

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

FORM 8-K

**CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934**

**Date of Report (Date Earliest Event reported):
May 9, 2023**



Grocery Outlet Holding Corp.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation)
**5650 Hollis Street,
Emeryville, California**
(Address of principal executive offices)

001-38950
(Commission
File Number)

47-1874201
(I.R.S. Employer
Identification No.)

94608
(Zip Code)

(510) 845-1999
(Registrant's telephone number, including area code)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

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

| Title of each class | Trading Symbol | Name of each exchange on which registered |
|---|-----------------------|--|
| Common stock, par value \$0.001 per share | GO | Nasdaq Global Select Market |

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

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.

Item 2.02 Results of Operations and Financial Condition.

On May 9, 2023, Grocery Outlet Holding Corp. (the "Company") announced its financial results for the fiscal quarter ended April 1, 2023. The full text of the press release issued by the Company is furnished as Exhibit 99.1 to this report.

The information in Item 2.02 of this current report on Form 8-K (including Exhibit 99.1 furnished herewith) shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such a filing.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits.

| <u>Exhibit No.</u> | <u>Description</u> |
|--------------------|--|
| <u>99.1</u> | <u>Press release, dated May 9, 2023, entitled "Grocery Outlet Holding Corp. Announces First Quarter Fiscal 2023 Financial Results".</u> |
| 104 | Cover Page Interactive Data File - the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document. |

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed by the undersigned hereunto duly authorized.

Grocery Outlet Holding Corp.

Date: May 9, 2023

By: /s/ Charles C. Bracher
Name: Charles C. Bracher
Title: Chief Financial Officer



Grocery Outlet Holding Corp. Announces First Quarter Fiscal 2023 Financial Results

Q1 fiscal 2023 net sales increased 16.1%
Comparable store sales grew 12.1% driven by a 7.9% increase in transactions
GAAP net income increased 18.5% with diluted EPS of \$0.14
Adjusted EBITDA⁽¹⁾ increased 36.9%, up 100 basis points as a percentage of net sales
Company raises guidance for fiscal 2023

Emeryville, CA – May 9, 2023 – Grocery Outlet Holding Corp. (NASDAQ: GO) ("Grocery Outlet" or the "Company") today announced financial results for the first quarter of fiscal 2023 ended April 1, 2023.

Highlights for First Quarter Fiscal 2023 as compared to First Quarter Fiscal 2022:

- Net sales increased by 16.1% to \$965.5 million.
- Comparable store sales increased by 12.1%, driven by a 7.9% increase in the number of transactions combined with a 3.9% increase in average transaction size.
- The Company opened three new stores, ending the quarter with 444 stores in eight states.
- Net income increased 18.5% to \$13.7 million, or \$0.14 per diluted share.
- Adjusted EBITDA⁽¹⁾ increased by 36.9% to \$63.1 million.
- Adjusted net income⁽¹⁾ increased by 40.7% to \$27.0 million, or \$0.27 per adjusted diluted share⁽¹⁾.

RJ Sheedy, President and CEO of Grocery Outlet, commented, "Our first quarter performance exceeded expectations driven by strong same store sales results, gross margin expansion and bottom-line leverage. We are encouraged by the growth in transactions as we are attracting new customers and our existing customers are shopping with us more often. We are delivering on our mission of *Touching Lives for the Better* and we continue to execute our strategic growth initiatives to maximize long-term shareholder value."

⁽¹⁾ Adjusted EBITDA, adjusted net income and adjusted diluted earnings per share are non-GAAP financial measures, which exclude the impact of certain special items. Please note that our non-GAAP financial measures should be considered as a supplement to, and not as a substitute for, or superior to, financial measures calculated in accordance with GAAP. See the "Non-GAAP Financial Information" section of this release as well as the respective reconciliations of our non-GAAP financial measures below for additional information about these items.

