

BED BATH & BEYOND INC
Form 10-K
April 28, 2015

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

Annual Report Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the fiscal year ended February 28, 2015

Commission File Number 0-20214

BED BATH & BEYOND INC.
(Exact name of registrant as specified in its charter)

New York
(State or other jurisdiction of
incorporation or organization)

11-2250488
(IRS Employer
Identification No.)

650 Liberty Avenue, Union, New Jersey 07083
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: 908/688-0888

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

Title of each class	Name of each exchange on which registered
Common stock, \$.01 par value	The NASDAQ Stock Market LLC (NASDAQ Global Select Market)

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 Section 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 and posted on its corporate Web site, if

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any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

company

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

As of August 30, 2014, the aggregate market value of the common stock held by non-affiliates (which was computed by reference to the closing price on such date of such stock on the NASDAQ National Market) was \$11,352,301,919.*

The number of shares outstanding of the registrant's common stock (par value \$0.01 per share) at March 28, 2015: 173,182,037.

Documents Incorporated by Reference

Portions of the Registrant's definitive proxy statement for the 2015 Annual Meeting of Shareholders to be filed pursuant to Regulation 14A are incorporated by reference in Part III hereof.

*For purposes of this calculation, all outstanding shares of common stock have been considered held by non-affiliates other than the 8,576,767 shares beneficially owned by directors and executive officers, including in the case of the Co-Chairmen trusts and foundations affiliated with them. In making such calculation, the Registrant does not determine the affiliate or non-affiliate status of any shares for any other purpose.

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PART I

Unless otherwise indicated, the term "Company" refers collectively to Bed Bath & Beyond Inc. and subsidiaries as of February 28, 2015. The Company's fiscal year is comprised of the 52 or 53 week period ending on the Saturday nearest February 28. Accordingly, fiscal 2014 and fiscal 2013 represented 52 weeks and ended on February 28, 2015 and March 1, 2014, respectively. Fiscal 2012 represented 53 weeks and ended on March 2, 2013. Unless otherwise indicated, all references herein to periods of time (e.g., quarters and years) are to fiscal periods.

ITEM 1 – BUSINESS

Introduction

Bed Bath & Beyond Inc. and subsidiaries (the "Company") is a retailer which operates under the names Bed Bath & Beyond ("BBB"), Christmas Tree Shops, Christmas Tree Shops andThat! or andThat! (collectively, "CTS"), Harmon or Harmon Face Values (collectively, "Harmon"), buybuy BABY ("Baby") and World Market, Cost Plus World Market or Cost Plus (collectively, "Cost Plus World Market"). Customers can purchase products from the Company either in-store, online or through a mobile device. The Company has the developing ability to have customer purchases picked up in-store or shipped direct to the customer from the Company's distribution facilities, stores or vendors. The Company also operates Linen Holdings, a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries. Additionally, the Company is a partner in a joint venture which operates five retail stores in Mexico under the name Bed Bath & Beyond.

The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products.

The Company's strategy begins and ends with an intense focus on its customers:

- To do more for and with its customers;
- To continue to broaden its customer base; and
- To engage with its customers wherever, whenever and however they prefer whether it be in-store, online, through a mobile device, or in any combination of these methods.

The Company's objective is to be its customers' first choice for products and services in the categories offered, in the markets, channels and countries in which the Company operates, as those customers express their life interests and travel through their various life stages. The Company strives to accomplish this objective through excellent customer service, including new service ideas and solutions, and by offering an extensive breadth, depth and differentiated assortment of merchandise at the right value. The Company is also enhancing its ability to achieve this objective through an ongoing commitment to world class information and interactive technology, comprehensive analytics and targeted marketing and communications.

History

The Company was founded in 1971 by Leonard Feinstein and Warren Eisenberg, the Co-Chairmen of the Company. Each has more than 50 years of experience in the retail industry.

