

Vera Bradley, Inc.
Form 10-Q
December 13, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended October 29, 2011

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: 001-34918

VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

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Indiana
(State or other jurisdiction of
incorporation or organization)

27-2935063
(I.R.S. Employer
Identification No.)

2208 Production Road,

Fort Wayne, Indiana
(Address of principal executive offices)

46808
(Zip Code)

(877) 708-8372
(Registrant's telephone number, including area code)

None
(Former name, former address and former fiscal year, if changed since last report)

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 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 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 (Do not check if a smaller reporting company) Smaller reporting company
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 40,506,670 shares of its common stock outstanding as of November 30, 2011.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as anticipate, estimate, expect, project, plan, intend, believe, may, might, will, should, can have, and likely and other words having similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected earnings, revenues, costs, expenditures, cash flows, growth rates, and financial results, our plans and objectives for future operations, growth, initiatives, or strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending;

possible inability to predict and respond in a timely manner to changes in consumer demand;

possible loss of key management or design associates or inability to attract and retain the talent required for our business;

possible inability to maintain and enhance our brand;

possible inability to successfully implement our growth strategies or manage our growing business;

possible inability to successfully open and operate new stores as planned;

possible inability to sustain levels of comparable-store sales; and

possible adverse changes in the cost of raw materials and labor used to manufacture our products.

We derive many of our forward-looking statements from our operating plans and forecasts, which are based upon detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results.

For a discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to "Risk Factors" beginning on page 16 of the Company's Annual Report on Form 10-K for the fiscal year ended January 29, 2011.

We caution you that the risks and uncertainties identified by us may not be all of the factors that are important to you. Furthermore, the forward-looking statements included in this report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as required by law.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****Vera Bradley, Inc.****Consolidated Balance Sheets**

(\$ in thousands)

(unaudited)

	October 29, 2011	January 29, 2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 8,342	\$ 13,953
Accounts receivable, net	38,591	34,300
Inventories	111,099	96,717
Prepaid expenses and other current assets	8,651	6,754
Deferred income taxes	10,317	8,743
Total current assets	177,000	160,467
Property, plant, and equipment, net of accumulated depreciation and amortization of \$39,724 and \$32,808, respectively	47,308	42,984
Other assets	967	2,588
Total assets	\$ 225,275	\$ 206,039
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 18,949	\$ 30,012
Accrued employment costs	12,515	17,892
Income taxes payable		10,010
Current portion of long-term debt	88	83
Other accrued liabilities	14,468	10,551
Total current liabilities	46,020	68,548
Long-term debt	65,568	66,934
Deferred income taxes	4,820	3,300
Other long-term liabilities	5,413	2,935
Total liabilities	121,821	141,717
Commitments and contingencies (Note 10)		
Shareholders' equity:		
Preferred stock; October 29, 2011, and January 29, 2011 5,000,000 shares authorized, no shares issued or outstanding		
Common stock, without par value; October 29, 2011, and January 29, 2011 200,000,000 shares authorized, 40,506,670 shares issued and outstanding		
Additional paid-in-capital	73,115	71,923
Retained earnings (accumulated deficit)	30,218	(7,601)

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Accumulated other comprehensive income	121	
Total shareholders' equity	103,454	64,322
Total liabilities and shareholders' equity	\$ 225,275	\$ 206,039

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

Table of Contents**Vera Bradley, Inc.****Consolidated Statements of Income**

(\$ in thousands, except per share data)

(unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010	October 29, 2011	October 30, 2010
Net revenues	\$ 121,149	\$ 91,595	\$ 326,328	\$ 256,672
Cost of sales	55,471	39,921	144,578	109,362
Gross profit	65,678	51,674	181,750	147,310
Selling, general, and administrative expenses	45,365	53,239	124,474	125,824
Other income	1,206	1,373	6,229	5,286
Operating income (loss)	21,519	(192)	63,505	26,772
Interest expense, net	288	584	933	1,227
Income (loss) before income taxes	21,231	(776)	62,572	25,545
Income tax (benefit) expense	8,269	(6,775)	24,753	(6,418)
Net income	\$ 12,962	\$ 5,999	\$ 37,819	\$ 31,963
Basic weighted-average shares outstanding	40,506,670	36,082,298	40,506,670	35,654,464
Diluted weighted-average shares outstanding	40,540,429	36,213,361	40,538,022	35,699,156
Basic net income per share	\$ 0.32	\$ 0.17	\$ 0.93	\$ 0.90
Diluted net income per share	0.32	0.17	0.93	0.90
Basic distributions per share		3.12		3.69
Diluted distributions per share		3.11		3.69
Pro forma income information (Notes 1 and 6):				
Income (loss) before income taxes		\$ (776)		\$ 25,545
Pro forma income tax expense		1,256		11,885
Pro forma net income (loss)		\$ (2,032)		\$ 13,660
Pro forma basic weighted-average shares outstanding		36,082,298		35,654,464
Pro forma diluted weighted-average shares outstanding		36,082,298		35,699,156
Pro forma basic net income (loss) per share		\$ (0.06)		\$ 0.38
Pro forma diluted net income (loss) per share		(0.06)		0.38

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

Table of Contents**Vera Bradley, Inc.****Consolidated Statements of Cash Flows**

(\$ in thousands)

(unaudited)

	Thirty-Nine Weeks Ended	
	October 29, 2011	October 30, 2010
Cash flows from operating activities		
Net income	\$ 37,819	\$ 31,963
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization of property, plant, and equipment	6,992	6,193
Provision for doubtful accounts	375	119
Loss on disposal of property, plant, and equipment		278
Write-off of debt-issuance costs		227
Stock-based compensation	1,116	15,799
Deferred income taxes	(54)	(6,604)
Changes in assets and liabilities:		
Accounts receivable	(4,703)	2,052
Inventories	(14,382)	(17,153)
Other assets	(239)	700
Accounts payable	(11,063)	1,564
Income taxes payable	(10,010)	
Accrued and other liabilities	1,018	1,143
Net cash provided by operating activities	6,869	36,281
Cash flows from investing activities		
Purchases of property, plant, and equipment	(11,316)	(7,303)
Restricted cash on deposit		1,500
Net cash used in investing activities	(11,316)	(5,803)
Cash flows from financing activities		
Payments on financial-institution debt	(28,000)	(58,900)
Borrowings on financial-institution debt		