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 October 31, 2020

OR

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

For the Transition Period From __________ to __________

Commission File Number: 001-34918

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

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

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

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

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

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

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

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

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

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

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

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

The registrant had 33,414,490 shares of its common stock outstanding as of December 2, 2020.

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FORWARD-LOOKING STATEMENTS

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

- public health pandemics, including the continued outbreak of the novel coronavirus (COVID-19) and the measures taken by governmental authorities and other actors to address it, which may precipitate or exacerbate other risks and/or uncertainties;
- civil unrest and its impact on consumer behavior and potential damage or closures to our locations;
- possible inability to successfully implement our long-term strategic plan, including our Vision 20/20 initiatives;
- possible declines in our comparable sales;
- possible inability to maintain and enhance our brand;
- possible failure of our multi-channel distribution model;
- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending, including as may be related to the continued outbreak of COVID-19;
- possible inability to predict and respond in a timely manner to changes in consumer demand;
- possible inability to successfully open new stores and/or operate current stores as planned;
- possible loss of key management or design associates or inability to attract and retain the talent required for our business;
- possible data security or privacy breaches or disruptions in our computer systems or website;
- possible new or increased tariffs on our products that could lead to increased product costs and lower profit margins;
- possible failure of Pura Vida acquisition benefits to materialize as expected, including the possibility that the business may not perform as anticipated; and
- possible inability to successfully implement integration strategies related to the Pura Vida business.

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

For a discussion of risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended February 1, 2020, 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)

	October 31, 2020	February 1, 2020
Assets		
Current assets:		
Cash and cash equivalents	$ 75,765	$ 49,917
Short-term investments	1,068	8,977
Accounts receivable, net	36,027	24,290
Inventories	141,588	123,606
Income taxes receivable	3,545	1,043
Prepaid expenses and other current assets	13,859	10,956
Total current assets	271,852	218,789
Operating right-of-use assets	97,534	114,790
Property, plant, and equipment, net	66,376	73,027
Intangible assets, net	49,318	56,305
Goodwill	44,254	44,254
Long-term investments	478	14,912
Deferred income taxes	4,972	7,656
Other assets	6,390	5,328
Total assets	$ 541,174	$ 535,061
Liabilities, Redeemable Noncontrolling Interest, and Shareholders’ Equity		
Current liabilities:		
Accounts payable	$ 27,136	$ 20,235
Accrued employment costs	12,970	11,412
Short-term operating lease liabilities	24,543	21,347
Earn-out liability	—	18,448
Other accrued liabilities	14,297	13,850
Income taxes payable	251	2,113
Total current liabilities	79,197	87,405
Long-term operating lease liabilities	97,849	113,775
Long-term debt	30,000	—
Other long-term liabilities	154	62
Total liabilities	207,200	201,242
Commitments and contingencies		
Redeemable noncontrolling interest	29,146	30,049
Shareholders’ equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 41,808 and 41,515 shares issued and 33,414 and 33,503 shares outstanding, respectively	—	—
Additional paid-in-capital	103,282	100,357
Retained earnings	308,598	307,414
Accumulated other comprehensive income	8	158
Treasury stock	(107,060)	(104,159)
Total shareholders’ equity of Vera Bradley, Inc.	304,828	303,770
Total liabilities, redeemable noncontrolling interest, and shareholders’ equity	$ 541,174	$ 535,061

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

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

(unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net revenues	$ 124,849	$ 127,501	$ 325,903	$ 338,289
Cost of sales	51,018	59,631	138,263	152,618
Gross profit	73,831	67,870	187,640	185,671
Selling, general, and administrative expenses	61,703	69,423	183,640	184,465
Other income	36	77	89	1,021
Operating income (loss)	12,164	(1,476)	4,089	2,227
Interest expense (income), net	298	(133)	855	(955)
Income (loss) before income taxes	11,866	(1,343)	3,234	3,182
Income tax expense (benefit)	2,892	(361)	1,470	851
Net income (loss)	8,974	(982)	1,764	2,331
Less: Net income (loss) attributable to redeemable noncontrolling interest	100	(1,121)	1,011	(1,257)
Net income attributable to Vera Bradley, Inc.	$ 8,874	$ 139	$ 753	$ 3,588
Basic weighted-average shares outstanding	33,411	33,907	33,382	34,104
Diluted weighted-average shares outstanding	33,977	34,114	33,789	34,355
Basic net income per share available to Vera Bradley, Inc. common shareholders	$ 0.27	$ 0.00	$ 0.02	$ 0.11
Diluted net income per share available to Vera Bradley, Inc. common shareholders	$ 0.26	$ 0.00	$ 0.02	$ 0.10

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

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

(unaudited)

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net income (loss)	$ 8,974	$ (982)	$ 1,764	$ 2,331
Unrealized (loss) gain on available-for-sale debt investments	(1)	(3)	(172)	121
Cumulative translation adjustment	11	(22)	22	(1)
Comprehensive income (loss), net of tax	8,984	(1,007)	1,614	2,451
Less: Comprehensive income (loss) attributable to redeemable noncontrolling interest	100	(1,121)	1,011	(1,257)
Comprehensive income attributable to Vera Bradley, Inc.	$ 8,884	$ 114	$ 603	$ 3,708

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

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

(unaudited)

	Number of Shares						
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Permanent Equity
Balance at February 1, 2020	**33,503,249**	**8,011,372**	**$ 100,357**	**$ 307,414**	**$ 158**	**$ (104,159)**	**$ 303,770**
Net loss attributable to Vera Bradley, Inc.	—	—	—	(15,337)	—	—	(15,337)
Translation adjustments	—	—	—	—	10	—	10
Unrealized loss on available-for-sale debt investments	—	—	—	—	(185)	—	(185)
Restricted shares vested, net of repurchase for taxes	277,687	—	(537)	—	—	—	(537)
Stock-based compensation	—	—	59	—	—	—	59
Treasury stock purchased	(381,835)	381,835	—	—	—	(2,901)	(2,901)
Redeemable noncontrolling interest redemption value adjustment	—	—	—	(9,305)	—	—	(9,305)
Balance at May 2, 2020	**33,399,101**	**8,393,207**	**$ 99,879**	**$ 282,772**	**$ (17)**	**$ (107,060)**	**$ 275,574**
Net income attributable to Vera Bradley, Inc.	—	—	—	7,216	—	—	7,216
Translation adjustments	—	—	—	—	1	—	1
Unrealized gain on available-for-sale debt investments	—	—	—	—	14	—	14
Restricted shares vested, net of repurchase for taxes	10,225	—	(18)	—	—	—	(18)
Stock-based compensation	—	—	1,251	—	—	—	1,251
Redeemable noncontrolling interest redemption value adjustment	—	—	—	9,736	—	—	9,736
Balance at August 1, 2020	**33,409,326**	**8,393,207**	**$ 101,112**	**$ 299,724**	**$ (2)**	**$ (107,060)**	**$ 293,774**
Net income attributable to Vera Bradley, Inc.	—	—	—	8,874	—	—	8,874
Translation adjustments	—	—	—	—	11	—	11
Unrealized loss on available-for-sale debt investments	—	—	—	—	(1)	—	(1)
Restricted shares vested, net of repurchase for taxes	5,164	—	(7)	—	—	—	(7)
Stock-based compensation	—	—	2,177	—	—	—	2,177
Balance at October 31, 2020	**33,414,490**	**8,393,207**	**$ 103,282**	**$ 308,598**	**$ 8**	**$ (107,060)**	**$ 304,828**

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

(unaudited)

	Number of Shares						
	Common Stock	**Treasury Stock**	**Additional Paid-in Capital**	**Retained Earnings**	**Accumulated Other Comprehensive (Loss) Income**	**Treasury Stock**	**Total Permanent Equity**
Balance at February 2, 2019	**34,347,420**	**6,935,623**	**$ 95,572**	**$ 291,994**	**$ (24)**	**$ (92,839)**	**$ 294,703**
Net loss	—	—	—	(2,405)	—	—	(2,405)
Translation adjustments	—	—	—	—	1	—	1
Unrealized gain on available-for-sale debt investments	—	—	—	—	132	—	132
Restricted shares vested, net of repurchase for taxes	183,346	—	(791)	—	—	—	(791)
Stock-based compensation	—	—	1,238	—	—	—	1,238
Treasury stock purchased	(284,088)	284,088	—	—	—	(2,908)	(2,908)
Cumulative adjustment for ASC 842 adoption	—	—	—	(196)	—	—	(196)
Balance at May 4, 2019	**34,246,678**	**7,219,711**	**$ 96,019**	**$ 289,393**	**$ 109**	**$ (95,747)**	**$ 289,774**
Net income attributable to Vera Bradley, Inc.	—	—	—	5,854	—	—	5,854
Translation adjustments	—	—	—	—	20	—	20
Unrealized loss on available-for-sale debt investments	—	—	—	—	(8)	—	(8)
Restricted shares vested, net of repurchase for taxes	40,297	—	(316)	—	—	—	(316)
Stock-based compensation	—	—	1,255	—	—	—	1,255
Treasury stock purchased	(196,507)	196,507	—	—	—	(2,228)	(2,228)
Balance at August 3, 2019	**34,090,468**	**7,416,218**	**$ 96,958**	**$ 295,247**	**$ 121**	**$ (97,975)**	**$ 294,351**
Net income attributable to Vera Bradley, Inc.	—	—	—	139	—	—	139
Translation adjustments	—	—	—	—	(22)	—	(22)
Unrealized loss on available-for-sale debt investments	—	—	—	—	(3)	—	(3)
Restricted shares vested, net of repurchase for taxes	7,935	—	(47)	—	—	—	(47)
Stock-based compensation	—	—	1,539	—	—	—	1,539
Treasury stock purchased	(388,833)	388,833	—	—	—	(3,909)	(3,909)
Balance at November 2, 2019	**33,709,570**	**7,805,051**	**$ 98,450**	**$ 295,386**	**$ 96**	**$ (101,884)**	**$ 292,048**