The Company commenced operations in 1971 with the opening of two stores, which primarily sold bed linens and bath accessories. In 1985, the Company introduced its first store carrying a full line of domestics merchandise and home furnishings. The Company began using the name "Bed Bath & Beyond" in 1987 in order to reflect the expanded

product line offered by its stores and to distinguish its stores from conventional specialty retail stores offering only domestics merchandise or home furnishings. In 2002, the Company acquired Harmon, a health and beauty care retailer, which operated 27 stores at the time located in three states. In 2003, the Company acquired CTS, a retailer of giftware and household items, which operated 23 stores at the time located in six states. In 2007, the Company acquired Baby, a retailer of infant and toddler merchandise, which operated eight stores at the time located in four states. In 2007, the Company opened its first international BBB store in Ontario, Canada. In 2008, the Company became a partner in a joint venture which operated two stores at the time in the Mexico City market under the name “Home & More,” which were rebranded as Bed Bath & Beyond in fiscal 2012. In June 2012, the Company acquired Linen Holdings, LLC (“Linen Holdings”), a provider of a variety of textile products, amenities and other goods to institutional customers in the hospitality, cruise line, healthcare and other industries, and Cost Plus, Inc. (“Cost Plus World Market”), a retailer selling a wide range of home decorating items, furniture, gifts, holiday and other seasonal items, and specialty food and beverages, which operated 258 stores at the time located in 30 states under the names of World Market, Cost Plus World Market or Cost Plus. In 2014, the Company opened its first international Baby store in Alberta, Canada.

The Company accounts for its operations as two operating segments: North American Retail and Institutional Sales. The Institutional Sales operating segment, which is comprised of Linen Holdings, does not meet the quantitative thresholds under U.S. generally accepted accounting principles and therefore is not a reportable segment. Net sales outside of the U.S. were not material for fiscal 2014, 2013 and 2012.

Operations

The Company strives to do more for and with its customers by: offering an extensive breadth, depth and differentiated assortment of merchandise at the right value; presenting merchandise in a distinctive manner designed to maximize customer convenience and reinforce customer perception of a wide selection; and providing excellent customer service, including new ideas and solutions. The Company continues to grow, differentiate and leverage its assortment across all channels, concepts and countries in which it operates, to better engage with its customers wherever, whenever and however they express their life interests and travel through their life stages. Through its growing analytic capabilities and omnichannel marketing approaches, the Company strives to more efficiently and effectively understand and satisfy its customers' needs.

Pricing. The Company believes in providing great service with a great selection at the right price. The Company regularly monitors price levels at its competitors in order to ensure that its prices are in accordance with its pricing philosophy. The Company believes that the application of its pricing philosophy is an important factor in establishing its reputation among customers.

Merchandise Assortment. The Company sells a wide assortment of domestics merchandise and home furnishings. Domestics merchandise includes categories such as bed linens and related items, bath items and kitchen textiles. Home furnishings include categories such as kitchen and tabletop items, fine tabletop, basic housewares, general home furnishings, consumables and certain juvenile products. The Company strives to tailor its merchandise mix as appropriate to respond to changing trends and conditions and extend the Company's ability to satisfy its customers' life interests as they travel through their life stages. The Company, on an ongoing basis, tests new merchandise categories and adjusts the categories of merchandise carried in-store, online or available for order in-store and may add new product categories or expand its merchandise assortment as appropriate. Additionally, the Company continues to integrate the merchandise assortments among its concepts. The Company believes that the process of adding new product categories, integrating the Company's merchandise within concepts, and expanding or reducing the size of various product categories in response to changing conditions is an important part of its merchandising strategy.

Merchandise Presentation. The Company has developed a style of merchandise presentation where groups of related product lines are presented together. The Company believes that this approach to merchandise presentation makes it easy for customers to locate products and reinforces customer perception of a wide selection.

Advertising. In general, the Company relies on "word of mouth advertising," its reputation for offering a wide assortment of quality merchandise at competitive prices and the use of paid advertising. Primary vehicles of paid advertising used by the Company include full-color circulars and other advertising communications distributed via direct mail or inserts, as well as digital media including email, mobile, social, search, digital display and online affiliate advertising. The Company also utilizes its data to develop marketing communications across all platforms communicating content and product offerings to customers through increasingly personalized messaging linked to individual interests and life stages.

Customer Service. The Company's longstanding culture of customer service encourages its associates to create a noticeably better shopping experience for each and every customer. Through its customer centric policies and emphasis on life interests and life stage events, the Company stresses the importance of each personalized customer relationship. The Company continues to focus its efforts and investments on ensuring that it constantly improves every

customer experience at every touch point and in every channel.

