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

FORM 10-Q

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

For the Quarterly Period Ended May 1, 2021

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)

Indiana **(State or other jurisdiction of incorporation or organization)**	**27-2935063** **(I.R.S. Employer Identification No.)**
12420 Stonebridge Road, Roanoke, Indiana **(Address of principal executive offices)**	**46783** **(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)

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

Title of Each Class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, without par value	VRA	NASDAQ Global Select Market

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 x 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 x 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	x
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The registrant had 33,991,017 shares of its common stock outstanding as of June 2, 2021.

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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 include references 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 and terms of 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:

- public health pandemics, including the continued outbreak of the novel coronavirus (COVID-19) and actions to contain the spread of the virus by governmental or other actors;
- possible inability to successfully implement our long-term strategic plans;
- possible declines in our comparable sales;
- possible inability to maintain and enhance our brands;
- possible failure of our multi-channel distribution model;
- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending, including as may be related to the continued outbreak of COVID-19;
- possible inability to predict and respond in a timely manner to changes in consumer demand;
- possible inability to successfully open new stores and/or operate current stores as planned;
- possible loss of key management or design associates or inability to attract and retain the talent required for our business;
- possible data security or privacy breaches or disruptions in our computer systems or website;
- possible disruptions in our supply chain;
- possible new or increased tariffs on our products that could lead to increased product costs and lower profit margins; and
- possible inability to successfully implement integration strategies related to the Pura Vida business and possible inability to derive expected benefits from or to successfully integrate any future business acquisition.

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 the above described risks and uncertainties 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" in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, as well as in Item 1A herein.

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.

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Vera Bradley, Inc.
Condensed Consolidated Balance Sheets
(in thousands)

(unaudited)

	May 1, 2021	January 30, 2021
Assets		
Current assets:		
Cash and cash equivalents	$ 51,371	$ 64,175
Short-term investments	1,293	1,295
Accounts receivable, net	21,945	27,543
Inventories	150,335	141,416
Income taxes receivable	8,782	7,372
Prepaid expenses and other current assets	18,478	17,882
Total current assets	252,204	259,683
Operating right-of-use assets	86,181	88,730
Property, plant, and equipment, net	62,391	63,952
Intangible assets, net	46,527	47,296
Goodwill	44,254	44,254
Deferred income taxes	3,161	3,530
Other assets	6,525	6,342
Total assets	$ 501,243	$ 513,787
Liabilities, Redeemable Noncontrolling Interest, and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 23,160	$ 27,093
Accrued employment costs	11,122	13,648
Short-term operating lease liabilities	21,210	22,321
Other accrued liabilities	14,736	14,043
Income taxes payable	—	321
Total current liabilities	70,228	77,426
Long-term operating lease liabilities	88,228	91,536
Other long-term liabilities	83	109
Total liabilities	158,539	169,071
Commitments and contingencies		
Redeemable noncontrolling interest	30,307	29,809
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 42,378 and 41,808 shares issued and 33,985 and 33,414 shares outstanding, respectively	—	—
Additional paid-in-capital	105,076	105,433
Retained earnings	314,381	316,526
Accumulated other comprehensive income	—	8
Treasury stock	(107,060)	(107,060)
Total shareholders' equity of Vera Bradley, Inc.	312,397	314,907
Total liabilities, redeemable noncontrolling interest, and shareholders' equity	$ 501,243	$ 513,787

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Operations
(in thousands, except per share data)

(unaudited)

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Net revenues	$ 109,094	$ 69,284
Cost of sales	49,930	35,096
Gross profit	59,164	34,188
Selling, general, and administrative expenses	60,896	59,782
Other (loss) income, net	(227)	20
Operating loss	(1,959)	(25,574)
Interest expense, net	90	72
Loss before income taxes	(2,049)	(25,646)
Income tax benefit	(531)	(10,109)
Net loss	(1,518)	(15,537)
Less: Net income (loss) attributable to redeemable noncontrolling interest	627	(200)
Net loss attributable to Vera Bradley, Inc.	$ (2,145)	$ (15,337)
Basic weighted-average shares outstanding	33,590	33,330
Diluted weighted-average shares outstanding	33,590	33,330
Basic net loss per share available to Vera Bradley, Inc. common shareholders	$ (0.06)	$ (0.66)
Diluted net loss per share available to Vera Bradley, Inc. common shareholders	$ (0.06)	$ (0.66)
Reconciliation of net loss available to Vera Bradley, Inc. common shareholders		
Net loss attributable to Vera Bradley, Inc.	$ (2,145)	$ (15,337)
Excess portion of redeemable noncontrolling interest redemption value adjustment	—	(6,800)
Net loss available to Vera Bradley, Inc. common shareholders	$ (2,145)	$ (22,137)

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Comprehensive Income
(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Net loss	$ (1,518)	$ (15,537)
Unrealized loss on available-for-sale debt investments	(2)	(185)
Cumulative translation adjustment	(6)	10
Comprehensive loss, net of tax	(1,526)	(15,712)
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interest	627	(200)
Comprehensive loss attributable to Vera Bradley, Inc.	$ (2,153)	$ (15,512)

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)

(unaudited)

	Number of Shares						
	Common Stock	**Treasury Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive Income (Loss)**	**Treasury Stock**	**Total Shareholders' Equity of Vera Bradley, Inc.**
Balance at January 30, 2021	**33,414,490**	**8,393,207**	**$ 105,433**	**$ 316,526**	**$ 8**	**$ (107,060)**	**$ 314,907**
Net loss attributable to Vera Bradley, Inc.	—	—	—	(2,145)	—	—	(2,145)
Translation adjustments	—	—	—	—	(6)	—	(6)
Unrealized loss on available-for-sale debt investments	—	—	—	—	(2)	—	(2)
Restricted shares vested, net of repurchase for taxes	570,562	—	(2,171)	—	—	—	(2,171)
Stock-based compensation	—	—	1,814	—	—	—	1,814
Balance at May 1, 2021	**33,985,052**	**8,393,207**	**$ 105,076**	**$ 314,381**	**$ —**	**$ (107,060)**	**$ 312,397**
Balance at February 1, 2020	**33,503,249**	**8,011,372**	**$ 100,357**	**$ 307,414**	**$ 158**	**$ (104,159)**	**$ 303,770**
Net loss attributable to Vera Bradley, Inc.	—	—	—	(15,337)	—	—	(15,337)
Translation adjustments	—	—	—	—	10	—	10
Unrealized loss on available-for-sale debt investments	—	—	—	—	(185)	—	(185)
Restricted shares vested, net of repurchase for taxes	277,687	—	(537)	—	—	—	(537)
Stock-based compensation	—	—	59	—	—	—	59
Treasury stock purchased	(381,835)	381,835	—	—	—	(2,901)	(2,901)
Redeemable noncontrolling interest redemption value adjustment	—	—	—	(9,305)	—	—	(9,305)
Balance at May 2, 2020	**33,399,101**	**8,393,207**	**$ 99,879**	**$ 282,772**	**$ (17)**	**$ (107,060)**	**$ 275,574**

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Cash flows from operating activities		
Net loss	$ (1,518)	$ (15,537)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant, and equipment	2,286	4,353
Amortization of operating right-of-use assets	4,930	5,563
Impairment charges	—	3,806
Amortization of intangible assets	769	2,440
Provision for doubtful accounts	(66)	497
Stock-based compensation	1,814	59
Deferred income taxes	369	737
Loss on investments	—	20
Adjustment of earn-out liability	—	229
Other non-cash gain, net	(45)	(23)
Changes in assets and liabilities:		
Accounts receivable	5,664	2,241
Inventories	(8,919)	(9,249)
Prepaid expenses and other assets	(779)	(4,593)
Accounts payable	(4,234)	3,780
Income taxes	(1,731)	(11,893)
Operating lease liabilities, net	(6,800)	(384)
Accrued and other liabilities	(1,780)	(6,792)
Net cash used in operating activities	(10,040)	(24,746)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(503)	(2,238)
Purchases of investments	—	(851)
Proceeds from maturities and sales of investments	—	21,788
Cash received for business acquisition	—	993
Proceeds from disposal of property, plant, and equipment	45	—
Net cash (used in) provided by investing activities	(458)	19,692
Cash flows from financing activities		
Tax withholdings for equity compensation	(2,171)	(537)
Repurchase of common stock	—	(3,077)
Distributions to redeemable noncontrolling interest	(129)	(296)
Borrowings under asset-based revolving credit agreement	—	60,000
Payment of contingent consideration for business acquisition	—	(18,677)
Net cash (used in) provided by financing activities	(2,300)	37,413
Effect of exchange rate changes on cash and cash equivalents	(6)	10
Net (decrease) increase in cash and cash equivalents	(12,804)	32,369
Cash and cash equivalents, beginning of period	64,175	49,917
Cash and cash equivalents, end of period	$ 51,371	$ 82,286

Vera Bradley, Inc.
Condensed Consolidated Statements of Cash Flows
(in thousands)
(continued)

(unaudited)

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 858	$ 1,045
Supplemental disclosure of non-cash activity		
Non-cash operating, investing, and financing activities		
Repurchase of common stock		
Expenditures incurred but not yet paid as of May 1, 2021 and May 2, 2020	$ —	$ —
Expenditures incurred but not yet paid as of January 30, 2021 and February 1, 2020	$ —	$ 176
Purchases of property, plant, and equipment		
Expenditures incurred but not yet paid as of May 1, 2021 and May 2, 2020	$ 565	$ 316
Expenditures incurred but not yet paid as of January 30, 2021 and February 1, 2020	$ 343	$ 559

Refer to Note 3 herein for supplemental cash flow information regarding the Company’s leases.

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

Vera Bradley, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

1. Description of the Company and Basis of Presentation

The term “Company” refers to Vera Bradley, Inc. and its wholly and majority owned subsidiaries, except where the context requires otherwise or where otherwise indicated.

Vera Bradley, Inc. operates two unique lifestyle brands – Vera Bradley and Pura Vida. We believe Vera Bradley and Pura Vida are complementary businesses, both with devoted, emotionally-connected, and multi-generational female customer bases; alignment as causal, comfortable, affordable, and fun brands; positioning as “gifting” and socially-connected brands; strong, entrepreneurial cultures; a keen focus on community, charity, and social consciousness; multi-channel distribution strategies; and talented leadership teams aligned and committed to the long-term success of their brands.

Vera Bradley is a leading designer of women’s handbags, luggage and travel items, fashion and home accessories, and unique gifts. Founded in 1982 by friends Barbara Bradley Baekgaard and Patricia R. Miller, the brand’s innovative designs, iconic patterns, and brilliant colors continue to inspire and connect women.

In July 2019, Vera Bradley, Inc. acquired a 75% interest in Creative Genius, Inc., which also operates under the name Pura Vida Bracelets (“Pura Vida”). Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native lifestyle brand that we believe deeply resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, and other lifestyle accessories.

The Company has three reportable segments: Vera Bradley Direct (“VB Direct”), Vera Bradley Indirect (“VB Indirect”), and Pura Vida.

- The VB Direct business consists of sales of Vera Bradley products through Vera Bradley full-line and factory outlet stores in the United States; verabradley.com; the Vera Bradley online outlet site; and typically the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of May 1, 2021, the Company operated 73 full-line stores and 70 factory outlet stores. In light of the COVID-19 pandemic, the Company cancelled its calendar year 2021 and 2020 annual outlet sales.
- The VB Indirect business consists of sales of Vera Bradley products to approximately 2,000 specialty retail locations, substantially all of which are located in the United States, as well as department stores, national accounts, third-party e-commerce sites, third-party inventory liquidators, and royalties recognized through licensing agreements related to the Vera Bradley brand.
- The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.eu, and www.puravidabracelets.ca, and through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted as permitted by such rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen weeks ended May 1, 2021, are not necessarily indicative of the results to be expected for the full fiscal year. Further, the Company cannot predict the future impacts that the COVID-19 pandemic could have on its future liquidity, operating results, and financial condition, but it could have a significant adverse affect on these metrics.