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

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

(unaudited)

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Cash flows from operating activities		
Net income	$ 1,764	$ 2,331
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation of property, plant, and equipment	10,808	13,856
Amortization of operating right-of-use assets	16,051	16,359
Impairment charges	3,806	—
Amortization of intangible assets	6,987	2,884
Provision for doubtful accounts	1,559	97
Stock-based compensation	3,487	4,032
Deferred income taxes	2,684	(1,113)
Loss (gain) on investments	13	(178)
Adjustment of earn-out liability	229	1,803
Amortization of step-up in inventory basis	—	7,230
Other non-cash (gain) charges, net	(22)	157
Changes in assets and liabilities:		
Accounts receivable	(14,289)	(3,620)
Inventories	(17,982)	(21,970)
Prepaid expenses and other assets	(3,965)	(3,331)
Accounts payable	7,222	4,146
Income taxes	(4,364)	(4,175)
Operating lease liabilities, net	(14,331)	(18,727)
Accrued and other liabilities	1,973	(9,016)
Net cash provided by (used in) operating activities	1,630	(9,235)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(5,178)	(11,425)
Purchases of investments	(851)	(13,762)
Proceeds from maturities and sales of investments	23,031	34,209
Cash received (paid) for business acquisition, net of cash acquired	993	(76,032)
Net cash provided by (used in) investing activities	17,995	(67,010)
Cash flows from financing activities		
Tax withholdings for equity compensation	(562)	(1,154)
Repurchase of common stock	(3,077)	(9,143)
Distributions to redeemable noncontrolling interest	(1,483)	(951)
Borrowings under asset-based revolving credit agreement	60,000	—
Repayment of borrowings under asset-based revolving credit agreement	(30,000)	—
Payment of contingent consideration for business acquisition	(18,677)	—
Net cash provided by (used in) financing activities	6,201	(11,248)
Effect of exchange rate changes on cash and cash equivalents	22	(1)
Net increase (decrease) in cash and cash equivalents	25,848	(87,494)
Cash and cash equivalents, beginning of period	49,917	113,493
Cash and cash equivalents, end of period	$ 75,765	$ 25,999

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

(unaudited)

	Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 3,152	$ 6,166
Supplemental disclosure of non-cash activity		
Non-cash operating, investing, and financing activities		
Repurchase of common stock		
Expenditures incurred but not yet paid as of October 31, 2020 and November 2, 2019	$ —	$ 99
Expenditures incurred but not yet paid as of February 1, 2020 and February 2, 2019	$ 176	$ 197
Purchases of property, plant, and equipment		
Expenditures incurred but not yet paid as of October 31, 2020 and November 2, 2019	$ 538	$ 391
Expenditures incurred but not yet paid as of February 1, 2020 and February 2, 2019	$ 559	$ 1,065
Contingent consideration related to business acquisition	$ —	$ 20,098

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

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

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

1. Description of the Company and Basis of Presentation

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

Vera Bradley is a leading designer of women’s handbags, luggage and travel items, fashion and home accessories, and unique gifts. Founded in 1982 by friends Barbara Bradley Baekgaard and Patricia R. Miller, the brand’s innovative designs, iconic patterns, and brilliant colors continue to inspire and connect women. Vera Bradley offers a unique, multi-channel sales model, as well as a focus on service and a high level of customer engagement.

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

Beginning in the second quarter of fiscal 2020, the Company included an additional segment for Pura Vida due to its acquisition. As a result, the Company has three reportable segments: Vera Bradley Direct (“VB Direct”), Vera Bradley Indirect (“VB Indirect”), and Pura Vida.

- The VB Direct business consists of sales of Vera Bradley products through Vera Bradley full-line and factory outlet stores in the United States; verabradley.com; the Vera Bradley online outlet site; and the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of October 31, 2020, the Company operated 81 full-line stores and 69 factory outlet stores. In light of the COVID-19 pandemic, the Company cancelled its 2020 annual outlet sale.
- The VB Indirect business consists of sales of Vera Bradley products to approximately 2,000 specialty retail locations, substantially all of which are located in the United States, as well as department stores, national accounts, third-party e-commerce sites, third-party inventory liquidators, and royalties recognized through licensing agreements related to the Vera Bradley brand.
- The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.eu, and www.puravidabracelets.ca, and through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted as permitted by such rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2020, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen and thirty-nine weeks ended October 31, 2020, are not necessarily indicative of the results to be expected for the full fiscal year. Further, the COVID-19 pandemic had a material impact on the Company's current-year period results.

The COVID-19 pandemic resulted in travel restrictions both domestically and internationally, community and self-quarantines, certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours during the first nine months of fiscal 2021. Although the Vera Bradley and Pura Vida e-commerce operations remained open, the aforementioned items had a material adverse impact on overall consumer demand, traffic, and sales. Furthermore, the pandemic materially impacted the Company's operating results. Beginning in mid-March 2020, the Company began taking several actions to navigate the COVID-19 pandemic, protect its financial position, maximize its liquidity, and to position the Company for a strong reopening and future. These actions included:

- Temporarily closing all Vera Bradley store locations on March 19;
- Temporarily furloughing approximately 80% of its workforce mid first quarter;

Vera Bradley, Inc.
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(unaudited)

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

The Company has brought back substantially all associates from furlough; reinstated a majority of the base compensation reductions; reinstated the cash compensation to the Board of Directors; and paid back $30.0 million of the $60.0 million borrowing under the Credit Agreement. The Company continued to manage operating expenses and inventory levels, and work with landlords on rent abatements and payment terms. All factory stores and all but two full line stores were opened as of the end of the third quarter.

In addition, the Company is leveraging elements of the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company. The CARES Act tax provisions include retention credits and the deferral of the employer portion of certain payroll taxes.

The Company cannot currently predict the extent that COVID-19 will impact its future liquidity, operating results, and financial condition, but it could have a significant adverse effect on these metrics.

Principles of Consolidation

The condensed consolidated financial statements include the accounts of the Company, its wholly owned subsidiaries, and its majority owned subsidiary, Pura Vida beginning on July 17, 2019. The Company has eliminated intercompany balances and transactions in consolidation.

Fiscal Periods

The Company’s fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended October 31, 2020 and November 2, 2019 refer to the thirteen-week periods ended on those dates.

Recently Issued Accounting Pronouncements

Recently Adopted Accounting Pronouncements

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

In June 2016, the FASB issued ASU 2016-13, *Measurement of Credit Losses on Financial Instruments*. This standard replaces the incurred loss impairment methodology in current GAAP with a methodology that uses a forward-looking approach to recording credit losses for certain financial instruments including debt securities, trade receivables, and other financial assets. This guidance is effective for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years, for SEC filers, which is the Company's fiscal 2021. Early adoption is permitted. The

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

adoption of this standard in the first quarter of fiscal 2021 did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted

In December 2019, the FASB issued ASU 2019-12, *Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes*. The amendments in this update remove certain exceptions to the general principals in Topic 740, as well as simplify GAAP for certain areas and improve consistency within the topic. This guidance is effective for interim and annual periods beginning on or after December 15, 2020 (fiscal 2022). Early adoption is permitted, with all amendments required to be adopted in the same period. The Company is currently evaluating the impact of the guidance on its consolidated financial statements.

2. Revenue from Contracts with Customers

Disaggregation of Revenue

The following presents the Company's net revenues disaggregated by product category for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 (in thousands):

	Thirteen Weeks Ended October 31, 2020			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 28,536	$ 8,453	$ —	$ 36,989
Apparel/Footwear[6]	11,055	4,406	744	16,205
Travel	14,400	4,758	—	19,158
Accessories	14,352	2,607	22,676	39,635
Home	8,067	839	—	8,906
Other	1,767 (1)	1,281 (2)	908 (3)	3,956
Total net revenues	$ 78,177 (4)	$ 22,344 (5)	$ 24,328 (4)	$ 124,849

(1) Primarily includes net revenues from freight and stationery.
(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) $21.2 million of net revenues related to product sales recognized at a point in time and $1.1 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

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	Thirteen Weeks Ended November 2, 2019			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 33,178	$ 10,565	$ —	$ 43,743
Travel	19,191	5,789	—	24,980
Accessories	17,575	4,785	24,469	46,829
Home	6,255	1,171	—	7,426
Apparel/Footwear	696	375	—	1,071
Other	1,502 (1)	1,402 (2)	548 (3)	3,452
Total net revenues	$ 78,397 (4)	$ 24,087 (5)	$ 25,017 (4)	$ 127,501

(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) $23.1 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.