Balance Sheet and Cash Flow:

- Cash and cash equivalents totaled \$82.1 million at the end of the first quarter of fiscal 2023.
- On February 21, 2023, the Company completed the refinancing of its credit facility in order to lower borrowing costs and increase both liquidity and financial flexibility. The new facility includes a \$300.0 million term loan and a \$400.0 million revolving credit facility. At closing, the term loan was borrowed in full and \$25.0 million was drawn against the revolving credit facility. Total debt was \$323.1 million at the end of the first quarter of fiscal 2023, net of unamortized debt issuance costs. On April 21, 2023, the Company repaid the \$25.0 million of principal on its revolving credit facility.
- Net cash provided by operating activities during the first quarter of fiscal 2023 was \$87.6 million.
- Capital expenditures for the first quarter of fiscal 2023, before the impact of tenant improvement allowances, were \$40.8 million, and, net of tenant improvement allowances, were \$38.5 million.

Outlook:

The Company is revising its fiscal 2023 outlook on key metrics as follows:

| | <u>Previous</u> | <u>Revised</u> |
|---|----------------------------------|--------------------------------|
| New store openings, net | 25 to 28 | 25 to 28 |
| Net sales | \$3.85 billion to \$3.90 billion | ~\$3.90 billion |
| Comparable store sales increase | 4.5% to 5.5% | 5.0% to 6.0% |
| Gross margin | ~30.6% | ~30.7% |
| Adjusted EBITDA ⁽¹⁾ | \$237 million to \$243 million | \$240 million to \$246 million |
| Adjusted earnings per share — diluted ⁽¹⁾ | \$0.94 to \$0.99 | \$0.96 to \$1.00 |
| Capital expenditures (net of tenant improvement allowances) | ~\$155 million | ~\$155 million |

Conference Call Information:

A conference call to discuss the first quarter fiscal 2023 financial results is scheduled for today, May 9, 2023 at 4:30 p.m. Eastern Time. Investors and analysts interested in participating in the call are invited to dial (877) 407-9208 approximately 10 minutes prior to the start of the call, using conference ID #13730481. A live audio webcast of the conference call will be available online at <https://investors.groceryoutlet.com>.

A taped replay of the conference call will be available within two hours of the conclusion of the call and can be accessed both online and by dialing (844) 512-2921 and entering access code 13730481. The replay will be available for approximately two weeks after the call.

Reclassification of Certain Statements of Operations and Comprehensive Income Items:

In the first quarter of fiscal 2023, in order to enhance the comparability of our results with our peers, we updated our presentation of the condensed consolidated statements of operations and comprehensive income to include depreciation and amortization expenses and share-based compensation expenses within selling, general and administrative expenses. Prior period amounts have been reclassified to conform to current period presentation. The reclassification of these items had no impact on net income, earnings per share, or retained earnings in the current or prior periods.

Non-GAAP Financial Information:

In addition to reporting financial results in accordance with accounting principles generally accepted in the United States ("GAAP"), the Company uses EBITDA, adjusted EBITDA, adjusted net income and adjusted earnings per share as supplemental measures of performance to evaluate the effectiveness of its business strategies, to make budgeting decisions and to compare its performance against that of other peer companies using similar measures. In addition, the Company uses adjusted EBITDA to supplement GAAP measures of performance to evaluate performance in connection with compensation decisions. Management believes it is useful to investors and analysts to evaluate these non-GAAP measures on the same basis as management uses to evaluate the Company's operating results. Management believes that excluding items from operating income, net income and net income per diluted share that may not be indicative of, or are unrelated to, the Company's core operating results, and that may vary in frequency or magnitude, enhances the comparability of the Company's results and provides additional information for analyzing trends in the business.

Adjusted EBITDA is defined as net income before net interest expense, income taxes, depreciation and amortization expenses ("EBITDA") and adjusted to exclude share-based compensation expense, loss on debt extinguishment and modification, asset impairment and gain or loss on disposition and certain other expenses that may not be indicative of, or are unrelated to, the Company's core operating results, and that may vary in frequency or magnitude. Adjusted net income represents net income adjusted for the previously mentioned adjusted EBITDA adjustments, further adjusted for costs related to amortization of purchase accounting assets and deferred financing costs, tax adjustment to normalize the effective tax rate, and tax effect of total adjustments. Basic adjusted earnings per share is calculated using adjusted net income, as defined above, and basic weighted average shares outstanding. Diluted adjusted earnings per share is calculated using adjusted net income, as defined above, and diluted weighted average shares outstanding.