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Suppliers

In fiscal 2014, the Company purchased its merchandise from approximately 8,600 suppliers with the Company's largest supplier accounting for approximately 4% of the Company's merchandise purchases and the Company's 10 largest suppliers accounting for approximately 17% of such purchases. The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The Company has no long term contracts for the purchase of merchandise. The Company believes that most merchandise, other than brand name goods, is available from a variety of sources and that most brand name goods can be replaced with comparable merchandise.

Distribution of Merchandise

A substantial portion of the Company's merchandise is shipped to stores or customers through a combination of third party or Company operated distribution facilities which are primarily located throughout the United States. The remaining merchandise is shipped directly from vendors. Shipments are made by contract carriers on a regular basis depending upon location.

See Item 2 – Properties for additional information regarding the Company's distribution facilities.

Employees

As of February 28, 2015, the Company employed approximately 60,000 persons in full-time and part-time positions. The Company believes that its relations with its employees are very good and that the labor turnover rate among its management employees is lower than that generally experienced within the industry.

Seasonality

The Company's sales exhibit seasonality with sales levels generally higher in the calendar months of August, November and December, and generally lower in February.

Growth

The Company is effecting its growth through the evolution of its omnichannel shopping environment, the optimization of its store operations and market coverage by expanding, downsizing, renovating, opening, closing and relocating stores; the growth of its complimentary institutional business and the continuous review of strategic acquisitions.

In the 23-year period from the beginning of fiscal 1992 to the end of fiscal 2014, the chain has grown from 34 stores to 1,513 stores plus its various websites, other interactive platforms and distribution facilities. The Company's 1,513 stores operate in all 50 states, the District of Columbia, Puerto Rico and Canada, including: 1,019 BBB stores operating in all 50 states, the District of Columbia, Puerto Rico and Canada and through bedbathandbeyond.com and bedbathandbeyond.ca; 270 Cost Plus World Market stores operating in 32 states and the District of Columbia and through worldmarket.com; 96 Baby stores operating in 32 states and Canada and through buybuybaby.com; 78 CTS stores operating in 21 states and through christmastreeshops.com and andthat.com; and 50 Harmon stores operating in five states and through harmondisc.com and facevalues.com. Total store square footage, net of openings and closings, grew from approximately 0.9 million square feet at the beginning of fiscal 1992 to approximately 43.0 million square feet at the end of fiscal 2014. In addition, the Company has distribution facilities totaling 6.0 million square feet. During fiscal 2014, the Company opened a total of 22 new stores, including nine BBB stores and six Baby stores throughout the United States and Canada and six Cost Plus World Market stores and one CTS store throughout the United States. In addition, the Company continued to optimize its operations in a number of trade areas through renovating and repositioning stores in various markets, which included the closing of four BBB stores and one Cost

Plus World Market store. In fiscal 2014, consolidated store space, net of openings and closings for all concepts, increased by 0.4 million square feet. Additionally, the Company is a partner in a joint venture which opened one store during fiscal 2014 and as of February 28, 2015, operated a total of five retail stores in Mexico under the name Bed Bath & Beyond.

The Company plans to continue to expand its operations and invest in its infrastructure to reach its long term objectives. Additionally, in connection with leveraging its merchandise offerings and optimizing its operations, the Company continues to expand, across selected stores, the number of specialty departments such as health and beauty care, baby, specialty food, and beverage. Also, the Company is committed to the continued growth of its merchandise categories and channels and is growing the number of items it is able to have shipped directly to customers from a vendor.

The Company has built its management structure with a view toward its growth and believes that, as a result, it has the necessary management depth.

Competition

The Company operates in the fragmented and highly competitive retail industry. The Company competes with many different types of retailers, including omnichannel retailers, that sell many or most of the same products. Such competitors include, but are not limited to, department stores, specialty retailers, discount and mass merchandise retailers, national chains and online only retailers. In addition, the Company competes, to a more limited extent, with factory outlet stores. Other entities continue to introduce new concepts that include many of the product lines offered by the Company. There can be no assurance that the operation of competitors will not have a material adverse effect on the Company.