The Company believes that during the first quarter of the current-year, consumer confidence, traffic and spending grew as COVID-19 vaccines became more widely available; with the distribution of government stimulus funds; and as customers began to return to work, social events, and travel.

Vera Bradley, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

During the first quarter of the prior-year, the COVID-19 pandemic resulted in global travel restrictions, quarantines, and certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours. Although the Vera Bradley and Pura Vida e-commerce operations remained open during this time, the aforementioned items had a material adverse impact on overall consumer demand, traffic, and sales during the period. The Company took various actions to navigate the pandemic which included, but was not limited to, temporarily closing all Vera Bradley store locations on March 19, 2020; temporarily furloughing 80% of our workforce mid-quarter; temporarily reducing base compensation for certain associates; preserving cash by drawing on our Credit Agreement, which was repaid during the fourth quarter of the prior-year; and managing inventory, rent, and other expenses.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and its majority owned subsidiary, Pura Vida. The Company has eliminated intercompany balances and transactions in consolidation.

Fiscal Periods

The Company’s fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended May 1, 2021 and May 2, 2020 refer to the thirteen-week periods ended on those dates.

Recently Adopted Accounting Pronouncements

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions to the general principals in Topic 740, as well as simplify GAAP for certain areas and improve consistency within the topic. This guidance is effective for interim and annual periods beginning on or after December 15, 2020 (fiscal 2022). Early adoption is permitted, with all amendments required to be adopted in the same period. The adoption of this standard in the first quarter of fiscal 2022 did not have a material impact on the Company's consolidated financial statements.

Vera Bradley, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

2. Revenue from Contracts with Customers

Disaggregation of Revenue

The following presents the Company's net revenues disaggregated by product category for the thirteen weeks ended May 1, 2021 and May 2, 2020 (in thousands):

	Thirteen Weeks Ended May 1, 2021			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 26,438	$ 8,050	$ —	$ 34,488
Travel	15,179	2,567	—	17,746
Accessories	11,861	2,227	25,511	39,599
Home	6,538	737	—	7,275
Apparel/Footwear(6)	5,361	671	628	6,660
Other	1,355 (1)	1,012 (2)	959 (3)	3,326
Total net revenues	$ 66,732 (4)	$ 15,264 (5)	$ 27,098 (4)	$ 109,094

(1) Primarily includes net revenues from freight, stationery, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements and freight.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $14.5 million of net revenues related to product sales recognized at a point in time and $0.8 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

	Thirteen Weeks Ended May 2, 2020			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 16,491	$ 4,600	$ —	$ 21,091
Travel	9,441	2,397	—	11,838
Accessories	7,247	1,322	20,539	29,108
Home	2,349	231	—	2,580
Apparel/Footwear(6)	822	1,900	—	2,722
Other	487 (1)	779 (2)	679 (3)	1,945
Total net revenues	$ 36,837 (4)	$ 11,229 (5)	$ 21,218 (4)	$ 69,284

(1) Primarily includes net revenues from stationery, freight, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements, freight, and merchandising.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $10.6 million of net revenues related to product sales recognized at a point in time and $0.6 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

Contract Balances

Contract liabilities as of May 1, 2021 and January 30, 2021, were $3.4 million and $4.1 million, respectively. The balance as of May 1, 2021 and January 30, 2021 consisted of unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, unredeemed gift cards, Pura Vida loyalty club points, Pura Vida customer deposits and payments collected before shipment, and an immaterial amount of unearned revenue for pre-payments of royalties in certain of the Company’s licensing arrangements. These contract liabilities are recognized within other accrued liabilities on the Company’s Condensed Consolidated Balance Sheets. Substantially all contract liabilities are recognized within one year. The Company did not have contract assets as of May 1, 2021 and January 30, 2021.

The balance for accounts receivable from contracts with customers, net of allowances, as of May 1, 2021 and January 30, 2021, was $21.1 million and $26.0 million, respectively, which is recognized within accounts receivable, net, on the Company’s Condensed Consolidated Balance Sheets. The provision for doubtful accounts was $1.0 million and $1.1 million as of May 1, 2021 and January 30, 2021, respectively. The provision for doubtful accounts is based upon the likelihood of default expected during the life of the receivable.

Performance Obligations

The performance obligations for the VB Direct, VB Indirect, and Pura Vida segments include the promise to transfer distinct goods (or a bundle of distinct goods). The VB Indirect segment also includes the right to access intellectual property (“IP”) related to the Vera Bradley brand.

Remaining Performance Obligations

The Company does not have remaining performance obligations in excess of one year or contracts that it does not have the right to invoice as of May 1, 2021.

3. Leases

In the prior-year, the Company temporarily closed its full-line and factory outlet stores beginning on March 19, 2020, due to the COVID-19 pandemic, for various lengths of time (from several weeks to several months). All of the Company's stores were open during the first quarter of the current-year. As a result of the temporary closures in the prior-year, certain rent payments were deferred. An immaterial amount of rent abatements were received during the thirteen weeks ended May 1, 2021.

Discount Rate

The weighted-average discount rate as of May 1, 2021, and May 2, 2020 was 4.8% and 4.9%, respectively. The discount rate is not readily determinable in the lease; therefore, the Company estimated the incremental borrowing rate, at the commencement date of each lease, which is the rate of interest it would have to borrow on a collateralized basis over a similar term with similar payments.

Leases Not Yet Commenced

As of May 1, 2021, the Company had two retail store leases which were executed, but did not have control of the underlying assets; therefore, the lease liability and right-of-use asset are not recorded on the Condensed Consolidated Balance Sheet. These leases contain undiscounted lease payments, which will be included in the determination of the lease liability, totaling approximately $3.6 million and have terms of approximately 10 years commencing in fiscal 2022.

Vera Bradley, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

Amounts Recognized in the Condensed Consolidated Financial Statements

The following lease expense is recorded within cost of sales for the Asia sourcing office and certain equipment leases and within selling, general, and administrative expenses for all other leases, including retail store leases, in the Company's Condensed Consolidated Statement of Operations for the thirteen weeks ended May 1, 2021 and May 2, 2020 (in thousands):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Operating lease cost	$ 5,870	$ 7,234
Variable lease cost	1,482	818
Short-term lease cost	193	69
Total lease cost	$ 7,545	$ 8,121

The weighted-average remaining lease term as of May 1, 2021 and May 2, 2020 was 5.4 years and 5.8 years, respectively.

Supplemental operating cash flow information was as follows (in thousands):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Cash paid for amounts included in the measurement of operating lease liabilities (1)	$ 11,055	$ 2,794
Right-of-use assets increase as a result of new and modified operating lease liabilities, net	$ 2,403	$ 87

(1) 2.5 million of lease liabilities were recorded within accounts payable on the Company's Consolidated Balance Sheets as of January 30, 2021, and were paid in the first quarter of fiscal 2022.

4. Earnings Per Share

Basic earnings per share is computed based on the weighted-average number of common shares outstanding during the period. Diluted earnings per share is computed based on the weighted-average number of common shares outstanding, plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares represent outstanding restricted stock units.

On July 16, 2019, as contemplated by the Interest Purchase Agreement, the Company and certain of its subsidiaries and the owners of the remaining twenty-five percent (25%) ownership interest in Pura Vida (the “Sellers”) which was not acquired by the Company (the “Remaining Pura Vida Interest”) entered into a Put/Call Agreement (the “Put/Call Agreement”). Pursuant to the Put/Call Agreement, and subject to the terms and conditions thereof, the Sellers have the right to sell all of the Remaining Pura Vida Interest to the Company, and the Company has the right to purchase all of the Remaining Pura Vida Interests from Sellers, in each case generally at any time following the fifth anniversary of the closing date of the transaction until the tenth anniversary thereof. The purchase price for any Remaining Pura Vida Interest put to, or called by, the Company will be determined based on the arithmetic average of a multiple of adjusted EBITDA of Pura Vida and a multiple of adjusted EBITDA of the Company, as defined in the Put/Call Agreement, over the twelve-month period ending on the last day of the month immediately preceding the month in which an exercise notice is delivered by a relevant party.

Vera Bradley, Inc.
Notes to the Condensed Consolidated Financial Statements
(unaudited)

As a result of this redemption feature, the Company recorded the noncontrolling interest as redeemable and classified it in temporary equity within its Condensed Consolidated Balance Sheets initially at its acquisition-date fair value. The noncontrolling interest is adjusted each reporting period for income (or loss) attributable to the noncontrolling interest. A measurement period adjustment, if any, is then made to adjust the noncontrolling interest to the higher of the redemption value or carrying value each reporting period. These adjustments are recognized through retained earnings and are not reflected in net income (loss) or net income (loss) attributable to Vera Bradley, Inc. When calculating earnings per share attributable to Vera Bradley, Inc., the Company adjusts the net income (loss) attributable to Vera Bradley, Inc. for the measurement period adjustment to the extent the redemption value exceeds the fair value of the noncontrolling interest on a cumulative basis.

The components of basic and diluted earnings per share were as follows (in thousands, except per share data):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Numerator:		
Net loss	$ (1,518)	$ (15,537)
Less: Net income (loss) attributable to redeemable noncontrolling interest	627	(200)
Net loss attributable to Vera Bradley, Inc.	(2,145)	(15,337)
Plus: Excess portion of redeemable noncontrolling interest redemption value adjustment	—	(6,800)
Net loss available to Vera Bradley, Inc. common shareholders	$ (2,145)	$ (22,137)
Denominator:		
Weighted-average number of common shares (basic)	33,590	33,330
Dilutive effect of stock-based awards	—	—
Weighted-average number of common shares (diluted)	33,590	33,330
Net loss per share available to Vera Bradley, Inc. common shareholders:		
Basic	$ (0.06)	$ (0.66)
Diluted	$ (0.06)	$ (0.66)

For the thirteen weeks ended May 1, 2021 and May 2, 2020, there were an immaterial number of additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they were anti-dilutive.

5. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Assets and liabilities measured at fair value are classified using the following hierarchy, which is based upon the transparency of inputs to the valuation as of the measurement date:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs, other than the quoted prices in active markets, that are observable either directly or indirectly;
- Level 3 – Unobservable inputs based on the Company’s own assumptions.

The classification of fair value measurements within the hierarchy is based upon the lowest level of input that is significant to the measurement.

The carrying amounts reflected on the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, other current assets, and accounts payable as of May 1, 2021 and January 30, 2021, approximated their fair values.

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The following table details the fair value measurements of the Company's investments as of May 1, 2021 and January 30, 2021 (in thousands):

	Level 1		Level 2		Level 3	
	May 1, 2021	January 30, 2021	May 1, 2021	January 30, 2021	May 1, 2021	January 30, 2021
Cash equivalents(1)	$ 1,566	$ 1,565	$ —	$ —	$ —	$ —
Short-term investments:						
U.S. corporate debt securities	—	—	626	627	—	—
Non-U.S. corporate debt securities	—	—	667	668	—	—

(1) Cash equivalents represent a money market fund that has a maturity of three months or less at the date of purchase. Due to the short maturity, the Company believes the carrying value approximates fair value.

The Company assesses potential impairments to its long-lived assets, which includes property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets and right-of-use assets are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store's lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The Company recorded $3.8 million in impairment charges related to store assets including property, plant, and equipment and lease right-of-use assets during the thirteen weeks ended May 2, 2020. There were no impairment charges for the thirteen weeks ended May 1, 2021.