EBITDA, adjusted EBITDA, adjusted net income and adjusted earnings per share are non-GAAP measures and may not be comparable to similar measures reported by other companies. EBITDA, adjusted EBITDA, adjusted net income and adjusted earnings per share have limitations as analytical tools, and you should not consider them in isolation or as a substitute for analysis of the Company's results as reported under GAAP. The Company addresses the limitations of the non-GAAP measures through the use of various GAAP measures. In the future the Company will incur expenses or charges such as those added back to calculate adjusted EBITDA or adjusted net income. The presentation of EBITDA, adjusted EBITDA, adjusted net income and adjusted earnings per share should not be construed as an inference that future results will be unaffected by the adjustments used to derive these non-GAAP measures.

Beginning with the fourth quarter of fiscal 2022, we updated our definitions of adjusted EBITDA, adjusted net income and adjusted earnings per share to no longer exclude the impact of non-cash rent expense and the provision for accounts receivable reserves. See the "Operating Metrics and Non-GAAP Financial Measures" section of our Annual Report on Form 10-K for the fiscal year ended December 31, 2022 for more information.

The Company has not reconciled the non-GAAP adjusted EBITDA and adjusted diluted earnings per share forward-looking guidance included in this release to the most directly comparable GAAP measures because this cannot be done without unreasonable effort due to the variability and low visibility with respect to taxes and non-recurring items, which are potential adjustments to future earnings. We expect the variability of these items to have a potentially unpredictable, and a potentially significant, impact on our future GAAP financial results.

Forward-Looking Statements:

This news release includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. All statements contained in this release other than statements of historical fact, including statements regarding our future operating results and financial position, our business strategy and plans, business and market trends, our objectives for future operations, macroeconomic and geopolitical conditions, and the sufficiency of our cash balances, working capital and cash generated from operating, investing, and financing activities for our future liquidity and capital resource needs may constitute forward-looking statements. Words such as "anticipate," "believe," "estimate," "expect," "intend," "may," "outlook," "plan," "project," "seek," "will," and similar expressions, are intended to identify such forward-looking statements. These forward-looking statements are subject to a number of risks, uncertainties and assumptions that may cause actual results to differ materially from those expressed or implied by any forward-looking statements, including the following: failure of suppliers to consistently supply the Company with opportunistic products at attractive pricing; inability to successfully identify trends and maintain a consistent level of opportunistic products; failure to maintain or increase comparable store sales; failure to open, relocate or remodel stores on schedule and on budget (including due to increased lead times to acquire materials, obtain permits and licenses as well as higher construction related costs); inflation (resulting in part from various supply disruptions, increased shipping and transportation costs, increased commodity costs, increased labor costs in the supply chain, increased selling, general and administrative expenses and the uncertain economic environment) and other changes affecting the market prices and supply of the products the Company sells; risks associated with newly opened stores; costs and successful implementation of marketing, advertising and promotions; failure to maintain the Company's reputation and the value of its brand, including protecting intellectual property; any significant disruption to the Company's distribution network, the operations of its distributions centers and timely receipt of inventory; inability to maintain sufficient levels of cash flow from operations; risks associated with leasing substantial amounts of space; failure to participate effectively in the growing online retail marketplace; natural or man-made disasters, unusual weather conditions (which may become more frequent due to climate change), power outages, pandemic outbreaks, terrorist acts, global political events or other serious catastrophic events and the concentration of the Company's business operations; unexpected costs and negative effects if the Company incurs losses not covered by insurance; inability to attract, train and retain highly qualified employees; risks associated with macroeconomic and geopolitical conditions; competition in the retail food industry; movement of consumer trends toward private labels and away from name-brand products; failure of the Company's independent operators ("IOs") to successfully manage their business; failure of the IOs to repay notes outstanding to us; inability to attract and retain qualified IOs; inability of the IOs to avoid excess inventory shrink; any loss or changeover of an IO; legal proceedings initiated against the IOs; legal challenges to the IO/independent contractor business model; failure to maintain positive relationships with the IOs; risks associated with actions the IOs could take that could harm the Company's business; failure to maintain the security of information relating to personal information or payment card data of customers, employees and suppliers; material disruption to information technology systems; risks associated with products the Company and its IOs sell; risks associated with laws and regulations generally applicable to retailers; legal proceedings from customers, suppliers, employees, governments or competitors; the Company's substantial indebtedness could affect its ability to operate its business, react to changes in the economy or industry or pay debts and meet obligations; restrictive covenants in the Company's debt agreements may restrict its ability to pursue its business