Tradenames and Service Marks

The Company uses the service marks “Bed Bath & Beyond,” “buybuy BABY,” “Christmas Tree Shops,” “andThat!,” “Harmo,” “Face Values,” “Cost Plus,” “World Market” and “Cost Plus World Market” in connection with its retail services. The Company has registered trademarks and service marks or is seeking registrations for these and other trademarks and service marks with the United States Patent and Trademark Office. In addition, the Company has registered or has applications pending with the trademark registries of several foreign countries, including having registered the “Bed Bath & Beyond” name and logo in Canada and Mexico. The Company also files patent applications and seeks copyright registrations where it deems such to be advantageous to the business. Management believes that its name recognition and service marks are important elements of the Company’s merchandising strategy.

Available Information

The Company makes available as soon as reasonably practicable after filing with the Securities and Exchange Commission (“SEC”), free of charge, through its website, www.bedbathandbeyond.com, the Company’s annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, electronically filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934.

Executive Officers of the Registrant

The following table sets forth the name, age and business experience of the Executive Officers of the Registrant:

Name	Age	Positions
Warren Eisenberg	84	Co-Chairman and Director
Leonard Feinstein	78	Co-Chairman and Director
Steven H. Temares	56	Chief Executive Officer and Director
Arthur Stark	60	President and Chief Merchandising Officer
Matthew Fiorilli	58	Senior Vice President – Stores
Eugene A. Castagna	49	Chief Operating Officer
Susan E. Lattmann	47	Chief Financial Officer and Treasurer

Warren Eisenberg is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Eisenberg served as Chairman from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to 2003.

Leonard Feinstein is a Co-Founder of the Company and has served as Co-Chairman since 1999. He has served as a Director since 1971. Mr. Feinstein served as President from 1992 to 1999, and served as Co-Chief Executive Officer from 1971 to 2003.

Steven H. Temares has been Chief Executive Officer since 2003 and has served as a Director since 1999. Mr. Temares was President and Chief Executive Officer from 2003 to 2006, President and Chief Operating Officer from 1999 to 2003 and Executive Vice President and Chief Operating Officer from 1997 to 1999. Mr. Temares joined the Company in 1992.

Arthur Stark has been President and Chief Merchandising Officer since 2006. Mr. Stark has served as Chief Merchandising Officer since 1999 and was a Senior Vice President from 1999 to 2006. Mr. Stark joined the Company in 1977.

Matthew Fiorilli has been Senior Vice President - Stores since 1999. Mr. Fiorilli joined the Company in 1973.

Eugene A. Castagna has been Chief Operating Officer since February 2014. Mr. Castagna served as Chief Financial Officer and Treasurer from 2006 to 2014, Assistant Treasurer from 2002 to 2006 and as Vice President - Finance from 2000 to 2006. Mr. Castagna is a certified public accountant and joined the Company in 1994.

Susan E. Lattmann has been Chief Financial Officer and Treasurer since February 2014. Ms. Lattmann served as Vice President – Finance from 2006 to 2014, Vice President - Controller from 2001 to 2006 and Controller from 2000 to 2001. Ms. Lattmann is a certified public accountant and joined the Company in 1996.

The Company's executive officers are elected by the Board of Directors for one-year terms and serve at the discretion of the Board of Directors. No family relationships exist between any of the executive officers or directors of the Company.

ITEM 1A – RISK FACTORS

FORWARD-LOOKING STATEMENTS

This Form 10-K contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934, as amended. The Company's actual results and future financial condition may differ materially from those expressed in any such forward-looking statements as a result of many factors. Such factors include the following:

General economic factors beyond the Company's control and changes in the economic climate could adversely affect the Company's performance.

General economic factors that are beyond the Company's control could impact the Company's forecasts and actual performance. These factors include housing markets, recession, inflation, deflation, consumer credit availability, consumer debt levels, fuel and energy costs, interest rates, tax rates and policy, unemployment trends, the impact of natural disasters, civil disturbances and terrorist activities, foreign currency exchange rate fluctuations, conditions affecting the retail environment for products sold by the Company and other matters that influence consumer spending. Changes in the economic climate could adversely affect the Company's performance.

The Company operates in the highly competitive retail business where the use of emerging technologies as well as unanticipated changes in the pricing and other practices of competitors may adversely affect the Company's performance.

