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 August 3, 2024

OR

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

For the Transition Period From __________ to __________

Commission File Number: 001-34918

VERA BRADLEY, INC.
(Exact name of registrant as specified in its charter)

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

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

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
		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 ☒

The registrant had 28,225,770 shares of its common stock outstanding as of September 4, 2024.

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FORWARD-LOOKING STATEMENTS

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

- possible inability to successfully implement our long-term strategic plans, including Project Restoration;
- possible declines in our comparable sales;
- possible inability to maintain and enhance our brands;
- possible failure of our multi-channel distribution model;
- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending, including political unrest, social unrest, acts of war and terrorism, and other related matters;
- 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 websites;
- possible disruptions in our supply chain;
- possible new or increased tariffs on our products and increases in inbound and outbound freight expense that could lead to increased product costs and lower profit margins; and
- public health pandemics and actions by governmental or other actors regarding containment.

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

For a discussion of the above described risks and uncertainties and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 3, 2024, as well as in Item 1A herein.

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

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

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

(unaudited)

	August 3, 2024	February 3, 2024
Assets		
Current assets:		
Cash and cash equivalents	$ 44,147	$ 77,303
Accounts receivable, net	25,126	17,112
Inventories	133,047	118,278
Income taxes receivable	6,433	461
Prepaid expenses and other current assets	14,702	12,803
Total current assets	223,455	225,957
Operating right-of-use assets	63,319	66,488
Property, plant, and equipment, net	55,984	54,256
Intangible assets, net	6,237	7,573
Deferred income taxes	20,279	20,355
Other assets	9,940	6,157
Total assets	$ 379,214	$ 380,786
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 37,949	$ 14,155
Accrued employment costs	6,615	12,944
Short-term operating lease liabilities	17,661	18,452
Other accrued liabilities	15,935	12,070
Income taxes payable	170	640
Total current liabilities	78,330	58,261
Long-term operating lease liabilities	58,306	62,552
Other long-term liabilities	44	44
Total liabilities	136,680	120,857
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 43,466 and 43,253 shares issued and 28,705 and 30,814 shares outstanding, respectively	—	—
Additional paid-in-capital	113,503	112,590
Retained earnings	280,052	282,467
Accumulated other comprehensive loss	(72)	(72)
Treasury stock	(150,949)	(135,056)
Total shareholders' equity	242,534	259,929
Total liabilities and shareholders' equity	$ 379,214	$ 380,786

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		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Net revenues	$ 110,822	$ 128,172	$ 191,425	$ 222,534
Cost of sales	54,461	56,156	93,154	98,769
Gross profit	56,361	72,016	98,271	123,765
Selling, general, and administrative expenses	53,627	59,405	107,408	117,911
Other income, net	138	260	580	631
Operating income (loss)	2,872	12,871	(8,557)	6,485
Interest income (expense), net	343	(12)	946	(44)
Income (loss) before income taxes	3,215	12,859	(7,611)	6,441
Income tax (benefit) expense	(2,491)	3,605	(5,196)	1,866
Net income (loss)	$ 5,706	$ 9,254	$ (2,415)	$ 4,575
Basic weighted-average shares outstanding	29,290	30,901	29,972	30,847
Diluted weighted-average shares outstanding	29,817	31,139	29,972	31,208
Basic net income (loss) per share	$ 0.19	$ 0.30	$ (0.08)	$ 0.15
Diluted net income (loss) per share	$ 0.19	$ 0.30	$ (0.08)	$ 0.15

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

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

(unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Net income (loss)	$ 5,706	$ 9,254	$ (2,415)	$ 4,575
Cumulative translation adjustment	(8)	46	—	36
Comprehensive income (loss), net of tax	$ 5,698	$ 9,300	$ (2,415)	$ 4,611

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	Treasury Stock	Total Shareholders' Equity
Balance at February 3, 2024	**30,813,616**	**12,439,244**	**$ 112,590**	**$ 282,467**	**$ (72)**	**$ (135,056)**	**$ 259,929**
Net loss	—	—	—	(8,121)	—	—	(8,121)
Translation adjustments	—	—	—	—	8	—	8
Restricted shares vested, net of repurchase for taxes	194,033	—	(356)	—	—	—	(356)
Stock-based compensation	—	—	804	—	—	—	804
Treasury stock purchased	(959,186)	959,186	—	—	—	(6,348)	(6,348)
Balance at May 4, 2024	**30,048,463**	**13,398,430**	**$ 113,038**	**$ 274,346**	**$ (64)**	**$ (141,404)**	**$ 245,916**
Net income	—	—	—	5,706	—	—	5,706
Translation adjustments	—	—	—	—	(8)	—	(8)
Restricted shares vested, net of repurchase for taxes	19,115	—	(107)	—	—	—	(107)
Stock-based compensation	—	—	572	—	—	—	572
Treasury stock purchased	(1,362,248)	1,362,248	—	—	—	(9,545)	(9,545)
Balance at August 3, 2024	**28,705,330**	**14,760,678**	**$ 113,503**	**$ 280,052**	**$ (72)**	**$ (150,949)**	**$ 242,534**

	Number of Shares						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
Balance at January 28, 2023	**30,766,024**	**12,079,690**	**$ 109,718**	**$ 274,629**	**$ (105)**	**$ (132,864)**	**$ 251,378**
Net loss	—	—	—	(4,679)	—	—	(4,679)
Translation adjustments	—	—	—	—	(10)	—	(10)
Restricted shares vested, net of repurchase for taxes	330,500	—	(942)	—	—	—	(942)
Stock-based compensation	—	—	691	—	—	—	691
Treasury stock purchased	(128,100)	128,100	—	—	—	(732)	(732)
Purchase of noncontrolling interest equity adjustment	—	—	1,286	—	—	—	1,286
Balance at April 29, 2023	**30,968,424**	**12,207,790**	**$ 110,753**	**$ 269,950**	**$ (115)**	**$ (133,596)**	**$ 246,992**
Net income	—	—	—	9,254	—	—	9,254
Translation adjustments	—	—	—	—	46	—	46
Restricted shares vested, net of repurchase for taxes	89	—	—	—	—	—	—
Stock-based compensation	—	—	910	—	—	—	910
Treasury stock purchased	(120,220)	120,220	—	—	—	(683)	(683)
Balance at July 29, 2023	**30,848,293**	**12,328,010**	**$ 111,663**	**$ 279,204**	**$ (69)**	**$ (134,279)**	**$ 256,519**

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

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

(unaudited)

	Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023
Cash flows from operating activities		
Net (loss) income	$ (2,415)	$ 4,575
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation of property, plant, and equipment	3,845	4,070
Amortization of operating right-of-use assets	9,334	10,501
Amortization of intangible assets	1,336	1,458
Provision for doubtful accounts	31	17
Stock-based compensation	1,376	1,601
Deferred income taxes	76	2,102
Other non-cash loss, net	15	40
Changes in assets and liabilities:		
Accounts receivable	(8,045)	(1,856)
Inventories	(14,769)	2,974
Prepaid expenses and other assets	(5,682)	1,107
Accounts payable	22,691	1,403
Income taxes	(6,442)	(899)
Operating lease liabilities, net	(11,202)	(10,552)
Accrued and other liabilities	(3,300)	(566)
Net cash (used in) provided by operating activities	(13,151)	15,975
Cash flows from investing activities		
Purchases of property, plant, and equipment	(3,649)	(1,727)
Cash paid for business acquisition	—	(10,000)
Net cash used in investing activities	(3,649)	(11,727)
Cash flows from financing activities		
Tax withholdings for equity compensation	(463)	(942)
Repurchase of common stock	(15,893)	(1,415)
Net cash used in financing activities	(16,356)	(2,357)
Effect of exchange rate changes on cash and cash equivalents	—	36
Net (decrease) increase in cash and cash equivalents	(33,156)	1,927
Cash and cash equivalents, beginning of period	77,303	46,595
Cash and cash equivalents, end of period	$ 44,147	$ 48,522

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

(unaudited)

	Twenty-Six Weeks Ended	
	August 3, 2024	**July 29, 2023**
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 1,165	$ 662
Supplemental disclosure of non-cash activity		
Non-cash operating, investing, and financing activities		
Purchases of property, plant, and equipment incurred but not yet paid	$ 2,089	$ 199

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 owned subsidiaries, except where the context requires otherwise or where otherwise indicated.

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

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

In July 2019, Vera Bradley, Inc. acquired a 75% interest in Creative Genius, Inc., which also operates under the name Pura Vida Bracelets ("Pura Vida"). On January 30, 2023, the Company purchased the remaining 25% interest in Pura Vida. Pura Vida, based in La Jolla, California, is a digitally native lifestyle brand that we believe deeply resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, and other lifestyle accessories.

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

- The VB Direct segment consists of sales of Vera Bradley products through Vera Bradley full-line and outlet stores in the United States; e-commerce sites (verabradley.com, outlet.verabradley.com, and international.verabradley.com); and the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of August 3, 2024, the Company operated 40 full-line stores and 81 outlet stores.
- The VB Indirect segment consists of revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 1,450 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 and www.puravidabracelets.eu); through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States; and through its six retail stores.

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 3, 2024, 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 and twenty-six weeks ended August 3, 2024, are not necessarily indicative of the results to be expected for the full fiscal year due to, in part, seasonal fluctuations in the business and the uncertainty of macroeconomic factors on future periods, including inflation and other related matters..

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

Principles of Consolidation

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

Fiscal Periods

The Company's fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended August 3, 2024 and July 29, 2023 refer to the thirteen week periods ended on those dates.

Recently Issued Accounting Pronouncements

There were no new accounting pronouncements issued or which became effective during the thirteen and twenty-six weeks ended August 3, 2024, which had, or are expected to have, a significant impact on the Company's Condensed 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 and twenty-six weeks ended August 3, 2024 and July 29, 2023 (in thousands):

	Thirteen Weeks Ended August 3, 2024			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 32,672	$ 12,837	$ 27	$ 45,536
Travel	17,569	4,370	—	21,939
Accessories	11,824	2,572	16,243	30,639
Home	6,037	852	—	6,889
Apparel/Footwear	2,209	510	192	2,911
Other	1,930 (1)	621 (2)	357 (3)	2,908
Total net revenues	$ 72,241 (4)	$ 21,762 (5)	$ 16,819 (4)	$ 110,822

(1) Primarily includes net revenues from stationery, freight, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements, freight, and merchandising.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $21.3 million of net revenues related to product sales recognized at a point in time and $0.5 million of net revenues related to sales-based royalties recognized over time.

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

	Thirteen Weeks Ended										
	July 29, 2023										
	VB Direct Segment			VB Indirect Segment			Pura Vida Segment			Total	
Product categories											
Bags	$	35,396		$	9,628		$	176		$	45,200
Travel		19,960			3,479			—			23,439
Accessories		15,140			1,987			23,672			40,799
Home		9,138			953			—			10,091
Apparel/Footwear		4,043			323			470			4,836
Other		2,025	(1)		993	(2)		789	(3)		3,807
Total net revenues	$	85,702	(4)	$	17,363	(5)	$	25,107	(4)	$	128,172

(1) Primarily includes net revenues from stationery, freight, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements, freight, and merchandising.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $16.7 million of net revenues related to product sales recognized at a point in time and $0.7 million of net revenues related to sales-based royalties recognized over time.

	Twenty-Six Weeks Ended										
	August 3, 2024										
	VB Direct Segment			VB Indirect Segment			Pura Vida Segment			Total	
Product categories											
Bags	$	55,964		$	19,618		$	36		$	75,618
Travel		31,665			6,342			—			38,007
Accessories		21,789			4,105			28,476			54,370
Home		11,253			1,285			—			12,538
Apparel/Footwear		4,772			726			303			5,801
Other		3,222	(1)		1,210	(2)		659	(3)		5,091
Total net revenues	$	128,665	(4)	$	33,286	(5)	$	29,474	(4)	$	191,425

(1) Primarily includes net revenues from stationery, freight, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements, freight, and merchandising.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $32.3 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.

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

	Twenty-Six Weeks Ended			
	July 29, 2023			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 58,297	$ 17,956	$ 237	$ 76,490
Travel	35,366	6,658	—	42,024
Accessories	25,634	3,945	42,683	72,262
Home	15,066	1,541	—	16,607
Apparel/Footwear	6,990	784	760	8,534
Other	3,254 (1)	1,852 (2)	1,511 (3)	6,617
Total net revenues	$ 144,607 (4)	$ 32,736 (5)	$ 45,191 (4)	$ 222,534

(1) Primarily includes net revenues from stationery, freight, and gift card breakage.
(2) Primarily includes net revenues from licensing agreements and freight.
(3) Related to freight.
(4) Net revenues were related to product sales recognized at a point in time.
(5) $31.3 million of net revenues related to product sales recognized at a point in time and $1.4 million of net revenues related to sales-based royalties recognized over time.

Contract Balances

Contract liabilities as of August 3, 2024 and February 3, 2024, were $2.0 million and $2.6 million, respectively. The balance as of August 3, 2024 and February 3, 2024 consisted of unredeemed gift cards, unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, Pura Vida loyalty club points, and Pura Vida customer deposits and payments collected before shipment. These contract liabilities are recognized within other accrued liabilities on the Company's Condensed Consolidated Balance Sheets. Substantially all contract liabilities are recognized within one year. The Company did not have contract assets as of August 3, 2024 and February 3, 2024.

