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 2, 2020

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	**27-2935063**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
12420 Stonebridge Road, Roanoke, Indiana	**46783**
(Address of principal executive offices)	**(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 33,400,064 shares of its common stock outstanding as of June 3, 2020.

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FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical or current fact included in this report are forward-looking statements. Forward-looking statements refer to our current expectations and projections relating to our financial condition, results of operations, plans, objectives, strategies, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “might,” “will,” “should,” “can have,” and “likely” and other words 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. 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 the measures taken by governmental authorities and other actors to address it, which may precipitate or exacerbate other risks and/or uncertainties;
- civil unrest and its impact on consumer behavior and potential damage or closures to our locations;
- possible inability to successfully implement our long-term strategic plan, including our Vision 20/20 initiatives;
- possible declines in our comparable sales;
- possible inability to maintain and enhance our brand;
- 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 new or increased tariffs on our products that could lead to increased product costs and lower profit margins;
- possible failure of Pura Vida acquisition benefits to materialize as expected, including the possibility that the business may not perform as anticipated; and
- possible inability to successfully implement integration strategies related to the Pura Vida business.

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 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 February 1, 2020.

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 2, 2020	February 1, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 82,286	$ 49,917
Short-term investments	499	8,977
Accounts receivable, net	20,559	24,290
Inventories	132,855	123,606
Income taxes receivable	10,913	1,043
Prepaid expenses and other current assets	14,610	10,956
Total current assets	261,722	218,789
Operating right-of-use assets	106,430	114,790
Property, plant, and equipment, net	69,669	73,027
Intangible assets, net	53,865	56,305
Goodwill	44,254	44,254
Long-term investments	2,271	14,912
Deferred income taxes	6,919	7,656
Other assets	6,267	5,328
Total assets	$ 551,397	$ 535,061
Liabilities, Redeemable Noncontrolling Interest, and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 23,735	$ 20,235
Accrued employment costs	5,660	11,412
Short-term operating lease liabilities	27,048	21,347
Earn-out liability	—	18,448
Other accrued liabilities	12,644	13,850
Income taxes payable	90	2,113
Total current liabilities	69,177	87,405
Long-term operating lease liabilities	107,699	113,775
Long-term debt	60,000	—
Other long-term liabilities	89	62
Total liabilities	236,965	201,242
Commitments and contingencies		
Redeemable noncontrolling interest	38,858	30,049
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 41,792 and 41,515 shares issued and 33,399 and 33,503 shares outstanding, respectively	—	—
Additional paid-in-capital	99,879	100,357
Retained earnings	282,772	307,414
Accumulated other comprehensive (loss) income	(17)	158
Treasury stock	(107,060)	(104,159)
Total shareholders' equity of Vera Bradley, Inc.	275,574	303,770
Total liabilities, redeemable noncontrolling interest, and shareholders' equity	$ 551,397	$ 535,061

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 2, 2020	May 4, 2019
Net revenues	$ 69,284	$ 91,003
Cost of sales	35,096	40,535
Gross profit	34,188	50,468
Selling, general, and administrative expenses	59,782	54,297
Other income	20	184
Operating loss	(25,574)	(3,645)
Interest expense (income), net	72	(447)
Loss before income taxes	(25,646)	(3,198)
Income tax benefit	(10,109)	(793)
Net loss	(15,537)	(2,405)
Less: Net loss attributable to redeemable noncontrolling interest	(200)	—
Net loss attributable to Vera Bradley, Inc.	$ (15,337)	$ (2,405)
Basic weighted-average shares outstanding	33,330	34,228
Diluted weighted-average shares outstanding	33,330	34,228
Basic net loss per share available to Vera Bradley, Inc. common shareholders	$ (0.66)	$ (0.07)
Diluted net loss per share available to Vera Bradley, Inc. common shareholders	$ (0.66)	$ (0.07)
Reconciliation of net loss available to Vera Bradley, Inc. common shareholders		
Net loss attributable to Vera Bradley, Inc.	$ (15,337)	$ (2,405)
Excess portion of redeemable noncontrolling interest redemption value adjustment	(6,800)	—
Net loss available to Vera Bradley, Inc. common shareholders	$ (22,137)	$ (2,405)

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 2, 2020	May 4, 2019
Net loss	$ (15,537)	$ (2,405)
Unrealized (loss) gain on available-for-sale debt investments	(185)	132
Cumulative translation adjustment	10	1
Comprehensive loss, net of tax	(15,712)	(2,272)
Less: Comprehensive loss attributable to redeemable noncontrolling interest	(200)	—
Comprehensive loss attributable to Vera Bradley, Inc.	$ (15,512)	$ (2,272)

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 (Loss) Income	Treasury Stock	Total Permanent Equity
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**
Balance at February 2, 2019	**34,347,420**	**6,935,623**	**$ 95,572**	**$ 291,994**	**$ (24)**	**$ (92,839)**	**$ 294,703**
Net loss	—	—	—	(2,405)	—	—	(2,405)
Translation adjustments	—	—	—	—	1	—	1
Unrealized gain on available-for-sale debt investments	—	—	—	—	132	—	132
Restricted shares vested, net of repurchase for taxes	183,346	—	(791)	—	—	—	(791)
Stock-based compensation	—	—	1,238	—	—	—	1,238
Treasury stock purchased	(284,088)	284,088	—	—	—	(2,908)	(2,908)
Cumulative adjustment for ASC 842 adoption	—	—	—	(196)	—	—	(196)
Balance at May 4, 2019	**34,246,678**	**7,219,711**	**$ 96,019**	**$ 289,393**	**$ 109**	**$ (95,747)**	**$ 289,774**

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 2, 2020	May 4, 2019
Cash flows from operating activities		
Net loss	$ (15,537)	$ (2,405)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation of property, plant, and equipment	4,353	4,170
Amortization of operating right-of-use assets	5,563	5,471
Impairment charges	3,806	—
Amortization of intangible assets	2,440	—
Provision for doubtful accounts	497	38
Stock-based compensation	59	1,238
Deferred income taxes	737	102
Loss on investments	20	—
Adjustment of earn-out liability	229	—
Other non-cash (gain) charges, net	(23)	11
Changes in assets and liabilities:		
Accounts receivable	2,241	(1,934)
Inventories	(9,249)	1,488
Prepaid expenses and other assets	(4,593)	3,427
Accounts payable	3,780	1,273
Income taxes	(11,893)	(3,773)
Operating lease liabilities, net	(384)	(8,926)
Accrued and other liabilities	(6,792)	(5,395)
Net cash used in operating activities	(24,746)	(5,215)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(2,238)	(3,421)
Purchases of investments	(851)	(9,615)
Proceeds from maturities and sales of investments	21,788	8,403
Cash received for business acquisition	993	—
Net cash provided by (used in) investing activities	19,692	(4,633)
Cash flows from financing activities		
Tax withholdings for equity compensation	(537)	(791)
Repurchase of common stock	(3,077)	(3,055)
Distributions to redeemable noncontrolling interest	(296)	—
Borrowings under asset-based revolving credit agreement	60,000	—
Payment of contingent consideration for business acquisition	(18,677)	—
Net cash provided by (used in) financing activities	37,413	(3,846)
Effect of exchange rate changes on cash and cash equivalents	10	1
Net increase (decrease) in cash and cash equivalents	32,369	(13,693)
Cash and cash equivalents, beginning of period	49,917	113,493
Cash and cash equivalents, end of period	$ 82,286	$ 99,800

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

(unaudited)

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 1,045	$ 2,878
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 2, 2020 and May 4, 2019	$ —	$ 50
Expenditures incurred but not yet paid as of February 1, 2020 and February 2, 2019	$ 176	$ 197
Purchases of property, plant, and equipment		
Expenditures incurred but not yet paid as of May 2, 2020 and May 4, 2019	$ 316	$ 470
Expenditures incurred but not yet paid as of February 1, 2020 and February 2, 2019	$ 559	$ 1,065

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 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. Vera Bradley offers a unique, multi-channel sales model, as well as a focus on service and a high level of customer engagement.

