

**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 November 2, 2024

OR

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

For the Transition Period From _____ to _____

Commission File Number: 001-34918



VERA BRADLEY, INC.

(Exact name of registrant as specified in its charter)

Indiana
(State or other jurisdiction of
incorporation or organization)

**12420 Stonebridge Road,
Roanoke, Indiana**
(Address of principal executive offices)

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

46783
(Zip Code)

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

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

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

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

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

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

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

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

Emerging growth company

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

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

The registrant had 27,726,461 shares of its common stock outstanding as of December 4, 2024.

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FORWARD-LOOKING STATEMENTS

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

- possible inability to successfully implement our long-term strategic plans, including Project Restoration;
- possible declines in our comparable sales;
- possible inability to maintain and enhance our brands;
- possible failure of our multi-channel distribution model;
- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending, including political unrest, social unrest, acts of war and terrorism, and other related matters;
- possible inability to predict and respond in a timely manner to changes in consumer demand;
- possible inability to successfully open new stores and/or operate current stores as planned;
- possible loss of key management or design associates or inability to attract and retain the talent required for our business;
- possible data security or privacy breaches or disruptions in our computer systems or websites;
- possible disruptions in our supply chain;
- possible new or increased tariffs on our products and increases in inbound and outbound freight expense that could lead to increased product costs and lower profit margins; and
- public health pandemics and actions by governmental or other actors regarding containment.

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

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

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

PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS**

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

	November 2, 2024	February 3, 2024
Assets		
Current assets:		
Cash and cash equivalents	\$ 13,711	\$ 77,303
Accounts receivable, net	24,263	17,112
Inventories	131,314	118,278
Income taxes receivable	3,948	461
Prepaid expenses and other current assets	11,549	12,803
Total current assets	184,785	225,957
Operating right-of-use assets	83,239	66,488
Property, plant, and equipment, net	54,356	54,256
Intangible assets, net	6,237	7,573
Deferred income taxes	20,471	20,355
Other assets	9,887	6,157
Total assets	\$ 358,975	\$ 380,786
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 19,933	\$ 14,155
Accrued employment costs	6,876	12,944
Short-term operating lease liabilities	21,172	18,452
Other accrued liabilities	11,575	12,070
Income taxes payable	210	640
Total current liabilities	59,766	58,261
Long-term operating lease liabilities	73,965	62,552
Other long-term liabilities	46	44
Total liabilities	133,777	120,857
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 43,523 and 43,253 shares issued and 27,802 and 30,814 shares outstanding, respectively	—	—
Additional paid-in-capital	114,167	112,590
Retained earnings	267,252	282,467
Accumulated other comprehensive income (loss)	14	(72)
Treasury stock	(156,235)	(135,056)
Total shareholders' equity	225,198	259,929
Total liabilities and shareholders' equity	\$ 358,975	\$ 380,786

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net revenues	\$ 80,578	\$ 114,987	\$ 272,003	\$ 337,521
Cost of sales	36,969	51,980	130,124	150,749
Gross profit	43,609	63,007	141,879	186,772
Selling, general, and administrative expenses	54,220	56,363	161,628	174,274
Other income, net	137	142	717	773
Operating (loss) income	(10,474)	6,786	(19,032)	13,271
Interest income, net	113	285	1,059	241
(Loss) income before income taxes	(10,361)	7,071	(17,973)	13,512
Income tax expense (benefit)	2,439	1,953	(2,758)	3,819
Net (loss) income	<u>\$ (12,800)</u>	<u>\$ 5,118</u>	<u>\$ (15,215)</u>	<u>\$ 9,693</u>
Basic weighted-average shares outstanding	28,074	30,814	29,339	30,836
Diluted weighted-average shares outstanding	28,074	31,322	29,339	31,246
Basic net (loss) income per share	\$ (0.46)	\$ 0.17	\$ (0.52)	\$ 0.31
Diluted net (loss) income per share	\$ (0.46)	\$ 0.16	\$ (0.52)	\$ 0.31

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net (loss) income	\$ (12,800)	\$ 5,118	\$ (15,215)	\$ 9,693
Cumulative translation adjustment	86	(5)	86	31
Comprehensive (loss) income, net of tax	\$ (12,714)	\$ 5,113	\$ (15,129)	\$ 9,724