strategies, and failure to comply with any of these restrictions could result in acceleration of the Company's debt; risks associated with tax matters; changes in accounting standards and subjective assumptions, estimates and judgments by management related to complex accounting matters; and the other factors discussed under "Risk Factors" in the Company's most recent annual report on Form 10-K and in other subsequent reports the Company files with the United States Securities and Exchange Commission (the "SEC"). The Company's periodic filings are accessible on the SEC's website at www.sec.gov.

Moreover, the Company operates in a very competitive and rapidly changing environment, and new risks emerge from time to time. Although the Company believes that the expectations reflected in the forward-looking statements are reasonable, and our expectations based on third-party information and projections are from sources that management believes to be reputable, the Company cannot guarantee that future results, levels of activity, performance or achievements. These forward-looking statements are made as of the date of this release or as of the date specified herein and the Company has based these forward-looking statements on current expectations and projections about future events and trends. Except as required by law, the Company does not undertake any duty to update any of these forward-looking statements after the date of this news release or to conform these statements to actual results or revised expectations.

About Grocery Outlet:

Based in Emeryville, California, Grocery Outlet is a high-growth, extreme value retailer of quality, name-brand consumables and fresh products sold through a network of independently operated stores. Grocery Outlet has more than 440 stores in California, Washington, Oregon, Pennsylvania, Idaho, Nevada, Maryland and New Jersey.

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GROCERY OUTLET HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME
(in thousands, except per share data)
(unaudited)

| | 13 Weeks Ended | |
|--|------------------|------------------|
| | April 1, 2023 | April 2, 2022 |
| Net sales | \$ 965,467 | \$ 831,427 |
| Cost of sales | 664,924 | 580,538 |
| Gross profit | 300,543 | 250,889 |
| Selling, general and administrative expenses | 267,725 | 231,461 |
| Income from operations | 32,818 | 19,428 |
| Other expenses: | | |
| Interest expense, net | 5,919 | 3,682 |
| Loss on debt extinguishment and modification | 5,340 | — |
| Total other expenses | 11,259 | 3,682 |
| Income before income taxes | 21,559 | 15,746 |
| Income tax expense | 7,839 | 4,172 |
| Net income and comprehensive income | \$ 13,720 | \$ 11,574 |
| Basic earnings per share | \$ 0.14 | \$ 0.12 |
| Diluted earnings per share | \$ 0.14 | \$ 0.12 |
| Weighted average shares outstanding: | | |
| Basic | 97,920 | 96,148 |
| Diluted | 100,569 | 99,434 |

GROCERY OUTLET HOLDING CORP.
CONDENSED CONSOLIDATED BALANCE SHEETS
(in thousands)
(unaudited)