	Thirty-Nine Weeks Ended October 31, 2020			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 74,087	$ 20,236	$ —	$ 94,323
Travel	37,594	9,529	—	47,123
Accessories	34,626	6,167	74,295	115,088
Apparel/Footwear(6)	27,778	10,986	982	39,746
Home	17,970	1,492	—	19,462
Other	4,192 (1)	2,893 (2)	3,076 (3)	10,161
Total net revenues	$ 196,247 (4)	$ 51,303 (5)	$ 78,353 (4)	$ 325,903

(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) $49.1 million of net revenues related to product sales recognized at a point in time and $2.2 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

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	Thirty-Nine Weeks Ended November 2, 2019			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Product categories				
Bags	$ 100,527	$ 31,549	$ —	$ 132,076
Travel	62,402	13,091	—	75,493
Accessories	54,622	12,952	29,689	97,263
Home	19,769	1,995	—	21,764
Apparel/Footwear	2,443	484	—	2,927
Other	4,150 (1)	3,900 (2)	716 (3)	8,766
Total net revenues	$ 243,913 (4)	$ 63,971 (5)	$ 30,405 (4)	$ 338,289

(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) $61.1 million of net revenues related to product sales recognized at a point in time and $2.9 million of net revenues related to sales-based royalties recognized over time.

Contract Balances

Contract liabilities as of October 31, 2020 and February 1, 2020, were $3.7 million and $3.9 million, respectively. The balance as of October 31, 2020 consisted of unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, unredeemed gift cards, Pura Vida loyalty club points, Pura Vida customer deposits and payments collected before shipment, and an immaterial amount of unearned revenue for pre-payments of royalties in certain of the Company’s licensing arrangements. The balance as of February 1, 2020 consisted of unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, unredeemed gift cards, Pura Vida payments collected before shipment, and an immaterial amount of unearned revenue for pre-payments of royalties in certain of the Company’s licensing arrangements. These contract liabilities are recognized within other accrued liabilities on the Company’s Condensed Consolidated Balance Sheets. The Company did not have contract assets as of October 31, 2020 and February 1, 2020.

The balance for accounts receivable from contracts with customers, net of allowances, as of October 31, 2020 and February 1, 2020, was $31.6 million and $16.3 million, respectively, which is recognized within accounts receivable, net, on the Company’s Condensed Consolidated Balance Sheets. The provision for doubtful accounts was $1.8 million and $0.5 million as of October 31, 2020 and February 1, 2020, respectively. The provision for doubtful accounts is based upon the likelihood of default expected during the life of the receivable.

Performance Obligations

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

Remaining Performance Obligations

The Company does not have remaining performance obligations in excess of one year or contracts that it does not have the right to invoice as of October 31, 2020.

3. Leases

The Company temporarily closed its full-line and factory outlet stores on March 19, 2020, due to the COVID-19 pandemic. As of the end of October, all but two full-line stores and all factory stores have been reopened, further discussed in Note 1 herein. As a result of the temporary closures, certain rent payments have been deferred. An immaterial amount of rent abatements were received as of October 31, 2020.

Discount Rate

The weighted-average discount rate as of October 31, 2020, was 5.0%. 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 October 31, 2020, the Company had one retail store lease which was executed, but did not have control of the underlying asset; therefore, the lease liability and right-of-use asset are not recorded on the Condensed Consolidated Balance Sheet. This lease contains undiscounted lease payments, which will be included in the determination of the lease liability, totaling approximately $2.1 million and has an approximate term of 10 years commencing in fiscal 2022.

Amounts Recognized in the Condensed Consolidated Financial Statements

The following lease expense is recorded within cost of sales for the Asia sourcing office and certain equipment leases and within selling, general, and administrative expenses for all other leases, including retail store leases, in the Company's Condensed Consolidated Statement of Operations for the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019 (in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Operating lease cost	$ 6,723	$ 7,254	$ 20,485	$ 21,621
Variable lease cost	1,730	2,189	4,283	6,954
Short-term lease cost	117	114	262	447
Total lease cost	$ 8,570	$ 9,557	$ 25,030	$ 29,022

The weighted-average remaining lease term as of October 31, 2020 was 5.6 years.

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

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Cash paid for amounts included in the measurement of operating lease liabilities	$ 19,732	$ 24,451
Right-of-use assets increase as a result of new and modified operating lease liabilities, net	$ 1,602	$ 7,021

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4. Earnings Per Share

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

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

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Numerator:				
Net income (loss)	$ 8,974	$ (982)	$ 1,764	$ 2,331
Less: Net income (loss) attributable to redeemable noncontrolling interest	100	(1,121)	1,011	(1,257)
Net income attributable to Vera Bradley, Inc.	8,874	139	753	3,588
Denominator:				
Weighted-average number of common shares (basic)	33,411	33,907	33,382	34,104
Dilutive effect of stock-based awards	566	207	407	251
Weighted-average number of common shares (diluted)	33,977	34,114	33,789	34,355
Net income per share available to Vera Bradley, Inc. common shareholders:				
Basic	$ 0.27	$ 0.00	$ 0.02	$ 0.11
Diluted	$ 0.26	$ 0.00	$ 0.02	$ 0.10

For the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019, 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.

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5. Fair Value of Financial Instruments

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

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

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

The carrying amounts reflected on the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, other current assets, and accounts payable as of October 31, 2020 and February 1, 2020, approximated their fair values.

The following table details the fair value measurements of the Company's investments as of October 31, 2020 and February 1, 2020 (in thousands):

	Level 1		Level 2		Level 3	
	October 31, 2020	February 1, 2020	October 31, 2020	February 1, 2020	October 31, 2020	February 1, 2020
Cash equivalents[1]	$ 1,313	$ 27	$ —	$ 2,198	$ —	$ —
Short-term investments:						
U.S. corporate debt securities	—	—	727	3,435	—	—
Commercial paper	—	—	—	2,489	—	—
Municipal securities	—	—	—	1,594	—	—
Non-U.S. corporate debt securities	—	—	341	1,136	—	—
U.S. asset-backed securities	—	—	—	323	—	—
Long-term investments:						
U.S. corporate debt securities	—	—	151	5,613	—	—
U.S. asset-backed securities	—	—	—	5,498	—	—
Non-U.S. corporate debt securities	—	—	327	2,409	—	—
Other foreign securities	—	—	—	810	—	—
Non-U.S. asset-backed securities	—	—	—	582	—	—

(1) Cash equivalents include a money market fund and commercial paper that have a maturity of three months or less at the date of purchase. Due to their short maturity, the Company believes the carrying value approximates fair value.

The Company assesses potential impairments to its long-lived assets, which include property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets, including right-of-use assets, are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store's lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The Company recorded $3.8 million in impairment charges for the thirty-nine weeks ended

October 31, 2020 related to store assets including property, plant, and equipment and lease right-of-use assets. There were no impairment charges recorded for the thirteen weeks ended October 31, 2020 and November 2, 2019 and the thirty-nine weeks ended November 2, 2019. The Company is unable to predict the extent of the impact that the COVID-19 pandemic will have on its operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Assets recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant, and equipment, including leasehold improvements, and lease right-of-use assets, as well as assets related to the Pura Vida acquisition including goodwill and intangible assets. These assets are measured at fair value if determined to be impaired. Although the Company determined that no impairment exists for its goodwill and intangible assets, the assets could be at risk for impairment should economic conditions continue to deteriorate as a result of COVID-19 or other factors. Refer to Note 12 herein for additional information on the methods used in the valuation of acquired intangible assets.

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

6. Debt

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

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

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

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

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

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

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

As of October 31, 2020 the Company had outstanding borrowings of $30.0 million and availability of $45.0 million under the Credit Agreement, compared to no borrowings outstanding and availability of $75.0 million as of February 1, 2020 under the Credit Agreement.

7. Income Taxes

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

The effective tax rate for the thirteen weeks ended October 31, 2020, was 24.4% compared to 26.9% for the thirteen weeks ended November 2, 2019. The year-over-year effective tax rate decrease was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation.

The effective tax rate for the thirty-nine weeks ended October 31, 2020, was 45.5%, compared to 26.7% for the thirty-nine weeks ended November 2, 2019. The year-over-year effective tax rate increase was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation.

8. Stock-Based Compensation

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

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

Awards of Restricted Stock Units

During the thirteen weeks ended October 31, 2020 the Company granted 48,106 time-based restricted stock units with an aggregate fair value of $0.3 million to certain employees under the 2010 Equity and Incentive Plan compared to 9,680 time-based restricted stock units with an aggregate fair value of $0.1 million in the same period of the prior year.

During the thirty-nine weeks ended October 31, 2020, the Company granted 1,460,130 time-based and performance-based restricted stock units with an aggregate fair value of $6.1 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan compared to 416,944 time-based and performance-based restricted stock units with an aggregate fair value of $5.4 million in the same period of the prior year.

There were no restricted stock units granted under the 2020 Equity and Incentive Plan during the thirteen and thirty-nine weeks ended October 31, 2020.

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

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

The following table sets forth a summary of restricted stock unit activity for the thirty-nine weeks ended October 31, 2020 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at February 1, 2020	433	$ 12.03	671	$ 11.08
Granted	858	4.24	602	4.09
Vested	(239)	11.79	(187)	9.31
Forfeited	(2)	7.68	(2)	8.11
Nonvested units outstanding at October 31, 2020	1,050	$ 5.73	1,084	$ 7.51

As of October 31, 2020, there was $6.3 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 1.8 years, subject to meeting performance conditions.

