Q2 2026 EARNINGS SCRIPT

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DIANA

Good morning and welcome to BJ's second quarter fiscal 2026 earnings call.

Joining me today are Bob Eddy, Chairman and Chief Executive Officer; Laura Felice, Chief Financial Officer; and Bill Werner, Executive Vice President, Strategy and Development.

Please remember that we may make forward-looking statements on this call that are based on our current expectations. Forward-looking statements are subject to risks and uncertainties that could cause actual results to differ materially from what we say on this call. Please see the Risk Factors sections of our most recent SEC filings for a description of these risks and uncertainties.

Please also refer to today's press release and latest investor presentation posted on our investor relations website for our cautionary statement regarding forward-looking statements and non-GAAP reconciliations.

And now, I'll turn the call over to Bob.

BOB

Good morning, everyone. Thank you for joining us today.

I'm very pleased to share that we delivered a strong second quarter, one that came in ahead of our expectations and reflects the continued momentum in our business. Net sales were up nearly 16% year-over-year, and merchandise comps grew 3.1%, with traffic accelerating during the quarter. This marks our 18th consecutive quarter of traffic growth and our 15th consecutive quarter of market share gains. On a two-year stacked basis, merchandise comps were 5.4%, in line with where we were last quarter, which speaks to the durability of our momentum. The comp was driven by a healthy balance of traffic and ticket, and we delivered for our members when it mattered most, including during events like the World Cup and America 250. Simply put, our value proposition continued to resonate, and I want to thank our teams for their commitment to executing at a high level across our company.

Our perishables, grocery, and sundries division delivered solid comp growth of 2.8% in the quarter, led by grocery. We saw particular strength in Beverages and Active Nutrition, where assortment updates through our category management process have been resonating well with members, and we're pleased with the momentum we're building in this part of the business.

Our general merchandise and services division sustained comp growth of 5.3% in the quarter, and I'm pleased with the breadth of performance across the division. Consumer electronics continued to lead the way, and Home was a strong contributor. The results reflect the work our teams have been doing to put the right products at the right value in front of our members.

Gas prices remained elevated during the quarter, and our members continued to seek us out for the value we offer at the pump. Comp gallons were up double digits, accelerating from the strong results we saw in Q1 and a clear signal of the share we continue to take.

Gas prices are about as visible as it gets for consumers. There's a price on every street corner, and our members know we offer great value. Strong volume growth combined with a favorable pullback from peak gas prices drove fuel profit dollars ahead of plan, which was a meaningful contributor to our overall results.

Taking a step back to assess the consumer environment, the K-shaped economy persists, though we did see some sequential improvement during the quarter. We drove comp growth across all income cohorts, which is encouraging, and our value proposition continues to resonate broadly. That said, the vast majority of our growth continues to be driven by our higher income members, which is consistent with what we've seen for some time now. In an environment where consumers remain discerning with their dollars, we know our job is to make sure we're putting the right products at the right value in front of every member who walks through our doors.

All told, it was a strong quarter across the board — sales, membership, margin dollars and the bottom line all came in ahead of our expectations. Adjusted EPS was $1.36, up 19% year-over-year, and to put that in perspective, we earned more in this single quarter than we did in the entire year we went public back in 2018. That's a remarkable statement about how far this business has come. With that as a backdrop, let me turn to the progress we're making on our strategic priorities.

Let me start where I always do, with membership, which remains the foundation of everything we do. We reached a new milestone of 8.5 million members this quarter, and that's worth pausing on. Over the last 25 years, we've grown our membership fee income at an 8% CAGR. Since our IPO, we've added more than 3 million members. And in just the past 2 years, we've added over 1 million members. That kind of compounding growth is earned by consistently delivering the value and convenience our members expect from us.

The current quarter was no exception. Membership fee income grew nearly 10% year-over-year, and what matters most to us isn't just the number, it's the quality of the membership base we're building. One of the best measures of that quality is MFI per member, which has grown consistently year-over-year, reflecting the strength of our acquisition, retention, and higher-tier penetration across both new and existing clubs.