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.

Beginning in the second quarter of fiscal 2020, the Company has included an additional segment for Pura Vida due to its acquisition. As a result, the Company now 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 the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of May 2, 2020, the Company operated 83 full-line stores and 63 factory outlet stores. In light of the COVID-19 pandemic, the Company cancelled its 2020 annual outlet sale. The 2021 annual outlet sale is planned for April 2021.
- The VB Indirect business consists of sales of Vera Bradley products to approximately 2,100 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 February 1, 2020, 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 2, 2020, are not necessarily indicative of the results to be expected for the full fiscal year. Further, the COVID-19 pandemic had a material impact on the Company's current-year period results.

The COVID-19 pandemic resulted in travel restrictions both domestically and internationally, community and self quarantines, certain factory closures or reduced operations, as well as mall closures or reduced mall operating hours during the first quarter of fiscal 2021. Although the Vera Bradley and Pura Vida e-commerce operations remained open, the aforementioned items had a material adverse impact on overall consumer demand, traffic, and sales. Furthermore, the pandemic materially impacted the Company's first quarter operating results. The Company cannot currently predict the extent that COVID-19 will impact its future liquidity, operating results, and financial condition, but it could have a significant adverse effect on these metrics. Beginning in mid-March 2020, the Company began taking several actions to navigate the COVID-19 pandemic, protect its financial position, maximize its liquidity, and to position the Company for a strong reopening and future. These actions included:

- Temporarily closing all Vera Bradley store locations on March 19;

- Temporarily furloughing approximately 80% of its workforce mid-quarter;
- Temporarily reducing base compensation for remaining salaried associates, with reductions on a graduated scale ranging from 15% to 30%, and 75% for the Company's Chief Executive Officer;
- Temporarily suspending cash compensation to the Company's Board of Directors;
- Temporarily suspending the share repurchase program;
- Drawing $60.0 million of its $75.0 million Credit Agreement;
- Temporarily eliminating the Company 401(k) and associate charitable contribution matches;
- Tightly managing inventory levels through the cancellation of purchase orders, delay of receipts, or seeking price concessions where possible;
- Actively working with landlords on addressing rent abatement, payment terms, accelerating store closures, and delaying or cancelling certain planned new store openings;
- Reducing non-payroll operating expenses, including but not limited to, marketing and travel; and
- Extending vendor payment terms.

In addition, the Company is leveraging elements of the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company.

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 beginning on July 17, 2019. 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 2, 2020 and May 4, 2019 refer to the thirteen-week periods ended on those dates.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, *Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurements*. The amendments in this update remove, modify, and add certain disclosure requirements to ASC 820, Fair Value Measurement. This guidance is effective for interim and annual periods beginning on or after December 15, 2019 (fiscal 2021). Early adoption is permitted, and certain amendments are to be adopted prospectively for only the most recent annual or interim period presented in the initial year of adoption or retrospectively. The adoption of this standard in the first quarter of fiscal 2021 did not have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard replaces the incurred loss impairment methodology in current GAAP with a methodology that uses a forward-looking approach to recording credit losses for certain financial instruments including debt securities, trade receivables, and other financial assets. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, for Securities and Exchange Commission (SEC) filers, which is the Company's fiscal 2021. Early adoption is permitted. The adoption of this standard in the first quarter of fiscal 2021 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

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

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

amendments required to be adopted in the same period. The Company is currently evaluating the impact of the guidance on its consolidated financial statements.

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 2, 2020 and May 4, 2019 (in thousands):

	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
Other		1,309	(1)		2,679	(2)		679	(3)		4,667
Total net revenues	$	36,837	(4)	$	11,229	(5)	$	21,218	(4)	$	69,284

(1) Primarily includes net revenues from apparel/footwear, stationery, freight, and gift card breakage.

(2) Primarily includes net revenues from apparel/footwear, 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.

	Thirteen Weeks Ended May 4, 2019										
	VB Direct Segment			VB Indirect Segment			Pura Vida Segment			Total	
Product categories											
Bags	$	27,667		$	9,991		$	—		$	37,658
Travel		19,926			3,722			—			23,648
Accessories		16,060			4,202			—			20,262
Home		5,685			584			—			6,269
Other		1,798	(1)		1,368	(2)		—			3,166
Total net revenues	$	71,136	(3)	$	19,867	(4)	$	—		$	91,003

(1) Primarily includes net revenues from apparel/footwear, stationery, and freight.

(2) Primarily includes net revenues from licensing agreements, freight, apparel/footwear, and merchandising.

(3) Net revenues were related to product sales recognized at a point in time.

(4) $18.9 million of net revenues related to product sales recognized at a point in time and $1.0 million of net revenues related to sales-based royalties recognized over time.

Contract Balances

Contract liabilities as of May 2, 2020 and February 1, 2020, were $4.4 million and $3.9 million, respectively. The balance as of May 2, 2020 consisted of unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, unredeemed gift cards, Pura Vida customer deposits and payments collected before shipment, and Pura Vida loyalty club points. The balance as of February 1, 2020 consisted of unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, unredeemed gift cards, Pura Vida 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. The Company did not have contract assets as of May 2, 2020 and February 1, 2020.

The balance for accounts receivable from contracts with customers, net of allowances, as of May 2, 2020 and February 1, 2020, was $14.3 million and $16.3 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 $0.5 million as of May 2, 2020 and February 1, 2020, 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 2, 2020.

3. Leases

The Company temporarily closed its full-line and factory outlet stores on March 19, 2020, due to the COVID-19 pandemic, further discussed in Note 1 herein. As a result, it deferred certain rent payments for the time of closure. The Company has not received significant rent abatements as of May 2, 2020.

Discount Rate

The weighted-average discount rate as of May 2, 2020, was 4.9%. 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 2, 2020, the Company had retail store leases and a showroom lease which were executed, but did not have control of the underlying assets; therefore, the lease liabilities and right-of-use assets 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 $5.9 million and have approximate terms of 5 to 10 years commencing in fiscal 2021 and fiscal 2022.

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

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

Company's Condensed Consolidated Statement of Operations for the thirteen weeks ended May 2, 2020 and May 4, 2019 (in thousands):

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Operating lease cost	$ 7,234	$ 7,357
Variable lease cost	818	2,237
Short-term lease cost	69	190
Total lease cost	$ 8,121	$ 9,784

The weighted-average remaining lease term as of May 2, 2020 was 5.8 years.