The balance for accounts receivable from contracts with customers, net of allowances, as of August 3, 2024 and February 3, 2024, was $24.5 million and $16.4 million, respectively, which is recognized within accounts receivable, net, on the Company's Condensed Consolidated Balance Sheets. The provision for doubtful accounts was $1.1 million as of August 3, 2024 and February 3, 2024, 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 August 3, 2024.

3. Leases

Discount Rate

The weighted-average discount rate as of August 3, 2024, and July 29, 2023 was 4.9% and 4.7%, respectively. The discount rate is not readily determinable in the lease; therefore, the Company estimated the incremental borrowing rate, at the commencement date of each lease, which is the rate of interest it would have to borrow on a collateralized basis over a similar term with similar payments.

Leases Not Yet Commenced

As of August 3, 2024, the Company had six leases which were executed but for which it 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 a term of approximately 5 years commencing in fiscal year 2025.

Amounts Recognized in the Condensed Consolidated Financial Statements

The following lease expense is recorded within cost of sales for the Asia sourcing office and certain equipment leases and within selling, general, and administrative expenses for all other leases, including retail store leases, in the Company's Condensed Consolidated Statement of Operations for the thirteen and twenty-six weeks ended August 3, 2024 and July 29, 2023 (in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Operating lease cost	$ 6,332	$ 6,502	$ 12,729	$ 13,067
Variable lease cost	1,097	1,401	2,326	2,757
Short-term lease cost	164	233	404	355
Less: Sublease income [1]	(105)	(105)	(210)	(210)
Total net lease cost	$ 7,488	$ 8,031	$ 15,249	$ 15,969

(1) Related to the sublease of a former Company location.

The weighted-average remaining lease term as of August 3, 2024 and July 29, 2023 was 5.1 years and 5.4 years, respectively.

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

	Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023
Cash paid for amounts included in the measurement of operating lease liabilities[1]	$ 14,757	$ 14,803
Right-of-use assets increase as a result of new and modified operating lease liabilities, net	$ 6,191	$ 2,499

(1) $2.6 million of lease liabilities were recorded within accounts payable on the Company's Consolidated Balance Sheets as of August 3, 2024, and were paid in the third quarter of fiscal 2025.

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

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.

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Numerator:				
Net income (loss)	$ 5,706	$ 9,254	$ (2,415)	$ 4,575
Denominator:				
Weighted-average number of common shares (basic)	29,290	30,901	29,972	30,847
Dilutive effect of stock-based awards	527	238	—	361
Weighted-average number of common shares (diluted)	29,817	31,139	29,972	31,208
Net income (loss) per share:				
Basic	$ 0.19	$ 0.30	$ (0.08)	$ 0.15
Diluted	$ 0.19	$ 0.30	$ (0.08)	$ 0.15

For the twenty-six weeks ended August 3, 2024, all potential common shares were excluded from the diluted share calculation because they were anti-dilutive due to the net loss in the period.

For the thirteen weeks ended August 3, 2024, and the thirteen and twenty-six weeks ended July 29, 2023, there were an immaterial number of additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they were anti-dilutive.

5. Fair Value of Financial Instruments

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

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

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

The carrying amounts reflected on the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, other current assets, and accounts payable as of August 3, 2024 and February 3, 2024, approximated their fair values.

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The following table details the fair value measurements of the Company's investments as of August 3, 2024 and February 3, 2024 (in thousands):

	Level 1		Level 2		Level 3	
	August 3, 2024	February 3, 2024	August 3, 2024	February 3, 2024	August 3, 2024	February 3, 2024
Cash equivalents(1)	$ 25,562	$ 55,262	$ —	$ —	$ —	$ —

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

The Company assesses potential impairments to its long-lived assets, which includes property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets and right-of-use assets are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store's lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. There were no long-lived asset impairment charges for the thirteen and twenty-six weeks ended August 3, 2024 or July 29, 2023.

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.

On a nonrecurring basis, assets recognized or disclosed at fair value on the consolidated financial statements include items such as property, plant, and equipment, including leasehold improvements, and operating lease assets, as well as intangible assets related to the Pura Vida acquisition. These assets are measured at fair value if determined to be impaired. There were no intangible asset impairment charges recorded during the thirteen and twenty-six weeks ended August 3, 2024 or July 29, 2023. Refer to Note 13 herein for additional information.

6. Debt

On September 7, 2018, Vera Bradley Designs, Inc. ("VBD"), a wholly-owned subsidiary of the Company, entered into an asset-based revolving Credit Agreement (the "Credit Agreement") among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. On August 3, 2023, certain subsidiaries of the Company, JP Morgan Chase Bank, N.A., as the administrative agent, and lenders from time to time party thereto, entered into a Third Amendment (the "Third Amendment") to the Credit Agreement dated September 7, 2018.

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, Vera Bradley Sales, LLC, and Creative Genius, 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 $50.0 million.

Amounts outstanding under the Credit Agreement bear interest at a per annum rate equal to (i) for CBFR borrowings (including swingline loans), the CB Floating Rate, where the CB Floating Rate is the greater of the prime rate or 2.5%, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.25% to -1.50%, (ii) for each Term Benchmark Borrowing, the Adjusted Term SOFR Rate, where the Adjusted Term SOFR Rate is the Term SOFR rate for such interest period plus 0.10% for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.25% to 1.50%, or (iii) for RFR Loans, the Adjusted Daily Simple SOFR Rate, where the adjusted Daily Simple SOFR Rate is equal to the Daily Simple SOFR plus 0.10%, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.25% to 1.50% The applicable CB Floating Rate, Adjusted Term SOFR Rate, Term SOFR Rate, Daily Simple SOFR, and Adjusted Daily Simple SOFR 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 0.30% 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, as defined in the Credit Agreement, 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) $9.4 million, and (B) 12.5% 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).

The Credit Agreement matures in May 2028.

As of August 3, 2024 and February 3, 2024, the Company had no borrowings outstanding and availability of $75.0 million under the Credit Agreement.

7. Income Taxes

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

The effective tax rate for the thirteen weeks ended August 3, 2024, was (77.5)%, compared to 28.0% for the thirteen weeks ended July 29, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of non-deductible executive compensation.

The effective tax rate for the twenty-six weeks ended August 3, 2024, was 68.3%, compared to 29.0% for the twenty-six weeks ended July 29, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of non-deductible executive compensation.

Refer to Note 12 herein for information regarding the deferred income tax adjustment associated with the purchase of the remaining 25% interest in Pura Vida on January 30, 2023.

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 6,000,000 shares of common stock for issuance or transfer under the 2020 Equity and Incentive Plan, as amended, which allows for grants of restricted stock units, as well as other equity awards. The Company maintains the 2010 Equity and Incentive Plan for awards granted prior to the effectiveness of the 2020 Equity and Incentive Plan.

Awards of Restricted Stock Units

During the thirteen weeks ended August 3, 2024, the Company granted 14,612 time-based and performance-based restricted stock units with an aggregate fair value of $0.1 million to certain employees under the 2020 Equity and Incentive Plan compared to 195,617 time-based and performance-based restricted stock units with an aggregate fair value of $1.1 million in the same period of the prior year.