9. Commitments and Contingencies

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

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

In April of 2020, Chidimma Igboakaeze filed suit seeking class certification for all current and former hourly-paid employees who worked for the Company within the state of California during the four years preceding the filing until final judgement. The complaint alleges various violations of the California Labor Code related to wages, overtime, meal and rest breaks, non-compliant wage statements and records and other similar allegations related to employment. The Plaintiff has also filed a Private Attorney General Act claim with the state of California regarding the same allegations. The Company denies all liability and intends to vigorously defend itself in the case. The case is currently in discovery. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

10. Common Stock

On November 29, 2018, the Company's board of directors approved a share repurchase plan (the "2018 Share Repurchase Program") authorizing up to $50.0 million of repurchases of shares of the Company's common stock. The 2018 Share Repurchase Program is scheduled to expire on December 14, 2020. On March 20, 2020, the Company temporarily suspended the share repurchase program to conserve cash as a result of the COVID-19 pandemic.

Subsequent to the end of the quarter, on December 3, 2020, the Company's board of directors authorized the Company to extend the 2018 Share Repurchase Program through December 11, 2021. The program remains temporarily suspended pending resumption by the Company's board of directors.

The Company purchased 381,835 shares at an average price of $7.60 per share, excluding commissions, for an aggregate amount of $2.9 million during the thirty-nine weeks ended October 31, 2020, there was $32.9 million remaining available to repurchase shares of the Company's common stock under the 2018 Share Repurchase Program.

As of October 31, 2020, the Company held as treasury shares 8,393,207 shares of its common stock at an average price of $12.76 per share, excluding commissions, for an aggregate carrying amount of $107.1 million. The Company's treasury shares may be issued under the 2010 Equity and Incentive Plan (with respect to outstanding awards under that plan), under the 2020 Equity and Incentive Plan, or for other corporate purposes.

11. Investments

Cash Equivalents

Investments classified as cash equivalents relate to highly-liquid investments with a maturity of three months or less at the date of purchase. As of October 31, 2020 and February 1, 2020, these investments in the Company's portfolio consisted of a money market fund. The balance as of February 1, 2020 also included commercial paper.

Short-Term Investments

As of October 31, 2020 and February 1, 2020 short-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity within one year of the balance sheet date. The balance as of February 1, 2020 also included commercial paper, municipal securities, and U.S. asset-backed securities. These debt securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest income, net, in the Company's Condensed Consolidated Statements of Operations.

The Company held $1.1 million and $9.0 million in short-term investments as of October 31, 2020 and February 1, 2020, respectively. The following table summarizes the Company's short-term investments (in thousands):

	October 31, 2020	February 1, 2020
U.S. corporate debt securities	$ 727	$ 3,435
Commercial paper	—	2,489
Municipal securities	—	1,594
Non-U.S. corporate debt securities	341	1,136
U.S. asset-backed securities	—	323
Total short-term investments	$ 1,068	$ 8,977

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Long-Term Investments

As of October 31, 2020 and February 1, 2020, long-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity greater than one year from the balance sheet date. The balance as of February 1, 2020 also included U.S. and non-U.S. asset-backed securities and other foreign securities. These debt securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest income, net, in the Company's Condensed Consolidated Statements of Operations.

The Company held $0.5 million and $14.9 million in long-term investments as of October 31, 2020 and February 1, 2020, respectively. The following table summarizes the Company's long-term investments (in thousands):

	October 31, 2020	February 1, 2020
U.S. corporate debt securities	$ 151	$ 5,613
U.S. asset-backed securities	—	5,498
Non-U.S. corporate debt securities	327	2,409
Other foreign securities	—	810
Non-U.S. asset-backed securities	—	582
Total long-term investments	$ 478	$ 14,912

There were no material gross unrealized gains or losses on available-for-sale debt securities as of October 31, 2020 and February 1, 2020.

12. Acquisition of Pura Vida

On July 16, 2019, the Company completed its acquisition of a seventy-five percent (75%) ownership interest in Creative Genius, Inc. or “Pura Vida” (the “Transaction”) in exchange for total cash consideration of approximately $75.0 million. During the third quarter of fiscal 2020, the Company provided additional cash consideration of approximately $3.0 million for a working capital adjustment. The Company also received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021. Additional measurement period adjustments were recorded for conditions that existed as of the acquisition date. Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native, and highly engaging lifestyle brand that deeply resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, and other lifestyle accessories. The Company believes that the acquisition will strengthen the Company by providing increased product diversification and future growth opportunities partially as a result of resource and knowledge-sharing.

In accordance with the Interest Purchase Agreement, the Company also agreed to a contingent payment of up to $22.5 million payable during the first quarter of calendar year 2020 based on calendar year 2019 adjusted EBITDA of Pura Vida, as defined in the Interest Purchase Agreement. This contingent payment was made during the first quarter of fiscal 2021 totaling $18.7 million. The Company’s existing available cash, cash equivalents, and investments funded the purchase price due at the closing of the Transaction and subsequent to the closing. There were no transaction costs during the thirteen and thirty-nine weeks ended October 31, 2020 and the thirteen weeks ended November 2, 2019. Pre-tax transaction costs totaled $2.7 million for the thirty-nine weeks ended November 2, 2019. These costs are recorded within selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations and within corporate unallocated expenses.

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

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

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

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

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

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

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

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

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

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

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The operations of Pura Vida are recorded in the Company's Condensed Consolidated Statements of Operations for the thirteen and thirty-nine weeks ending October 31, 2020, and only for the period beginning on July 17, 2019 in the prior year, which represents the first full day following the acquisition. As such, the Company's financial statements are not comparable with the prior-year period presented. Refer to Note 16 herein for segment-level financial information associated with Pura Vida.

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
in thousands, except per share data	**October 31, 2020**	**November 2, 2019**	**October 31, 2020**	**November 2, 2019**
Pro forma net revenues	$ 124,849	$ 133,109	$ 325,903	$ 382,199
Pro forma net income	10,028	6,042	5,938	10,290
Pro forma net income attributable to Vera Bradley, Inc.	9,552	5,324	3,756	10,063
Pro forma basic net income per share available to Vera Bradley, Inc. shareholders	$ 0.29	$ 0.16	$ 0.11	$ 0.30
Pro forma diluted net income per share available to Vera Bradley, Inc. shareholders	$ 0.28	$ 0.16	$ 0.11	$ 0.29

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13. Redeemable Noncontrolling Interest

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

Changes in redeemable noncontrolling interest for the thirteen and thirty-nine weeks ended October 31, 2020, were as follows (in thousands):

Balance at February 1, 2020	**$**	**30,049**
Net loss attributable to redeemable noncontrolling interest		(200)
Distributions to redeemable noncontrolling interest		(296)
Adjustment to redemption value		9,305
Balance at May 2, 2020	**$**	**38,858**
Net income attributable to redeemable noncontrolling interest		1,111
Distributions to redeemable noncontrolling interest		(579)
Adjustment to redemption value		(9,736)
Balance at August 1, 2020	**$**	**29,654**
Net income attributable to redeemable noncontrolling interest		100
Distributions to redeemable noncontrolling interest		(608)
Balance at October 31, 2020	**$**	**29,146**

Changes in redeemable noncontrolling interest for the thirteen and thirty-nine weeks ended November 2, 2019, were as follows (in thousands):

Balance at February 2, 2019 and May 4, 2019	**$**	**—**
Fair value of noncontrolling interest at acquisition		31,786
Net loss attributable to redeemable noncontrolling interest		(136)
Balance at August 3, 2019	**$**	**31,650**
Fair value measurement period adjustment		755
Net loss attributable to redeemable noncontrolling interest		(1,121)
Distributions to redeemable noncontrolling interest		(951)
Balance at November 2, 2019	**$**	**30,333**

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14. Intangible Assets and Goodwill

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

	October 31, 2020		
in thousands	Gross Basis	Accumulated Amortization(1)	Carrying Amount
Definite-lived intangible assets			
Customer Relationships	$ 24,208	$ (12,143)	$ 12,065
Non-competition Agreements	788	(203)	585
Total definite-lived intangible assets	24,996	(12,346)	12,650
Indefinite-lived intangible asset			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	$ 61,664	$ (12,346)	$ 49,318

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

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

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

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

	Amortization Expense
Fiscal 2021 (remaining three months)	2,022
Fiscal 2022	3,073
Fiscal 2023	3,073
Fiscal 2024	3,073
Thereafter	1,409
Total	$ 12,650

The total amount of the goodwill as of October 31, 2020, was $44.3 million recorded within the Pura Vida segment upon acquisition. Goodwill is expected to be deductible for tax purposes, limited to the Company's 75% majority

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ownership interest. Refer to Note 12 herein for addition information regarding goodwill. There were no changes to goodwill for the thirteen and thirty-nine weeks ended October 31, 2020.

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

15. Inventories

The components of inventories were as follows:

	October 31, 2020	February 1, 2020
Raw materials[(1)]	$ 1,110	$ 1,056
Finished goods	140,478	122,550
Total inventories	$ 141,588	$ 123,606

(1) Relates solely to Pura Vida operations.

16. Segment Reporting

Beginning in the second quarter of fiscal 2020, the Company included an additional segment for Pura Vida due to its acquisition. As a result, the Company has three operating segments, which are also its reportable segments: Vera Bradley Direct (“VB Direct”), Vera Bradley Indirect (“VB Indirect”), and Pura Vida. These operating segments are components of the Company for which separate financial information is available and for which operating results are evaluated on a regular basis by the chief operating decision maker in deciding how to allocate resources and in assessing the performance of the segments.