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		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income	Treasury Stock	Total Shareholders' Equity
	Common Stock	Treasury Stock					
Balance at February 3, 2024	30,813,616	12,439,244	\$ 112,590	\$ 282,467	\$ (72)	\$(135,056)	\$ 259,929
Net loss	—	—	—	(8,121)	—	—	(8,121)
Translation adjustments	—	—	—	—	8	—	8
Restricted shares vested, net of repurchase for taxes	194,033	—	(356)	—	—	—	(356)
Stock-based compensation	—	—	804	—	—	—	804
Treasury stock purchased	(959,186)	959,186	—	—	—	(6,348)	(6,348)
Balance at May 4, 2024	30,048,463	13,398,430	\$ 113,038	\$ 274,346	\$ (64)	\$(141,404)	\$ 245,916
Net income	—	—	—	5,706	—	—	5,706
Translation adjustments	—	—	—	—	(8)	—	(8)
Restricted shares vested, net of repurchase for taxes	19,115	—	(107)	—	—	—	(107)
Stock-based compensation	—	—	572	—	—	—	572
Treasury stock purchased	(1,362,248)	1,362,248	—	—	—	(9,545)	(9,545)
Balance at August 3, 2024	28,705,330	14,760,678	\$ 113,503	\$ 280,052	\$ (72)	\$(150,949)	\$ 242,534
Net loss	—	—	—	(12,800)	—	—	(12,800)
Translation adjustments	—	—	—	—	86	—	86
Restricted shares vested, net of repurchase for taxes	56,848	—	(229)	—	—	—	(229)
Stock-based compensation	—	—	893	—	—	—	893
Treasury stock purchased	(960,487)	960,487	—	—	—	(5,286)	(5,286)
Balance at November 2, 2024	27,801,691	15,721,165	\$ 114,167	\$ 267,252	\$ 14	\$(156,235)	\$ 225,198

Vera Bradley, Inc.

Condensed Consolidated Statements of Shareholders' Equity
(in thousands, except share data)

	(unaudited)		Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Treasury Stock	Total Shareholders' Equity
	Number of Shares						
	Common Stock	Treasury Stock					
Balance at January 28, 2023	30,766,024	12,079,690	\$ 109,718	\$ 274,629	\$ (105)	\$ (132,864)	\$ 251,378
Net loss	—	—	—	(4,679)	—	—	(4,679)
Translation adjustments	—	—	—	—	(10)	—	(10)
Restricted shares vested, net of repurchase for taxes	330,500	—	(942)	—	—	—	(942)
Stock-based compensation	—	—	691	—	—	—	691
Treasury stock purchased	(128,100)	128,100	—	—	—	(732)	(732)
Purchase of noncontrolling interest equity adjustment	—	—	1,286	—	—	—	1,286
Balance at April 29, 2023	30,968,424	12,207,790	\$ 110,753	\$ 269,950	\$ (115)	\$ (133,596)	\$ 246,992
Net income	—	—	—	9,254	—	—	9,254
Translation adjustments	—	—	—	—	46	—	46
Restricted shares vested, net of repurchase for taxes	89	—	—	—	—	—	—
Stock-based compensation	—	—	910	—	—	—	910
Treasury stock purchased	(120,220)	120,220	—	—	—	(683)	(683)
Balance at July 29, 2023	30,848,293	12,328,010	\$ 111,663	\$ 279,204	\$ (69)	\$ (134,279)	\$ 256,519
Net income	—	—	—	5,118	—	—	5,118
Translation adjustments	—	—	—	—	(5)	—	(5)
Restricted shares vested, net of repurchase for taxes	8,653	—	(30)	—	—	—	(30)
Stock-based compensation	—	—	764	—	—	—	764
Treasury stock purchased	(71,807)	71,807	—	—	—	(485)	(485)
Balance at October 28, 2023	30,785,139	12,399,817	\$ 112,397	\$ 284,322	\$ (74)	\$ (134,764)	\$ 261,881