Assets recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant, and equipment, including leasehold improvements, and operating lease assets, as well as assets related to the Pura Vida acquisition including goodwill and intangible assets. These assets are measured at fair value if determined to be impaired.

The discounted cash flow models used to estimate the applicable fair values involve numerous estimates and assumptions that are highly subjective. Changes to these estimates and assumptions could materially impact the fair value estimates. The estimates and assumptions critical to the overall fair value estimates include: (1) estimated future cash flow generated at the store level; (2) discount rates used to derive the present value factors used in determining the fair values; and (3) market rentals at the retail store. These and other estimates and assumptions are impacted by economic conditions and our expectations and may change in the future based on period-specific facts and circumstances. If economic conditions were to deteriorate, future impairment charges may be required which may be material.

6. Debt

On September 7, 2018, Vera Bradley Designs, Inc. ("VBD"), a wholly-owned subsidiary of the Company, entered into an asset-based revolving Credit Agreement (the "Credit Agreement") among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed the lesser of $75.0 million or the amount of borrowing availability determined in accordance with a borrowing base of certain assets. Any proceeds of the credit facilities will be used to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC and Vera Bradley Sales, LLC (collectively, the "Named Subsidiaries"). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to $25.0 million.

Amounts outstanding under the Credit Agreement bear interest at a per annum rate equal to either (i) for CBFR borrowings (including swingline loans), the CB Floating Rate, where the CB Floating Rate is the prime rate which shall never be less than the adjusted one month LIBOR rate on such day, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.00% to -1.50% or (ii) for each eurodollar borrowing, the Adjusted LIBO Rate, where the Adjusted LIBO Rate is the LIBO rate for such interest period multiplied by the statutory reserve rate, for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.00% to 1.30%. The applicable CB Floating Rate, Adjusted LIBO Rate, or LIBO Rate shall be determined by the administrative agent. The Credit Agreement also requires VBD to pay a commitment fee for the unused portion of the revolving facility of up to 0.20% per annum.

VBD’s obligations under the Credit Agreement are guaranteed by the Company and the Named Subsidiaries. The obligations of VBD under the Credit Agreement are secured by substantially all of the respective assets of VBD, the Company, and the Named Subsidiaries and are further secured by the equity interests in VBD and the Named Subsidiaries.

The Credit Agreement contains various affirmative and negative covenants, including restrictions on the Company's ability to incur debt or liens; engage in mergers or consolidations; make certain investments, acquisitions, loans, and advances; sell assets; enter into certain swap agreements; pay dividends or make distributions or make other restricted payments; engage in certain transactions with affiliates; and amend, modify, or waive any of its rights related to subordinated indebtedness and certain charter and other organizational, governing, and material agreements. The Company may avoid certain of such restrictions by meeting payment conditions defined in the Credit Agreement.

The Credit Agreement also requires the Loan Parties to maintain a minimum fixed charge coverage ratio of 1.00 during periods when borrowing availability is less than the greater of (A) $7.5 million, and (B) 10% of the lesser of (i) the aggregate revolving commitment, and (ii) the borrowing base. The fixed charge coverage ratio, availability, aggregate revolving commitment, and the borrowing base are further defined in the Credit Agreement.

The Credit Agreement contains customary events of default, including, among other things: (i) the failure to pay any principal, interest, or other fees under the Credit Agreement; (ii) the making of any materially incorrect representation or warranty; (iii) the failure to observe or perform any covenant, condition, or agreement in the Credit Agreement or related agreements; (iv) a cross default with respect to other material indebtedness; (v) bankruptcy and insolvency events; (vi) unsatisfied material final judgments; (vii) Employee Retirement Income Security Act of 1974 (“ERISA”) events that could reasonably be expected to have a material adverse effect; and (viii) a change in control (as defined in the Credit Agreement).

Any commitments made under the Credit Agreement mature on September 7, 2023.

As of May 1, 2021 and January 30, 2021, the Company had no borrowings outstanding and availability of $75.0 million under the Credit Agreement.

7. Income Taxes

The provision for income taxes for interim periods is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company’s annual effective tax rate.

The effective tax rate for the thirteen weeks ended May 1, 2021, was 25.9%, compared to 39.4% for the thirteen weeks ended May 2, 2020. The year-over-year effective tax rate decrease was primarily due to the net operating loss carryback recorded in the prior-year period that did not recur in the current-year as a result of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that was enacted on March 27, 2020 in response to the COVID-19 pandemic.

8. Stock-Based Compensation

The Company recognizes stock-based compensation expense, for its awards of restricted stock units, in an amount equal to the fair market value of the underlying stock on the grant date of the respective award.

The Company reserved 3,000,000 shares of common stock for issuance or transfer under the 2020 Equity and Incentive Plan, which allows for grants of restricted stock units, as well as other equity awards. The Company maintains the 2010 Equity and Incentive Plan for awards granted prior to the effectiveness of the 2020 Equity and Incentive Plan.

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Awards of Restricted Stock Units

During the thirteen weeks ended May 1, 2021, the Company granted 640,007 time-based and performance-based restricted stock units with an aggregate fair value of $6.6 million to certain employees and non-employee directors under the 2020 Equity and Incentive Plan compared to 1,412,024 time-based and performance-based restricted stock units with an aggregate fair value of $5.8 million in the same period of the prior-year under the 2010 Equity and Incentive Plan.

There were no restricted stock units granted under the 2020 Equity and Incentive Plan during the thirteen weeks ended May 2, 2020.

The majority of the time-based restricted stock units vest and settle in shares of the Company's common stock, on a one-for-one basis, in equal installments on each of the first three anniversaries of the grant date. Restricted stock units issued to non-employee directors vest after a one-year period from the grant date. The Company recognizes the expense relating to these units, net of estimated forfeitures, on a straight-line basis over the vesting period.

Performance-based restricted stock units vest upon the completion of a three-year period of time (cliff vesting), subject to the employee's continuing employment throughout and the Company's achievement of annual earnings per share targets, or other Company performance targets, during the three-year performance period. The Company recognizes the expense relating to these units, net of estimated forfeitures, based on the probable outcome of achievement of the financial targets, on a straight-line basis over three years.

The following table sets forth a summary of restricted stock unit activity for the thirteen weeks ended May 1, 2021 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at January 30, 2021	1,049	$ 5.73	896	$ 8.34
Granted	357	10.24	282	10.24
Vested	(519)	5.74	(267)	10.61
Forfeited	(1)	7.28	—	—
Nonvested units outstanding at May 1, 2021	886	$ 7.53	911	$ 8.26

As of May 1, 2021, there was $10.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 2.0 years, subject to meeting performance conditions.

9. Commitments and Contingencies

The Company is subject to various claims and contingencies arising in the normal course of business, including those relating to product liability, legal claims, employee benefits, environmental issues, and other matters. Management believes that at this time it is not probable that any of these claims will have a material adverse effect on the Company's financial condition, results of operations, or cash flows. However, the outcomes of legal proceedings and claims brought against the Company are subject to uncertainty, and future developments could cause these actions or claims, individually or in aggregate, to have a material adverse effect on the Company's financial condition, results of operations, or cash flows of a particular reporting period.

In August of 2019, Vesi Incorporated ("Vesi") filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company's licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint seeks damages in an amount not less than $10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. The Company has denied any liability and intends to vigorously defend itself in the case. In November 2019, the Company filed a counterclaim against the principals of Vesi as personal guarantors for monies owed to the Company by Vesi. The cases are currently in discovery. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

In April of 2020, Chidimma Igboakaeze filed suit seeking class certification for all current and former hourly-paid employees who worked for the Company within the state of California during the four years preceding the filing until final judgement. The complaint alleged various violations of the California Labor Code related to wages, overtime, meal and rest breaks, non-compliant wage statements and records and other similar allegations related to employment. The Plaintiff also filed a Private Attorney General Act claim with the state of California regarding the same allegations. This case was settled in the first quarter of fiscal 2022 for an immaterial amount.

10. Common Stock

On November 29, 2018, the Company's board of directors approved a share repurchase plan (the “2018 Share Repurchase Program”) authorizing up to $50.0 million of repurchases of shares of the Company's common stock. On December 3, 2020, the 2018 Share Repurchase Program was extended through December 11, 2021. On March 20, 2020, the Company temporarily suspended the share repurchase program to conserve cash as a result of the COVID-19 pandemic. The board of directors authorized the resumption of the share repurchase program beginning on March 11, 2021.

The Company purchased no shares during the thirteen weeks ended May 1, 2021. There was $32.9 million remaining available to repurchase shares of the Company's common stock under the 2018 Share Repurchase Program as of May 1, 2021.

As of May 1, 2021, the Company held as treasury shares 8,393,207 shares of its common stock at an average price of $12.76 per share, excluding commissions, for an aggregate carrying amount of $107.1 million. The Company’s treasury shares may be issued under the 2010 Equity and Incentive Plan (with respect to outstanding awards under that plan), under the 2020 Equity and Incentive Plan, or for other corporate purposes.

11. Cloud Computing Arrangements

The Company capitalizes implementation costs associated with its Cloud Computing Arrangements (“CCA”) consistent with costs capitalized for internal-use software. The CCA costs are amortized over the term of the related hosting agreement, taking into consideration renewal options, if any. The renewal period is included in the amortization period if determined that the option is reasonably certain to be exercised. The amortization expense is recorded within selling, general, and administrative expenses in the Company's Condensed Consolidated Statements of Operations, which is within the same line item as the related hosting fees. The balance of the unamortized CCA implementation costs totaled $8.4 million and $8.1 million as of May 1, 2021 and January 30, 2021, respectively. Of this total, $2.5 million and $2.4 million was recorded within prepaid expenses and other current assets and $5.9 million and $5.7 million was recorded within other assets on the Company's Condensed Consolidated Balance Sheets as of May 1, 2021 and January 30, 2021, respectively. The CCA implementation costs are recorded within operating activities in the Company's Condensed Consolidated Statements of Cash Flows.

12. Acquisition of Pura Vida

On July 16, 2019, the Company completed its acquisition of a seventy-five percent (75%) ownership interest in Creative Genius, Inc. or “Pura Vida” (the “Transaction”) in exchange for total cash consideration of approximately $75.0 million. The Company received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021.

In accordance with the Interest Purchase Agreement, the Company also agreed to a contingent payment of up to $22.5 million payable during the first quarter of calendar year 2020 based on calendar year 2019 adjusted EBITDA of Pura

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Vida, as defined in the Interest Purchase Agreement. This contingent payment was made during the first quarter of fiscal 2021 totaling $18.7 million.

13. Redeemable Noncontrolling Interest

Redeemable noncontrolling interest represents the remaining twenty-five percent (25%) interest in Pura Vida not acquired by the Company. Refer to Notes 1 and 4 herein for additional information.

Changes in redeemable noncontrolling interest for the thirteen weeks ended May 1, 2021, were as follows (in thousands):

Balance at January 30, 2021	**$**	**29,809**
Net income attributable to redeemable noncontrolling interest		627
Distributions to redeemable noncontrolling interest		(129)
Balance at May 1, 2021	**$**	**30,307**

Changes in redeemable noncontrolling interest for the thirteen weeks ended May 2, 2020, were as follows (in thousands):

Balance at February 1, 2020	**$**	**30,049**
Net loss attributable to redeemable noncontrolling interest		(200)
Distributions to redeemable noncontrolling interest		(296)
Adjustment to redemption value		9,305
Balance at May 2, 2020	**$**	**38,858**

14. Intangible Assets and Goodwill

The following tables detail the carrying value of the Company's intangible assets other than goodwill related to the acquisition of a majority interest in Pura Vida.