| | April 1, 2023 | December 31, 2022 |
|--|---------------------|----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 82,115 | \$ 102,728 |
| Independent operator receivables and current portion of independent operator notes, net of allowance | 8,693 | 10,805 |
| Other accounts receivable, net of allowance | 4,277 | 4,368 |
| Merchandise inventories | 316,397 | 334,319 |
| Prepaid expenses and other current assets | 15,725 | 15,137 |
| Total current assets | 427,207 | 467,357 |
| Independent operator notes and receivables, net of allowance | 24,914 | 22,535 |
| Property and equipment, net | 574,225 | 560,746 |
| Operating lease right-of-use assets | 917,175 | 902,163 |
| Intangible assets, net | 68,713 | 63,993 |
| Goodwill | 747,943 | 747,943 |
| Other assets | 9,504 | 7,667 |
| Total assets | <u>\$ 2,769,681</u> | <u>\$ 2,772,404</u> |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Trade accounts payable | \$ 158,618 | \$ 137,631 |
| Accrued and other current liabilities | 55,586 | 53,213 |
| Accrued compensation | 13,249 | 27,194 |
| Current portion of long-term debt | 5,625 | — |
| Current lease liabilities | 58,754 | 54,586 |
| Income and other taxes payable | 9,107 | 7,890 |
| Total current liabilities | 300,939 | 280,514 |
| Long-term debt, net | 317,436 | 379,650 |
| Deferred income tax liabilities, net | 25,912 | 19,782 |
| Long-term lease liabilities | 996,427 | 980,759 |
| Other long-term liabilities | 1,428 | 1,485 |
| Total liabilities | <u>1,642,142</u> | <u>1,662,190</u> |
| Stockholders' equity: | | |
| Common stock | 98 | 98 |
| Series A preferred stock | — | — |
| Additional paid-in capital | 851,194 | 847,589 |
| Retained earnings | 276,247 | 262,527 |
| Total stockholders' equity | <u>1,127,539</u> | <u>1,110,214</u> |
| Total liabilities and stockholders' equity | <u>\$ 2,769,681</u> | <u>\$ 2,772,404</u> |

GROCERY OUTLET HOLDING CORP.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(unaudited)

| | 13 Weeks Ended | |
|---|------------------|------------------|
| | April 1, 2023 | April 2, 2022 |
| Cash flows from operating activities: | | |
| Net income | \$ 13,720 | \$ 11,574 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation of property and equipment | 18,309 | 17,120 |
| Amortization of intangible and other assets | 2,366 | 1,870 |
| Amortization of debt issuance costs and debt discounts | 401 | 628 |
| Non-cash rent | 1,144 | 1,936 |
| Loss on debt extinguishment and modification | 5,340 | — |
| Share-based compensation | 6,676 | 5,795 |
| Provision for accounts receivable reserves | 1,369 | 1,233 |
| Deferred income taxes | 6,130 | 4,056 |
| Other | 105 | 362 |
| Changes in operating assets and liabilities: | | |
| Independent operator and other accounts receivable | (2,008) | (1,752) |
| Merchandise inventories | 17,922 | (21,892) |
| Prepaid expenses and other assets | (397) | 2,620 |
| Income and other taxes payable | 1,217 | 265 |
| Trade accounts payable, accrued compensation and other liabilities | 11,343 | 9,340 |
| Operating lease liabilities | 3,995 | 3,174 |
| Net cash provided by operating activities | 87,632 | 36,329 |
| Cash flows from investing activities: | | |
| Advances to independent operators | (1,547) | (2,402) |
| Repayments of advances from independent operators | 2,010 | 1,667 |
| Purchases of property and equipment | (32,894) | (32,109) |
| Proceeds from sales of assets | 20 | 29 |
| Investments in intangible assets and licenses | (7,936) | (2,707) |
| Net cash used in investing activities | (40,347) | (35,522) |
| Cash flows from financing activities: | | |
| Proceeds from exercise of stock options | 204 | 887 |
| Proceeds from senior term loan due 2028 | 300,000 | — |
| Proceeds from revolving credit facility | 25,000 | — |
| Principal payments on senior term loan due 2025 | (385,000) | — |
| Principal payments on finance leases | (320) | (325) |
| Repurchase of common stock | (3,275) | (3,451) |
| Dividends paid | — | (7) |
| Debt issuance costs paid | (4,507) | — |
| Net cash used in financing activities | (67,898) | (2,896) |
| Net decrease in cash and cash equivalents | (20,613) | (2,089) |
| Cash and cash equivalents at beginning of period | 102,728 | 140,085 |
| Cash and cash equivalents at end of period | \$ 82,115 | \$ 137,996 |