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	
	November 2, 2024	October 28, 2023
Cash flows from operating activities		
Net (loss) income	\$ (15,215)	\$ 9,693
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:		
Depreciation of property, plant, and equipment	6,210	5,988
Amortization of operating right-of-use assets	14,850	15,622
Impairment charges	2,181	—
Amortization of intangible assets	1,336	2,187
Provision for doubtful accounts	31	87
Stock-based compensation	2,269	2,365
Deferred income taxes	(116)	3,155
Other non-cash (gain) loss, net	(2)	50
Changes in assets and liabilities:		
Accounts receivable	(7,182)	(3,581)
Inventories	(13,036)	13,135
Prepaid expenses and other assets	(2,476)	(688)
Accounts payable	3,349	(8,134)
Income taxes	(3,917)	(53)
Operating lease liabilities, net	(17,468)	(16,495)
Accrued and other liabilities	(6,571)	(2,273)
Net cash (used in) provided by operating activities	(35,757)	21,058
Cash flows from investing activities		
Purchases of property, plant, and equipment	(6,050)	(2,546)
Cash paid for business acquisition	—	(10,000)
Net cash used in investing activities	(6,050)	(12,546)
Cash flows from financing activities		
Tax withholdings for equity compensation	(692)	(972)
Repurchase of common stock	(21,179)	(1,900)
Net cash used in financing activities	(21,871)	(2,872)
Effect of exchange rate changes on cash and cash equivalents	86	31
Net (decrease) increase in cash and cash equivalents	(63,592)	5,671
Cash and cash equivalents, beginning of period	77,303	46,595
Cash and cash equivalents, end of period	\$ 13,711	\$ 52,266

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

	Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	\$ 1,311	\$ 748
Supplemental disclosure of non-cash activity		
Non-cash operating, investing, and financing activities		
Purchases of property, plant, and equipment incurred but not yet paid	\$ 2,589	\$ 1,090

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

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

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

1. Description of the Company and Basis of Presentation

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

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

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

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

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

- The VB Direct segment consists of sales of Vera Bradley products through Vera Bradley full-line and outlet stores in the United States; e-commerce sites (verabradley.com, outlet.verabradley.com, and international.verabradley.com); and the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of November 2, 2024, the Company operated 40 full-line stores and 86 outlet stores.
- The VB Indirect segment consists of revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 1,200 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand.
- The Pura Vida segment represents revenues generated through the Pura Vida websites (www.puravidabracelets.com and www.puravidabracelets.eu); through the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States; and through its seven retail stores.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (“SEC”). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) have been condensed or omitted as permitted by such rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company’s Annual Report on Form 10-K for the fiscal year ended February 3, 2024, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen and thirty-nine weeks ended November 2, 2024, are not necessarily indicative of the results to be expected for the full fiscal year due to, in part, seasonal fluctuations in the business and the uncertainty of macroeconomic factors on future periods, including inflation and other related matters..

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

Principles of Consolidation

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

Fiscal Periods

The Company's fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended November 2, 2024 and October 28, 2023 refer to the thirteen week periods ended on those dates.

Recently Issued Accounting Pronouncements

In November, 2024, the Financial Accounting Standards Board issued Accounting Standards Update ("ASU") 2024-03, "Disaggregation of Income Statement Expenses". The ASU requires financial statement footnote disclosure of specified information about certain costs and expenses, including purchases of inventory, employee compensation, depreciation, and intangible asset amortization. The ASU is effective for fiscal years beginning after December 15, 2026 (the Company's fiscal year 2028) and interim reporting periods beginning after December 15, 2027 (interim periods for the Company's fiscal year 2029). Public business entities are required to apply the guidance prospectively, however, retrospective application is permitted. The Company is currently evaluating the impact of this ASU, but expects the impact to be limited to financial statement footnote disclosures.

In November 2023, the FASB issued ASU 2023-07, "Improvements to Reportable Segment Disclosures". This ASU updates reportable segment disclosure requirements by requiring disclosures of significant reportable segment expenses that are regularly provided to the Chief Operating Decision Maker ("CODM") and included within each reported measure of a segment's profit or loss. This ASU also requires disclosure of the title and position of the individual identified as the CODM and an explanation of how the CODM uses the reported measures of a segment's profit or loss in assessing segment performance and deciding how to allocate resources. The ASU is effective for annual periods beginning after December 15, 2023 (the Company's fiscal year 2025), and interim periods within fiscal years beginning after December 15, 2024 (the Company's fiscal year 2026). Adoption of the ASU should be applied retrospectively to all prior periods presented in the financial statements. Early adoption is also permitted. This ASU will likely result in additional required disclosures when adopted. The Company is currently evaluating this guidance to determine the impact on its disclosures; however, adoption will not impact our consolidated financial statements.