	May 1, 2021		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (14,855)	$ 9,353
Non-competition Agreements	788	(282)	506
Total definite-lived intangible assets	24,996	(15,137)	9,859
Indefinite-lived intangible asset			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	$ 61,664	$ (15,137)	$ 46,527

(1) Amortization expense is recorded within the Pura Vida segment.

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	January 30, 2021		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (14,125)	$ 10,083
Non-competition Agreements	788	(243)	545
Total definite-lived intangible assets	24,996	(14,368)	10,628
Indefinite-lived intangible asset			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	$ 61,664	$ (14,368)	$ 47,296

(1) Amortization expense is recorded within the Pura Vida segment.

The amortization expense for intangible assets is as follows (in thousands):

	Amortization Expense
Fiscal 2022 (remaining nine months)	$ 2,304
Fiscal 2023	3,073
Fiscal 2024	3,073
Fiscal 2025	1,409
Total	$ 9,859

The total amount of the goodwill as of May 1, 2021 and January 30, 2021, of $44.3 million was recorded within the Pura Vida segment upon acquisition. Goodwill is deductible for tax purposes, limited to the Company's 75% majority ownership interest. There were no changes to goodwill for the thirteen weeks ended May 1, 2021 and May 2, 2020.

Future impacts of COVID-19, including but not limited to the duration and magnitude of the pandemic, may have an impact on the triggering event assessment or future fair value estimate of goodwill, brand intangible asset, and definite-lived intangible assets, which could lead to material impairment charges. Refer to Note 5 herein for additional information regarding the fair value measurement.

15. Segment Reporting

The Company has three operating segments, which are also its reportable segments: Vera Bradley Direct ("VB Direct"), Vera Bradley Indirect ("VB Indirect"), and Pura Vida. These operating segments are components of the Company for which separate financial information is available and for which operating results are evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources and in assessing the performance of the segments.

The VB Direct segment includes Vera Bradley full-line and factory outlet stores; the Vera Bradley website, verabradley.com; the Vera Bradley online outlet site; and typically the Vera Bradley annual outlet sale. Revenues generated from this segment are driven through the sale of Vera Bradley-branded products from Vera Bradley to end consumers.

The VB Indirect segment represents revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 2,000 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand.

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The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.eu, and www.puravidabracelets.ca, and through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States.

Corporate costs represent the Company’s administrative expenses, which include, but are not limited to: human resources, legal, finance, information technology, design, product development, merchandising, corporate-level marketing and advertising, and various other corporate-level-activity-related expenses not directly attributable to a reportable segment. All intercompany-related activities are eliminated in consolidation and are excluded from the segment reporting.

Company management evaluates segment operating results based on several indicators. The primary or key performance indicators for each segment are net revenues and operating income. Net revenues and operating income information for the Company’s reportable segments during the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Segment net revenues:		
VB Direct	$ 66,732	$ 36,837
VB Indirect	15,264	11,229
Pura Vida	27,098	21,218
Total	$ 109,094	$ 69,284
Segment operating income (loss):		
VB Direct	$ 10,860	$ (10,965)
VB Indirect	4,461	2,756
Pura Vida	2,508	(801)
Total	$ 17,829	$ (9,010)
Reconciliation:		
Segment operating income (loss)	$ 17,829	$ (9,010)
Less:		
Unallocated corporate expenses	(19,788)	(16,564)
Operating loss	$ (1,959)	$ (25,574)

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion summarizes the significant factors affecting the condensed consolidated operating results, financial condition, liquidity, and cash flows of the Company as of and for the thirteen weeks ended May 1, 2021 and May 2, 2020. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 30, 2021, and our unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report. The results of operations for the thirteen weeks ended May 1, 2021, are not necessarily indicative of the results to be expected for the full fiscal year.

The COVID-19 Pandemic

During the first quarter of the current-year, we believe consumer confidence, traffic and spending grew as COVID-19 vaccines became more widely available; with the distribution of government stimulus funds; and as customers began to return to work, social events, and travel.

During the first quarter of the prior-year, the COVID-19 pandemic resulted in global travel restrictions, quarantines, and certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours. Although the Vera Bradley and Pura Vida e-commerce operations remained open during this time, the aforementioned items had a material adverse impact on overall consumer demand, traffic, and sales during the period. We took various actions to navigate the pandemic which included, but was not limited to, temporarily closing all Vera Bradley store locations on March 19, 2020; temporarily furloughing 80% of our workforce mid-quarter; temporarily reducing base compensation for certain associates; preserving cash by drawing on our Credit Agreement, which was repaid during the fourth quarter of the prior-year; and managing inventory, rent, and other expenses.

We cannot predict the future impacts that the COVID-19 pandemic could have on our future liquidity, operating results, and financial condition, but it could have a significant adverse affect on these metrics.

Executive Summary

Below is a summary of our strategic progress and financial results for the first quarter of fiscal 2022:

Strategic Progress

At Vera Bradley, we:

- Increased our focus on innovation and sustainability by preparing for the official May launch of our new Recycled Cotton collection, consciously crafted from 50% recycled and 50% conventional cotton;
- Drove brand awareness with quality media placements, with year-over-year media impressions up over 200%, and launched our new brand ambassador program; and
- Continued our high-profile product collaborations with new launches of Harry Potter, Crocs, and Disney.

At Pura Vida, we:

- Continued our Project Novus ERP integration which is scheduled for completion this fall for Pura Vida;
- Launched our apparel collection of shirts and hoodies; and
- Successfully introduced our Vera Bradley + Pura Vida charity bracelet program in all Vera Bradley full-line stores.

Financial Summary (all comparisons are to the first quarter of fiscal 2021)

- Net revenues increased 57.5% to $109.1 million.
- Vera Bradley Direct ("VB Direct") segment sales increased 81.2% to $66.7 million.
- Vera Bradley Indirect segment ("VB Indirect") sales increased 35.9% to $15.3 million.
- Pura Vida segment sales increased 27.7% to $27.1 million.
- Gross profit was $59.2 million, or 54.2% of net revenue.
- Operating loss was $(2.0) million and net loss attributable to Vera Bradley, Inc. was $(2.1) million.
- Capital expenditures for the thirteen weeks totaled $0.5 million.
- Cash and cash equivalents and investments were $52.7 million at May 1, 2021.

How We Assess the Performance of Our Business

In assessing the performance of our business, we consider a variety of performance and financial measures.

Net Revenues

Net revenues reflect sales of our merchandise and revenue from distribution and shipping and handling fees, less returns and discounts. Revenues for the VB Direct segment reflect sales through Vera Bradley full-line and factory outlet stores; verabradley.com; our Vera Bradley online outlet site; and typically our Vera Bradley annual outlet sale in Fort Wayne, Indiana. Revenues for the VB Indirect segment reflect sales of Vera Bradley-branded products to specialty retail partners; department stores; national accounts; third-party e-commerce sites; third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand. Revenues for the Pura Vida segment reflect revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.eu, and www.puravidabracelets.ca and through the distribution of Pura Vida-branded products to wholesale retailers.

Comparable Sales

Typically, comparable sales are calculated based upon our stores that have been open for at least 12 full fiscal months and net revenues from our Vera Bradley e-commerce operations. Pura Vida e-commerce operations are included within the Company's comparable sales beginning with the fiscal 2021 third quarter. Pura Vida e-commerce operations include sales from the subscription club. Comparable store sales are calculated based solely upon stores that have been open for at least 12 full fiscal months. Remodeled stores are included in both comparable sales and comparable store sales unless the store was closed for more than one week of the current or comparable prior period, in which case the non-comparable temporary closure periods are not included, or the remodel resulted in a significant change in square footage. Some of our competitors and other retailers calculate comparable or “same store” sales differently than we do. As a result, data in this report regarding our comparable sales and comparable store sales may not be comparable to similar data made available by other companies. Non-comparable sales include sales from stores not included in comparable sales or comparable store sales.

As a result of the temporary closure of all Vera Bradley stores due to COVID-19 during portions of the first and second quarters of the prior-year, the Company's first quarter comparable store sales and comparable sales calculations are not meaningful and therefore are not provided.

Typically, measuring the change in year-over-year comparable sales allows us and our investors to evaluate how our store base and e-commerce operations are performing. Various factors affect our comparable sales, including:

- Overall economic trends;
- Consumer preferences and fashion trends;
- Competition;
- The timing of our releases of new patterns and collections;
- Changes in our product mix;
- Pricing and level of promotions;
- Amount of store, mall, and e-commerce traffic;
- The level of customer service that we provide in stores and to our on-line customers;
- Our ability to source and distribute products efficiently;
- The number of stores we open and close in any period; and
- The timing and success of promotional and marketing efforts.

Gross Profit

Gross profit is equal to our net revenues less our cost of sales. Cost of sales includes the direct cost of purchased merchandise, distribution center costs, operations overhead, duty, and all inbound freight costs incurred. The components of our reported cost of sales may not be comparable to those of other retail and wholesale companies.

Gross profit can be impacted by changes in volume; fluctuations in sales price; operational efficiencies, such as leveraging of fixed costs; promotional activities, including free shipping; commodity prices, such as for cotton; tariffs; and labor costs.

Selling, General, and Administrative Expenses ("SG&A")

SG&A expenses include selling; advertising, marketing, and product development; and administrative expenses. Selling expenses include:

- VB Direct business expenses, such as store expenses, employee compensation, and store occupancy and supply costs;
- VB Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers; and
- Pura Vida business expenses primarily related to employee compensation.

Advertising, marketing, and product development expenses include employee compensation, media costs, creative production expenses, marketing agency fees, new product design costs, public relations expenses, and market research expenses. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income. Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations.

Other (Loss) Income, Net

Other (loss) income, net primarily includes certain legal settlements and sales tax credits received for timely filings.

Operating Loss

Operating loss is equal to gross profit less SG&A expenses plus other (loss) income, net. Operating loss excludes interest income, interest expense, and income taxes.

Net Loss

Net loss is equal to operating loss plus interest income less interest expense and income taxes.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interest

Net income (loss) attributable to redeemable noncontrolling interest represents the operating results of Pura Vida that are not attributable to Vera Bradley, Inc.

Net Loss Attributable to Vera Bradley, Inc.

Net loss attributable to Vera Bradley, Inc. is equal to net loss less net income (loss) attributable to redeemable noncontrolling interest.

Pura Vida Acquisition

On July 16, 2019, the Company completed its acquisition of a seventy-five percent (75%) ownership interest in Creative Genius, Inc. or "Pura Vida" (the "Transaction") in exchange for total cash consideration of approximately $75.0 million. The Company received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021.

In accordance with the Interest Purchase Agreement, the Company also agreed to a contingent payment of up to $22.5 million payable during the first quarter of calendar year 2020 based on calendar year 2019 adjusted EBITDA of Pura Vida, as defined in the Interest Purchase Agreement. This contingent payment was made during the first quarter of fiscal 2021 totaling $18.7 million. The Company's existing available cash, cash equivalents, and investments funded the purchase price due at the closing of the Transaction and subsequent to the closing.