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

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 2,794	$ 8,099
Right-of-use assets increase (decrease) as a result of modified operating lease liabilities, net	$ 87	$ (2,194)

Vera Bradley, Inc.
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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.

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 loss or net loss attributable to Vera Bradley, Inc. When calculating earnings per share attributable to Vera Bradley, Inc., the Company adjusts the net 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 2, 2020	**May 4, 2019**
Numerator:		
Net loss	$ (15,537)	$ (2,405)
Less: Net loss attributable to redeemable noncontrolling interest	(200)	—
Net loss attributable to Vera Bradley, Inc.	(15,337)	(2,405)
Plus: Excess portion of redeemable noncontrolling interest redemption value adjustment	(6,800)	—
Net loss available to Vera Bradley, Inc. common shareholders	$ (22,137)	$ (2,405)
Denominator:		
Weighted-average number of common shares (basic)	33,330	34,228
Dilutive effect of stock-based awards	—	—
Weighted-average number of common shares (diluted)	33,330	34,228
Net loss per share available to Vera Bradley, Inc. common shareholders:		
Basic	$ (0.66)	$ (0.07)
Diluted	$ (0.66)	$ (0.07)

For the thirteen weeks ended May 2, 2020 and May 4, 2019, all potential common shares were excluded from the diluted share calculation because they were anti-dilutive due to the net loss in the period.

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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 2, 2020 and February 1, 2020, approximated their fair values.

The following table details the fair value measurements of the Company's investments as of May 2, 2020 and February 1, 2020 (in thousands):

	Level 1		Level 2		Level 3	
	May 2, 2020	February 1, 2020	May 2, 2020	February 1, 2020	May 2, 2020	February 1, 2020
Cash equivalents[(1)]	$ 62	$ 27	$ —	$ 2,198	$ —	$ —
Short-term investments:						
U.S. corporate debt securities	—	—	249	3,435	—	—
Commercial paper	—	—	—	2,489	—	—
Municipal securities	—	—	—	1,594	—	—
Non-U.S. corporate debt securities	—	—	250	1,136	—	—
U.S. asset-backed securities	—	—	—	323	—	—
Long-term investments:						
U.S. corporate debt securities	—	—	873	5,613	—	—
U.S. asset-backed securities	—	—	736	5,498	—	—
Non-U.S. corporate debt securities	—	—	662	2,409	—	—
Other foreign securities	—	—	—	810	—	—
Non-U.S. asset-backed securities	—	—	—	582	—	—

(1) Cash equivalents include a money market fund that has a maturity of three months or less at the date of purchase. Due to its 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, including 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 for the thirteen weeks ended

May 2, 2020 related to store assets including property, plant, and equipment and lease right-of-use assets. There were no impairment charges recorded for the thirteen weeks ended May 4, 2019.

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 lease right-of-use 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. Although the Company determined that no impairment exists for its goodwill and intangible assets, the assets could be at risk for impairment should economic conditions continue to deteriorate as a result of COVID-19 or other factors. Refer to Note 12 herein for additional information on the methods used in the valuation of acquired intangible assets.

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, 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 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.

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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 2, 2020 the Company had outstanding borrowings of $60.0 million and availability of $15.0 million under the Credit Agreement, compared to no borrowings outstanding and availability of $75.0 million as of February 1, 2020 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 2, 2020, was 39.4%, compared to 24.8% for the thirteen weeks ended May 4, 2019. The year-over-year effective tax rate increase was primarily due to the net operating loss ("NOL") carryback in the current-year period 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. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes.

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 6,076,001 shares of common stock for issuance or transfer under the 2010 Equity and Incentive Plan, which allows for grants of restricted stock units, as well as other equity awards.

Awards of Restricted Stock Units

During the thirteen weeks ended May 2, 2020, the Company granted 1,412,024 time-based and performance-based restricted stock units with an aggregate fair value of $5.8 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan compared to 407,264 time-based and performance-based restricted stock units with an aggregate fair value of $5.3 million in the same period of the prior year.

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.

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The following table sets forth a summary of restricted stock unit activity for the thirteen weeks ended May 2, 2020 (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 February 1, 2020	433	$ 12.03	671	$ 11.08
Granted	810	4.08	602	4.09
Vested	(216)	11.66	(187)	9.31
Forfeited	(1)	9.36	(1)	10.61
Nonvested units outstanding at May 2, 2020	1,026	$ 5.84	1,085	$ 7.51

As of May 2, 2020, there was $7.7 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 2.3 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 alleges 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 has also filed a Private Attorney General Act claim with the state of California regarding the same allegations. The Company denies all liability and intends to vigorously defend itself in the case. The case is currently awaiting a status conference before proceeding, which has been delayed due to the COVID-19 pandemic. 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.

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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. The 2018 Share Repurchase Program is scheduled to expire on December 14, 2020. On March 20, 2020, the Company temporarily suspended the share repurchase program to conserve cash as a result of the COVID-19 pandemic.

The Company purchased 381,835 shares at an average price of $7.60 per share, excluding commissions, for an aggregate amount of $2.9 million during the thirteen weeks ended May 2, 2020, 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 2, 2020, 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 or for other corporate purposes.

11. Investments

Cash Equivalents

Investments classified as cash equivalents relate to highly-liquid investments with a maturity of three months or less at the date of purchase. As of May 2, 2020 and February 1, 2020, these investments in the Company's portfolio consisted of a money market fund. The balance as of February 1, 2020 also included commercial paper.

Short-Term Investments

As of May 2, 2020 and February 1, 2020 short-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity within one year of the balance sheet date. The balance as of February 1, 2020 also included commercial paper, municipal securities, and U.S. asset-backed securities. These debt securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest income, net, in the Company's Condensed Consolidated Statements of Operations.

The Company held $0.5 million and $9.0 million in short-term investments as of May 2, 2020 and February 1, 2020, respectively. The following table summarizes the Company's short-term investments (in thousands):

	May 2, 2020	February 1, 2020
U.S. corporate debt securities	$ 249	$ 3,435
Commercial paper	—	2,489
Municipal securities	—	1,594
Non-U.S. corporate debt securities	250	1,136
U.S. asset-backed securities	—	323
Total short-term investments	$ 499	$ 8,977

Long-Term Investments

As of May 2, 2020 and February 1, 2020, long-term investments consisted of U.S. and non-U.S. corporate debt securities and U.S. asset-backed securities with a maturity greater than one year from the balance sheet date. The balance as of February 1, 2020 also included non-U.S. asset-backed securities and other foreign securities. These debt securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest income, net, in the Company's Condensed Consolidated Statements of Operations.

The Company held $2.3 million and $14.9 million in long-term investments as of May 2, 2020 and February 1, 2020, respectively. The following table summarizes the Company's long-term investments (in thousands):

	May 2, 2020	February 1, 2020
U.S. corporate debt securities	$ 873	$ 5,613
U.S. asset-backed securities	736	5,498
Non-U.S. corporate debt securities	662	2,409
Other foreign securities	—	810
Non-U.S. asset-backed securities	—	582
Total long-term investments	$ 2,271	$ 14,912

There were no material gross unrealized gains or losses on available-for-sale debt securities as of May 2, 2020 and February 1, 2020.