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

2. Revenue from Contracts with Customers

Disaggregation of Revenue

The following presents the Company's net revenues disaggregated by product category for the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023 (in thousands):

	Thirteen Weeks Ended			
	November 2, 2024			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
<i>Product categories</i>				
Bags	\$ 23,326	\$ 10,294	\$ 21	\$ 33,641
Travel	12,968	4,321	—	17,289
Accessories	8,704	1,764	9,721	20,189
Home	4,542	818	—	5,360
Apparel/Footwear	1,585	325	82	1,992
Other	1,350 (1)	486 (2)	271 (3)	2,107
Total net revenues	<u>\$ 52,475 (4)</u>	<u>\$ 18,008 (5)</u>	<u>\$ 10,095 (4)</u>	<u>\$ 80,578</u>

(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) \$17.6 million of net revenues related to product sales recognized at a point in time and \$0.4 million of net revenues related to sales-based royalties recognized over time.

	Thirteen Weeks Ended			
	October 28, 2023			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
<i>Product categories</i>				
Bags	\$ 30,970	\$ 13,167	\$ 111	\$ 44,248
Travel	15,374	5,038	—	20,412
Accessories	12,782	3,566	16,757	33,105
Home	7,824	1,415	—	9,239
Apparel/Footwear	3,601	1,081	357	5,039
Other	1,758 (1)	719 (2)	467 (3)	2,944
Total net revenues	<u>\$ 72,309 (4)</u>	<u>\$ 24,986 (5)</u>	<u>\$ 17,692 (4)</u>	<u>\$ 114,987</u>

(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) \$24.5 million of net revenues related to product sales recognized at a point in time and \$0.5 million of net revenues related to sales-based royalties recognized over time.

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

	Thirty-Nine Weeks Ended			
	November 2, 2024			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
<i>Product categories</i>				
Bags	\$ 79,290	\$ 29,912	\$ 57	\$ 109,259
Travel	44,633	10,663	—	55,296
Accessories	30,493	5,869	38,197	74,559
Home	15,795	2,103	—	17,898
Apparel/Footwear	6,357	1,051	385	7,793
Other	4,572 (1)	1,696 (2)	930 (3)	7,198
Total net revenues	<u>\$ 181,140 (4)</u>	<u>\$ 51,294 (5)</u>	<u>\$ 39,569 (4)</u>	<u>\$ 272,003</u>

(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) \$49.9 million of net revenues related to product sales recognized at a point in time and \$1.4 million of net revenues related to sales-based royalties recognized over time.

	Thirty-Nine Weeks Ended			
	October 28, 2023			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
<i>Product categories</i>				
Bags	\$ 89,267	\$ 31,123	\$ 348	\$ 120,738
Travel	50,740	11,696	—	62,436
Accessories	38,416	7,511	59,440	105,367
Home	22,890	2,956	—	25,846
Apparel/Footwear	10,591	1,865	1,117	13,573
Other	5,012 (1)	2,571 (2)	1,978 (3)	9,561
Total net revenues	<u>\$ 216,916 (4)</u>	<u>\$ 57,722 (5)</u>	<u>\$ 62,883 (4)</u>	<u>\$ 337,521</u>

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

(2) Primarily includes net revenues from licensing agreements and freight.

(3) Related to freight.

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

(5) \$55.8 million of net revenues related to product sales recognized at a point in time and \$1.9 million of net revenues related to sales-based royalties recognized over time.

Contract Balances

Contract liabilities as of November 2, 2024 and February 3, 2024, were \$2.0 million and \$2.6 million, respectively. The balance as of November 2, 2024 and February 3, 2024 consisted of unredeemed gift cards, unearned revenue related to the monthly bracelet and jewelry clubs of the Pura Vida segment, Pura Vida loyalty club points, and Pura Vida customer deposits and payments collected before shipment. These contract liabilities are recognized within other accrued liabilities on the Company's Condensed Consolidated Balance Sheets. Substantially all contract liabilities are recognized within one year. The Company did not have contract assets as of November 2, 2024 and February 3, 2024.