During the twenty-six weeks ended August 3, 2024, the Company granted 755,647 time-based and performance-based restricted stock units with an aggregate fair value of $5.1 million to certain employees and non-employee directors under the 2020 Equity and Incentive Plan compared to 738,187 time-based and performance-based restricted stock units with an aggregate fair value of $4.3 million in the same period of the prior year.

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

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

The following table sets forth a summary of restricted stock unit activity for the twenty-six weeks ended August 3, 2024 (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 3, 2024	683	$ 4.58	840	$ 4.42
Granted	422	6.71	333	6.71
Vested	(234)	6.77	(47)	10.22
Forfeited	(18)	6.48	(35)	6.57
Nonvested units outstanding at August 3, 2024	853	$ 5.91	1,091	$ 5.82

As of August 3, 2024, there was $5.8 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 1.9 years, subject to meeting performance conditions.

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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 2024, Marishka Filio filed suit seeking class certification for those who purchased products from the Company's website Verabradley.com during the applicable statute of limitations. The complaint alleges various violations of the California Invasion of Privacy Act and the California Unfair Competition Law. The Company denies all liability and intends to vigorously defend itself in the case. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter and do not believe that 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.

10. Common Stock

In December 2021, the Company's board of directors approved a share repurchase plan (the "2021 Share Repurchase Program") which authorized Company management to utilize up to $50.0 million of available cash for repurchases of shares of the Company's common stock. The 2021 Share Repurchase Program went into effect beginning December 13, 2021 and expires in December 2024.

The Company purchased 2,321,434 shares at an average price of $6.85 per share, excluding commissions, for an aggregate amount of $15.9 million during the twenty-six weeks ended August 3, 2024 under the 2021 Share Repurchase Program. There was $9.6 million remaining available to repurchase shares of the Company's common stock under the 2021 Share Repurchase Program as of August 3, 2024.

As of August 3, 2024, the Company held as treasury shares 14,760,678 shares of its common stock at an average price of $10.23 per share, excluding commissions, for an aggregate carrying amount of $151.0 million. The Company's treasury shares may be issued under the 2010 Equity and Incentive Plan (with respect to outstanding awards under that plan), under the 2020 Equity and Incentive Plan, or for other corporate purposes.

11. Cloud Computing Arrangements

The Company capitalizes implementation costs associated with its Cloud Computing Arrangements ("CCA") consistent with costs capitalized for internal-use software. The CCA costs are amortized over the term of the related hosting agreement, taking into consideration renewal options, if any. The renewal period is included in the amortization period if determined that the option is reasonably certain to be exercised. The amortization expense is recorded within selling, general, and administrative expenses in the Company's Condensed Consolidated Statements of Operations, which is within the same line item as the related hosting fees. The balance of the unamortized CCA implementation costs totaled $3.0 million and $3.8 million as of August 3, 2024 and February 3, 2024, respectively. Of this total, $2.0 million and $2.8 million was recorded within prepaid expenses and other current assets and $1.0 million was recorded within other assets on the Company's Condensed Consolidated Balance Sheets as of August 3, 2024 and February 3, 2024, respectively. The CCA implementation costs are recorded within operating activities in the Company's Condensed Consolidated Statements of Cash Flows.

12. Redeemable Noncontrolling Interest

Redeemable noncontrolling interest represented the remaining twenty-five percent (25%) interest in Pura Vida not acquired by the Company until January 30, 2023.

On July 16, 2019, the Company purchased 75% of Pura Vida's outstanding equity interest and entered into a Put/Call Agreement with the Sellers (the "Put/Call Agreement") providing for certain rights with respect to the purchase by the Company and sale by the Sellers of the Remaining Pura Vida Interests. On January 23, 2023, the Company and certain of its subsidiaries entered into an Interest Purchase Agreement (the "Interest Purchase Agreement") with Creative

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Genius Holdings, Inc. a California corporation, Creative Genius Investments, Inc., a California corporation, Griffin Thall, and Paul Goodman (collectively "Sellers") to purchase the remaining 25% of the outstanding membership interests (the "Remaining Pura Vida Interests") of Creative Genius, LLC, a California limited liability company ("Pura Vida").

Pursuant to the Interest Purchase Agreement, and subject to the terms and conditions thereof, on the closing date (January 30, 2023), the Company acquired the Remaining Pura Vida Interests (the "Transaction") in exchange for cash consideration consisting of $10.0 million paid at closing, subject to certain adjustments. The Transaction was not subject to financing conditions. The Company's existing available cash and cash equivalents funded the purchase price. Following completion of the Transaction, the Company owns 100% of the ownership interests in Pura Vida.

The Interest Purchase Agreement provides that, as of the closing of the Transaction, all rights and obligations of the Company and the Sellers under any agreements among the parties, including the Put/Call Agreement, were terminated.

As a result of the Transaction, the Company recorded a decrease to redeemable noncontrolling interest of $10.7 million. The difference between the fair value of the consideration paid and the balance of the redeemable noncontrolling interest resulted in $0.7 million recognized in additional paid-in capital ("APIC") during the thirteen weeks ended April 29, 2023. In addition, there was an APIC adjustment of $0.6 million related to deferred income taxes for the purchase of the redeemable noncontrolling interest. The total APIC adjustment for this matter during the thirteen weeks ended April 29, 2023, was $1.3 million.

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13. Intangible Assets

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

	August 3, 2024		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (24,208)	$ —
Total definite-lived intangible assets	24,208	(24,208)	—
Indefinite-lived intangible asset			
Pura Vida Brand	6,237	—	6,237
Total intangible assets	$ 30,445	$ (24,208)	$ 6,237

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

	February 3, 2024		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (22,872)	$ 1,336
Total definite-lived intangible assets	24,208	(22,872)	1,336
Indefinite-lived intangible asset			
Pura Vida Brand (2)	6,237	—	6,237
Total intangible assets, excluding goodwill	$ 30,445	$ (22,872)	$ 7,573

(1) Amortization expense is recorded within the Pura Vida segment.
(2) An impairment charge of $5.4 million was recorded within the Pura Vida segment during fourth quarter of fiscal 2024.

14. Cost Savings Initiatives and Other Charges

Cost Savings Initiatives and Severance Charges

During fiscal 2023, the Company began implementation of its targeted cost reductions, which are expected to be fully realized in fiscal 2025. Expense savings are being derived across various areas of the Company, including retail store efficiencies, marketing expenses, information technology contracts, professional services, logistics and operational costs, and corporate payroll.