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. During the third quarter of fiscal 2020, the Company provided additional cash consideration of approximately $3.0 million for a working capital adjustment. The Company also received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021. Additional measurement period adjustments were recorded for conditions that existed as of the acquisition date. Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native, and highly engaging lifestyle brand that 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 believes that the acquisition will strengthen the Company by providing increased product diversification and future growth opportunities partially as a result of resource and knowledge-sharing.

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. There were no transaction costs during the thirteen weeks ended May 2, 2020. Pre-tax Transaction costs totaled $0.8 million for the thirteen weeks ended May 4, 2019. These costs are recorded within selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations and within corporate unallocated expenses.

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 which was not acquired by the Company entered into a 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. In the event of a change in control of the Company, the parties may exercise a portion of their put and call rights prior to the fifth anniversary of the closing date (as defined in the Put/Call Agreement).

The following schedule summarizes the consideration paid for Pura Vida, the fair value of the assets acquired and liabilities assumed, the fair value of the noncontrolling interest, and the fair value of the contingent consideration related to the earn-out provision. The accounting for the acquisition is substantially complete.

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in thousands		Fair Value at Acquisition Date
Cash and cash equivalents	$	1,495
Accounts receivable, net(5)		7,680
Inventories(1)		27,654
Prepaid expenses and other current assets		1,537
Operating right of use asset		1,250
Property, plant, and equipment, net		751
Goodwill(2)		44,254
Intangible asset, brand(3)		36,668
Other intangible assets(4)		24,996
Total assets acquired		146,285
Accounts payable		6,818
Accrued employment costs		2,351
Other accrued liabilities(5)		6,637
Operating lease liability		1,637
Total liabilities assumed		17,443
Less:		
Contingent consideration related to earn-out provision(6)		(20,098)
Redeemable noncontrolling interest		(32,210)
Cash acquired		(1,495)
Total closing consideration amount, net of cash acquired (7)	$	75,039

(1) Includes an $8.3 million step-up adjustment which was recognized in cost of sales within four months of the acquisition. Inventories were valued using the cost approach. The significant assumptions used for the valuation include inventory balances, projected gross and operating margins, and cost and time to dispose (sell) inventory on hand.

(2) Refer to Note 14 herein for additional information regarding goodwill.

(3) The brand intangible asset was valued using the relief-from-royalty method. The significant assumptions used for the valuation include the royalty rate, estimated projected revenues, long-term growth rate, and the discount rate. Refer to Note 14 herein for additional information regarding intangible assets.

(4) Other intangible assets include customer relationships and non-competition agreements. Customer relationships were valued using the multi-period excess earnings method. Significant assumptions used for the valuation include projected cash flows, the discount rate, and customer attrition rate. The non-competition agreements were valued using the with-or-without method. Significant assumptions used for the valuation include projected cash flows, probability of competition, impact of competition on business, and the discount rate. Refer to Note 14 herein for additional information regarding intangible assets.

(5) Includes $4.1 million related to an indemnified liability.

(6) Contingent consideration related to the earn-out provision was valued using a Monte Carlo simulation in order to forecast the value of the potential future payment. Significant assumptions used for the valuation include the discount rate, projected cash flows, and calculated volatility.

(7) Of the total $75.0 million closing consideration, $1.0 million was refunded to the Company through a working capital adjustment during the first quarter of fiscal 2021. Cash consideration paid during fiscal 2020 totaled $76.0 million.

The operations of Pura Vida are recorded in the Company's Condensed Consolidated Statements of Operations for the thirteen weeks ending May 2, 2020, beginning on July 17, 2019, which represents the first full day following the acquisition. As such, the Company's financial statements are not comparable with the prior-year period presented. Refer to Note 16 herein for segment-level financial information associated with Pura Vida.

The following pro forma financial information is intended to provide a sense for what the Company's operating results may have been if the Pura Vida acquisition had occurred at the beginning of fiscal 2019. The pro forma financial information is not indicative of the results that would have been reflected had the transaction actually occurred as of that date, nor is it necessarily indicative of the Company's future results. The financial information includes expense related to supplemental officer wages and fully indemnified state sales tax matters for time periods before the acquisition date. The Company does not expect these items to have a continuing impact on its consolidated financial statements. The following adjustments have been made:

- Definite-lived intangible amortization that exceeds one year has been reflected as if it occurred at the beginning of fiscal 2019;
- Transaction costs have been excluded; and
- Tax expense has been estimated at an effective tax rate of 39.4% for the current-year period and 25.0% for the prior-year period..

	Thirteen Weeks Ended	
in thousands, except per share data	**May 2, 2020**	**May 4, 2019**
Pro forma net revenues	$ 69,284	$ 107,992
Pro forma net loss	(14,528)	(2,880)
Pro forma net loss attributable to Vera Bradley, Inc.	(14,746)	(2,539)
Pro forma basic net loss per share available to Vera Bradley, Inc. shareholders	$ (0.65)	$ (0.07)
Pro forma diluted net loss per share available to Vera Bradley, Inc. shareholders	$ (0.65)	$ (0.07)

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 Note 1 herein for additional information.

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. The comparable prior-year period did not include intangible assets or goodwill.

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	May 2, 2020		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (7,675)	$ 16,533
Non-competition Agreements	788	(124)	664
Total definite-lived intangible assets	24,996	(7,799)	17,197
Indefinite-lived intangible asset			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	$ 61,664	$ (7,799)	$ 53,865

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

	February 1, 2020		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (5,274)	$ 18,934
Non-competition Agreements	788	(85)	703
Total definite-lived intangible assets	24,996	(5,359)	19,637
Indefinite-lived intangible asset			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	$ 61,664	$ (5,359)	$ 56,305

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

The weighted-average amortization period for the definite-lived intangible assets in total is 3.6 years. The weighted-average amortization period is 3.6 years and 5.0 years for customer relationships and non-competition agreements, respectively. The amortization expense for intangible assets is as follows (in thousands):

	Amortization Expense
Fiscal 2021 (remaining nine months)	6,569
Fiscal 2022	3,073
Fiscal 2023	3,073
Fiscal 2024	3,073
Thereafter	1,409
Total	$ 17,197

The total amount of the goodwill as of May 2, 2020, was $44.3 million recorded within the Pura Vida segment upon acquisition. Goodwill is expected to be deductible for tax purposes, limited to the Company's 75% majority ownership interest. Refer to Note 12 herein for addition information regarding goodwill. There were no changes to goodwill for the thirteen weeks ended 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 the 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. Inventories

The components of inventories were as follows:

	May 2, 2020	February 1, 2020
Raw materials(1)	$ 1,112	$ 1,056
Finished goods	131,743	122,550
Total inventories	$ 132,855	$ 123,606

(1) Relates solely to Pura Vida operations.

16. Segment Reporting

Beginning in the second quarter of fiscal 2020, the Company has included an additional segment for Pura Vida due to its acquisition. As a result, the Company now 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 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 2,100 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.

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.