The retail business is highly competitive. The Company competes for customers, employees, locations, merchandise, technology, services and other important aspects of the business with many other local, regional and national retailers. Those competitors range from specialty retailers to department stores and discounters as well as online and multichannel retailers. Specifically, rapidly evolving technologies are altering the manner in which the Company and its competitors communicate and transact with customers; the Company's execution of its own omnichannel strategy to adapt to these changes, in relation to its competitors' actions as well as to its customers adoption of new technology, presents a specific risk. Further, unanticipated changes in the pricing and other practices of the Company's competitors, including promotional activity and rapid price fluctuation enabled by technology, may adversely affect the Company's performance.

The Company's failure to anticipate and respond in a timely fashion to changes in consumer preferences and demographic factors may adversely affect the Company's financial condition and results of operations.

The Company's success depends on its ability to anticipate and respond in a timely manner to changing merchandise trends, customer demands and demographics. The Company's failure to anticipate, identify or react appropriately to changes in customer tastes, preferences, shopping and spending patterns and other life interest decisions could lead to, among other things, excess inventories or a shortage of products and may adversely affect the Company's financial condition and results of operations.

Unusual weather patterns could adversely affect the Company's performance.

The Company's operating results could be negatively impacted by unusual weather patterns. Frequent or unusually heavy snow, ice or rain storms, hurricanes, floods, tornados or extended periods of unseasonable temperatures could adversely affect the Company's performance.

A major disruption of the Company's information technology systems could negatively impact operating results.

The Company's operating results could be negatively impacted by a major disruption of the Company's information technology systems. The Company relies heavily on these systems to process transactions, manage inventory replenishment, summarize results and control distribution of products. Despite numerous safeguards and careful contingency planning, these systems are still subject to power outages, computer viruses, telecommunication failures, security breaches and other catastrophic events. A major disruption of the systems and their backup mechanisms may cause the Company to incur significant costs to repair the systems, experience a critical loss of data and/or result in business interruptions.

A breach of the Company's data security systems or those of its third party service providers could have a negative impact on the Company's operating results and financial performance due to possible loss of consumer confidence, as well as potential government penalties and private litigation.

The Company processes, transmits, stores and maintains certain information about its customers and employees in the ordinary course of business. In connection with certain activities, including without limitation credit card processing, website hosting, data encryption and software support, the Company utilizes third party service providers, and the Company believes it takes appropriate steps to require such providers to secure such information and to assess their ability to do so. The Company invests considerable resources in protecting this sensitive information but is still subject to a possible security event, including but not limited to cybercrimes or cybersecurity attacks which may not be detected for a period of time. A breach of its security systems or those of its third party service providers resulting in unauthorized access to stored personal information could negatively impact the Company's operating results and financial performance. Certain aspects of the business, particularly the Company's websites, heavily depend on consumers entrusting personal financial information to be transmitted securely over public networks. A loss of consumer confidence from such a breach could result in lost future sales and have a material adverse effect on the Company's reputation. In addition, a breach could cause the Company to incur significant costs to restore the integrity of its systems, could require the devotion of significant management resources, and could result in significant costs in government penalties and private litigation.

A failure of the Company's suppliers to adhere to appropriate laws, regulations or standards could negatively impact its reputation.

The Company purchases substantially all of its merchandise in the United States, the majority from domestic sources and the balance from importers. The Company purchases a small amount of its merchandise directly from overseas sources. The failure of one of the Company's domestic or foreign suppliers to adhere to labor, environmental, privacy, health and safety laws, regulations and standards could negatively impact the Company's reputation and have an adverse effect on the Company's results of operations.

A failure to protect the reputation of the Company in any aspect of its operations could potentially impact its operating and financial results.

The Company's reputation is based, in part, on perceptions of subjective qualities, so incidents involving the Company, its products or the retail industry in general that erode customer trust or confidence could adversely affect the Company's reputation and its business. As the Company increases the number of items it is able to have shipped directly from a vendor to a customer for home delivery or in home assembly, any deficiencies in the performance of these third party merchandise vendors and service providers could also have an adverse effect on the Company's reputation, despite the Company's monitoring controls and procedures. In addition, challenges to the Company's compliance with a variety of social, product, labor and environmental standards could also jeopardize its reputation and lead to adverse publicity, especially in social media outlets. Damage to the reputation of the Company in any aspect of its operations could potentially impact its operating and financial results as well as require additional

resources to rebuild its reputation.