The Company incurred the following charges during the thirteen weeks ended August 3, 2024 (in thousands):

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	Reportable Segment				
	VB Direct	VB Indirect	Pura Vida	Unallocated Corporate Expenses	Total Expense
Severance charges	$ —	$ 209	$ —	$ 144	$ 353
Total [1]	$ —	$ 209	$ —	$ 144	$ 353

(1) Recorded within cost of goods sold and selling, general, and administrative ("SG&A") expenses

The Company incurred the following charges during the twenty-six weeks ended August 3, 2024 (in thousands):

	Reportable Segment				
	VB Direct	VB Indirect	Pura Vida	Unallocated Corporate Expenses	Total Expense
Severance charges	$ 135	$ 217	$ —	$ 437	$ 789
Total [1]	$ 135	$ 217	$ —	$ 437	$ 789

(1) Recorded within cost of goods sold and SG&A expenses

A summary of charges and related liabilities associated with the cost savings initiatives and severance charges are as follows (in thousands):

	Severance Charges and Cash Retention Payment Acceleration Charges [1]
Liability as of February 3, 2024	$ 541
Fiscal 2025 charges	789
Cash payments	(1,272)
Liability as of August 3, 2024	$ 58

(1) Remaining liability is recorded within accrued employment costs

The Company incurred the following charges during the thirteen weeks ended July 29, 2023 (in thousands):

	Reportable Segment				
	VB Direct	VB Indirect	Pura Vida	Unallocated Corporate Expenses	Total Expense
Severance charges	$ —	$ —	$ 79	$ —	$ 79
Total [1]	$ —	$ —	$ 79	$ —	$ 79

(1) Recorded within SG&A expenses

The Company incurred the following charges during the twenty-six weeks ended July 29, 2023 (in thousands):

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	Reportable Segment				
	VB Direct	VB Indirect	Pura Vida	Unallocated Corporate Expenses	Total Expense
Severance charges (1)	$ 342	$ —	$ 79	$ 1,647	$ 2,068
Consulting fees and other costs (2)	—	—	—	105	105
Total (3)	$ 342	$ —	$ 79	$ 1,752	$ 2,173

(1) Includes former CFO severance
(2) Related to professional fees
(3) Recorded within SG&A expenses

A summary of charges and related liabilities associated with the cost savings initiatives and severance charges are as follows (in thousands):

	Severance Charges and Cash Retention Payment Acceleration Charges (1)	Consulting Fees and Other Costs
Liability as of January 28, 2023	$ 3,083	$ 60
Fiscal 2024 charges	2,068	105
Cash payments	(4,946)	(165)
Liability as of July 29, 2023	$ 205	$ —

(1) Remaining liability is recorded within accrued employment costs

15. Segment Reporting

The Company has three operating segments, which are also its reportable segments: VB Direct, 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 outlet stores; e-commerce sites (verabradley.com, outlet.verabradley.com, and international.verabradley.com); 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 1,450 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 and www.puravidabracelets.eu); through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States; and through the Pura Vida retail stores.

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.

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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 (loss) information for the Company's reportable segments during the thirteen and twenty-six weeks ended August 3, 2024 and July 29, 2023, respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Segment net revenues:				
VB Direct	$ 72,241	$ 85,702	$ 128,665	$ 144,607
VB Indirect	21,762	17,363	33,286	32,736
Pura Vida	16,819	25,107	29,474	45,191
Total	$ 110,822	$ 128,172	$ 191,425	$ 222,534
Segment operating income (loss):				
VB Direct	$ 13,433	$ 20,621	$ 17,426	$ 27,961
VB Indirect	4,743	6,204	8,569	10,910
Pura Vida	89	4,000	(1,112)	5,562
Total	$ 18,265	$ 30,825	$ 24,883	$ 44,433
Reconciliation:				
Segment operating income	$ 18,265	$ 30,825	$ 24,883	$ 44,433
Less:				
Unallocated corporate expenses	(15,393)	(17,954)	(33,440)	(37,948)
Operating income (loss)	$ 2,872	$ 12,871	$ (8,557)	$ 6,485

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 and twenty-six weeks ended August 3, 2024 and July 29, 2023. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 3, 2024, 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 and twenty-six weeks ended August 3, 2024, are not necessarily indicative of the results to be expected for the full fiscal year.

Strategic Progress, Macroeconomic Factors, and Other Factors Impacting our Financial Condition and Results of Operations

Strategic Progress. We launched the first of our customer-facing stages of Project Restoration in July of fiscal 2025, which included new products, store remodels, website redesigns, and customer marketing. Project Restoration is focused on four key pillars of the business (Consumer, Brand, Product, and Channel) for each brand to help drive long-term profitable growth.

In addition, we continued to identify cost reductions as part of our overall plan to right-size the expense structure of our Company and lay the groundwork for success to help drive long-term profitable growth. Savings are being derived across various areas of the Company, including retail store efficiencies, marketing expenses, information technology contracts, professional services, logistics and operational costs, and corporate payroll. We will continue to review our expense structure for additional cost reduction opportunities.

Macroeconomic and Other Factors. We have been impacted by higher tariffs from previously duty-free countries, where we source products, as a result of the expiration of the Generalized System of Preferences ("GSP") duty-free status at the end of calendar year 2020. In addition, the macroeconomic environment has been further challenged by inflationary pressures and other related factors that have impacted consumer discretionary spending. We continued to see weakness in both the Vera Bradley outlet store business and full line stores in the second quarter of fiscal 2025. Additionally, the Vera Bradley annual outlet sale was held in the first quarter of fiscal 2025, a timing shift from the second quarter of fiscal 2024.

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 outlet stores; e-commerce sites (verabradley.com, outlet.verabradley.com, and international.verabradley.com); and the Vera Bradley annual outlet sale. Revenues for the VB Indirect segment reflect sales of Vera Bradley-branded products to specialty retail partners; key accounts consisting of 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. Revenues for the Pura Vida segment reflect revenues generated through the Pura Vida websites (www.puravidabracelets.com and www.puravidabracelets.eu); through the distribution of Pura Vida-branded products to wholesale retailers; and through Pura Vida retail stores.

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. Remodeled stores are included in both comparable sales and comparable store sales unless the store was closed for more than one week of the current or comparable prior period, in which case the non-comparable temporary closure periods are not included, or the remodel resulted in a significant change in square footage. Some of our competitors and other retailers calculate comparable or "same store" sales differently than we do. As a result, data in this report regarding our comparable sales and comparable store sales may not be comparable to similar data made available by other companies. Non-comparable sales include sales from stores not included in comparable sales or comparable store sales.

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

- Overall economic trends;
- Consumer preferences and fashion trends;
- Competition;

- The timing of our releases of new patterns and collections;
- Changes in our product mix;
- Pricing, as well as timing 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, duties, all inbound freight costs incurred, and inventory adjustments, if any. 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; inbound freight and other logistical costs; 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 and store expenses.

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. Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations, as well as severance charges and consulting fees associated with cost savings initiatives disclosed in Note 14 to the Notes to the Condensed Consolidated Financial Statements herein.