On experience, our price gaps continue to improve and the market dynamics are working in our favor. Traditional grocers have been raising prices, creating an even more favorable backdrop for our value proposition. We continue to gain share, and as our price gaps improve, unit share has become an even cleaner signal of member preference. Based on industry data, in the markets where we operate, the rest of the market saw unit sales decline while we saw unit gains, with units growing more than 300 basis points faster than the market in the quarter. And that's not just a Q2 story, we've outpaced the market on units over the past year as well. That's an important distinction; our model is built to grow both sales and units by delivering value, and that's exactly what we're doing.

Delivering great value isn't just about price, though, it's also about making sure we have the right products on the shelf at the right price. Part of delivering great value is knowing when to lean into a moment, and our merchants did just that this quarter. America turned 250 this year, and our team found a great way to celebrate with our members. We brought in truckloads of watermelons at $3.99, while many other retailers were charging $5.99, and about 1 in 5 of our members had one in their basket during this promotion. It's a simple example of what we do well, finding the right product at the right price and delivering real value to our members.

We're building that capability systematically across our entire assortment through our category management process. CMP is about going deep on what our members want from us, category by category, and making sure we have the right assortment at the right cost.

And we're already seeing it show up in our results. The strength we saw in Beverages and Active Nutrition this quarter is a direct reflection of that work. And in Home, we've seen strong member response to renovated assortments across several categories, including housewares, textiles, and refrigeration, where we've made meaningful changes to our assortment and value positioning. We'll keep going systematically, and over time this will become embedded in how our merchandising team goes to work every day.

Turning to convenience, the investments we’ve been making here continue to pay off. Digitally-enabled comp sales grew 30% in the quarter, reflecting a two-year stacked comp growth of 64%, and our members are telling us loud and clear that they love what we're doing.

What we're really focused on is saving our members time in addition to saving them money, and that combination is powerful. Our members are engaging with us digitally in many ways, from Buy Online Pick Up in Club and Same-Day Delivery to Express Pay in the club, and growth is strong across all of them. Express Pay penetration, in particular, continues to grow, and members who engage with our digital conveniences spend significantly more with us and are more loyal over time.

Bev, our AI-powered shopping assistant, is live and gaining momentum. She's now had over 100,000 conversations with members, helping them find products, check club hours, and get more out of their membership. It's a great example of how we're using technology to take care of our members in new ways.

And finally, our footprint. New clubs are a key engine of long-term growth for our business, and our team is delivering. We're making excellent progress on our footprint expansion. In the second quarter, we opened three new clubs in Texas — Waxahachie, Fort Worth, and Grand Prairie — bringing our total in the state to four. We also added a new gas station in Edison, New Jersey.

We have seven additional club openings and one relocation planned for the remainder of the year, and we remain committed to our pace of 25 to 30 new clubs every two years. We also announced a new club coming to Tyler, Texas, further expanding our presence in the greater Dallas market. The performance of our new club portfolio remains very strong and is a key piece of our long-term strategy.

For Texas specifically, we're very pleased with what we're seeing. Membership continues to track more than 30% ahead of plan, member behavior is consistent with what we see in other new clubs — strong engagement across the box with higher GM penetration — and our gas volumes have been outstanding.

To put a finer point on the value of gas to our members in Texas, all four gas stations are in the top 30% of our chain for gallons, with two of the stations cracking the top 10%.

The performance in Texas should not be a surprise, as it follows the track record of success we have built with expansion in both new and existing markets. Last quarter, 22 of the 23 clubs we opened across 2022-2024 comped above the chain average, with the 2024 class of 7 clubs comping double digits last quarter. The consistency of our performance is a testament to the teams who show up with the goal to make the next opening the best one yet, and I'm proud to say our teams are delivering on that promise.

Before I turn it over to Laura, I just want to say this was a quarter we can all be proud of, and it doesn't happen without an incredible team. Our team members across our clubs, distribution centers, supply chain, and Club Support Center show up every single day to take care of the families who depend on us, and results like these are a reflection of their hard work and dedication. I'm proud of what we've accomplished together. I'll now turn it over to Laura.

LAURA

Thank you, Bob. I'd like to echo Bob's gratitude for our team members across our clubs, supply chain, and Club Support Center whose dedication to our members and our purpose made this quarter possible. Let's dig into the results.