Impairment Charges

Property, plant, and equipment and lease right-of-use assets (the "asset group" for store-related assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, as further defined in Note 5 to the Notes to the Condensed Consolidated Financial Statements herein. Impairment charges of $3.8 million were recognized during the thirteen weeks ended May 2, 2020 for property, plant, and equipment assets and lease right-of-use assets related to underperforming stores and are included in SG&A expenses in the Condensed Consolidated Statements of Operations and in impairment charges in the Condensed Consolidated Statements of Cash Flows. The impairment charges are included in the VB Direct segment. There were no impairment charges recorded during the thirteen weeks ended May 1, 2021. We are unable to predict the extent of the impact that the COVID-19 pandemic will have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Results of Operations

The following tables summarize key components of our condensed consolidated results of operations for the periods indicated, both in dollars and as a percentage of our net revenues ($ in thousands):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Statement of Operations Data:		
Net revenues	$ 109,094	$ 69,284
Cost of sales	49,930	35,096
Gross profit	59,164	34,188
Selling, general, and administrative expenses	60,896	59,782
Other (loss) income, net	(227)	20
Operating loss	(1,959)	(25,574)
Interest expense, net	90	72
Loss before income taxes	(2,049)	(25,646)
Income tax benefit	(531)	(10,109)
Net loss	(1,518)	(15,537)
Less: Net income (loss) attributable to redeemable noncontrolling interest	627	(200)
Net loss attributable to Vera Bradley, Inc.	$ (2,145)	$ (15,337)
Percentage of Net Revenues:		
Net revenues	100.0 %	100.0 %
Cost of sales	45.8 %	50.7 %
Gross profit	54.2 %	49.3 %
Selling, general, and administrative expenses	55.8 %	86.3 %
Other (loss) income, net	(0.2)%	— %
Operating loss	(1.8)%	(36.9)%
Interest expense, net	0.1 %	0.1 %
Loss before income taxes	(1.9)%	(37.0)%
Income tax benefit	(0.5)%	(14.6)%
Net loss	(1.4)%	(22.4)%
Less: Net income (loss) attributable to redeemable noncontrolling interest	0.6 %	(0.3)%
Net loss attributable to Vera Bradley, Inc.	(2.0)%	(22.1)%

The following tables present net revenues and operating income by operating segment, both in dollars and as a percentage of associated net revenues, and store data for the periods indicated ($ in thousands, except as otherwise indicated):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Net Revenues by Segment:		
VB Direct	$ 66,732	$ 36,837
VB Indirect	15,264	11,229
Pura Vida	27,098	21,218
Total	$ 109,094	$ 69,284
Percentage of Net Revenues by Segment:		
VB Direct	61.2 %	53.2 %
VB Indirect	14.0 %	16.2 %
Pura Vida	24.8 %	30.6 %
Total	100.0 %	100.0 %

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Operating Income (Loss) by Segment:		
VB Direct	$ 10,860	$ (10,965)
VB Indirect	4,461	2,756
Pura Vida	2,508	(801)
Less: Corporate unallocated	(19,788)	(16,564)
Total	$ (1,959)	$ (25,574)
Operating Income (Loss) as a Percentage of Net Revenues by Segment:		
VB Direct	16.3 %	(29.8)%
VB Indirect	29.2 %	24.5 %
Pura Vida	9.3 %	(3.8)%
Vera Bradley Store Data (1)(2)**:**		
Total stores opened during period	1	—
Total stores closed during period	(2)	(5)
Total stores open at end of period	143	146
Total gross square footage at end of period (all stores)	379,712	376,205
Average net revenues per gross square foot (3)	$ 116	NM

(1) Includes Vera Bradley full-line and factory outlet stores.

(2) As a result of the temporary closure of Vera Bradley stores due to COVID-19 during a portion of the prior-year first quarter, the Company's comparable store sales and comparable sales calculations were not meaningful and therefore were not provided.

(3) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period. As a result of the temporary closure of Vera Bradley stores due to COVID-19 during a portion of the prior-year first quarter, the Company's prior-year average net revenues per square foot were not meaningful and therefore were not provided.

Thirteen Weeks Ended May 1, 2021, Compared to Thirteen Weeks Ended May 2, 2020

Net Revenues

For the thirteen weeks ended May 1, 2021, net revenues increased $39.8 million, or 57.5%, to $109.1 million, from $69.3 million in the comparable prior-year period.

VB Direct. For the thirteen weeks ended May 1, 2021, net revenues in the VB Direct segment increased $29.9 million, or 81.2%, to $66.7 million, from $36.8 million in the comparable prior-year period. The increase primarily resulted from: i) higher store sales in the current-year since in the prior-year the Company’s stores temporarily closed, as a result of COVID-19, beginning on March 19, 2020 and ii) a 33.8% increase in e-commerce sales over the comparable prior-year period. Store and e-commerce sales benefited from increased sales of cotton masks compared to the prior-year period, since a majority of mask sales in the prior-year began in the second quarter. We also opened seven Vera Bradley factory outlet stores over the past 12 months.

VB Indirect. For the thirteen weeks ended May 1, 2021, net revenues in the VB Indirect segment increased $4.1 million, or 35.9%, to $15.3 million, from $11.2 million in the comparable prior-year period. The increase was primarily due to an increase in orders from specialty and certain key accounts, largely related to the impacts of COVID-19 in the prior-year period which included the delay of certain product launches.

Pura Vida. For the thirteen weeks ended May 1, 2021, net revenues in the Pura Vida segment increased $5.9 million, or 27.7%, to $27.1 million, from $21.2 million in the comparable prior-year period. Pura Vida wholesale and e-commerce sales increased over the prior-year period. Wholesale sales were impacted by the COVID-19 pandemic in the prior-year period.

Gross Profit

For the thirteen weeks ended May 1, 2021, gross profit increased $25.0 million, or 73.1%, to $59.2 million, from $34.2 million in the comparable prior-year period. As a percentage of net revenues, gross profit increased to 54.2% for the thirteen weeks ended May 1, 2021, from 49.3% in the comparable prior-year period. The prior-year period included charges for the cancellation of certain purchase orders due to COVID-19 which totaled $1.3 million and negatively impacted gross margin as a percentage of net revenues by 1.9%. The remaining increase as a percentage of net revenues was primarily due to channel mix changes and more full price selling, partially as a result of the impacts of COVID-19 in the prior-year period, which were partially offset by an increase in shipping and duty costs.

Selling, General, and Administrative Expenses

For the thirteen weeks ended May 1, 2021, SG&A expenses increased $1.1 million, or 1.9%, to $60.9 million, from $59.8 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses decreased to 55.8% for the thirteen weeks ended May 1, 2021, from 86.3% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $48.1 million compared to $47.2 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $12.8 million compared to $12.6 million in the prior-year. The increase in consolidated SG&A expenses for the thirteen weeks ended May 1, 2021 was primarily due to:

- Vera Bradley initiatives to reduce expenses in light of COVID-19 including the temporary furlough of certain associates; temporarily reducing the base compensation for all other salaried associates; certain expense reductions associated with the CARES Act retention credit; and reducing other non-payroll expenses including marketing that occurred in the prior-year period but did not recur in the current-year period and
- An increase in incentive compensation expense due to Company performance estimates compared to the prior-year period.

The aforementioned increases in SG&A expenses were partially offset by:

- $3.8 million of Vera Bradley store impairment charges in the prior-year period that did not recur in the current-year period;
- A reduction in depreciation expense primarily as a result of legacy software depreciation from the prior-year;
- A $1.7 million reduction of intangible asset amortization associated with the Pura Vida acquisition; and
- A reduction in lease expense primarily due to ten full-line store closures during the last 12 months, the effect of lease right-of-use asset impairments recorded in the prior-year, and rent abatements received for certain retail stores during the quarter, partially offset by an increase in contingent rent expense due to increased store sales.

SG&A expenses as a percentage of net revenues decreased primarily due to the aforementioned items, as well as SG&A expense leverage associated with increased sales.

Other (Loss) Income, Net

For the thirteen weeks ended May 1, 2021, net other loss increased $0.2 million to $0.2 million compared to net other income of $20.0 thousand in the comparable prior-year period. The increase in net other loss was primarily due to a legal settlement expense in the current-year period.

Operating Loss

For the thirteen weeks ended May 1, 2021, operating loss decreased $23.6 million to $(2.0) million in the current-year period, from $(25.6) million in the comparable prior-year period. As a percentage of net revenues, operating loss was (1.8)% and (36.9)% for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively. Operating loss decreased due to the factors described above.

VB Direct. For the thirteen weeks ended May 1, 2021, operating income in the VB Direct segment increased $21.9 million, to $10.9 million from an operating loss of $(11.0) million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 16.3% and operating loss of (29.8)% for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively. The increase in operating income as a percentage of VB Direct segment net revenues was primarily due to an increase in gross margin as a percentage of net revenues as described above, SG&A expense leverage associated with increased sales, and a decrease in SG&A expense primarily as a result of store impairment charges in the prior-year period and reductions in depreciation and lease expense in the current-year, partially offset by COVID-19-related expense savings from the prior-year period that did not recur.

VB Indirect. For the thirteen weeks ended May 1, 2021, operating income in the VB Indirect segment increased $1.7 million, or 61.9%, to $4.5 million from $2.8 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 29.2% and 24.5% for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively. The increase in operating income as a percentage of VB Indirect segment net revenues was primarily due to SG&A expense leverage associated with increased sales and a decrease in the bad debt provision compared to the prior-year period.

Pura Vida. For the thirteen weeks ended May 1, 2021, operating income in the Pura Vida segment increased $3.3 million to $2.5 million from an operating loss of $(0.8) million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating income in the Pura Vida segment was 9.3% and the operating loss was (3.8)% for the thirteen weeks ended May 1, 2021 and May 2, 2020, respectively. The increase in operating income as a percentage of Pura Vida net revenues was primarily due to SG&A leverage associated with increased sales and a decrease in the intangible asset amortization expense compared to the prior-year period.

Corporate Unallocated. For the thirteen weeks ended May 1, 2021, unallocated expenses increased $3.2 million, or 19.5%, to $19.8 million from $16.6 million in the comparable prior-year period. The increase in unallocated expenses was primarily due to prior-year period initiatives to reduce expenses in light of COVID-19 that did not recur in the current-year including the temporary furlough of certain associates; temporarily reducing the base compensation for all other salaried associates; and reducing other non-payroll expenses including marketing, as well as an increase in incentive compensation expense due to Company performance estimates. These increases in SG&A expense were partially offset by a decrease in depreciation expense, as described above.

Income Tax Benefit

The effective tax rate for the thirteen weeks ended May 1, 2021, was 25.9%, compared to 39.4% for the thirteen weeks ended May 2, 2020. The year-over year effective tax rate decrease was primarily due to the net operating loss carryback recorded in the prior-year period that did not recur in the current-year as a result of the Coronavirus Aid, Relief, and Economic Security Act (“CARES Act”) that was enacted on March 27, 2020 in response to the COVID-19 pandemic.

Net Loss

For the thirteen weeks ended May 1, 2021, net loss decreased $14.0 million to $(1.5) million from $(15.5) million in the comparable prior-year period due to the factors described above.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interest

For the thirteen weeks ended May 1, 2021, net income attributable to redeemable noncontrolling interest was $0.6 million compared to net loss of $(0.2) million in the prior-year period. This represents the allocation of the Pura Vida net income (loss) to the noncontrolling interest. The net income (loss) was due to the factors described above in the Pura Vida operating segment.

Net Loss Attributable to Vera Bradley, Inc.

For the thirteen weeks ended May 1, 2021, net loss attributable to Vera Bradley, Inc. decreased $13.2 million to $(2.1) million from $(15.3) million in the comparable prior-year period due to the factors described above.

Liquidity and Capital Resources

General

Our primary sources of liquidity are cash on hand and cash equivalents, investments, and cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our $75.0 million asset-based revolving credit agreement (the "Credit Agreement"). There was no debt outstanding as of May 1, 2021. Historically, our primary cash needs have been for merchandise inventories; payroll; store rent; capital expenditures associated with operational equipment, buildings, information technology, and opening new stores; and share repurchases. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

We believe that cash on hand and cash equivalents, investments, cash flows from operating activities, and the availability of borrowings under our Credit Agreement or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures, and other strategic uses of cash, if any, for the foreseeable future.