Operating Income (Loss)

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

Net Income (Loss)

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

Impairment Charges

Intangible Assets

We perform our annual impairment test of the indefinite-lived Pura Vida brand during the second quarter of each fiscal year.

Refer to Note 15 to the Notes to the Consolidated Financial Statements filed with the SEC on Form 10-K for the fiscal year ended February 3, 2024, for additional information regarding the indefinite-lived intangible assets impairment test and impairment charges recorded during fiscal 2024. There were no impairment charges recorded during the thirteen and twenty-six weeks ended August 3, 2024 or July 29, 2023. We are unable to predict the extent of the impact that the inflationary environment could have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Long-lived Assets

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. There were no impairment charges recorded during the thirteen and twenty-six weeks ended August 3, 2024 or July 29, 2023. We are unable to predict the extent of the impact that the inflationary environment could have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Results of Operations

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

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Statement of Operations Data:				
Net revenues	$ 110,822	$ 128,172	$ 191,425	$ 222,534
Cost of sales	54,461	56,156	93,154	98,769
Gross profit	56,361	72,016	98,271	123,765
Selling, general, and administrative expenses	53,627	59,405	107,408	117,911
Other income, net	138	260	580	631
Operating income (loss)	2,872	12,871	(8,557)	6,485
Interest income (expense), net	343	(12)	946	(44)
Income (loss) before income taxes	3,215	12,859	(7,611)	6,441
Income tax (benefit) expense	(2,491)	3,605	(5,196)	1,866
Net income (loss)	$ 5,706	$ 9,254	$ (2,415)	$ 4,575
Percentage of Net Revenues:				
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	49.1 %	43.8 %	48.7 %	44.4 %
Gross profit	50.9 %	56.2 %	51.3 %	55.6 %
Selling, general, and administrative expenses	48.4 %	46.3 %	56.1 %	53.0 %
Other income, net	0.1 %	0.2 %	0.3 %	0.3 %
Operating income (loss)	2.6 %	10.0 %	(4.5)%	2.9 %
Interest income (expense), net	0.3 %	— %	0.5 %	— %
Income (loss) before income taxes	2.9 %	10.0 %	(4.0)%	2.9 %
Income tax (benefit) expense	(2.2)%	2.8 %	(2.7)%	0.8 %
Net income (loss)	5.1 %	7.2 %	(1.3)%	2.1 %

The following tables present net revenues and operating income (loss) 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		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Net Revenues by Segment:				
VB Direct	$ 72,241	$ 85,702	$ 128,665	$ 144,607
VB Indirect	21,762	17,363	33,286	32,736
Pura Vida	16,819	25,107	29,474	45,191
Total	$ 110,822	$ 128,172	$ 191,425	$ 222,534
Percentage of Net Revenues by Segment:				
VB Direct	65.2 %	66.9 %	67.2 %	65.0 %
VB Indirect	19.6 %	13.5 %	17.4 %	14.7 %
Pura Vida	15.2 %	19.6 %	15.4 %	20.3 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023	August 3, 2024	July 29, 2023
Operating Income (Loss) by Segment:				
VB Direct	$ 13,433	$ 20,621	$ 17,426	$ 27,961
VB Indirect	4,743	6,204	8,569	10,910
Pura Vida	89	4,000	(1,112)	5,562
Less: Corporate unallocated	(15,393)	(17,954)	(33,440)	(37,948)
Total	$ 2,872	$ 12,871	$ (8,557)	$ 6,485
Operating Income (Loss) as a Percentage of Net Revenues by Segment:				
VB Direct	18.6 %	24.1 %	13.5 %	19.3 %
VB Indirect	21.8 %	35.7 %	25.7 %	33.3 %
Pura Vida	0.5 %	15.9 %	(3.8)%	12.3 %
Vera Bradley Store Data [(1)]:				
Total stores opened during period	—	—	—	2
Total stores closed during period	(2)	(3)	(3)	(7)
Total stores open at end of period	121	125	121	125
Total gross square footage at end of period	370,349	375,576	370,349	375,576
Average net revenues per gross square foot [(2)]	$ 129	$ 147	$ 215	$ 245
Comparable sales (including e-commerce) decrease [(3)]	(11.2)%	(5.3)%	(10.5)%	(4.5)%

(1) Includes Vera Bradley full-line and outlet stores. These figures do not include Pura Vida retail locations or Pura Vida e-commerce operations.

(2) 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.

(3) Comparable sales are calculated based upon stores that have been open for at least 12 full fiscal months and net revenues from e-commerce operations. Comparable sales 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 portion 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.

Thirteen Weeks Ended August 3, 2024, Compared to Thirteen Weeks Ended July 29, 2023

Net Revenues

For the thirteen weeks ended August 3, 2024, net revenues decreased $17.4 million, or 13.5%, to $110.8 million, from $128.2 million in the comparable prior-year period.

VB Direct. For the thirteen weeks ended August 3, 2024, net revenues in the VB Direct segment decreased $13.5 million, or 15.7%, to $72.2 million, from $85.7 million in the comparable prior-year period. Vera Bradley comparable sales decreased 11.2%, which includes a 14.1% decrease in comparable store sales and a 5.3% decrease in e-commerce sales. In addition, non-comparable store revenue decreased $0.5 million. The decrease in comparable store sales was primarily due to reduced traffic and lower average transaction size in the outlet and full-line channels. In addition, the decrease in net revenues was attributed to a timing shift of sales from the Vera Bradley annual outlet sale held during the first quarter of fiscal 2025 compared to the second quarter of fiscal 2024.

VB Indirect. For the thirteen weeks ended August 3, 2024, net revenues in the VB Indirect segment increased $4.4 million, or 25.3%, to $21.8 million, from $17.4 million in the comparable prior-year period. The increase was primarily due to a significant liquidation order in the current-year period, as well as an increase in key account orders, partially offset by a decrease in specialty account orders.

Pura Vida. For the thirteen weeks ended August 3, 2024, net revenues in the Pura Vida segment decreased $8.3 million, or 33.0%, to $16.8 million, from $25.1 million in the comparable prior-year period. The decrease was primarily due to a decline in e-commerce and wholesale sales, partially offset by an increase in retail store sales associated with the opening of a new retail store in the current-year period.

Gross Profit

For the thirteen weeks ended August 3, 2024, gross profit decreased $15.6 million, or 21.7%, to $56.4 million, from $72.0 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 50.9% for the thirteen weeks ended August 3, 2024, from 56.2% in the comparable prior-year period. Current year gross margin was negatively impacted by increased liquidation sales in the Indirect segment and promotional activity in the Direct segment.

