated herein by reference.
Articles of Incorporation and By-Laws.	
3.1.	Certificate of Amendment of Amended and Restated Certificate of Incorporation of Barnes & Noble Education, Inc., filed as Exhibit 3.1 to Report on Form 8-K filed with the SEC on September 25, 2017, and incorporated herein by reference.
3.2.	Amended and Restated By-Laws, as Amended, Effective as of September 21, 2017, of Barnes & Noble Education, Inc., filed as Exhibit 3.2 to Report on Form 8-K filed with the SEC on September 25, 2017, and incorporated herein by reference.
3.3.	Certificate of Designation, Preferences, and Rights of Series A Junior Participating Preferred Stock of Barnes & Noble Education, Inc., dated as of March 25, 2020, filed as Exhibit 3.1 to Report on Form 8-K filed with the SEC on March 26, 2020, and incorporated herein by reference.
Instruments Defining the Rights of Securities; Description of Registrant's Securities.	
4.1.	Description of Capital Stock

4.2 Rights Agreement dated as of March 25, 2020, by and between the Company and Computershare Trust Company, N.A., as rights agent, which includes as Exhibit B the Form of Rights Certificate, filed as Exhibit 4.1 to Report on Form 8-K filed with the SEC on March 26, 2020, and incorporated herein by reference.

4.3 First Amendment to Rights Agreement dated as of July 13, 2020, by and between the Company and Computershare Trust Company, N.A., as rights agent.

Material contracts.

10.1. . . . . . . Credit Agreement, dated as of August 3, 2015, by and among Barnes & Noble Education, Inc., as borrower, the lenders party thereto, Bank of America, N.A., as administrative agent, and the other agents party thereto, filed as Exhibit 10.5 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.

10.2. . . . . . . First Amendment to Credit Agreement, dated as of February 27, 2017, by and among the Company, the Lenders and the Agent, filed as Exhibit 10.1 to Report on Form 8-K filed with the SEC on February 28, 2017, and incorporated herein by reference.

10.3. . . . . . . Second Amendment, Waiver and Consent to Credit Agreement, dated as of March 1, 2019, among Barnes & Noble Education, Inc., as the lead borrower, the other borrowers party thereto, the lenders party thereto and Bank of America, N.A., as administrative agent and collateral agent for the lenders, to the Credit Agreement, dated as of August 3, 2015, filed as Exhibit 10.1 to Report on Form 8-K filed with the SEC on March 5, 2019, and incorporated herein by reference.

10.4. . . . . . . Transition Services Agreement, dated as of August 2, 2015, between Barnes & Noble Education, Inc. and Barnes & Noble, Inc., filed as Exhibit 10.1 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.

10.5. . . . . . . Tax Matters Agreement, dated as of August 2, 2015, between Barnes & Noble Education, Inc. and Barnes & Noble, Inc., filed as Exhibit 10.2 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.

10.6. . . . . . . Termination Agreement for Tax Matters Agreement, dated as of March 27, 2019, between Barnes & Noble Education, Inc. and Barnes & Noble, Inc.

10.7. . . . . . . Employee Matters Agreement, dated as of August 2, 2015, between Barnes & Noble Education, Inc. and Barnes & Noble, Inc., filed as Exhibit 10.3 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.

10.8. . . . . . . Trademark License Agreement, dated as of August 2, 2015, between Barnes & Noble Education, Inc. and Barnes & Noble, Inc., filed as Exhibit 10.4 to Report on Form 8-K filed with the SEC on August 3, 2015, and incorporated herein by reference.

10.9. . . . . . . Barnes & Noble Education, Inc. Amended and Restated Equity Incentive Plan filed as Exhibit 10.1 to Report on Form 10-Q filed with the SEC on December 4, 2018, and incorporated herein by reference.

10.10. . . . . . Barnes & Noble Education, Inc. Form of Performance Unit Award Agreement, filed as Exhibit 10.5 to Report on Form S-1/A filed with the SEC on June 29, 2015, and incorporated herein by reference.