Cash Flow Analysis

A summary of operating, investing, and financing activities is shown in the following table (in thousands):

	Thirteen Weeks Ended	
	May 1, 2021	May 2, 2020
Net cash used in operating activities	$ (10,040)	$ (24,746)
Net cash (used in) provided by investing activities	(458)	19,692
Net cash (used in) provided by financing activities	(2,300)	37,413

Net Cash Used in Operating Activities

Net cash used in operating activities consists primarily of net income adjusted for non-cash items, including depreciation, amortization, impairment charges, deferred taxes, and stock-based compensation; and the effect of changes in assets and liabilities.

Net cash used in operating activities for the thirteen weeks ended May 1, 2021 was $10.0 million compared to $24.7 million for the thirteen weeks ended May 2, 2020. The decrease in cash used in operating activities was primarily related to the change in assets and liabilities and a decrease in the net loss adjusted for non-cash items. Changes in assets and liabilities resulting in a source of cash were primarily related to an increase in trade accounts receivable collections, mostly due to the impact of COVID-19 on the prior-year period. Changes in assets and liabilities resulting in a use of cash were primarily related to the timing of payments, including rent payments which were impacted by payment deferrals in the prior-year. There was also a change in the income tax receivable due to an increased loss in the prior-year period. In addition, accrued employment costs were lower in the prior-year due to COVID-19-related salary reductions and furloughs.

Net Cash (Used in) Provided by Investing Activities

Investing activities consist primarily of investments and capital expenditures related to new store openings, buildings, operational equipment, and information technology investments.

Net cash used in investing activities was $0.5 million for the thirteen weeks ended May 1, 2021 compared to cash provided by investing activities of $19.7 million for the thirteen weeks ended May 2, 2020. The increase in cash used in investing activities was primarily a result of proceeds from investment activity in the prior-year period that did not recur in the current-year period.

Capital expenditures for fiscal 2022 are expected to be approximately $8.0 million to $10.0 million.

Net Cash (Used in) Provided by Financing Activities

Net cash used in financing activities was $2.3 million for the thirteen weeks ended May 1, 2021 compared to cash provided by financing activities of $37.4 million for the thirteen weeks ended May 2, 2020. The increase in cash used in financing activities was primarily due to financing activities that occurred in the prior-year period but did not recur in the current-year period including borrowings of $60.0 million under our Credit Agreement, partially offset by $18.7 million for a contingent consideration payment associated with the July 2019 acquisition of Pura Vida and $3.1 million in common stock repurchases.

On September 7, 2018, VBD, a wholly-owned subsidiary of the Company, entered into an asset based revolving Credit Agreement (the “Credit Agreement”) among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed the lesser of $75.0 million or the amount of borrowing availability determined in accordance with a borrowing base of certain assets. Any proceeds of the credit facilities will be used to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC and Vera Bradley Sales, LLC (collectively, the “Named Subsidiaries”). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to $25.0 million.

Amounts outstanding under the Credit Agreement bear interest at a per annum rate equal to either (i) for CBFR borrowings (including swingline loans), the CB Floating Rate, where the CB Floating Rate is the prime rate which shall never be less than the adjusted one month LIBOR rate on such day, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.00% to -1.50% or (ii) for each eurodollar borrowing, the Adjusted LIBO Rate, where the Adjusted LIBO Rate is the LIBO rate for such interest period multiplied by the statutory reserve rate, for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.00% to 1.30%. The applicable CB Floating Rate, Adjusted LIBO Rate, or LIBO Rate shall be determined by the administrative agent. The Credit Agreement also requires VBD to pay a commitment fee for the unused portion of the revolving facility of up to 0.20% per annum.

VBD’s obligations under the Credit Agreement are guaranteed by the Company and the Named Subsidiaries. The obligations of VBD under the Credit Agreement are secured by substantially all of the respective assets of VBD, the Company, and the Named Subsidiaries and are further secured by the equity interests in VBD and the Named Subsidiaries.

The Credit Agreement contains various affirmative and negative covenants, including restrictions on the Company's ability to incur debt or liens; engage in mergers or consolidations; make certain investments, acquisitions, loans, and advances; sell assets; enter into certain swap agreements; pay dividends or make distributions or make other restricted payments; engage in certain transactions with affiliates; and amend, modify, or waive any of its rights related to subordinated indebtedness and certain charter and other organizational, governing, and material agreements. The Company may avoid certain of such restrictions by meeting payment conditions defined in the Credit Agreement. The Company was in compliance with these covenants as of May 1, 2021.

The Credit Agreement also requires the Loan Parties to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 during periods when borrowing availability is less than the greater of (A) $7.5 million, and (B) 10% of the lesser of (i) the aggregate revolving commitment, and (ii) the borrowing base. The fixed charge coverage ratio, availability, aggregate revolving commitment, and the borrowing base are further defined in the Credit Agreement.

The Credit Agreement contains customary events of default, including, among other things: (i) the failure to pay any principal, interest, or other fees under the Credit Agreement; (ii) the making of any materially incorrect representation or warranty; (iii) the failure to observe or perform any covenant, condition, or agreement in the Credit Agreement or related agreements; (iv) a cross default with respect to other material indebtedness; (v) bankruptcy and insolvency events; (vi) unsatisfied material final judgments; (vii) Employee Retirement Income Security Act of 1974 (“ERISA”) events that could reasonably be expected to have a material adverse effect; and (viii) a change in control (as defined in the Credit Agreement).

Any commitments made under the Credit Agreement mature on September 7, 2023.

As of May 1, 2021 and January 30, 2021, the Company had no borrowings outstanding and availability of $75.0 million under the Credit Agreement.

Off-Balance-Sheet Arrangements

We do not have any off-balance-sheet financing or unconsolidated special-purpose entities.

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company’s significant accounting policies is included in Note 2 to the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company’s consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of May 1, 2021.

Recently Issued Accounting Pronouncements

Refer to Note 1 “Description of the Company and Basis of Presentation” within Item 1 “Financial Statements” of this Quarterly Report on Form 10-Q for a discussion of recently issued accounting pronouncements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of May 1, 2021, there was no material change in the market risks described in “Quantitative and Qualitative Disclosures About Market Risks” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company’s Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of May 1, 2021.

There has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In August of 2019, Vesi Incorporated ("Vesi") filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company's licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint seeks damages in an amount not less than $10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. The Company has denied any liability and intends to vigorously defend itself in the case. In November 2019, the Company filed a counterclaim against the principals of Vesi as personal guarantors for monies owed to the Company by Vesi. The cases are currently in discovery. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

In April of 2020, Chidimma Igboakaeze filed suit seeking class certification for all current and former hourly-paid employees who worked for the Company within the state of California during the four years preceding the filing until final judgement. The complaint alleged various violations of the California Labor Code related to wages, overtime, meal and rest breaks, non-compliant wage statements and records and other similar allegations related to employment. The Plaintiff also filed a Private Attorney General Act claim with the state of California regarding the same allegations. This case was settled in the first quarter of fiscal 2022 for an immaterial amount.

The Company is subject to other legal proceedings from time to time in the ordinary course of business, but does not believe any of these such claims would have a material adverse impact on the Company at this time.

ITEM 1A. RISK FACTORS

Except as follows, there have been no material changes to the risk factors previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended January 30, 2021.

Losses or disruptions associated with our distribution systems could have a material adverse effect on our business and operations.

Our operating results depend on the orderly operation of our receiving and distribution functions, which also depends on our vendors' adherence to our shipping and receiving schedules. We may not anticipate all of the changing demands that our operating activities may impose on our receiving and distribution functions. There may also be events that are beyond our control that could cause delays in these functions, including but not limited to, public health pandemics such as COVID-19 and other catastrophic events, changing macroeconomic trends, and general disruptions or delays in shipping and receiving.

In addition, we rely on the flow of our goods through worldwide ports on a consistent basis. Disruption at the ports could create significant risks to our business, particularly if the occurrence is during a peak import time. For example, COVID-19 has resulted in a shortage of shipping containers, the lack of available shipping vessels, capacity constraints, and a general shipping backlog. If we experience significant delays in our receipt of product, we may experience an increase in freight costs, unanticipated inventory shortages, and missed sales opportunities which could adversely affect our financial condition, results of operations, and cash flows.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

On November 29, 2018, the Company's board of directors approved a share repurchase plan (the “2018 Share Repurchase Program”) authorizing up to $50.0 million of repurchases of shares of the Company's common stock. On December 3, 2020, the 2018 Share Repurchase Program was extended through December 11, 2021. On March 20, 2020, the Company temporarily suspended the share repurchase program to conserve cash as a result of the COVID-19 pandemic. The board of directors authorized the resumption of the share repurchase program beginning on March 11, 2021.

There was no activity under the program during the thirteen weeks ended May 1, 2021.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program
January 31, 2021 - February 27, 2021	—	$ —	—	$ 32,939,607
February 28, 2021 - April 3, 2021	—	—	—	32,939,607
April 4, 2021 - May 1, 2021	—	—	—	32,939,607
	—	$ —	—	

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2022 Annual Incentive Compensation Plan (Executives)
10.2	Form of Performance-Based Award Agreement under the 2020 Equity and Incentive Plan
10.3	Form of Restricted Stock Unit/Performance Unit Terms and Conditions
10.4	Form of Outside Director Restricted Stock Unit Terms and Conditions
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed on June 8, 2021)
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Furnished, not filed.

SIGNATURE

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

	Vera Bradley, Inc. (Registrant)
Date: June 9, 2021	/s/ John Enwright
	John Enwright
	Chief Financial Officer

Exhibit 10.1

Executive Officer Annual Incentive Compensation Plan
Fiscal 2022

<u>Plan Overview</u>

Awards under this Annual Incentive Compensation Plan ("Annual Plan") are granted under and governed by the terms and conditions of the Vera Bradley, Inc. 2020 Equity and Incentive Plan (the "2020 Plan"), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2020 Plan.

This Annual Plan is designed to give each eligible Participant (as defined in the attached Administrative Guidelines) an opportunity to share in the Company's success for the fiscal year ending January 29, 2022 (the "Performance Period"). The incentive is intended to be an inducement for future faithful service as well as a reward for performance. The incentive opportunity for the Performance Period is based on a percentage of each Participant's Base Salary (as defined herein) and will be earned based on three independent performance measures: (1) Brand/Enterprise Performance (made up of net revenue and operating income), (2) Brand/ Enterprise Strategic Objectives, and (3) Individual Financial Goals. Collectively, these are referred to as the "FY22 Performance Measures."

Calculation of Incentive Opportunity
The incentive opportunity for each Participant is determined based on a percentage of each Participant's Base Salary (as defined below) based upon the Participant's level:

	Incentive Opportunity as a Percentage of Base Salary		
Participant Level	**Threshold**	**Target**	**Excellence**
Chief Executive Officer	37.5%	100%	200%
Brand President	26.25%	70%	140%
Executive Officer II	18.75%	50%	100%
Executive Officer I	15%	40%	80%

"Base Salary" is defined as the Participant's gross base salary (before taxes and deductions) paid by the Company to the Participant during the Performance Period.