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Changes in statutory, regulatory, and other legal requirements at a local, state or provincial and national level could potentially impact the Company's operating and financial results.

The Company is subject to numerous statutory, regulatory and legal requirements at a local, state or provincial and national level. The Company's operating results could be negatively impacted by developments in these areas due to the costs of compliance in addition to possible government penalties and litigation in the event of deemed noncompliance. Changes in the regulatory environment in the area of product safety, environmental protection, privacy and information security, wage and hour laws, among others, could potentially impact the Company's operations and financial results.

New, or developments in existing, litigation, claims or assessments could potentially impact the Company's operating and financial results.

The Company is involved in litigation, claims and assessments incidental to the Company's business, the disposition of which is not expected to have a material effect on the Company's financial position or results of operations. It is possible, however, that future results of operations for any particular quarterly or annual period could be materially affected by changes in the Company's assumptions related to these matters. While outcomes of such actions vary, any such claim or assessment against the Company could potentially impact the Company's operations and financial results.

Changes to accounting rules, regulations and tax laws, or new interpretations of existing accounting standards or tax laws could negatively impact the Company's operating results and financial position.

The Company's operating results and financial position could be negatively impacted by changes to accounting rules and regulations or new interpretations of existing accounting standards. These changes may include, without limitation, changes to lease accounting standards. The Company's effective income tax rate could be impacted by changes in accounting standards as well as changes in tax laws or the interpretations of these tax laws by courts and taxing authorities which could negatively impact the Company's financial results.

The success of the Company is dependent, in part, on managing costs of labor, merchandise and other expenses that are subject to factors beyond the Company's control.

The Company's success depends, in part, on its ability to manage operating costs and to look for opportunities to reduce costs. The Company's ability to meet its labor needs while controlling costs is subject to external factors such as unemployment levels, prevailing wage rates, minimum wage legislation, labor organizing activities and changing demographics. The Company's ability to find qualified merchandise vendors and service providers and obtain access to products in a timely and efficient manner can be adversely affected by political instability, the financial instability of suppliers, suppliers' noncompliance with applicable laws, transportation costs, disruptions to its supply chain network serving the Company's stores, distribution facilities and customers due to labor disturbances and other items, and other factors beyond the Company's control.

The success of the Company is dependent, in part, on the ability of its employees in all areas of the organization to execute its business plan and, ultimately, to satisfy its customers.

The Company's ability to attract and retain qualified employees in all areas of the organization may be affected by a number of factors, including geographic relocation of employees, operations or facilities and the highly competitive markets in which the Company operates, including the markets for the types of skilled individuals needed to support the Company's continued success domestically, interactively and, over the longer term, internationally.

The success of the Company is dependent, in part, on its ability to establish and profitably maintain the appropriate mix of virtual and physical presence in the markets it serves.

The Company's success depends, in part, on its ability to develop its omnichannel capabilities in conjunction with optimizing its physical store operations and market coverage, while maintaining profitability. The Company's ability to develop its omnichannel capabilities will depend on a number of factors, including its assessment and implementation of emerging technologies. The Company's ability to optimize its store operations and market coverage requires active management of its real estate portfolio in a manner that permits store sizes, layouts, locations and offerings to evolve over time, which to the extent it involves the relocation of existing stores or the opening of additional stores will depend on a number of factors, including its identification and availability of suitable locations; its success in negotiating leases on acceptable terms; its hiring and training of skilled store operating personnel, especially management; and its timely development of new stores, including the availability of construction materials and labor and the absence of significant construction and other delays based on weather or other events. These factors could potentially increase the cost of doing business and the risk that the Company's business practices could result in liabilities that may adversely affect its performance, despite the exercise of reasonable care.

Disruptions in the financial markets could have an adverse effect on the Company's ability to access its cash and cash equivalents.

The Company may have amounts of cash and cash equivalents at financial institutions that are in excess of federally insured limits. While the Company closely manages its cash and cash equivalents balances to minimize risk, if there were disruptions in the financial markets, the Company cannot be assured that it will not experience losses on its deposits.

The Company's business would be adversely affected if the Company is unable to service its debt obligations.