10.11. . . . . . Barnes & Noble Education, Inc. Form of Performance-Based Stock Unit Award Agreement, filed as Exhibit 10.6 to Report on Form S-1/A filed with the SEC on June 29, 2015, and incorporated herein by reference.

10.12. . . . . . Barnes & Noble Education, Inc. Form of Performance-Based Stock Unit Award Agreement, filed as Exhibit 10.2 to Report on Form 10-Q filed with the SEC on December 4, 2018, and incorporated herein by reference.

10.13. . . . . . Barnes & Noble Education, Inc. Form of Performance Share Award Agreement, filed as Exhibit 10.1 to Report on Form 10-Q filed with the SEC on September 8, 2016, and incorporated herein by reference.

10.14. . . . . . Barnes & Noble Education, Inc. Form of Restricted Stock Unit Award Agreement, filed as Exhibit 10.7 to Report on Form S-1/A filed with the SEC on June 29, 2015, and incorporated herein by reference.

10.15. . . . . . Barnes & Noble Education, Inc. Form of Restricted Stock Unit Award Agreement, filed as Exhibit 10.3 to Report on Form 10-Q filed with the SEC on December 4, 2018, and incorporated herein by reference.

10.16. . . . . . Barnes & Noble Education, Inc. Form of Restricted Stock Award Agreement, filed as Exhibit 10.8 to Report on Form S-1/A filed with the SEC on June 29, 2015, and incorporated herein by reference.

10.17. . . . . . Barnes & Noble Education, Inc. Form of Restricted Stock Award Agreement, filed as Exhibit 10.4 to Report on Form 10-Q filed with the SEC on December 4, 2018, and incorporated herein by reference.

10.18.	Amended and Restated Employment Agreement, dated June 24, 2015, between Barnes & Noble Education, Inc. and Barry Brover filed as Exhibit 10.10 to Report on Form S-1/A filed with the SEC on July 13, 2015, and incorporated herein by reference.
10.19.	Resignation Letter, dated February 7, 2020, between Barnes & Noble Education, Inc. and Barry Brover, filed as Exhibit 10.1 to Report on Form 8-K filed with the SEC on February 11, 2020, and incorporated herein by reference.
10.20.	Amended and Restated Employment Agreement, dated July 19, 2017, between Barnes & Noble Education, Inc. and Michael P. Huseby filed as Exhibit 10.2 to Report on Form 8-K filed with the SEC on July 20, 2017, and incorporated herein by reference.
10.21.	Letter Agreement, dated as of April 1, 2020 between the Company and Michael P. Huseby, filed as Exhibit 10.1 to Report on Form 8-K filed with the SEC on April 2, 2020, and incorporated herein by reference.
10.22.	Amended and Restated Employment Letter, effective as of June 19, 2019, between Barnes & Noble Education, Inc. and Kanuj Malhotra.
10.23.	Retention Letter, dated February 28, 2019, between Barnes & Noble Education, Inc. and Michael C. Miller, filed as Exhibit 10.4 to Report on Form 10-Q filed with the SEC on March 5, 2019, and incorporated herein by reference.
10.24.	Amended and Restated Employment Letter, effective as of June 19, 2019, between Barnes & Noble Education Inc., Barnes & Noble College Booksellers, LLC and Michael C. Miller.
10.25.	Amended and Restated Employment Letter, effective as of June 19, 2019, between Barnes & Noble Education, Inc. and Thomas D. Donohue.
10.26.	Form of Director and/or Officer Indemnification Agreement, filed as Exhibit 10.14 to Report on Form S-1/A filed with the SEC on June 29, 2015, and incorporated herein by reference.
Other.	
21.1.	List of subsidiaries of Barnes & Noble Education, Inc.
23.1.	Consent of Ernst & Young LLP
31.1.	Certification by the Chief Executive Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2.	Certification by the Chief Financial Officer pursuant to Rule 13a-14(a)/15(d)-14(a) under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1.	Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2.	Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS . . .	XBRL Instance Document
101.SCH. . .	XBRL Taxonomy Extension Schema Document
101.CAL. . .	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF . . .	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB. . .	XBRL Taxonomy Extension Label Linkbase Document
101.PRE . . .	XBRL Taxonomy Extension Presentation Linkbase Document