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

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 2, 2020 and May 4, 2019, respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Segment net revenues:		
VB Direct	$ 36,837	$ 71,136
VB Indirect	11,229	19,867
Pura Vida	21,218	—
Total	$ 69,284	$ 91,003
Segment operating (loss) income:		
VB Direct	$ (10,965)	$ 8,360
VB Indirect	2,756	7,707
Pura Vida	(801)	—
Total	$ (9,010)	$ 16,067
Reconciliation:		
Segment operating (loss) income	$ (9,010)	$ 16,067
Less:		
Unallocated corporate expenses	(16,564)	(19,712)
Operating loss	$ (25,574)	$ (3,645)

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 2, 2020 and May 4, 2019. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 1, 2020, 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 2, 2020, are not necessarily indicative of the results to be expected for the full fiscal year.

COVID-19

The COVID-19 pandemic resulted in travel restrictions both domestically and internationally, community and self quarantines, certain factory closures or reduced operations, as well as mall closures or reduced mall operating hours during the first quarter of fiscal 2021. Although the Vera Bradley and Pura Vida e-commerce operations remained open, the aforementioned items had a material adverse impact on overall consumer demand, traffic, and sales. Furthermore, the pandemic materially impacted the Company's first quarter operating results. We cannot currently predict the extent that COVID-19 will impact our future liquidity, operating results, and financial condition of the Company, but it could have a significant adverse effect on these metrics. Beginning in mid-March 2020, we began taking several actions to navigate the COVID-19 pandemic, protect our financial position, maximize our liquidity, and to position the Company for a strong reopening and future. These actions included:

- Temporarily closing all Vera Bradley store locations on March 19;
- Temporarily furloughing approximately 80% of our workforce mid-quarter;
- Temporarily reducing base compensation for remaining salaried associates, with reductions on a graduated scale ranging from 15% to 30%, and 75% for our Chief Executive Officer;
- Temporarily suspending cash compensation to our Board of Directors;
- Temporarily suspending our share repurchase program;
- Drawing $60.0 million of our $75.0 million Credit Agreement;
- Temporarily eliminating the Company 401(k) and associate charitable contribution matches;
- Tightly managing inventory levels through the cancellation of purchase orders, delay of receipts, or seeking price concessions where possible;
- Actively working with landlords on addressing rent abatement, payment terms, accelerating store closures, and delaying or cancelling certain planned new store openings;
- Reducing non-payroll operating expenses, including but not limited to, marketing and travel; and
- Extending vendor payment terms.

In addition, the Company is leveraging elements of the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company.

Reopening Vera Bradley Retail Stores

On May 5, 2020, subsequent to the end of the first quarter, we began to open our Vera Bradley retail stores in a phased approach, with 18 out of 83 full-line stores and 40 out of 64 factory stores open as of the end of May 2020. The Company expects that nearly the entire store base will be open by the end of June 2020 barring any material public reopening setbacks. As of the end of May 2020, approximately 65% of our associates remain on furlough.

While we are making no assumptions of future performance based upon a limited number of days of sales data, the 27 stores that have been opened for two weeks or more since May 5, 2020, generated revenues, in the aggregate, of approximately 75% of the prior year's sales through May 31, 2020, while operating at reduced staffing and hours. While traffic is generally down, conversion and units per transaction are up. First quarter Vera Bradley e-commerce revenues increased over the comparable-prior year period and continued to exceed the prior year's performance in May. The sales of cotton face masks are helping to drive revenues at Vera Bradley.

Executive Summary

Below is a summary of our strategic progress and financial results for the first quarter of fiscal 2021:

Strategic Progress

COVID-19 has significantly impacted our Vision 20/20 goal of robust growth. However, despite the COVID-19 situation, we remain focused on our core Vision 20/20 strategies of enhancing our brands and long-term growth through heightened customer engagement and continued product innovation while navigating through the crisis.

At Vera Bradley, we launched our newest Disney collection in March and designed, manufactured, and began selling personal cotton face masks in April. We continued the process of re-platforming our technology systems to be more streamlined, nimble, and efficient. We also continued to see success in our data-driven marketing and data science and were able to quickly adjust marketing spending into different product categories due to the changes in consumer demand related to COVID-19.

At Pura Vida, we introduced new products with our spring launch including our popular Open Heart bracelet; gained momentum in our newly introduced engraveable collection; launched a new loyalty program called the Shore Club; and entered into an agreement with TikTok star Charli D'Amelio to create a Pura Vida bracelet influencer style pack this holiday season.

Financial Summary (all comparisons are to the first quarter of fiscal 2020)

- Net revenues decreased 23.9% to $69.3 million.
- Vera Bradley Direct (“VB Direct”) segment sales decreased 48.2% to $36.8 million.
- Vera Bradley Indirect segment (“VB Indirect”) sales decreased 43.5% to $11.2 million.
- Pura Vida segment sales were $21.2 million.
- Gross profit was $34.2 million, or 49.3% of net revenue. Gross profit was negatively impacted by $1.3 million, or 1.9% of net revenue, for charges related to the cancellation of certain purchase orders as a result of COVID-19.
- Operating loss was $(25.6) million and net loss attributable to Vera Bradley, Inc. was $(15.3) million. Operating loss included store impairment charges of $3.8 million; intangible asset amortization related to the Pura Vida acquisition of $2.4 million; $1.5 million of charges related to the Company's technology-related re-platforming; and $1.3 million of charges related to the cancellation of certain purchase orders as a result of COVID-19.
- Capital expenditures for the thirteen weeks totaled $2.2 million.
- Cash and cash equivalents and investments were $85.1 million at May 2, 2020.

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 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

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 not currently included within comparable sales, but will be considered comparable sales once reflected in the Company's operations for 12 full fiscal months. 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 of the temporary closure of all Vera Bradley stores due to COVID-19, the Company's fiscal 2021 first quarter comparable store sales and comparable sales calculations were not meaningful and therefore were not provided. Non-comparable sales include sales from stores not included in comparable sales or comparable store sales.

Measuring the change in year-over-year comparable sales allows us 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 Income

Other income includes certain legal settlements, proceeds from the sales of tickets to our annual outlet sale, and sales tax credits received for timely filings. In addition, we support many of our Indirect retailers' marketing efforts by distributing certain catalogs and promotional mailers to current and prospective customers. Our Indirect retailers reimburse us for a portion of the cost to produce these materials. Reimbursement received is recorded as other income. The related cost to design, produce, and distribute the catalogs and mailers is recorded as SG&A expense.

Operating Loss

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

Net Loss

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

Net Loss Attributable to Redeemable Noncontrolling Interest

Net 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 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. During the third quarter of fiscal 2020, the Company provided additional cash consideration of approximately $3.0 million for a working capital adjustment. The Company also received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021. Additional measurement period adjustments were recorded for conditions that existed as of the acquisition date. Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native, and highly engaging lifestyle brand that 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 believes that the acquisition will strengthen the Company by providing increased product diversification and future growth opportunities partially as a result of resource and knowledge-sharing.

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. There were no transaction costs during the thirteen weeks ended May 2, 2020. Pre-tax Transaction costs totaled $0.8 million for the thirteen weeks ended May 4, 2019.