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

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

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

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

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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 information for the Company's reportable segments during the thirteen and thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Segment net revenues:				
VB Direct	$ 78,177	$ 78,397	$ 196,247	$ 243,913
VB Indirect	22,344	24,087	51,303	63,971
Pura Vida	24,328	25,017	78,353	30,405
Total	$ 124,849	$ 127,501	$ 325,903	$ 338,289
Segment operating income (loss):				
VB Direct	$ 19,777	$ 14,675	$ 31,634	$ 45,172
VB Indirect	9,342	9,324	18,575	24,193
Pura Vida	402	(4,483)	4,046	(5,025)
Total	$ 29,521	$ 19,516	$ 54,255	$ 64,340
Reconciliation:				
Segment operating income	$ 29,521	$ 19,516	$ 54,255	$ 64,340
Less:				
Unallocated corporate expenses	(17,357)	(20,992)	(50,166)	(62,113)
Operating income (loss)	$ 12,164	$ (1,476)	$ 4,089	$ 2,227

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 thirty-nine weeks ended October 31, 2020 and November 2, 2019. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 1, 2020, and our unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report. The results of operations for the thirteen and thirty-nine weeks ended October 31, 2020, are not necessarily indicative of the results to be expected for the full fiscal year.

COVID-19

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

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

Update on COVID-19 Actions as of October 31, 2020

On May 5, 2020, we began to open our Vera Bradley retail stores in a phased approach. All factory stores and all but two full line stores were opened as of the end of the third quarter, although with reduced hours, lower staffing levels, and greatly enhanced safety protocols.

Third quarter Vera Bradley e-commerce revenues increased 48.8% over the comparable-prior year period and comparable store sales declined 19.1%. The sales of cotton face masks helped to offset the comparable store sales decline at Vera Bradley. Net revenues from masks represented approximately 10% of consolidated net revenues for the thirteen and thirty-nine weeks ended October 31, 2020.

We have brought back substantially all of our associates from furlough; reinstated a majority of the base compensation reductions; reinstated the cash compensation to our Board of Directors; and paid back $30.0 million of our $60.0 million borrowing under our Credit Agreement. We continued to manage operating expenses and inventory levels, and work with landlords on rent abatement and payment terms, which helped in the achievement of expense leverage.

In addition, the Company is leveraging elements of the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company. The CARES Act tax provisions include retention credits and the deferral of the employer portion of certain payroll taxes.

Executive Summary

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

Strategic Progress

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

At Vera Bradley, we:

- Launched our new e-commerce site which allowed us to offer enhanced content to guide purchasing;
- Migrated our ERP, POS, Business Intelligence, and Order Management systems to cloud-based Microsoft D365 streamlining and simplifying our work and providing for additional capabilities such as mobile POS;
- Continued to expand our mask offerings, with new features, styles, sizes, patterns, and solids;
- Launched our newest Disney collection on verabradley.com in August and our second annual collaboration with Crocs; and
- Introduced our masks and 1982 backpack at Target stores and on target.com.

In addition, using our data-centric programmatic buying, we have significantly increased our paid media efficiency and revenue attributable to paid media during the quarter.

At Pura Vida, we:

- Continued to add to our signature cord bracelets, style packs, popular metal, “mood,” and semi-precious collections;
- Launched our “celestial” collection;
- Further expanded our “above the keyboard” offerings;
- Expanded our mask offerings from one style in the second quarter to five styles in the third quarter; and
- Began our wholesale distribution of products in Europe.

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

- Net revenues decreased 2.1% to $124.8 million.
- Vera Bradley Direct (“VB Direct”) segment sales decreased 0.3% to $78.2 million.
- Vera Bradley Indirect segment (“VB Indirect”) sales decreased 7.2% to $22.3 million.
- Pura Vida segment sales decreased 2.8% to $24.3 million.
- Gross profit was $73.8 million, or 59.1% of net revenue.
- Operating income was $12.2 million and net income attributable to Vera Bradley, Inc. was $8.9 million. Operating income included intangible asset amortization related to the Pura Vida acquisition of $2.3 million.
- Capital expenditures for the thirteen weeks totaled $0.9 million.
- Cash and cash equivalents and investments were $77.3 million at October 31, 2020.

How We Assess the Performance of Our Business

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

Net Revenues

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

Comparable Sales

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

As substantially all of our Vera Bradley stores were opened during the third quarter, albeit with reduced hours in some locations, we reported third quarter comparable store sales. However, as a result of the temporary closure of all Vera Bradley stores due to COVID-19 during portions of the first and second quarters, the Company's fiscal 2021 year-to-date comparable store sales and comparable sales calculations are not meaningful and therefore are not provided.

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

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

Gross Profit

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

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

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

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

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

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

Other Income

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

Operating Income (Loss)

Operating income (loss) is equal to gross profit less SG&A expenses plus other income. 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.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interest

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

Net Income Attributable to Vera Bradley, Inc.

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

Pura Vida Acquisition

On July 16, 2019, the Company completed its acquisition of a seventy-five percent (75%) ownership interest in Creative Genius, Inc. or "Pura Vida" (the "Transaction") in exchange for total cash consideration of approximately $75.0 million. During the third quarter of fiscal 2020, the Company provided additional cash consideration of approximately $3.0 million for a working capital adjustment. The Company also received a working capital reimbursement of $1.0 million during the first quarter of fiscal 2021. Additional measurement period adjustments were recorded for conditions that existed as of the acquisition date. Pura Vida, based in La Jolla, California, is a rapidly growing, digitally native, and highly engaging lifestyle brand that deeply resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, and other lifestyle accessories. The Company believes that the acquisition will strengthen the Company by providing increased product diversification and future growth opportunities partially as a result of resource and knowledge-sharing.

In accordance with the Interest Purchase Agreement, the Company also agreed to a contingent payment of up to $22.5 million payable during the first quarter of calendar year 2020 based on calendar year 2019 adjusted EBITDA of Pura Vida, as defined in the Interest Purchase Agreement. This contingent payment was made during the first quarter of fiscal 2021 totaling $18.7 million. The Company's existing available cash, cash equivalents, and investments funded the purchase price due at the closing of the Transaction and subsequent to the closing. There were no transaction costs during the thirteen and thirty-nine weeks ended October 31, 2020 and the thirteen weeks ended November 2, 2019. Pre-tax transaction costs totaled $2.7 million for the thirty-nine weeks ended November 2, 2019. These costs are recorded within selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations and within corporate unallocated expenses.

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

Impairment Charges

Property, plant, and equipment and lease right-of-use assets (the "asset group" for store-related assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, as further defined in Note 5 to the Notes to the Condensed Consolidated Financial Statements herein. Impairment charges of $3.8 million were recognized during the thirty-nine weeks ended October 31, 2020, for property, plant, and equipment and lease right-of-use assets related to underperforming stores and are included in selling, general, and administrative expenses in the Condensed Consolidated Statements of Operations and in impairment charges in the Condensed

Consolidated Statements of Cash Flows. The impairment charges are included in the Direct segment. There were no impairment charges recorded during the thirteen weeks ended October 31, 2020 or November 2, 2019. The COVID-19 pandemic, including the temporary closure of Vera Bradley retail stores beginning in mid-March, significantly impacted the Company's operations and cash flows which was the main driver of the impairment charges. We are unable to predict the extent of the impact that the COVID-19 pandemic will have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

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

Results of Operations

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Statement of Operations Data:				
Net revenues	$ 124,849	$ 127,501	$ 325,903	$ 338,289
Cost of sales	51,018	59,631	138,263	152,618
Gross profit	73,831	67,870	187,640	185,671
Selling, general, and administrative expenses	61,703	69,423	183,640	184,465
Other income	36	77	89	1,021
Operating income (loss)	12,164	(1,476)	4,089	2,227
Interest expense (income), net	298	(133)	855	(955)
Income (loss) before income taxes	11,866	(1,343)	3,234	3,182
Income tax expense (benefit)	2,892	(361)	1,470	851
Net income (loss)	8,974	(982)	1,764	2,331
Less: Net income (loss) attributable to redeemable noncontrolling interest	100	(1,121)	1,011	(1,257)
Net income attributable to Vera Bradley, Inc.	$ 8,874	$ 139	$ 753	$ 3,588
Percentage of Net Revenues:				
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	40.9 %	46.8 %	42.4 %	45.1 %
Gross profit	59.1 %	53.2 %	57.6 %	54.9 %
Selling, general, and administrative expenses	49.4 %	54.4 %	56.3 %	54.5 %
Other income	— %	0.1 %	— %	0.3 %
Operating income (loss)	9.7 %	(1.2)%	1.3 %	0.7 %
Interest expense (income), net	0.2 %	(0.1)%	0.3 %	(0.3)%
Income (loss) before income taxes	9.5 %	(1.1)%	1.0 %	0.9 %
Income tax expense (benefit)	2.3 %	(0.3)%	0.5 %	0.3 %
Net income (loss)	7.2 %	(0.8)%	0.5 %	0.7 %
Less: Net income (loss) attributable to redeemable noncontrolling interest	0.1 %	(0.9)%	0.3 %	(0.4)%
Net income attributable to Vera Bradley, Inc.	7.1 %	0.1 %	0.2 %	1.1 %

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Net Revenues by Segment:				
VB Direct	$ 78,177	$ 78,397	$ 196,247	$ 243,913
VB Indirect	22,344	24,087	51,303	63,971
Pura Vida	24,328	25,017	78,353	30,405
Total	$ 124,849	$ 127,501	$ 325,903	$ 338,289
Percentage of Net Revenues by Segment:				
VB Direct	62.6 %	61.5 %	60.2 %	72.1 %
VB Indirect	17.9 %	18.9 %	15.8 %	18.9 %
Pura Vida	19.5 %	19.6 %	24.0 %	9.0 %
Total	100.0 %	100.0 %	100.0 %	100.0 %