Item 16. *FORM 10-K SUMMARY*

None.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Barnes & Noble Education, Inc. has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

BARNES & NOBLE EDUCATION, INC.
(Registrant)

By: /s/ Michael P. Huseby
Michael P. Huseby
Chairman and Chief Executive Officer

Date: July 14, 2020

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

Name	Title	Date
/s/ Michael P. Huseby Michael P. Huseby	Chairman and Chief Executive Officer and Director (Principal Executive Officer)	July 14, 2020
/s/ Thomas D. Donohue Thomas D. Donohue	Chief Financial Officer (Principal Financial Officer)	July 14, 2020
/s/ Seema C. Paul Seema C. Paul	Chief Accounting Officer (Principal Accounting Officer)	July 14, 2020
/s/ Emily C. Chiu Emily C. Chiu	Director	July 14, 2020
/s/ Daniel A. DeMatteo Daniel A. DeMatteo	Director	July 14, 2020
/s/ David G. Golden David G. Golden	Director	July 14, 2020
/s/ John R. Ryan John R. Ryan	Director	July 14, 2020
/s/ Jerry Sue Thornton Jerry Sue Thornton	Director	July 14, 2020
/s/ David A. Wilson David A. Wilson	Director	July 14, 2020

Exhibit 31.1

**CERTIFICATION BY THE
CHIEF EXECUTIVE OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael P. Huseby, certify that:

1. I have reviewed this Annual Report on Form 10-K of Barnes & Noble Education, 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 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 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: July 14, 2020

By: /s/ Michael P. Huseby

Michael P. Huseby
Chairman & Chief Executive Officer
Barnes & Noble Education, Inc.

Exhibit 31.2

CERTIFICATION BY THE
CHIEF FINANCIAL OFFICER PURSUANT TO
17 CFR 240.13a-14(a)/15(d)-14(a),
AS ADOPTED PURSUANT TO
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002

I, Thomas D. Donohue, certify that:

1. I have reviewed this Annual Report on Form 10-K of Barnes & Noble Education, 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 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 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: July 14, 2020

By: /s/ Thomas D. Donohue

Thomas D. Donohue
Executive Vice President, Chief Financial Officer
Barnes & Noble Education, Inc.

Exhibit 32.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Barnes & Noble Education, Inc. (the "Company") on Form 10-K for the period ended May 2, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Michael P. Huseby, Chairman & Chief Executive Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Michael P. Huseby

Michael P. Huseby

Chairman & Chief Executive Officer
Barnes & Noble Education, Inc.

July 14, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

Exhibit 32.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER PURSUANT TO RULE 13a-14(b) UNDER THE SECURITIES EXCHANGE ACT OF 1934 AND 18 U.S.C. SECTION 1350, AS ADOPTED PURSUANT TO SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the annual report of Barnes & Noble Education, Inc. (the "Company") on Form 10-K for the period ended May 2, 2020, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Thomas D. Donohue, Executive Vice President, Chief Financial Officer of the Company, certify, to the best of my knowledge, pursuant to Rule 13a-14(b) under the Securities Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Thomas D. Donohue

Thomas D. Donohue

Executive Vice President, Chief Financial Officer
Barnes & Noble Education, Inc.