GROCERY OUTLET HOLDING CORP.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED EBITDA
(in thousands)
(unaudited)

| | 13 Weeks Ended | |
|---|------------------|------------------|
| | April 1, 2023 | April 2, 2022 |
| Net income | \$ 13,720 | \$ 11,574 |
| Interest expense, net | 5,919 | 3,682 |
| Income tax expense | 7,839 | 4,172 |
| Depreciation and amortization expenses | 20,675 | 18,990 |
| EBITDA | 48,153 | 38,418 |
| Share-based compensation expenses ⁽¹⁾ | 6,676 | 5,795 |
| Loss on debt extinguishment and modification ⁽²⁾ | 5,340 | — |
| Asset impairment and gain or loss on disposition ⁽³⁾ | 107 | 363 |
| Other ⁽⁴⁾ | 2,802 | 1,505 |
| Adjusted EBITDA | <u>\$ 63,078</u> | <u>\$ 46,081</u> |

GROCERY OUTLET HOLDING CORP.
RECONCILIATION OF GAAP NET INCOME TO ADJUSTED NET INCOME
(in thousands, except per share data)
(unaudited)

| | 13 Weeks Ended | |
|--|------------------|------------------|
| | April 1, 2023 | April 2, 2022 |
| Net income | \$ 13,720 | \$ 11,574 |
| Share-based compensation expenses ⁽¹⁾ | 6,676 | 5,795 |
| Loss on debt extinguishment and modification ⁽²⁾ | 5,340 | — |
| Asset impairment and gain or loss on disposition ⁽³⁾ | 107 | 363 |
| Other ⁽⁴⁾ | 2,802 | 1,505 |
| Amortization of purchase accounting assets and deferred financing costs ⁽⁵⁾ | 1,567 | 3,112 |
| Tax adjustment to normalize effective tax rate ⁽⁶⁾ | 1,592 | (176) |
| Tax effect of total adjustments ⁽⁷⁾ | (4,780) | (2,963) |
| Adjusted net income | <u>\$ 27,024</u> | <u>\$ 19,210</u> |
| GAAP earnings per share | | |
| Basic | \$ 0.14 | \$ 0.12 |
| Diluted | \$ 0.14 | \$ 0.12 |
| Adjusted earnings per share | | |
| Basic | \$ 0.28 | \$ 0.20 |
| Diluted | \$ 0.27 | \$ 0.19 |
| Weighted average shares outstanding | | |
| Basic | 97,920 | 96,148 |
| Diluted | 100,569 | 99,434 |

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- (1) Includes non-cash share-based compensation expense and cash dividends paid on vested share-based awards as a result of dividends declared in connection with a recapitalization that occurred in fiscal 2018.
 - (2) Represents the write-off of debt issuance costs and debt discounts as well as debt modification costs related to refinancing and/or repayment of our credit facilities.
 - (3) Represents asset impairment charges and gains or losses on dispositions of assets.
 - (4) Represents other non-recurring, non-cash or non-operational items, such as technology upgrade implementation costs, costs related to employer payroll taxes associated with equity awards, legal settlements and other legal expenses, certain personnel-related costs, store closing costs and miscellaneous costs.
 - (5) Represents the amortization of debt issuance costs and incremental amortization of an asset step-up resulting from purchase price accounting related to our acquisition in 2014 by an investment fund affiliated with Hellman & Friedman LLC, which included trademarks, customer lists, and below-market leases.
 - (6) Represents adjustments to normalize the effective tax rate for the impact of unusual or infrequent tax items that we do not consider in our evaluation of ongoing performance, including excess tax expenses or benefits related to stock option exercises and vesting of restricted stock units that are recorded in earnings as discrete items in the reporting period in which they occur.
 - (7) Represents the tax effect of the total adjustments. We calculate the tax effect of the total adjustments on a discrete basis excluding any non-recurring and unusual tax items.