Pura Vida has been fully consolidated within our financial statements beginning on July 17, 2019, the first full day following the acquisition. Pura Vida was also added as a reportable segment as a result of the acquisition. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

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 and lease right-of-use assets related to underperforming stores and are included in selling, general, and administrative 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 Direct segment. The COVID-19 pandemic, including the temporary closure of Vera Bradley retail stores beginning in mid-March, significantly impacted the Company's operations and cash flows which was the main driver of the impairment charges.

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 and may 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 2, 2020	May 4, 2019
Statement of Operations Data:		
Net revenues	$ 69,284	$ 91,003
Cost of sales	35,096	40,535
Gross profit	34,188	50,468
Selling, general, and administrative expenses	59,782	54,297
Other income	20	184
Operating loss	(25,574)	(3,645)
Interest expense (income), net	72	(447)
Loss before income taxes	(25,646)	(3,198)
Income tax benefit	(10,109)	(793)
Net loss	(15,537)	(2,405)
Less: Net loss attributable to redeemable noncontrolling interest	(200)	—
Net loss attributable to Vera Bradley, Inc.	$ (15,337)	$ (2,405)
Percentage of Net Revenues:		
Net revenues	100.0 %	100.0 %
Cost of sales	50.7 %	44.5 %
Gross profit	49.3 %	55.5 %
Selling, general, and administrative expenses	86.3 %	59.7 %
Other income	— %	0.2 %
Operating loss	(36.9)%	(4.0)%
Interest expense (income), net	0.1 %	(0.5)%
Loss before income taxes	(37.0)%	(3.5)%
Income tax benefit	(14.6)%	(0.9)%
Net loss	(22.4)%	(2.6)%
Less: Net loss attributable to redeemable noncontrolling interest	(0.3)%	— %
Net loss attributable to Vera Bradley, Inc.	(22.1)%	(2.6)%

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 2, 2020	May 4, 2019
Net Revenues by Segment:		
VB Direct	$ 36,837	$ 71,136
VB Indirect	11,229	19,867
Pura Vida	21,218	—
Total	$ 69,284	$ 91,003
Percentage of Net Revenues by Segment:		
VB Direct	53.2 %	78.2 %
VB Indirect	16.2 %	21.8 %
Pura Vida	30.6 %	— %
Total	100.0 %	100.0 %

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Operating (Loss) Income by Segment:		
VB Direct	$ (10,965)	$ 8,360
VB Indirect	2,756	7,707
Pura Vida	(801)	—
Less: Corporate unallocated	(16,564)	(19,712)
Total	$ (25,574)	$ (3,645)
Operating (Loss) Income as a Percentage of Net Revenues by Segment:		
VB Direct	(29.8)%	11.8 %
VB Indirect	24.5 %	38.8 %
Pura Vida	(3.8)%	— %
Store Data [(1)]:		
Total stores opened during period	—	5
Total stores closed during period	(5)	(2)
Total stores open at end of period	146	159
Comparable sales (including e-commerce) increase [(2)]	NM	5.2 %
Total gross square footage at end of period (all stores)	376,205	394,478
Average net revenues per gross square foot [(3)]	NM	$ 129

(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, the Company's fiscal 2021 first quarter comparable store sales and comparable sales calculations were not meaningful and therefore were not provided. Comparable sales are calculated based upon Vera Bradley 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 not currently included within comparable sales. Increase or decrease is reported as a percentage of the comparable sales for the same period in the prior fiscal year. Remodeled stores are included in comparable sales unless the store was closed for a 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.

(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, the

Company's fiscal 2021 first quarter average net revenues per gross square foot calculations were not meaningful and therefore were not provided.

Thirteen Weeks Ended May 2, 2020, Compared to Thirteen Weeks Ended May 4, 2019

Net Revenues

For the thirteen weeks ended May 2, 2020, net revenues decreased $21.7 million, or 23.9%, to $69.3 million, from $91.0 million in the comparable prior-year period.

VB Direct. For the thirteen weeks ended May 2, 2020, net revenues in the VB Direct segment decreased $34.3 million, or 48.2%, to $36.8 million, from $71.1 million in the comparable prior-year period. The decline primarily resulted from the Company's stores that were temporarily closed as a result of COVID-19 beginning in mid-March, as well as the cancellation of our annual outlet sale which typically occurs in April. First quarter e-commerce sales included in Direct segment net revenues increased 20.5% over the comparable period in the prior-year.

VB Indirect. For the thirteen weeks ended May 2, 2020, net revenues in the VB Indirect segment decreased $8.7 million, or 43.5%, to $11.2 million, from $19.9 million in the comparable prior-year period. The decline was primarily due to a reduction in orders from specialty, department stores and other key accounts, largely related to COVID-19, as well as a reduction in the number of specialty and department store accounts.

Pura Vida. For the thirteen weeks ended May 2, 2020, net revenues in the Pura Vida segment were $21.2 million. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Gross Profit

For the thirteen weeks ended May 2, 2020, gross profit decreased $16.3 million, or 32.3%, to $34.2 million, from $50.5 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 49.3% for the thirteen weeks ended May 2, 2020, from 55.5% in the comparable prior-year period. Charges for the cancellation of certain purchase orders due to COVID-19 totaled $1.3 million and negatively impacted gross margin as a percentage of net revenues by 1.9%. The remaining decrease as a percentage of net revenues was primarily due to increased shipping costs and product mix changes partially as a result of temporary store closures associated with COVID-19.

Selling, General, and Administrative Expenses

For the thirteen weeks ended May 2, 2020, SG&A expenses increased $5.5 million, or 10.1%, to $59.8 million, from $54.3 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 86.3% for the thirteen weeks ended May 2, 2020, from 59.7% in the comparable prior-year period. The increase in SG&A expenses for the thirteen weeks ended May 2, 2020 was primarily due to Pura Vida operating expenses of $10.2 million; store impairment charges of $3.8 million; amortization of intangible assets associated with the Pura Vida acquisition of $2.4 million; and $1.5 million of certain professional fees and accelerated depreciation charges related to our information technology re-platforming. These charges were partially offset by initiatives to reduce expenses in light of COVID-19 including the temporary furlough of approximately 80% of our workforce mid-quarter; temporarily reducing the base compensation for all other salaried associates; and reducing other non-payroll expenses including marketing, professional fees, and travel. In addition, there was a reduction in incentive compensation expense as a result of Company performance driven by COVID-19. SG&A expenses as a percentage of net revenues increased primarily due to the aforementioned items, as well as SG&A expense de-leverage associated with decreased sales.

Other Income

For the thirteen weeks ended May 2, 2020, other income decreased $0.2 million to $20.0 thousand compared to $0.2 million in the comparable prior-year period. The decrease in other income was primarily due to outlet sale ticket sales not received in the current-year period due to the cancellation of our 2020 annual outlet sale as a result of COVID-19.

Operating (Loss) Income

For the thirteen weeks ended May 2, 2020, operating loss increased $22.0 million to $(25.6) million in the current-year period, from $(3.6) million in the comparable prior-year period. As a percentage of net revenues, operating loss was (36.9)% and (4.0)% for the thirteen weeks ended May 2, 2020 and May 4, 2019, respectively. Operating loss increased due to the factors described above.