Each Participant will have the opportunity to earn the incentive set forth above based on the level of achievement against the FY22 Performance Measures. The applicability and weighting of the FY22 Performance Measures relative to the total incentive opportunity is also based upon the Participant's level as follows:

Vera Bradley/Pura Vida Brand - 80% Brand; 20% Enterprise

	As a Percentage of Total Target Incentive Opportunity Shown Above				
	Brand Performance		**Enterprise Performance**	**Brand Strategic Objectives**	**Individual Financial Goals**
Participant Level	**Net Revenue**	**Operating Income**	**Operating Income**		
Brand President	20%	20%	10%	25%	25%
Executive Officer II	20%	20%	10%	25%	25%
Executive Officer I	20%	20%	10%	25%	25%

Enterprise - 100% Enterprise Performance; 0% Brand Performance

	As a Percentage of Total Target Incentive Opportunity Shown Above					
	Brand Performance		**Enterprise Performance**		**Enterprise Strategic Objectives**	**Individual Financial Goals**
Participant Level	**Net Revenue**	**Operating Income**	**Net Revenue**	**Operating Income**		
Chief Executive Officer	0%	0%	25%	25%	25%	25%
Executive Officer II	0%	0%	25%	25%	25%	25%
Executive Officer I	0%	0%	25%	25%	25%	25%

Brand and Enterprise Financial Performance
Payouts for Financial Performance are based on meeting two independent financial metrics, which are net revenue and operating income. Assuming at least threshold levels of performance against the Performance goals are met during the Performance Period, the actual payout levels will range from 25%-200% of target. The actual amount of Financial Performance goals is considered to be confidential information and is not included in this document, but can be obtained from Human Resources.

Net Revenue Performance Level	**Payout as a Percentage of the Portion of Incentive Tied to Corporate Performance***
Threshold	25%
Target	100%
Excellence	200%
Operating Income Performance Level	**Payout as a Percentage of the Portion of Incentive Tied to Corporate Performance***
Threshold	25%
Target	100%
Excellence	200%

*Payout levels are determined using linear interpolation for results falling between the three performance levels.

Brand and Enterprise Strategic Objectives
Payouts for performance against the Brand and Enterprise Strategic Objectives will be based on performance against the following objectives, with underlying success measures to be provided by your manager. Each of these Strategic Goals are considered confidential and should not be shared outside of the Company.

Vera Bradley Brand Strategic Objectives:
- Digital: Achieve plan revenue
- Community: Achieve customer count plan
- Product Maximization: Achieve plan revenue
- Product Innovation: Achieve plan revenue
- Distribution Platform: Achieve factory plan revenue
- Technology: Achieve key technology initiatives

Pura Vida Brand Strategic Objectives:
- Core Product: Achieve growth plan
- Licensing & Collaborations: Achieve plan revenue
- New Products: Achieve plan revenue
- Retail & International Expansion: Achieve key initiatives
- ERP& Integrations: Achieve key initiatives

Enterprise Strategic Objectives:
- Build Corporate Platform Structure
- Pursue Acquisition

- Vera Cares: Achieve key initiatives
- Vera Bradley Growth
- Pura Vida Growth

Assuming threshold levels of performance against the Brand and Enterprise Strategic Objectives are met during the Performance Period, the actual payout levels will range from 25%-200% of target. The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") shall determine the level of performance achieved against the Brand and Enterprise Strategic Objectives in its sole discretion.

Individual Financial Goals

Payouts for performance against the Individual Financial Goals will be based on a Participant's overall achievement of personal objectives, as determined by the Participant's supervisor and approved by the Compensation Committee. Payout levels for achievement of the Individual Financial Goals range from 0%-200% of that portion of incentive tied to the Individual Financial Goals.

Administrative Guidelines

1. The CEO direct reports at an Executive Officer level and certain designated Executive Officers are eligible to participate in this Annual Plan. Any question regarding eligibility for participation in this Annual Plan shall be resolved by the Compensation Committee, in the Committee's sole discretion.

2. Participation in this Annual Plan neither gives any employee the right to be retained as an employee nor limits the Company's right to discharge or discipline any employee.

3. Final payout of any bonus under this Plan is subject to the final approval of the Chief Financial Officer and Vice President, Human Resources and as necessary the Compensation Committee.

4. Participants placed on a Performance Improvement Plan or who are on Step 3 Probation within six months of when payment is made under this Plan will not be eligible for such payment.

5. Certification of Results. Before any Awards under the Annual Plan are deemed earned with respect to a Performance Period, the Compensation Committee shall certify, in accordance with Section 9.5 of the 2020 Plan, in writing (i) that the performance goals have been met for the Performance Period, and (ii) the calculation of "Operating Income" and "Net Revenue" for the Performance Period.

    a. Definition of "Operating Income". For purposes of this Annual Plan, the term "Operating Income" means, with respect to the Performance Period related to any Awards, the Company's consolidated operating income, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.

    b. Definition of "Net Revenue". For purposes of this Annual Plan, the term "Net Revenue" means, with respect to the Performance Period related to any Awards, the Company's consolidated net revenue, as determined in accordance with U.S. GAAP.

6. Except as provided herein, (a) no Participant will be entitled to an incentive payment under the Plan unless the Participant is employed by the Company or an Affiliate in an eligible position on the day the incentive payment is made, and (b) a Participant who separates from Service for any reason prior to the date of payment of such incentive will not be entitled to a prorated award, unless otherwise required by applicable state law. By way of clarification, should a Participant separate from Service and be rehired within the same Performance Period, the Participant shall not be given credit for prior periods Service. Notwithstanding the preceding provisions, the following provisions will apply if, during the Performance Period (or after the Performance Period and prior to the date of payment), you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

    i. Death or Disability: In the event a Participant's Service terminates as a result of death or Disability prior to the date on which the incentive payment is made, the outstanding Award shall be treated as earned at the actual level for both the Company performance and at the target level for individual performance with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

    ii. Retirement: In the event a Participant's Service with the Company terminates as a result of Retirement during the Performance Period, the outstanding Award shall be earned based on the actual Company performance level obtained (determined at the end of the Performance Period) and target individual performance level, with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

7. Notwithstanding anything to the contrary in this Annual Plan, in the event of a Change in Control of the Company during the Performance Period, then the outstanding Award shall be treated as earned at the target level, but prorated based on the number of full fiscal months (in which the Participant provided Service throughout such month) during the Performance Period, with any such earned

   Awards becoming fully vested and paid out on a as soon as practicable (but not later than 30 calendar days) following the Change in Control. For purposes of this Annual Plan, the term "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

8. All Participants will receive an award that is prorated based on Base Salary earned during the Performance Period.

9. In the event that a Participant joins the Company at any time during the final three fiscal months of the Performance Period, such participant will not be eligible to participate in this Plan.

10. All goal attainment calculations will follow normal rounding guidelines (i.e., 93.1% to 93.49% = 93%; 93.5% to 93.9% = 94%).

11. Payments under the Annual Plan will be paid in cash after the end of the Company's fiscal tax year but no later than the 15th day of the third month following the Company's fiscal tax year on which the annual incentives under this Annual Plan are based.

12. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required to be withheld by law with respect to this Award.

13. Record keeping and computation required by this Annual Plan will be subject to review by third-party auditors, and by the Compensation Committee.

14. Interpretations, determinations, and actions regarding plan administration shall be made by the Compensation Committee. Any such determinations and any interpretation, rule, or decision under the Annual Plan or in carrying out or administering the Annual Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Company or its designee may rely conclusively on determinations made by the Company and its auditors to determine related information for purposes of administration of the Annual Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company.

15. While it is the intent of the Company to continue this Annual Plan as stated herein, the Company reserves the right to amend or discontinue the plan at any time in its sole discretion.

16. No Participant can assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

17. The rights granted under this document are in all respects subject to the provisions of the 2020 Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the 2020 Plan, the 2020 Plan will control.

18. Awards under this Plan shall be subject to all other Company policies, as amended, including but not limited to the Vera Bradley Compensation Recoupment Policy.

Exhibit 10.2

[Date]

Re: Award Agreement - Grant of Performance Units

Dear ,

Congratulations! In recognition of your continued dedication to Vera Bradley, we are pleased to award you with a discretionary grant of Performance Units ("Award"). This letter constitutes an Award Agreement between you and Vera Bradley regarding the terms and conditions of the grant. In order for the Award referenced in this Award Agreement to become effective, **you must electronically accept your grant no later than two weeks from the grant date.**

While complete details of this grant are defined in the enclosed documents, a high-level summary of this Award is as follows:

Type of Grant	Discretionary grant of Performance Units ("Performance RSUs"). This is a one-time, discretionary grant to reward you for your continued contribution to the success of Vera Bradley.
Number of Performance RSUs	**[Insert XX]**
Date of Grant of Award	**[Insert XX]**
Performance Period	**[Insert XX]**
Earning of Performance RSUs	The Performance RSUs will be divided into three equal tranches of 1/3 each (each a separate "Tranche") of the total Award and allocated to each of the three fiscal years of the Company ending during the Performance Period, with each such fiscal year being considered a performance year ("Performance Year"). Importantly, each Tranche of Performance RSUs must be "**earned**" and "**vested**" before it will be settled in the form of Shares of the Company. Except as otherwise provided herein, (i) each Tranche of Performance RSUs will be deemed **earned** only if the Earnings Per Share (as defined in the **[Insert XX]** Restricted Stock Unit/Performance Unit Terms and Conditions) of the Company for the applicable Performance Year meets or exceeds the threshold level established by the Compensation Committee for such Performance Year, and (ii) each Tranche of Performance RSUs will be deemed **vested** on the third anniversary of the grant date only if you are continuously employed with the Company throughout the Performance Period.

	Performance Level* for each Tranche		
	Threshold	**Target**	**Excellence**
Performance Level Attainment as % of Target (Insert FYXX)	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target (Insert FYXX)	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target (Insert FYXX)	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Payout level for Tranche of Performance RSUs**	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**

* The actual number of Performance RSUs allocated to each Tranche that can be earned under this Award Agreement is based on the level of performance achieved (as summarized in the table above) during the applicable Performance Year and can range from 0% of the "Target" (for performance levels below the "Threshold" level) to a maximum of 200% of the "Target" (for performance levels at or above the "Excellence" level).

** Payout levels for each Tranche of Performance RSUs are based on the attained percentage of the target Earnings per Share for each respective Performance Year (using linear interpolation for results falling between the three performance levels).

Termination of Service

In general, should your Service with Vera Bradley be terminated prior to the last day of the Performance Period, all then outstanding Performance RSUs (whether or not one or more Tranches have been earned as a result of the Earnings per Share for such Performance Year) will be forfeited to the Company. However, the following provisions will apply if, during the Performance Period, you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

- **Death or Disability:** In the event that your Service with the Company terminates as a result of your death or Disability during the Performance Period, (i) with respect to Performance Years that have been completed at the time of such death or Disability, each such Tranche shall be earned only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such death or Disability, each such Tranche shall be deemed to be earned based on the "Target" level of performance for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Disability" shall have the meaning assigned to such term in the 2020 Plan.

- **Retirement:** In the event your Service terminates as a result of your Retirement during the Performance Period, each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Retirement, each such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such Retirement, each such Tranche shall be deemed to be earned based on the actual performance level attained for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Retirement" shall have the meaning assigned to such term in the 2020 Plan.

If your Service with the Company shall terminate during the Performance Period for any reason other than death, Disability, or Retirement, all Performance RSUs granted hereunder (whether or not a Tranche was previously earned) shall be forfeited to the Company.

Change in Control	Notwithstanding anything to the contrary in this Award Agreement, in the event of the consummation of a Change in Control of the Company (and provided that you remain continuously employed with the Company until such Change in Control) during the Performance Period, then each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Change in Control, such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have not been completed at the time of such Change in Control, each such Tranche shall be deemed to be earned at the Target level, with any such earned Performance RSUs becoming fully vested. Performance RSUs payable upon a Change in Control shall be paid immediately prior to the Change in Control in the form of one Share of Company stock for each vested Performance RSU. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Settlement	Except as it applies to Tranches that are deemed to be earned at "Target" and become payable due to a Change in Control or due to termination of Service as a result of death or Disability, no Awards will become payable unless the Committee certifies that the performance goals in the Award Agreement have been attained with respect to the applicable Performance Year during the Performance Period in a manner that complies with the 2020 Plan. Any earned Performance RSUs will be paid in the form of one Share of Company stock for each earned whole Performance RSU. Delivery of the Share(s) will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Performance Period and not later than the 15th day of the third month following the end of the Performance Period. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Withholding Taxes	You acknowledge and agree that the Company shall have the power and the right to deduct or withhold, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to this Award.