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019	October 31, 2020	November 2, 2019
Operating Income (Loss) by Segment:				
VB Direct	$ 19,777	$ 14,675	$ 31,634	$ 45,172
VB Indirect	9,342	9,324	18,575	24,193
Pura Vida	402	(4,483)	4,046	(5,025)
Less: Corporate unallocated	(17,357)	(20,992)	(50,166)	(62,113)
Total	$ 12,164	$ (1,476)	$ 4,089	$ 2,227
Operating Income (Loss) as a Percentage of Net Revenues by Segment:				
VB Direct	25.3 %	18.7 %	16.1 %	18.5 %
VB Indirect	41.8 %	38.7 %	36.2 %	37.8 %
Pura Vida	1.7 %	(17.9)%	5.2 %	(16.5)%
Store Data (1):				
Total stores opened during period	2	1	6	6
Total stores closed during period	(1)	(3)	(7)	(8)
Total stores open at end of period	150	154	150	154
Comparable sales (including e-commerce) increase (2)	1.1 %	4.7 %	NM	3.8 %
Total gross square footage at end of period (all stores)	394,776	391,888	394,776	391,888
Average net revenues per gross square foot (3)	$ 127	$ 153	NM	$ 477

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

(2) As substantially all of the Vera Bradley stores reopened and remained open for the current-year third quarter, the Company reported the comparable sales figure for the third quarter; however, as a result of the temporary closure of Vera Bradley stores due to COVID-19 during portions of the first and second quarters, the Company's fiscal 2021 year-to-date comparable store sales and comparable sales calculations were not meaningful and therefore were not provided.

Comparable sales are calculated based upon Vera Bradley stores that have been open for at least 12 full fiscal months and net revenues from our Vera Bradley e-commerce operations. Pura Vida e-commerce operations are included in the current-year third quarter comparable sales figure. Increase or decrease is reported as a percentage of the comparable sales for the same period in the prior fiscal year. Remodeled stores are included in comparable sales unless the store was closed for more than one week of the current or comparable prior period, in which case the non-comparable temporary closure periods are not included, or the remodel resulted in a significant change in square footage.

(3) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period. As substantially all of the Vera Bradley stores reopened and remained open for the current-year third quarter, the Company reported average net revenues per square foot for the third quarter; however, as a result of the temporary closure of Vera Bradley stores due to COVID-19 during portions of the first and second quarters, the Company's fiscal 2021 year-to-date average net revenues per square foot were not meaningful and therefore were not provided.

Thirteen Weeks Ended October 31, 2020, Compared to Thirteen Weeks Ended November 2, 2019

Net Revenues

For the thirteen weeks ended October 31, 2020, net revenues decreased $2.7 million, or 2.1%, to $124.8 million, from $127.5 million in the comparable prior-year period. Net revenues from masks represented approximately 10% of consolidated net revenues for the thirteen weeks ended October 31, 2020.

VB Direct. For the thirteen weeks ended October 31, 2020, net revenues in the VB Direct segment decreased $0.2 million, or 0.3%, to $78.2 million, from $78.4 million in the comparable prior-year period. E-commerce sales growth of 48.8% was offset by the 19.1% decline in comparable store sales for the quarter, as store traffic continues to be negatively impacted by the pandemic. We closed 10 full-line stores and opened six factory outlet stores in the last twelve months.

VB Indirect. For the thirteen weeks ended October 31, 2020, net revenues in the VB Indirect segment decreased $1.8 million, or 7.2%, to $22.3 million, from $24.1 million in the comparable prior-year period. The decline was primarily due to a reduction in orders primarily related to the pandemic and in the number of specialty and department store accounts.

Pura Vida. For the thirteen weeks ended October 31, 2020, net revenues in the Pura Vida segment decreased $0.7 million, or 2.8%, to $24.3 million, from $25.0 million in the comparable prior-year period. The Pura Vida e-commerce sales increase of 17.2% was more than offset by a decline in sales to wholesale accounts, which were negatively affected by the pandemic. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Gross Profit

For the thirteen weeks ended October 31, 2020, gross profit increased $5.9 million, or 8.8%, to $73.8 million, from $67.9 million in the comparable prior-year period. As a percentage of net revenues, gross profit increased to 59.1% for the thirteen weeks ended October 31, 2020, from 53.2% in the comparable prior-year period. The prior-year period gross profit was negatively impacted by the amortization of an inventory step-up adjustment relating to the Pura Vida acquisition of $6.2 million, or 4.9% of net revenues. The remaining gross profit expansion was primarily through the sales of cotton masks.

Selling, General, and Administrative Expenses

For the thirteen weeks ended October 31, 2020, SG&A expenses decreased $7.7 million, or 11.1%, to $61.7 million, from $69.4 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses decreased to 49.4% for the thirteen weeks ended October 31, 2020, from 54.4% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $48.2 million compared to $55.5 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $13.5 million compared to $13.9 million in the prior-year. The decrease in consolidated SG&A expenses for the thirteen weeks ended October 31, 2020 was primarily due to:

- Vera Bradley initiatives to reduce expenses in light of COVID-19 including temporarily reducing the base compensation for certain salaried associates; certain expense reductions associated with the CARES Act retention credit; and reducing other non-payroll expenses, including travel expenses;
- a reduction of $2.6 million in depreciation expense primarily as a result of legacy software depreciation in the prior-year period that did not recur in the current-year period and savings as a result of property, plant, and equipment impairments recorded in the first quarter of the current-year; and
- a reduction in lease expense of approximately $1.0 million primarily as a result of lease right-of-use asset impairments recorded in the first quarter of the current-year, ten full-line store closures during the last 12 months, and lower contingent rent.

There was also $1.8 million of expense associated with accretion of the earn-out liability in the prior-year period that did not recur in the current-year period. The aforementioned savings were partially offset by an increase in incentive compensation expense as a result of a change in performance estimates and front line bonuses. SG&A expenses as a percentage of net revenues decreased primarily due to expense leverage associated with the aforementioned expense savings.

Other Income

For the thirteen weeks ended October 31, 2020, other income decreased $41.0 thousand to $36.0 thousand compared to $77.0 thousand in the comparable prior-year period.

Operating Income (Loss)

For the thirteen weeks ended October 31, 2020, operating income increased $13.7 million to $12.2 million in the current-year period, from an operating loss of $(1.5) million in the comparable prior-year period. As a percentage of net revenues, operating income (loss) was 9.7% and (1.2)% for the thirteen weeks ended October 31, 2020 and November 2, 2019, respectively. Operating income increased due to the factors described above.

VB Direct. For the thirteen weeks ended October 31, 2020, operating income in the VB Direct segment increased $5.1 million, to $19.8 million from operating income of $14.7 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 25.3% and 18.7% for the thirteen weeks ended October 31, 2020 and November 2, 2019, respectively. The increase in operating income as a percentage of VB Direct segment net revenues was primarily due to an increase in gross margin as a percentage of net revenues as described above and SG&A expense leverage associated with the aforementioned expense savings.

VB Indirect. For the thirteen weeks ended October 31, 2020, operating income in the VB Indirect segment was consistent with the comparable prior-year period at $9.3 million. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 41.8% and 38.7% for the thirteen weeks ended October 31, 2020 and November 2, 2019, respectively. The increase in operating income as a percentage of VB Indirect segment net revenues was primarily due to an increase in gross margin as a percentage of net revenues.

Pura Vida. For the thirteen weeks ended October 31, 2020, operating income in the Pura Vida segment was $0.4 million, or 1.7% of Pura Vida segment net revenues compared to an operating loss of $(4.5) million, or (17.9)% for the comparable prior-year period. The increase in operating income as a percentage of Pura Vida segment net revenues was primarily due to $6.2 million of inventory step-up amortization in the prior-year period that did not recur in the current-year period. This increase was partially offset by a decline in gross margin as a percentage of net revenues for Pura Vida. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Corporate Unallocated. For the thirteen weeks ended October 31, 2020, unallocated expenses decreased $3.6 million, or 17.3%, to $17.4 million from $21.0 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to initiatives to reduce expenses in light of COVID-19, including temporarily reducing the base compensation for certain salaried associates and reducing other non-payroll expenses including marketing and travel, as well as a reduction in depreciation expense primarily as a result of legacy software depreciation in the prior-year period that did not recur in the current-year period. There was also $1.8 million of expense associated with accretion of the earn-out liability in the prior-year period that did not recur in the current-year period. These expense savings were partially offset by an increase in incentive compensation expense as a result of a change in performance estimates.

Income Tax Expense

The effective tax rate for the thirteen weeks ended October 31, 2020, was 24.4%, compared to 26.9% for the thirteen weeks ended November 2, 2019. The year-over year effective tax rate decrease was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation.

Net Income (Loss)

For the thirteen weeks ended October 31, 2020, net income increased $10.0 million to $9.0 million from a net loss of $(1.0) million in the comparable prior-year period due to the factors described above.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interest

For the thirteen weeks ended October 31, 2020, net income attributable to redeemable noncontrolling interest was $0.1 million compared to net loss attributable to redeemable noncontrolling interest of $(1.1) million in the comparable prior-year period.

This represents the allocation of the Pura Vida net income (loss) to the noncontrolling interest. The net income (loss) was due to the factors described above in the Pura Vida operating segment.