VB Direct. For the thirteen weeks ended May 2, 2020, operating loss in the VB Direct segment increased $19.4 million, to $(11.0) million from operating income of $8.4 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating (loss) income in the VB Direct segment was (29.8)% and 11.8% for the thirteen weeks ended May 2, 2020 and May 4, 2019, respectively. The increase in operating loss as a percentage of VB Direct segment net revenues was primarily due to SG&A expense de-leverage associated with lower sales primarily as a result of temporary store closures due to COVID-19, a decrease in gross margin as a percentage of net revenues as described above, store impairment charges, an allocation of charges for the cancellation of certain purchase orders related to COVID-19, and certain professional fees and accelerated depreciation charges for the Company's technology re-platforming.

VB Indirect. For the thirteen weeks ended May 2, 2020, operating income in the VB Indirect segment decreased $4.9 million, or 64.2%, to $2.8 million from $7.7 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 24.5% and 38.8% for the thirteen weeks ended May 2, 2020 and May 4, 2019, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was primarily due to SG&A expense deleverage associated with lower sales and a decrease in gross margin as a percentage of net revenues as described above.

Pura Vida. For the thirteen weeks ended May 2, 2020, operating loss in the Pura Vida segment was $(0.8) million, or (3.8)% of Pura Vida segment net revenues. These operating results included $2.4 million of intangible asset amortization expense. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Corporate Unallocated. For the thirteen weeks ended May 2, 2020, unallocated expenses decreased $3.1 million, or 16.0%, to $16.6 million from $19.7 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to initiatives to reduce expenses in light of COVID-19 including the temporary furlough of approximately 80% of our workforce mid-quarter; temporarily reducing the base compensation for all other associates; and reducing other non-payroll expenses including marketing, professional fees, and travel. In addition, there was a decrease in incentive compensation expense compared to the prior-year period as a result of Company performance driven by COVID-19.

Income Tax Expense

The effective tax rate for the thirteen weeks ended May 2, 2020, was 39.4%, compared to 24.8% for the thirteen weeks ended May 4, 2019. The year-over year effective tax rate increase was primarily due to the net operating loss ("NOL") carryback in the current-year period 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. The CARES Act, among other things, permits NOL carryovers and carrybacks to offset 100% of taxable income for taxable years beginning before 2021. In addition, the CARES Act allows NOLs incurred in 2018, 2019, and 2020 to be carried back to each of the five preceding taxable years to generate a refund of previously paid income taxes.

Net Loss

For the thirteen weeks ended May 2, 2020, net loss increased $13.1 million to $(15.5) million from $(2.4) million in the comparable prior-year period due to the factors described above.

Net Loss Attributable to Redeemable Noncontrolling Interest

For the thirteen weeks ended May 2, 2020, net loss attributable to redeemable noncontrolling interest was $(0.2) million. This represents the allocation of the Pura Vida net loss to the noncontrolling interest. The net 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 2, 2020, net loss attributable to Vera Bradley, Inc. increased $12.9 million to $(15.3) million from $(2.4) 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 incremental borrowings under our $75.0 million asset-based revolving credit agreement (the "Credit Agreement") which began on September 7, 2018. Borrowings under the credit agreement totaled $60.0 million during the thirteen weeks ended May 2, 2020, and there was $60.0 million in debt outstanding as of May 2, 2020. 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, short-term investments, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

In light of the COVID-19 pandemic, we anticipate that we will have increased needs for cash due to store closures and a general decline in sales related to the pandemic. While we believe that cash on hand and cash equivalents, investments, cash flows from operating activities, and the additional availability of borrowings under our Credit Agreement or other financing arrangements will be sufficient to meet working capital requirements and anticipated capital expenditures, other strategic uses of cash, if any, and debt payments for the foreseeable future, we cannot predict the full cash needs of the Company during the pandemic, which may be substantial.

Investments

Cash Equivalents. Investments classified as cash equivalents relate to highly-liquid investments with a maturity of three months or less at the date of purchase. As of May 2, 2020 and February 1, 2020, these investments in the Company's portfolio consisted of a money market fund. The balance as of February 1, 2020 also included commercial paper.

Short-Term Investments. As of May 2, 2020 and February 1, 2020 short-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity within one year of the balance sheet date. The balance as of February 1, 2020 also included commercial paper, municipal securities, and U.S. asset-backed securities.

Long-Term Investments. As of May 2, 2020 and February 1, 2020, long-term investments consisted of U.S. and non-U.S. corporate debt securities and U.S. asset-backed securities with a maturity greater than one year from the balance sheet date. The balance as of February 1, 2020 also included non-U.S. asset-backed securities and other foreign securities.

Refer to Note 11 "Investments" within Item 1 "Financial Statements" of this Quarterly Report on Form 10-Q for additional detail regarding investments.

Cash Flow Analysis

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

	Thirteen Weeks Ended	
	May 2, 2020	May 4, 2019
Net cash used in operating activities	$ (24,746)	$ (5,215)
Net cash provided by (used in) investing activities	19,692	(4,633)
Net cash provided by (used in) financing activities	37,413	(3,846)

Net Cash Used in Operating Activities

Net cash used in operating activities consists primarily of net loss adjusted for non-cash items, including depreciation, amortization, impairment charges, deferred taxes, and stock-based compensation; the effect of changes in assets and liabilities; and tenant-improvement allowances received from landlords under our store leases.

Net cash used in operating activities for the thirteen weeks ended May 2, 2020 was $24.7 million compared to $5.2 million for the thirteen weeks ended May 4, 2019. The increase in cash used in operating activities was primarily related to an increase in the net loss compared to the prior-year period, as well as the change in inventories, income taxes, and prepaid expenses and other assets resulting in an increased use of cash, partially offset by the change in net operating lease liabilities and accounts receivable resulting in an increased source of cash. The increases in use of cash were primarily related to temporary store closures and the cancellation of our annual outlet sale as a result of COVID-19; an increase in the income tax receivable due to the increased net loss compared to the prior-year period; and payments made for Pura Vida operations not in the prior-year period, as well as certain Vera Bradley technology project expenditures. Increases resulting in a source of cash were primarily related to the deferral of rent payments as a result of COVID-19 and a decrease in trade accounts receivable also primarily due to COVID-19.

Net Cash Provided by (Used in) Investing Activities

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

Net cash provided by investing activities was $19.7 million for the thirteen weeks ended May 2, 2020 compared to cash used in investing activities of $4.6 million for the thirteen weeks ended May 4, 2019. The increase in cash provided by investing activities was primarily a result of net investment activity in the current-year period.

Capital expenditures for fiscal 2021 are expected to be approximately $8.0 million to $10.0 million.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $37.4 million for the thirteen weeks ended May 2, 2020 compared to cash used in financing activities of $3.8 million for the thirteen weeks ended May 4, 2019. The increase in cash provided by financing activities was primarily due to borrowings of $60.0 million under our Credit Agreement, partially offset by the $18.7 million payment of the contingent consideration associated with the July 2019 acquisition of Pura Vida.

Credit Agreement

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 2, 2020.