The Company has incurred indebtedness under senior unsecured notes and has entered into a senior unsecured revolving credit facility. The Company's ability to pay interest and principal when due, comply with debt covenants or repurchase the senior unsecured notes if a change of control occurs, will depend upon, among other things, sales and cash flow levels and other factors that affect its future financial and operating performance, including prevailing economic conditions and financial and business factors, many of which are beyond the Company's control.

If the Company becomes unable in the future to generate sufficient cash flow to meet its debt service requirements, it may be forced to take remedial actions such as restructuring or refinancing its debt; seeking additional debt or equity capital; reducing or delaying its business activities, or selling assets. There can be no assurance that any such measures would be successful.

The Company has acquired several businesses and continues to evaluate potential business initiatives, including acquisitions, any of which could adversely impact the Company's performance.

The Company believes it carefully evaluates and plans for the integration of newly acquired businesses, as well as carefully prepares for and executes on other business combinations and strategic initiatives that are part of the success of its business. However, such activities involve certain inherent risks, including the failure to retain key personnel from an acquired business; undisclosed or subsequently arising liabilities; challenges in the successful integration of operations, aligning standards, policies and systems; and the potential diversion of management resources from existing operations to respond to unforeseen issues arising in the context of the integration of a new business or initiative.

ITEM 1B – UNRESOLVED STAFF COMMENTS

None.

ITEM 2 – PROPERTIES

Most of the Company's stores are located in suburban areas of medium and large-sized cities. These stores are situated in strip and power strip shopping centers, as well as in major off-price and conventional malls, and in free standing buildings.

The Company's 1,513 stores are located in all 50 states, the District of Columbia, Puerto Rico and Canada and range in size from approximately 5,000 to 100,000 square feet, but are predominantly between 18,000 and 50,000 square feet. Approximately 85% to 90% of store space is used for selling areas.

The table below sets forth the locations of the Company's stores as of February 28, 2015:

Alabama	22	New York	96
Alaska	2	North Carolina	45
Arizona	42	North Dakota	2
Arkansas	7	Ohio	51
California	186	Oklahoma	9
Colorado	34	Oregon	17
Connecticut	24	Pennsylvania	43
Delaware	4	Rhode Island	5
Florida	97	South Carolina	24
Georgia	37	South Dakota	3
Hawaii	2	Tennessee	27
Idaho	9	Texas	115
Illinois	57	Utah	15
Indiana	24	Vermont	3
Iowa	10	Virginia	47
Kansas	11	Washington	37
Kentucky	11	West Virginia	3
Louisiana	20	Wisconsin	16
Maine	8	Wyoming	2
Maryland	23	District of Columbia	3
Massachusetts	43	Puerto Rico	3
Michigan	44	Alberta, Canada	10
Minnesota	15	British Columbia, Canada	7
Mississippi	7	Manitoba, Canada	1
Missouri	24	New Brunswick, Canada	2
Montana	9	Newfoundland, Canada	1
Nebraska	6	Novia Scotia, Canada	1
Nevada	13	Ontario, Canada	20
New Hampshire	14	Prince Edward Island, Canada	1
New Jersey	89	Saskatchewan, Canada	1
New Mexico	9	Total	1,513

The Company leases substantially all of its existing stores. The leases provide for original lease terms that generally range from 10 to 15 years and most leases provide for renewal options, often at increased rents. The Company

evaluates leases on an ongoing basis which may lead to renegotiated lease terms, including rents during renewal options, or the possible relocation of stores. Certain leases provide for scheduled rent increases (which, in the case of fixed increases, the Company accounts for on a straight-line basis over the committed lease term, beginning when the Company obtains possession of the premises) and/or for contingent rent (based upon store sales exceeding stipulated amounts).

The Company has distribution facilities, which ship merchandise to stores or customers, totaling approximately 6.0 million square feet consisting of three owned and 15 leased facilities.

As of February 28, 2015, the Company has approximately 787,000 square feet within 15 leased and owned facilities for procurement and corporate office functions. In addition, the Company has seven locations, totaling approximately 14,000 square feet, which are utilized primarily for institutional sales related functions.

ITEM 3 – LEGAL PROCEEDINGS

The Company is party to various legal proceedings arising in the ordinary course of business, which the Company does not believe to be material to the Company's business or financial condition.