Net sales in the second quarter were $6.1 billion, increasing 15.9% year-over-year. Total comparable club sales increased 11.9%, and excluding the impact of gasoline sales, merchandise comparable sales increased 3.1%, driven by a balance of traffic and ticket. Inflation was just under a point in the quarter.

Our perishables, grocery, and sundries division comped up 2.8%, led by grocery. General merchandise and services grew 5.3%, driven by strength in Consumer Electronics and Home.

Membership fee income grew 9.9% to $136 million, reaching a new milestone of 8.5 million members. Please note that we continue to expect MFI growth to moderate throughout the year as the impact of last year's fee increase normalizes.

Gross profit increased 10.3% to $1.11 billion and merchandise gross margin rate decreased approximately 20 basis points year-over-year, reflecting the balance of our continued investments in value for our members and our commitment to delivering for our shareholders.

Fuel profit exceeded plan, supported by strong execution and favorable market conditions during the quarter. Comp gallons increased 10.5%, and we continued to take share as industry data indicates overall comp fuel gallons declined by approximately 5% during the period.

SG&A was $851 million and improved as a percentage of net sales year-over-year. The increase in absolute dollars was largely driven by the costs that come with opening new clubs and gas stations, including labor, occupancy, and depreciation as we continue to grow our owned club base. This was partially offset by a gain from a sale-leaseback transaction on our new ambient distribution center in Ohio.

Adjusted EBITDA increased 14.3% to $347 million, and adjusted EPS was $1.36, up 19.3% and ahead of our expectations, largely driven by the outperformance in our gas business.

Turning to the balance sheet, we ended the quarter with inventory levels up 2% year-over-year on a per club basis, with in-stock levels approximately flat year-over-year, reflecting the team's continued focus on getting the right product to the right clubs at the right time.

Cash flow remained healthy in the quarter, with adjusted free cash flow of $266 million, well ahead of the $87 million we generated in the second quarter of last year, reflecting the strong operating performance of the business. Our capital allocation strategy remains consistent. We believe the best use of our cash is applying it towards profitably growing the business, including investments in membership, merchandising, digital capabilities, and real estate.

We ended the quarter with net leverage of 0.5 times, which continues to provide us with meaningful flexibility to invest in long-term growth. In the second quarter, we repurchased $124 million of shares, and we have approximately $422 million remaining under our existing repurchase authorization. We will continue to take a disciplined approach to deploying our capital to maximize shareholder value.

Turning to our outlook, we are pleased with our outperformance in the second quarter. We are maintaining our full year guidance of 2% to 3% comparable club sales growth, excluding gasoline. For adjusted EPS, we are raising our range and now expect $4.60 to $4.80 for the full year, reflecting the strong results we delivered in the second quarter, particularly in our gas business. As always, our outlook reflects our current view of the consumer and the broader operating environment, and we will continue to manage the business with discipline while investing for long-term growth.

With that, I'll turn it back to Bob.

BOB

Thanks, Laura.

Before we open it up for questions, I just want to take a step back and reflect on what this quarter represents. We came in ahead of our expectations on nearly every dimension: sales, membership and the bottom line. This is not a coincidence. It's due to a talented team figuring out new ways to invest in our members. Our members continue to reward us for the value and convenience we provide, and that shows up in the traffic growth, the share gains, and the membership momentum we've sustained. Our strategic priorities are working. The investments we've made in experience, convenience, and our footprint are bearing fruit, and we're as excited as we've ever been about the road ahead.

As we wrap up, I want to talk about our purpose: we take care of the families who depend on us. We live this purpose every day. In Q3, we launched a chainwide initiative that will let our members help live our purpose. Members can round up at the registers in club with the donations going to the Dana-Farber Cancer Institute, a world-renowned organization at the forefront of cancer care and research. This campaign is a first for us, and we look forward to making a difference in the communities where we live and work.

I also want to take a moment to recognize someone who has been a huge part of building what we have here. Paul Cichocki, our Chief Commercial Officer, is retiring after an incredible career and a great run with this company. Paul has been instrumental in so many of the merchandising and commercial advances that have made BJ's a stronger business, including building a great team ready to take over for him. Paul, you always drove with your heart, and it showed in everything you built here. Thank you for everything.

With that, let's take some questions.