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 2, 2020 the Company had outstanding borrowings of $60.0 million and availability of $15.0 million under the Credit Agreement, compared to no borrowings outstanding and availability of $75.0 million as of February 1, 2020 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 February 1, 2020.

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 February 1, 2020. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of May 2, 2020.

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 2, 2020, 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 February 1, 2020.

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 2, 2020.

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.

On July 16, 2019, the Company completed its acquisition of a majority interest in Pura Vida. Pura Vida constitutes approximately 24% of total assets and 5% of total liabilities as of May 2, 2020, and approximately 31% of net revenues for the thirteen weeks ended May 2, 2020. The Company is in the process of evaluating the existing controls and procedures of the acquired business and integrating the acquired business into its system of internal control over financial reporting. In accordance with SEC Staff guidance permitting a company to exclude an acquired business from management’s assessment of the effectiveness of internal control over financial reporting for the year in which the acquisition is completed, we have excluded from the above assessment of the Company’s disclosure controls and procedures the disclosure controls and procedures of the acquired business that are subsumed by 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 alleges 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 has also filed a Private Attorney General Act claim with the state of California regarding the same allegations. The Company denies all liability and intends to vigorously defend itself in the case. The case is currently awaiting a status conference before proceeding, which has been delayed due to the COVID-19 pandemic. 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.

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 February 1, 2020.

The outbreak of the novel coronavirus (COVID-19) may continue to cause significant disruptions in our revenue streams, operations, global supply chain and other facets of our business, which may continue to adversely impact our results of operations, financial condition, and share price.

Our operations are currently subject to significant disruptions as a result of the COVID-19 pandemic, which began in Wuhan, China. The pandemic has resulted in travel restrictions both domestically and internationally, community and self quarantines, certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours. We temporarily closed our retail stores on March 19, 2020. On May 5, 2020, we began to reopen our retail stores in a phased approach, with 18 out of 83 full-line stores and 40 out of 64 factory stores open as of the end of May. We expect that we will reopen nearly the entire store base by the end of June, barring any material public reopening setbacks. Despite the ongoing reopening of our retail stores, we have experienced, and may continue to experience, significantly reduced traffic, demand, and sales. Further, as guidance and mandates from governments and public health officials continue to evolve, additional closures to some, or all, of our retail stores, the stores of our Indirect segment partners, and other aspects of our operations may occur.

Among other impacts, COVID-19 has led to temporary factory closures and production and logistics constraints due to workforce availability in China. Although we continue to reduce our reliance on production from China, we expect our China production to be approximately 20% during fiscal 2021. As a result of the aforementioned restrictions, we may experience delayed shipments and increased shipping costs for some of our fiscal 2021 merchandise. We may also be adversely impacted should the pandemic compromise operations at our corporate headquarters and distribution center located in Roanoke, Indiana.

The extent of the pandemic's continued impact on our results of operations, financial condition, and share price will likely depend on future developments including, but not limited to, the duration of the spread of the outbreak, including the potential for spikes in the number of COVID-19 cases in future periods; mitigation activities undertaken by governments and the general public; and the overall economic impacts of quarantines and business closures.

As a result of the above-mentioned factors, the Company's liquidity, results of operations, and financial condition have been, and are likely to continue to be, adversely impacted.

Beginning in mid-March 2020, we began taking several actions to navigate the COVID-19 pandemic, protect our financial position, maximize our liquidity, and to position the Company for a strong reopening and future. In addition to the aforementioned store closures, these actions included: temporarily furloughing approximately 80% of our workforce during the first quarter; temporarily reducing compensation for remaining salaried associates based on a graduated scale; temporarily suspending cash compensation to our board of directors; temporarily suspending our share repurchase program; drawing $60.0 million of our $75.0 million Credit Agreement; temporarily eliminating the Company 401(k) and associate charitable contribution matches; tightly managing inventory levels through the cancellation of purchase orders, delay of receipts, or seeking price concessions where possible; actively working with landlords on addressing rent abatements, payments terms, accelerating store closures, and delaying or cancelling certain planned new store openings; reducing non-payroll operating expenses; and extending vendor payment terms. We are also leveraging the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company. Measures to mitigate COVID-19 impacts to our business may result in additional risk exposure or prove ineffectual. For example, we have and may continue to incur additional interest costs associated with increased borrowings under our Credit Agreement. As of the end of May, approximately 65% of our associates remain on furlough.

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. The 2018 Share Repurchase Program is scheduled to expire on December 14, 2020. To conserve cash as a result of COVID-19, the Company temporarily suspended the share repurchase program.

The Company purchased 381,835 shares at an average price of $7.60 per share, excluding commissions, for an aggregate amount of $2.9 million during the thirteen weeks ended May 2, 2020.

Details regarding the activity under the program during the thirteen weeks ended May 2, 2020 are as follows:

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
February 2, 2020 - February 29, 2020	178,824	$ 9.23	178,824	$ 34,190,967
March 1, 2020 - April 4, 2020	203,011	6.16	203,011	32,939,607
April 5, 2020 - May 2, 2020	—	—	—	32,939,607
	381,835	$ 7.60	381,835	

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2021 Annual Incentive Compensation Plan (Executives)
10.2	Form of Outside Director Restricted Stock Unit Terms and Conditions (Amended April 7, 2020)
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 10, 2020	/s/ John Enwright
	John Enwright
	Chief Financial Officer

Exhibit 10.1

Executive Officer Annual Incentive Compensation Plan
Fiscal 2021

<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. 2010 Equity and Incentive Plan (the “2010 Plan”), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2010 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 30, 2021 (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 “FY21 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%
Executive Officer	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 FY21 Performance Measures. The applicability and weighting of the FY21 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**		
Executive Officer	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	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. Financial metrics are weighted between 50%-66.6% of the Enterprise Performance goal. 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:
- **Brand Engagement** – Increase Customer Count
- **VB Cares/Strategy & ESG** – Rating at the Committee’s discretion
- **Drive Collaborations** - Achieve plan revenue
- **Drive Sales of Fabric Innovation** -Achieve plan revenue
- **Own the Backpack** - Achieve plan revenue
- **Completion of Project Novus** –Rating at the Committee’s discretion
- **COVID-19 Management** – Rating at the Committee’s discretion

Pura Vida Brand Strategic Objectives:
- **New Distribution Channels** – Rating at the Committee’s discretion
- **Product Innovation** – Achieve plan revenue
- **Marketing Efficiency** – Achieve marketing spend rate plan
- **Gross Margin Maintenance** – Achieve gross margin rate plan
- **Key Integration Decisions** - Rating at the Committee’s discretion

Enterprise Strategic Objectives:
- 67% VB Strategic Objectives
- 33% PV Strategic Objectives

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 2010 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 2010 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 2010 Plan, the 2010 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

Vera Bradley, Inc.

2010 Equity and Incentive Plan

OUTSIDE DIRECTOR RESTRICTED STOCK UNIT TERMS AND CONDITIONS

Amended April 7, 2020

1. Definitions. Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2010 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 10, 2020

/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 10, 2020

/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 2, 2020 (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 10, 2020
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 2, 2020 (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 10, 2020
Date