Net Income Attributable to Vera Bradley, Inc.

For the thirteen weeks ended October 31, 2020, net income attributable to Vera Bradley, Inc. increased $8.8 million to $8.9 million from $0.1 million in the comparable prior-year period due to the factors described above.

Thirty-Nine Weeks Ended October 31, 2020, Compared to Thirty-Nine Weeks Ended November 2, 2019

Net Revenues

For the thirty-nine weeks ended October 31, 2020, net revenues decreased $12.4 million, or 3.7%, to $325.9 million, from $338.3 million in the comparable prior-year period. Net revenues from masks represented approximately 10% of consolidated net revenues for the thirty-nine weeks ended October 31, 2020.

VB Direct. For the thirty-nine weeks ended October 31, 2020, net revenues in the VB Direct segment decreased $47.7 million, or 19.5%, to $196.2 million, from $243.9 million in the comparable prior-year period. The decline primarily resulted from the Company's stores that were temporarily closed as a result of COVID-19 and lower traffic and sales as they reopened with reduced staffing, hours, and capacity, as well as the COVID-19-related cancellation of our annual outlet sale which typically occurs in April. This decline was partially offset by current-year period Vera Bradley e-commerce sales which increased 59.0% over the comparable period in the prior-year.

VB Indirect. For the thirty-nine weeks ended October 31, 2020, net revenues in the VB Indirect segment decreased $12.7 million, or 19.8%, to $51.3 million, from $64.0 million in the comparable prior-year period. The decline was primarily due to a reduction in orders from specialty, department stores and other key accounts, largely related to COVID-19, as well as a reduction in the number of specialty and department store accounts.

Pura Vida. For the thirty-nine weeks ended October 31, 2020, net revenues in the Pura Vida segment were $78.4 million compared to $30.4 million in the partial period of the prior-year. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Gross Profit

For the thirty-nine weeks ended October 31, 2020, gross profit increased $1.9 million, or 1.1%, to $187.6 million, from $185.7 million in the comparable prior-year period. As a percentage of net revenues, gross profit increased to 57.6% for the thirty-nine weeks ended October 31, 2020, from 54.9% in the comparable prior-year period. Charges for the cancellation of certain purchase orders due to COVID-19 in the current-year totaled $1.3 million and negatively impacted gross margin as a percentage of net revenues by 0.4%. The prior-year period included $7.2 million of inventory step-up amortization related to the Pura Vida acquisition that negatively impacted gross margin as a percentage of net revenues by 2.1%. The remaining increase as a percentage of net revenues was primarily due to mask sales, product collaborations, inventory management, and controlled promotional activity.

Selling, General, and Administrative Expenses

For the thirty-nine weeks ended October 31, 2020, SG&A expenses decreased $0.9 million, or 0.4%, to $183.6 million, from $184.5 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 56.3% for the thirty-nine weeks ended October 31, 2020, from 54.5% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $141.7 million compared to $167.8 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $41.9 million compared to $16.7 million in the partial period of the prior-year. The decrease in consolidated SG&A expenses for the thirty-nine weeks ended October 31, 2020 was primarily due to

- Vera Bradley initiatives to reduce expenses in light of COVID-19 including the temporary furlough of certain associates; temporarily reducing the base compensation for all other salaried associates; certain expense reductions associated with the CARES Act retention credit; and reducing other non-payroll expenses including marketing, professional fees, and travel;
- a reduction of $2.4 million in depreciation expense primarily as a result of legacy software depreciation in the prior-year period that did not recur in the current-year period and savings as a result of property, plant, and equipment impairments recorded in the first quarter of the current-year; and
- a reduction of approximately $4.0 million in lease expense primarily as a result of lease right-of-use asset impairments recorded in the first quarter of the current-year, ten full-line store closures during the last 12 months, and lower contingent rent.

There were also $2.7 million of Pura Vida transaction costs and $1.8 million of expense associated with accretion of the earn-out liability in the prior-year period that did not recur in the current-year period. These expense reductions were partially offset by incremental Pura Vida operating expenses of $21.0 million; Vera Bradley store impairment charges of $3.8 million; and incremental amortization of intangible assets associated with the Pura Vida acquisition of $4.1 million. SG&A expenses as a percentage of net revenues increased primarily due to the aforementioned items, as well as SG&A expense de-leverage associated with decreased sales.

Other Income

For the thirty-nine weeks ended October 31, 2020, other income decreased $0.9 million to $0.1 million compared to $1.0 million in the comparable prior-year period. The decrease in other income was primarily due to outlet sale ticket sales not received in the current-year period due to the cancellation of our 2020 annual outlet sale as a result of COVID-19, as well as a legal settlement received in the prior-year period that did not recur in the current-year period.

Operating Income

For the thirty-nine weeks ended October 31, 2020, operating income increased $1.9 million to $4.1 million in the current-year period, from operating income of $2.2 million in the comparable prior-year period. As a percentage of net revenues, operating income was 1.3% and 0.7% for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. Operating income increased due to the factors described above.

VB Direct. For the thirty-nine weeks ended October 31, 2020, operating income in the VB Direct segment decreased $13.6 million, to $31.6 million from $45.2 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 16.1% and 18.5% for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to SG&A expense de-leverage associated with lower sales primarily as a result of temporary store closures due to COVID-19, store impairment charges, and an allocation of charges for the cancellation of certain purchase orders related to COVID-19. These decreases were partially offset by an increase in gross margin as a percentage of net revenues, as described above.

VB Indirect. For the thirty-nine weeks ended October 31, 2020, operating income in the VB Indirect segment decreased $5.6 million, or 23.2%, to $18.6 million from $24.2 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 36.2% and 37.8% for the thirty-nine weeks ended October 31, 2020 and November 2, 2019, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was primarily due to SG&A expense de-leverage associated with lower sales and an increase in the bad debt provision, partially offset by an increase in gross margin as a percentage of net revenues as described above.

Pura Vida. For the thirty-nine weeks ended October 31, 2020, operating income in the Pura Vida segment was $4.0 million, or 5.2% of Pura Vida segment net revenues compared to an operating loss of $(5.0) million, or (16.5)% in the partial prior-year period. The current-year operating results included $7.0 million of intangible asset amortization expense. The prior-year period included $7.2 million of inventory step-up amortization and $2.9 million of intangible asset amortization. Refer to Note 12 to the Notes to the Condensed Consolidated Financial Statements herein for additional information regarding the Pura Vida acquisition.

Corporate Unallocated. For the thirty-nine weeks ended October 31, 2020, unallocated expenses decreased $11.9 million, or 19.2%, to $50.2 million from $62.1 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to initiatives to reduce expenses in light of COVID-19 including the temporary furlough of certain associates; temporarily reducing the base compensation for all other salaried associates; and reducing other non-payroll expenses including marketing, professional fees, and travel, as well as a reduction in depreciation expense primarily as a result of legacy software depreciation in the prior-year period that did not recur in the current-year period. There was also $1.8 million of expense associated with accretion of the earn-out liability in the prior-year period that did not recur in the current-year period.

Income Tax Expense

The effective tax rate for the thirty-nine weeks ended October 31, 2020, was 45.5%, compared to 26.7% for the thirty-nine weeks ended November 2, 2019. The year-over year effective tax rate increase was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation.

Net Income

For the thirty-nine weeks ended October 31, 2020, net income decreased $0.5 million to $1.8 million from $2.3 million in the comparable prior-year period due to the factors described above.

Net Income (Loss) Attributable to Redeemable Noncontrolling Interest

For the thirty-nine weeks ended October 31, 2020, net income attributable to redeemable noncontrolling interest was $1.0 million compared to net loss of $(1.3) million in the partial prior-year period. This represents the allocation of the Pura Vida net income (loss) to the noncontrolling interest. The net income (loss) was due to the factors described above in the Pura Vida operating segment.

Net Income Attributable to Vera Bradley, Inc.

For the thirty-nine weeks ended October 31, 2020, net income attributable to Vera Bradley, Inc. decreased $2.8 million to $0.8 million from $3.6 million in the comparable prior-year period due to the factors described above.

Liquidity and Capital Resources

General

Our primary sources of liquidity are cash on hand and cash equivalents, investments, and cash flow from operations. We also have access to additional liquidity, if needed, through incremental borrowings under our $75.0 million asset-based revolving credit agreement (the “Credit Agreement”) which began on September 7, 2018. Net borrowings under the credit agreement totaled $30.0 million during the thirty-nine weeks ended October 31, 2020, and there was $30.0 million in debt outstanding as of October 31, 2020. Historically, our primary cash needs have been for merchandise inventories; payroll; store rent; capital expenditures associated with operational equipment, buildings, information technology, and opening new stores; and share repurchases. The most significant components of our working capital are cash and cash equivalents, short-term investments, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

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

Investments.

Cash Equivalents. Investments classified as cash equivalents relate to highly-liquid investments with a maturity of three months or less at the date of purchase. As of October 31, 2020 and February 1, 2020, these investments in the Company's portfolio consisted of a money market fund. The balance as of February 1, 2020 also included commercial paper.

Short-Term Investments. As of October 31, 2020 and February 1, 2020 short-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity within one year of the balance sheet date. The balance as of February 1, 2020 also included commercial paper, municipal securities, and U.S. asset-backed securities.

Long-Term Investments. As of October 31, 2020 and February 1, 2020, long-term investments consisted of U.S. and non-U.S. corporate debt securities with a maturity greater than one year from the balance sheet date. The balance as of February 1, 2020 also included U.S. and non-U.S. asset-backed securities and other foreign securities.