Selling, General, and Administrative Expenses

For the thirteen weeks ended August 3, 2024, SG&A expenses decreased $5.8 million, or 9.7%, to $53.6 million, from $59.4 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 48.4% for the thirteen weeks ended August 3, 2024, from 46.3% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $44.0 million compared to $47.7 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $9.6 million compared to $11.7 million in the comparable prior-year period. For the thirteen weeks ended August 3, 2024, consolidated SG&A expenses decreased primarily due to a $4.6 million reduction in employee-related costs, including lower variable compensation and reduced headcount, and a $1.8 million reduction in other expenses including variable selling expenses resulting from sales decreases as described above, variable lease costs, certain professional fees, and other cost reduction initiatives. These decreases were partially offset by a $0.6 million increase in advertising spend, largely associated with Project Restoration initiatives.

Other Income, Net

For the thirteen weeks ended August 3, 2024, net other income decreased $0.2 million to $0.1 million compared to $0.3 million in the comparable prior-year period. The decrease in net other income was primarily due to the timing shift of ticket sales from the Vera Bradley annual outlet sale which took place in the second quarter of fiscal 2024, compared to the first quarter of fiscal 2025.

Operating Income

For the thirteen weeks ended August 3, 2024, operating income decreased $10.0 million, or 77.7%, to $2.9 million in the current-year period, from $12.9 million in the comparable prior-year period. As a percentage of net revenues, operating income was 2.6% and 10.0% for the thirteen weeks ended August 3, 2024 and July 29, 2023, respectively. Operating income decreased due to the factors described in the captions above.

VB Direct. For the thirteen weeks ended August 3, 2024, operating income in the VB Direct segment decreased $7.2 million, or 34.9%, to $13.4 million from $20.6 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 18.6% and 24.1% for the thirteen weeks ended August 3, 2024 and July 29, 2023, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to a decrease in gross margin as a percentage of net revenues as described above, as well as SG&A expense deleverage associated with decreased sales.

VB Indirect. For the thirteen weeks ended August 3, 2024, operating income in the VB Indirect segment decreased $1.5 million, or 23.6%, to $4.7 million from $6.2 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 21.8% and 35.7% for the thirteen weeks ended August 3, 2024 and July 29, 2023, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was due to a decrease in gross margin as a percentage of net revenues as described above.

Pura Vida. For the thirteen weeks ended August 3, 2024, operating income in the Pura Vida segment decreased $3.9 million, or 97.8%, to $0.1 million from $4.0 million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating income in the Pura Vida segment was 0.5% and 15.9% for the thirteen weeks ended August 3, 2024 and July 29, 2023, respectively. The decrease in operating income as a percentage of Pura Vida net revenues was primarily due to SG&A expense deleverage associated with a decrease in sales, excluding non-comparable stores.

Corporate Unallocated. For the thirteen weeks ended August 3, 2024, unallocated expenses decreased $2.6 million, or 14.3%, to $15.4 million from $18.0 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to a decrease in employee related expenses of $2.8 million and $0.2 million in other net corporate expense reductions. The decrease was partially offset by an increase of $0.4 million in advertising expenses associated with Project Restoration initiatives.

Income Tax (Benefit) Expense

The effective tax rate for the thirteen weeks ended August 3, 2024, was (77.5)%, compared to 28.0% for the thirteen weeks ended July 29, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of non-deductible executive compensation. See Note 7 "Income Taxes" of the Notes to the Condensed Consolidated Financial Statements for additional information about the Company's interim provision for income taxes.

Net Income

For the thirteen weeks ended August 3, 2024, net income decreased $3.6 million to $5.7 million from $9.3 million in the comparable prior-year period due to the factors described in the captions above.

Twenty-Six Weeks Ended August 3, 2024, Compared to Twenty-Six Weeks Ended July 29, 2023

Net Revenues

For the twenty-six weeks ended August 3, 2024, net revenues decreased $31.1 million, or 14.0%, to $191.4 million, from $222.5 million in the comparable prior-year period.

VB Direct. For the twenty-six weeks ended August 3, 2024, net revenues in the VB Direct segment decreased $16.0 million, or 11.0%, to $128.6 million, from $144.6 million in the comparable prior-year period. Vera Bradley comparable sales decreased 10.5%, which includes a 13.8% decrease in comparable store sales as well as a decrease in e-commerce sales of 4.4%. In addition, non-comparable store revenue decreased $0.7 million. The decrease in comparable sales and comparable store sales was primarily due to reduced traffic and lower average transaction size in the outlet and full-line channels.

VB Indirect. For the twenty-six weeks ended August 3, 2024, net revenues in the VB Indirect segment increased $0.6 million, or 1.7%, to $33.3 million, from $32.7 million in the comparable prior-year period. The increase was primarily due to an increase in liquidation sales and key account orders, partially offset by a decrease in specialty account orders.

Pura Vida. For the twenty-six weeks ended August 3, 2024, net revenues in the Pura Vida segment decreased $15.7 million, or 34.8%, to $29.5 million, from $45.2 million in the comparable prior-year period. The decrease was primarily due to a decline in e-commerce and wholesale sales, partially offset by an increase in retail store sales associated with the opening of a new retail store in the current-year period.

Gross Profit

For the twenty-six weeks ended August 3, 2024, gross profit decreased $25.5 million, or 20.6%, to $98.3 million, from $123.8 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 51.3% for the twenty-six weeks ended August 3, 2024, from 55.6% in the comparable prior-year period. Current year gross margin was negatively impacted by one-time vendor charges, as well as increased liquidation sales and promotional activity.

Selling, General, and Administrative Expenses

For the twenty-six weeks ended August 3, 2024, SG&A expenses decreased $10.5 million, or 8.9%, to $107.4 million, from $117.9 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 56.1% for the twenty-six weeks ended August 3, 2024, from 53.0% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $88.8 million compared to $95.5 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $18.6 million compared to $22.4 million in the comparable prior-year period. For the twenty-six weeks ended August 3, 2024, consolidated SG&A expenses decreased primarily due to a $7.8 million reduction in employee-related costs, including lower variable compensation, reduced headcount, and decrease in severance charges compared to the prior-year period; and a $3.1 million reduction in other expenses including variable selling expenses resulting from sales decreases as described above, variable lease costs, certain professional fees, and other cost reduction initiatives. These decreases were partially offset by a $0.4 million increase in advertising spend associated with Project Restoration initiatives.

Other Income, Net

For the twenty-six weeks ended August 3, 2024, net other income was $0.6 million, consistent with comparable prior-year period.

Operating (Loss) Income

For the twenty-six weeks ended August 3, 2024, there was an operating loss of $(8.6) million, a $15.1 million decrease, or 232.0%, from operating income of $6.5 million in the comparable prior-year period. As a percentage of net revenues, operating (loss) income was (4.5)% and 2.9% for the twenty-six weeks ended August 3, 2024 and July 29, 2023, respectively. Operating loss increased due to the factors described in the captions above.

VB Direct. For the twenty-six weeks ended August 3, 2024, operating income in the VB Direct segment decreased $10.6 million, or 37.7%, to $17.4 million from $28.0 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 13.5% and 19.3% for the twenty-six weeks ended August 3, 2024 and July 29, 2023, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to a decrease in gross margin as a percentage of net revenues as described above, as well as SG&A expense deleverage associated with decreased sales.