July 14, 2020

A signed original of this written statement required by Section 906, or other document authenticating, acknowledging, or otherwise adopting the signature that appears in typed form within the electronic version of this written statement required by Section 906, has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

CORPORATE
INFORMATION

Barnes & Noble Education, Inc.
• LEADERSHIP TEAM •

Michael P. Huseby
Chairman and Chief Executive Officer

Thomas D. Donohue
Executive Vice President, Chief Financial Officer

David Henderson
Executive Vice President, Strategic Services
President, MBS Textbook Exchange, LLC

Kanuj Malhotra
Executive Vice President, Corporate Development
President, Digital Student Solutions

Michael C. Miller
Chief Legal Officer
Executive Vice President, Corporate Affairs

Jonathan Shar
Executive Vice President, BNED Retail & Client Solutions

Stephen H. Culver
Senior Vice President, Chief Information Officer

JoAnn Magill
Senior Vice President, Human Resources

Lisa Malat
President, Barnes & Noble College

Seema C. Paul
Senior Vice President, Chief Accounting Officer

Barnes & Noble Education, Inc.
• BOARD OF DIRECTORS •

Michael P. Huseby
Chairman and Chief Executive Officer, BNED

John R. Ryan
Lead Independent Director, BNED
President and Chief Executive Officer,
Center for Creative Leadership

Emily C. Chiu
Managing Principal of Strategic Development, Square, Inc.

Daniel A. DeMatteo
Former Executive Chairman, GameStop Corp.

David G. Golden
Managing Partner, Revolution Ventures

Lowell W. Robinson
Board Member, Medley Capital Corporation

Jerry Sue Thornton
Chief Executive Officer,
Dream Catcher Educational Consulting

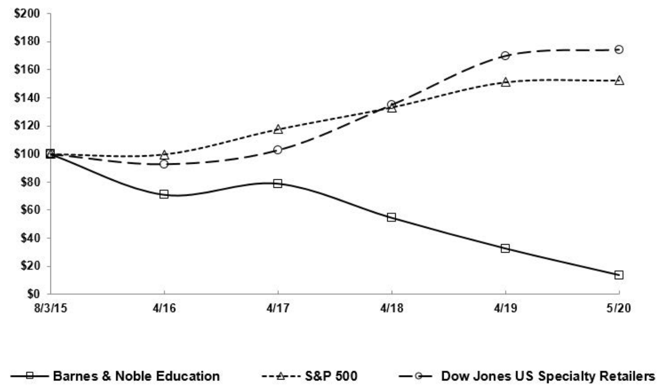
David A. Wilson
Former President and Chief Executive Officer,
Graduate Management Admission Council

STOCKHOLDER
INFORMATION

• STOCK PERFORMANCE •

The Stock Price Performance Chart below compares the cumulative stockholder return of the Company with that of the S&P 500 Index and the Dow Jones US Specialty Retailers Index since the date of the Spin-off from Barnes & Noble, Inc. on August 2, 2015. The comparison assumes $100 was invested on August 3, 2015 (first day of trading) in shares of our common stock and in each of the indices show, and assumes that all of the dividends were reinvested.

COMPARISON OF 57 MONTH
CUMULATIVE TOTAL RETURN*
Among Barnes & Noble Education, the S&P 500 Index
and the Dow Jones US Specialty Retailers Index



*$100 invested on 8/3/15 in stock or 7/31/15 in index, including reinvestment of dividends.
Fiscal year ending May 2, 2020.

Corporate Headquarters
Barnes & Noble Education, Inc.
120 Mountain View Blvd., Basking Ridge, NJ 07920

Common Stock
New York Stock Exchange, Symbol: BNED

Stock Transfer & Registrar
Computershare Investor Services
P.O. BOX 505000
Louisville, KY 40233-5000
Stockholder Inquiries: 866-484-7158 (Non-US: 781-575-2758)

Independent Registered Public Accountants
Ernst & Young LLP
99 Wood Avenue South, Iselin, NJ 08830

Investor Relations
Investor Relations Department
Inquiries: investors@bned.com

Stockholder Services
General financial information, as well as copies of our Annual Reports and Form 10-K and Form 10-Q documents, can be obtained free of charge on the Company's corporate website: www.bned.com.

Annual Stockholder Meeting
Virtual Meeting
October 22, 2020 – 9:00 a.m. ET

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BNED

Serving all who work to elevate their lives through education

Barnes & Noble COLLEGE

MBS

bartleby
your guide to better learning

Studentbrands

2020 BNED ANNUAL REPORT