ITEM 4 – MINE SAFETY DISCLOSURES

Not Applicable.

PART II

ITEM 5 – MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED
SHAREHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY
SECURITIES

The following table sets forth the high and low reported closing prices of the Company’s common stock on the NASDAQ National Market System for the periods indicated.

	High	Low
Fiscal 2014:		
1st Quarter	\$ 69.80	\$ 60.51
2nd Quarter	64.53	56.70
3rd Quarter	73.69	62.40
4th Quarter	79.45	71.12
	High	Low
Fiscal 2013:		
1st Quarter	\$ 70.07	\$ 56.75
2nd Quarter	78.18	66.98
3rd Quarter	78.58	71.78
4th Quarter	80.48	62.68

The common stock is quoted through the NASDAQ National Market System under the symbol BBBY. On March 28, 2015, there were approximately 5,800 shareholders of record of the common stock (without including individual participants in nominee security position listings). On March 28, 2015, the last reported sale price of the common stock was \$75.46.

The Company has not paid cash dividends on its common stock since its 1992 initial public offering and does not currently plan to pay dividends on its common stock. The payment of any future dividends will be determined by the Board of Directors in light of conditions then existing, including the Company’s earnings, financial condition and requirements, business conditions and other factors. See Item 8 - Financial Statements and Supplementary Data.

Since 2004 through the end of fiscal 2014, the Company has repurchased approximately \$8.6 billion of its common stock through share repurchase programs, which include repurchases made under the accelerated share repurchase agreement which was entered into and completed in fiscal 2014. The Company's purchases of its common stock during the fourth quarter of fiscal 2014 were as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid per Share (2)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)		Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs (1) (2)
November 30, 2014 - December 27, 2014 (3)	3,369,500	\$ 69.98	3,369,500	\$	1,524,756,411
December 28, 2014 - January 24, 2015	5,097,500	\$ 75.47	5,097,500	\$	1,140,034,871
January 25, 2015 - February 28, 2015	3,347,000	\$ 76.53	3,347,000	\$	883,878,947
Total	11,814,000	\$ 74.21	11,814,000	\$	883,878,947

(1) Between December 2004 and July 2014, the Company's Board of Directors authorized, through several share repurchase programs, the repurchase of \$9.450 billion of its shares of common stock. The Company has authorization to make repurchases from time to time in the open market or through other parameters approved by the Board of Directors pursuant to existing rules and regulations. Shares purchased indicated in this table also include the withholding of a portion of restricted shares to cover taxes on vested restricted shares.

(2) Excludes brokerage commissions paid by the Company.

(3) In the second quarter of fiscal 2014, the Company paid \$1.1 billion under an accelerated share repurchase agreement ("ASR") and received an initial delivery of approximately 15.4 million shares. The initial delivery of shares was reflected in the activity shown in the second quarter of fiscal 2014. In December 2014, the ASR was completed and the Company received an additional 1.5 million shares, which is reflected in the activity shown above. The additional 1.5 million shares are reflected at the Average Price Paid per share of \$65.41, which is the Company's volume weighted average price per common share over the ASR period less a discount.

Stock Price Performance Graph

The graph shown below compares the performance of the Company's common stock with that of the S&P 500 Index, the S&P Specialty Retail Index and the S&P Retail Composite Index over the same period (assuming the investment of \$100 in the Company's common stock and each of the three Indexes on February 27, 2010, and the reinvestment of dividends, if any).

ITEM 6 – SELECTED FINANCIAL DATA

Consolidated Selected Financial Data (in thousands, except per share and selected operating data)	Fiscal Year Ended (1)				
	February 28, 2015	March 1, 2014	March 2, 2013 (2)	February 25, 2012	February 26, 2011
Statement of Earnings Data:					
Net sales	\$11,881,176	\$11,503,963	\$10,914,585	\$9,499,890	\$8,758,503
Gross profit	4,619,779	4,565,582	4,388,755	3,930,933	3,622,929
Operating profit	1,554,293	1,614,587	1,638,218	1,568,369	1,288,458
Net earnings	957,474	1,022,290	1,037,788	989,537	791,333
Net earnings per share - Diluted	\$5.07	\$4.79	\$4.56	\$4.06	\$3.07
Selected Operating Data:					
Number of stores open (at period end)	1,513				