VB Indirect. For the twenty-six weeks ended August 3, 2024, operating income in the VB Indirect segment decreased $2.3 million, or 21.5%, to $8.6 million from $10.9 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 25.7% and 33.3% for the twenty-six weeks ended August 3, 2024 and July 29, 2023, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was due to a due to a decrease in gross margin as a percentage of net revenues.

Pura Vida. For the twenty-six weeks ended August 3, 2024, there was an operating loss in the Pura Vida segment of $(1.1) million, a $6.7 million decrease, or 120.0%, from operating income of $5.6 million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating (loss) income in the Pura Vida segment was (3.8)% and 12.3% for the twenty-six weeks ended August 3, 2024 and July 29, 2023, respectively. The increase in operating loss as a percentage of Pura Vida net revenues was primarily due to SG&A expense deleverage associated with decreased e-commerce and wholesale revenues.

Corporate Unallocated. For the twenty-six weeks ended August 3, 2024, unallocated expenses decreased $4.5 million, or 11.9%, to $33.4 million from $37.9 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to a $5.0 million reduction in employee-related costs, including lower variable compensation, reduced headcount, and decrease in severance charges compared to the prior-year period; as well as a reduction in professional fees of $0.7 million, partially offset by an increase in advertising spend of $1.2 million related to Project Restoration initiatives.

Income Tax (Benefit) Expense

The effective tax rate for the twenty-six weeks ended August 3, 2024, was 68.3%, compared to 29.0% for the twenty-six weeks ended July 29, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of non-deductible executive compensation. See Note 7 "Income Taxes" of the Notes to the Condensed Consolidated Financial Statements for additional information about the Company's interim provision for income taxes.

Net (Loss) Income

For the twenty-six weeks ended August 3, 2024, there was a net loss of $(2.4) million, a $7.0 million decrease, from net income of $4.6 million in the comparable prior-year period due to the factors described in the captions above.

Liquidity and Capital Resources

General

Our primary sources of liquidity are cash on hand and cash equivalents, as well as cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our $75.0 million asset-based revolving credit agreement (the "Credit Agreement"). There was no debt outstanding as of August 3, 2024. Historically, our primary cash needs have been for merchandise inventories; payroll; store rent; capital expenditures associated with operational equipment, buildings, information technology, and opening new stores; and share repurchases. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

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

Cash Flow Analysis

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

	Twenty-Six Weeks Ended	
	August 3, 2024	July 29, 2023
Net cash (used in) provided by operating activities	$ (13,151)	$ 15,975
Net cash used in investing activities	(3,649)	(11,727)
Net cash used in financing activities	(16,356)	(2,357)

Net Cash (Used in) Provided by Operating Activities

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

Net cash used in operating activities for the twenty-six weeks ended August 3, 2024 was $13.2 million compared to net cash provided by operating activities of $16.0 million for the twenty-six weeks ended July 29, 2023. The increase in cash used in operating activities was primarily related to a net loss of $(2.4) million, a $7.0 million decrease, from net income in the comparable prior-year period, a change in non-cash items of $3.8 million, as well as a change in assets and liabilities of $18.3 million.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $3.6 million for the twenty-six weeks ended August 3, 2024 compared to $11.7 million for the twenty-six weeks ended July 29, 2023. The decrease in cash used in investing activities was a result of the purchase of the remaining 25% interest in Pura Vida for $10.0 million in the prior year, partially offset by an increase in property, plant, and equipment spending primarily as a result of Vera Bradley relocations in the current year and Project Restoration initiatives.

Net Cash Used in Financing Activities

Net cash used in financing activities was $16.4 million for the twenty-six weeks ended August 3, 2024 compared to $2.4 million for the twenty-six weeks ended July 29, 2023. The increase in cash used in financing activities was primarily due to $15.9 million of common stock repurchases in the current-year period compared to $1.4 million in the comparable prior-year period.

Credit Agreement

On September 7, 2018, Vera Bradley Designs, Inc. (“VBD”), a wholly-owned subsidiary of the Company, entered into an asset-based revolving Credit Agreement (the “Credit Agreement”) among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. On August 3, 2023, certain subsidiaries of the Company, JP Morgan Chase Bank, N.A., as the administrative agent, and lenders from time to time party thereto, entered into a Third Amendment (the “Third Amendment”) to the Credit Agreement. 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. Borrowings under the credit facilities are available to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC, Vera Bradley Sales, LLC, and Creative Genius, 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 $50.0 million.

For further information regarding the Credit Agreement, please see Note 6 of the Notes to Condensed Consolidated Financial Statements herein.

Material Cash Requirements

As of August 3, 2024, there were no material changes outside the ordinary course of business to material cash requirements, as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

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 3, 2024.

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 3, 2024. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of August 3, 2024.

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 August 3, 2024, 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 3, 2024.

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 August 3, 2024.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In August of 2024, Marishka Filio filed suit seeking class certification for those who purchased products from the Company's website Verabradley.com during the applicable statute of limitations. The complaint alleges various violations of the California Invasion of Privacy Act and the California Unfair Competition Law. The Company denies all liability and intends to vigorously defend itself in the case. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter and do not believe that 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

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 3, 2024.

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

In December 2021, the Company's board of directors approved a new share repurchase plan (the "2021 Share Repurchase Program") which authorized Company management to utilize up to $50.0 million of available cash for repurchases of shares of the Company's common stock. The 2021 Share Repurchase Program was effective beginning December 13, 2021 and expires in December 2024.

Details regarding the activity under the program during the thirteen weeks ended August 3, 2024 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
May 5, 2024 - June 1, 2024	522,011	$ 7.64	522,011	$ 15,200,050
June 2, 2024 - July 6, 2024	510,625	6.67	510,625	11,792,179
July 7, 2024 - August 3, 2024	329,612	6.51	329,612	9,645,065
	1,362,248	$ 7.01	1,362,248	

ITEM 5. OTHER INFORMATION

Securities Trading Plans of Directors and Executive Officers

During the thirteen weeks ended August 3, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

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ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
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: September 11, 2024	/s/ Michael Schwindle
	Michael Schwindle Chief Financial Officer

Exhibit 31.1

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

I, Jacqueline Ardrey, 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: September 11, 2024

/s/ Jacqueline Ardrey
Jacqueline Ardrey
Chief Executive Officer

Exhibit 31.2

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

I, Michael Schwindle, 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: September 11, 2024

/s/ Michael Schwindle

Michael Schwindle
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, Jacqueline Ardrey, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended August 3, 2024 (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/ Jacqueline Ardrey

Jacqueline Ardrey
Chief Executive Officer

September 11, 2024

Date

I, Michael Schwindle, the Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended August 3, 2024 (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/ Michael Schwindle

Michael Schwindle
Chief Financial Officer

September 11, 2024

Date