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

Cash Flow Analysis

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

	Thirty-Nine Weeks Ended	
	October 31, 2020	November 2, 2019
Net cash provided by (used in) operating activities	$ 1,630	$ (9,235)
Net cash provided by (used in) investing activities	17,995	(67,010)
Net cash provided by (used in) financing activities	6,201	(11,248)

Net Cash Provided by (Used in) Operating Activities

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

Net cash provided by operating activities for the thirty-nine weeks ended October 31, 2020 was $1.6 million compared to cash used in operating activities of $9.2 million for the thirty-nine weeks ended November 2, 2019. The increase in cash provided by operating activities was primarily related to the change in assets and liabilities. Increases resulting in a source of cash were primarily related to the deferral of rent payments as a result of COVID-19, as well as timing of other payments. The increases that resulted in a use of cash were primarily related to a change in the timing of receipt of certain customer payments, payments made for Pura Vida operations not in the prior-year period, as well as certain Vera Bradley technology project expenditures.

Net Cash Provided by (Used in) Investing Activities

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

Net cash provided by investing activities was $18.0 million for the thirty-nine weeks ended October 31, 2020 compared to cash used in investing activities of $67.0 million for the thirty-nine weeks ended November 2, 2019. The increase in cash provided by investing activities was primarily a result of decreased spending related to property, plant, and equipment and net investment activity in the current year, as well as the July 2019 acquisition of Pura Vida that occurred in the prior-year period.

Capital expenditures for fiscal 2021 are expected to be approximately $6.0 million to $7.0 million.

Net Cash Provided by (Used in) Financing Activities

Net cash provided by financing activities was $6.2 million for the thirty-nine weeks ended October 31, 2020 compared to cash used in financing activities of $11.2 million for the thirty-nine weeks ended November 2, 2019. The increase in cash provided by financing activities was primarily due to net borrowings of $30.0 million under our Credit Agreement and a decline of $6.1 million in repurchases of common stock, partially offset by the $18.7 million payment of the contingent consideration associated with the July 2019 acquisition of Pura Vida.

Credit Agreement

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

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

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

The Credit Agreement contains various affirmative and negative covenants, including restrictions on the Company's ability to incur debt or liens; engage in mergers or consolidations; make certain investments, acquisitions, loans, and advances; sell assets; enter into certain swap agreements; pay dividends or make distributions or make other restricted payments; engage in certain transactions with affiliates; and amend, modify, or waive any of its rights related to subordinated indebtedness and certain charter and other organizational, governing, and material agreements. The Company may avoid certain of such restrictions by meeting payment conditions defined in the Credit Agreement. The Company was in compliance with these covenants as of October 31, 2020.

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

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

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

As of October 31, 2020 the Company had outstanding borrowings of $30.0 million and availability of $45.0 million under the Credit Agreement, compared to no borrowings outstanding and availability of $75.0 million as of February 1, 2020 under the Credit Agreement.

Off-Balance-Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company’s significant accounting policies is included in Note 2 to the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company’s consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 1, 2020. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of October 31, 2020.

Recently Issued Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of October 31, 2020, there was no material change in the market risks described in "Quantitative and Qualitative Disclosures About Market Risks" in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 31, 2020.

On July 16, 2019, the Company completed its acquisition of a majority interest in Pura Vida. Pura Vida constitutes approximately 25% of total assets and 7% of total liabilities as of October 31, 2020, and approximately 20% and 24% of net revenues for the thirteen and thirty-nine weeks ended October 31, 2020, respectively. As of August 1, 2020, the Company integrated the acquired business into its system of internal control over financial reporting and has included it in the above assessment regarding the effectiveness of the Company's disclosure controls and procedures.

During the quarter ended October 31, 2020, the Company implemented a new Enterprise Resource Planning system and a new e-commerce platform (collectively the "information technology re-platforming") resulting in certain changes to the Company's internal control over financial reporting. Other than the information technology re-platforming, there has been no change in our internal control over financial reporting during the most recent fiscal quarter that has materially affected, or that is reasonably likely to materially affect, our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

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

In April of 2020, Chidimma Igboakaeze filed suit seeking class certification for all current and former hourly-paid employees who worked for the Company within the state of California during the four years preceding the filing until final judgement. The complaint alleges various violations of the California Labor Code related to wages, overtime, meal and rest breaks, non-compliant wage statements and records and other similar allegations related to employment. The Plaintiff has also filed a Private Attorney General Act claim with the state of California regarding the same allegations. The Company denies all liability and intends to vigorously defend itself in the case. The case is currently in discovery. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

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

ITEM 1A. RISK FACTORS

Except as follows, there have been no material changes to the risk factors previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2020.

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

Our operations are currently subject to significant disruptions as a result of the COVID-19 pandemic. The pandemic has resulted in travel restrictions both domestically and internationally, community and self-quarantines, certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours. We temporarily closed our retail stores on March 19, 2020. On May 5, 2020, we began to reopen our retail stores in a phased approach, with all but two full-line stores open and all factory stores open as of the end of October. Despite the reopening of a majority of our retail stores, we have experienced, and may continue to experience, significantly reduced traffic, demand, and sales. Further, as guidance and mandates from governments and public health officials continue to evolve, additional closures to some, or all, of our retail stores, the stores of our Indirect segment partners, and other aspects of our operations may occur.

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

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

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

Beginning in mid-March 2020, we began taking several actions to navigate the COVID-19 pandemic, protect our financial position, maximize our liquidity, and to position the Company for a strong reopening and future. In addition to the aforementioned store closures, these actions included: temporarily furloughing approximately 80% of our workforce during the first quarter; temporarily reducing compensation for remaining salaried associates based on a graduated scale; temporarily suspending cash compensation to our board of directors; temporarily suspending our share repurchase program; drawing $60.0 million of our $75.0 million Credit Agreement; temporarily eliminating the Company 401(k) and associate charitable contribution matches; tightly managing inventory levels through the cancellation of purchase orders, delay of receipts, or seeking price concessions where possible; actively working with landlords on addressing rent abatements, payments terms, accelerating store closures, and delaying or cancelling certain planned new store openings; reducing non-payroll operating expenses; and extending vendor payment terms. During the second quarter, we brought back the majority of associates from furlough; began to reinstate portions of the base compensation reductions; and paid back $30.0 million of our $60.0 million borrowing under our Credit Agreement. As of the end of October, substantially all of our associates have returned from furlough.

We are also leveraging the Coronavirus Aid Relief and Economic Security (CARES) Act to enhance the financial well-being of associates and to maximize the financial health of the Company. Measures to mitigate COVID-19 impacts to our business may result in additional risk exposure or prove ineffectual. For example, we have and may continue to incur additional interest costs associated with increased borrowings under our Credit Agreement.

Our business depends on strong brands. If we are unable to execute our marketing strategies, intended to enhance our brands, then revenues and our results of operations could be adversely impacted.

We believe that the brand images that we have developed have contributed significantly to the success of our business. We also believe that enhancing the Vera Bradley and Pura Vida brands through our marketing strategies is critical to maintaining and expanding our customer base. Enhancing our brands and implementing our marketing strategies may require us to make substantial investments in areas such as product design, store operations, store design, community relations, and marketing. These investments might not succeed. If we are unable to successfully execute our brand strategies, our results of operations could be adversely impacted.

Further, our businesses rely on effective digital marketing, including marketing across social media and other online platforms. If our digital marketing efforts are not effective, or if digital marketing costs increase, our results of operations, liquidity, and financial condition could be adversely impacted.

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

On November 29, 2018, the Company's board of directors approved a share repurchase plan (the “2018 Share Repurchase Program”) authorizing up to $50.0 million of repurchases of shares of the Company's common stock. The 2018 Share Repurchase Program is scheduled to expire on December 14, 2020. To conserve cash as a result of COVID-19, the Company temporarily suspended the share repurchase program.

There was no activity under the program during the thirteen weeks ended October 31, 2020.

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
August 2, 2020 - August 29, 2020	—	$ —	—	$ 32,939,607
August 30, 2020 - October 3, 2020	—	—	—	32,939,607
October 4, 2020 - October 31, 2020	—	—	—	32,939,607
	—	$ —	—	

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ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Vera Bradley, Inc. 2020 Equity and Incentive Plan (incorporated by reference to Appendix A to the registrant's Definitive Proxy Statement filed April 30, 2020)
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101.INS	Inline XBRL Instance Document (the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
104	Cover Page Interactive Data File (formatted as inline XBRL and contained in Exhibit 101)

* Furnished, not filed.

SIGNATURE

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

	Vera Bradley, Inc. (Registrant)
Date: December 9, 2020	/s/ John Enwright
	John Enwright Chief Financial Officer

Exhibit 31.1

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

I, Robert Wallstrom, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Vera Bradley, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f))for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 9, 2020

/s/ Robert Wallstrom
Robert Wallstrom
Chief Executive Officer

Exhibit 31.2

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

I, John Enwright, certify that:

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

Date: December 9, 2020

/s/ John Enwright
John Enwright
Chief Financial Officer

Exhibit 32.1

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

I, Robert Wallstrom, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended October 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Robert Wallstrom
Robert Wallstrom
Chief Executive Officer

December 9, 2020
Date

I, John Enwright, the Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended October 31, 2020 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ John Enwright
John Enwright
Chief Financial Officer

December 9, 2020
Date