These Performance RSUs have been granted under and are governed by the terms and conditions of the Vera Bradley, Inc. 2020 Equity and Incentive Plan (the “2020 Plan”), as amended. The enclosed Statement of General Information and Availability of Information for the 2020 Plan forms part of a Section 10(a) prospectus covering securities that have been registered under the Securities Act of 1933, as amended. This document is also enclosed to provide further information and background. Any term capitalized herein but not defined will have the meaning set forth in the 2020 Plan.

Please see the enclosed Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions for further information regarding your Award. It is very important that you keep these documents in a safe place because they describe your rights and responsibilities under the Performance Units and 2020 Plan and explain where and how to obtain other documents and information to which you are entitled.

Again, thank you for your continued contribution to the success of our organization! Your efforts are applauded and truly appreciated. If you have any questions regarding this discretionary grant, please contact Julie North, Vice President - Human Resources.

Sincerely,

Rob Wallstrom

Exhibit 10.3

Vera Bradley, Inc.
2020 Equity and Incentive Plan

LONG TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT/PERFORMANCE UNIT
TERMS AND CONDITIONS

1. Definitions. Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2020 Equity and Incentive Plan (the "Plan").

2. Grant and Vesting of Restricted Stock Units.

   a. As of the grant date specified in the Award Agreement (the "Grant Date"), the Participant will be credited with the number of Restricted Stock Units set forth in the Award Agreement. Each Restricted Stock Unit is a notional amount that represents one unvested share of Common Stock. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Restricted Stock Unit vests.

   b. Restricted Stock Units will vest in accordance with the terms of the Award Agreement. If the Participant's Service with the Company and all of its Affiliates terminates before the date that a grant of Restricted Stock Units vests, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 5.

3. Grant and Vesting of Performance Units ("Performance RSUs").

   a. As of the Grant Date, the Participant will be credited with the number of Performance RSUs set forth in the Award Agreement. Each Performance RSU is a notional amount that represents one unvested share of Common Stock. Each Performance RSU constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Performance RSU is deemed earned and vested.

   b. Performance RSUs granted under the Plan will become earned only if the Company achieves a stated level of "Earnings Per Share" (as defined below) during the applicable Performance Year within the Performance Period as set forth in the Award Agreement. Except as provided in Section 5, any earned Performance RSUs (and the Participant's right to receive the Shares underlying such Performance RSUs) will become vested only if the Participant remains continuously employed with the Company during the Performance Period. The following additional provisions apply to grants of Performance RSUs:

      i. *Certification of Results.* Before any award of Performance RSUs is deemed earned with respect to a Performance Period, the Committee shall certify, in accordance with Section 9.5 of the Plan, in writing (i) that the performance goals described in the Award Agreement has been achieved for the Performance Period, and (ii) the calculation of "Earnings Per Share" (as defined below) for each Performance Year within the Performance Period.

      ii. *Definition of "Earnings Per Share."* For purposes of this Subsection 3(b), the term "Earnings Per Share" means, with respect to any Awards of Performance RSUs, the Company's consolidated earnings per share, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.

iii. *Definition of "Performance Year."* For purposes of this Subsection 3(b), the term "Performance Year" means, with respect to any Awards of Performance RSUs, each fiscal year of the Company ending within the Performance Period.

iv. *Finality of Committee Determinations.* Any determination by the Committee of Earnings per Share and the level and entitlement to the Award of Performance RSUs, and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely conclusively on determinations made by the Company and its auditors to determine Earnings per Share and related information for purposes of administration of the Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company. This Subsection is not intended to limit the Committee's power, to the extent it deems proper in its sole discretion, to take any action permitted under the Plan.

4. <u>Rights as a Stockholder</u>.

a. Unless and until a Restricted Stock Unit or an earned Performance RSU, as applicable, has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or Performance RSU (as applicable) or that Share.

b. If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of outstanding Restricted Stock Units or Performance RSUs (as applicable) credited to the Participant through the record date. The dollar amount credited to a Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each fiscal quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units or Performance RSUs, as applicable, awarded under the applicable Award Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units or Performance RSUs, as applicable, are delivered (or forfeited at the time that the Participant's Restricted Stock Units or Performance RSUs, as applicable, are forfeited).

5. <u>Termination of Service; Change in Control</u>. If a Participant's Service is terminated for any reason during the applicable Restricted Period or Performance Period, the terms and conditions of the underlying Award Agreement will govern when and whether the Participant will forfeit the right to receive Shares underlying any Restricted Stock Units or Performance RSUs, as applicable, that have not yet vested. To the extent provided in the underlying Award Agreement, all or a portion of the previously unvested Restricted Stock Units or Performance RSUs, as applicable, then outstanding will vest immediately prior to or upon the consummation of a Change in Control.

For purposes hereof, a "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the

Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

6. Timing and Form of Payment. Except as provided in this Section or in clauses 2(b) or 3(b) or Section 5, above, once a Restricted Stock Unit vests or a Performance RSU is earned and vested, as applicable, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Restricted Period or Performance Period, as applicable, and not later than the 15^{th} day of the third month following the end of the Restricted Period or Performance Period, as applicable. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

7. Assignment and Transfers. The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

8. Withholding Tax. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required by law to be withheld with respect to the Award. Unless the Committee or its designee agrees to a different method for withholding such taxes, the number of Shares (underlying the Award) necessary to cover applicable withholdings will be withheld from the issuance of any Shares of exchange for the Award.

9. Securities Law Requirements.

    a. The Restricted Stock Units and Performance RSUs are subject to the further requirement that, if at any time the Committee determines in its sole discretion that the listing or qualification of the Shares subject to the Restricted Stock Units and Performance RSUs under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units and Performance RSUs, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

    b. No person who acquires Shares pursuant to the Award reflected in this document may, during any period of time during which that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

10. No Limitation on Rights of the Company. Subject to Sections 4.3, 14.1 and 14.2 of the Plan, the grant of the Award described in this document will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

11. Plan, Restricted Stock Units, Performance RSUs and Award Not a Contract of Employment. Neither the Plan, the Restricted Stock Units, the Performance RSUs nor any other right or interest that is part of the Award granted under the Plan or this document is a contract of employment, and no terms of employment or Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Performance RSUs, the Award, this document or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of employment or Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

12. Participant to Have No Rights as a Stockholder. Except as provided in Section 4 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units or Performance RSUs, as applicable, prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

13. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 12420 Stonebridge Road, Roanoke, Indiana 46783, Attn: Corporate Secretary, and, in the case of the Participant, to the last known address of the Participant in the Company's records.

14. Governing Law. This document and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Indiana, determined without regard to its conflict of law rules.

15. Code Section 409A. Notwithstanding any other provision in this document, if a Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

16. Plan Document Controls. The rights granted under this document are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the Plan, the Plan will control.

Exhibit 10.4

Vera Bradley, Inc.
2020 Equity and Incentive Plan

OUTSIDE DIRECTOR RESTRICTED STOCK UNIT TERMS AND CONDITIONS

1. Definitions. Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2020 Equity and Incentive Plan (the "Plan").

2. Grant and Vesting of Restricted Stock Units.

(a) As of the grant date specified in the letter that accompanies this document (the "Grant Date"), the Participant will be credited with the number of Restricted Stock Units set forth in the letter that accompanies this document. Each Restricted Stock Unit is a notional amount that represents one unvested share of Common Stock. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Restricted Stock Unit vests.

(b) Restricted Stock Units will vest on the first anniversaries of the Grant Date. If the Participant's Service with the Company and all of its Affiliates terminates before the date that all of the Restricted Stock Units vest, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 4.

3. Rights as a Stockholder.

(a) Unless and until a Restricted Stock Unit has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of outstanding Restricted Stock Units credited to the Participant through the record date. The dollar amount credited to a Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each fiscal quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units or awarded under the applicable Award Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units are delivered (or forfeited at the time that the Participant's Restricted Stock Units are forfeited).

4. Termination of Service; Change in Control. A Participant's right to receive the Shares underlying his or her Restricted Stock Units after termination of his or her Service will be only as provided in this Section. If a Participant's Service is terminated due to the Participant's death or Disability, the Participant (or his or her estate) will be immediately entitled to receive the Shares underlying all of the Restricted Stock Units that have not yet vested under Section 2 above. Other than a Removal pursuant to Section 2.10 of the Company's Bylaws, the Shares underlying all of the Restricted Stock Units that have not yet vested will vest in accordance with the vesting schedule in Section 2 above. If a Participant's Service is Removed pursuant to Section 2.10, the Participant will forfeit the right to receive Shares underlying under Restricted Stock Units that have not yet vested. Notwithstanding anything to the contrary herein, all previously unvested Restricted Stock Units then outstanding will vest immediately upon the occurrence of a Change in Control.

For purposes hereof, a “Change in Control” shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company’s then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who where neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company’s assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

5. Timing and Form of Payment. Except as provided in this Section or in clauses 2(b) or Section 4, once a Restricted Stock Unit vests, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, as soon as administratively feasible after its associated Restricted Stock Unit vests. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

6. Assignment and Transfers. The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

7. Withholding Tax. The Company and any Affiliate will have the right to retain Shares or cash that are distributable to the Participant hereunder to the extent necessary to satisfy any withholding taxes, whether federal or state, triggered by the distribution of Shares or cash pursuant to the Award reflected in this document.

8. Securities Law Requirements.

(a) The Restricted Stock Units are subject to the further requirement that, if at any time the Committee determines in its sole discretion that the listing or qualification of the Shares subject to the Restricted Stock Units under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(b) No person who acquires Shares pursuant to the Award reflected in this document may, during any period of time during which that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

9. No Limitation on Rights of the Company. Subject to Sections 4.3, 14.1 and 14.2 of the Plan, the grant of the Award described in this document will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

10. Plan, Restricted Stock Units, and Award Not a Contract of Employment. Neither the Plan, the Restricted Stock Units, nor any other right or interest that is part of the Award granted under the Plan or this document is a contract of employment, and no terms of employment or Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Award, this document or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of employment or Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

11. Participant to Have No Rights as a Stockholder. Except as provided in Section 4 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

12. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 12420 Stonebridge Road, Roanoke, Indiana 46783, Attn: Corporate Secretary, and, in the case of the Participant, to the last known address of the Participant in the Company's records.

13. Governing Law. This document and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Indiana, determined without regard to its conflict of law rules.

14. Code Section 409A. Notwithstanding any other provision in this document, if a Participant is a “specified employee” (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

15. Plan Document Controls. The rights granted under this document are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the Plan, the Plan will control.

Exhibit 31.1

CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002

I, Robert Wallstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 9, 2021

/s/ Robert Wallstrom
Robert Wallstrom
Chief Executive Officer

Exhibit 31.2

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, John Enwright, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:
   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
   (c) Evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
   (d) Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of the registrant’s board of directors (or persons performing the equivalent functions):
   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: June 9, 2021

/s/ John Enwright
John Enwright
Chief Financial Officer

Exhibit 32.1

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert Wallstrom, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 1, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Robert Wallstrom
Robert Wallstrom
Chief Executive Officer

June 9, 2021
Date

I, John Enwright, the Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 1, 2021 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ John Enwright
John Enwright
Chief Financial Officer

June 9, 2021
Date