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The balance for accounts receivable from contracts with customers, net of allowances, as of November 2, 2024 and February 3, 2024, was \$23.8 million and \$16.4 million, respectively, which is recognized within accounts receivable, net, on the Company's Condensed Consolidated Balance Sheets. The provision for doubtful accounts was \$1.1 million as of November 2, 2024 and February 3, 2024, respectively. The provision for doubtful accounts is based upon the likelihood of default expected during the life of the receivable.

Performance Obligations

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

Remaining Performance Obligations

The Company does not have remaining performance obligations in excess of one year or contracts that it does not have the right to invoice as of November 2, 2024.

3. Leases

Discount Rate

The weighted-average discount rate as of November 2, 2024, and October 28, 2023 was 5.0% and 4.8%, respectively. The discount rate is not readily determinable in the lease; therefore, the Company estimated the incremental borrowing rate, at the commencement date of each lease, which is the rate of interest it would have to borrow on a collateralized basis over a similar term with similar payments.

Leases Not Yet Commenced

As of November 2, 2024, there were no executed leases in which the Company did not have control of the underlying asset.

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 November 2, 2024 and October 28, 2023 (in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Operating lease cost	\$ 7,044	\$ 6,439	\$ 19,773	\$ 19,506
Variable lease cost	990	1,321	3,316	4,078
Short-term lease cost	98	100	502	455
Less: Sublease income ⁽¹⁾	(105)	(105)	(315)	(315)
Total net lease cost	\$ 8,027	\$ 7,755	\$ 23,276	\$ 23,724

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

The weighted-average remaining lease term as of November 2, 2024 and October 28, 2023 was 4.8 years and 5.4 years, respectively.

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

	Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023
Cash paid for amounts included in the measurement of operating lease liabilities ⁽¹⁾	\$ 22,544	\$ 22,111
Right-of-use assets increase as a result of new and modified operating lease liabilities, net	\$ 31,605	\$ 4,819

(1) \$2.8 million of lease liabilities were recorded within accounts payable on the Company's Consolidated Balance Sheets as of November 2, 2024, and were paid in the fourth quarter of fiscal 2025.

4. Earnings Per Share

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

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
<i>Numerator:</i>				
Net (loss) income	\$ (12,800)	\$ 5,118	\$ (15,215)	\$ 9,693
<i>Denominator:</i>				
Weighted-average number of common shares (basic)	28,074	30,814	29,339	30,836
Dilutive effect of stock-based awards	—	508	—	410
Weighted-average number of common shares (diluted)	28,074	31,322	29,339	31,246
<i>Net (loss) income per share:</i>				
Basic	\$ (0.46)	\$ 0.17	\$ (0.52)	\$ 0.31
Diluted	\$ (0.46)	\$ 0.16	\$ (0.52)	\$ 0.31

For the thirteen and thirty-nine weeks ended November 2, 2024, all potential common shares were excluded from the diluted share calculation because they were anti-dilutive due to the net loss in the period.

For the thirteen and thirty-nine weeks ended October 28, 2023, there were an immaterial number of additional shares issuable upon the vesting of restricted stock units that were excluded from the diluted share calculations because they were anti-dilutive.

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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 November 2, 2024 and February 3, 2024, approximated their fair values.

The following table details the fair value measurements of the Company's investments as of November 2, 2024 and February 3, 2024 (in thousands):

	Level 1		Level 2		Level 3	
	November 2, 2024	February 3, 2024	November 2, 2024	February 3, 2024	November 2, 2024	February 3, 2024
Cash equivalents ⁽¹⁾	\$ —	\$ 55,262	\$ —	\$ —	\$ —	\$ —

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

The Company assesses potential impairments to its long-lived assets, which includes property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets and right-of-use assets are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store's lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The Company recorded \$2.2 million for store property, plant, and equipment charges for the thirteen and thirty-nine weeks ended November 2, 2024. These charges are included in selling, general, and administrative ("SG&A") expenses in the Consolidated Statements of Operations and in impairment charges in the Consolidated Statements of Cash Flows. There were no long-lived asset impairment charges for the thirteen and thirty-nine weeks ended October 28, 2023.

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

On a nonrecurring basis, assets recognized or disclosed at fair value on the consolidated financial statements include items such as property, plant, and equipment, including leasehold improvements, and operating lease assets, as well as intangible assets related to the Pura Vida acquisition. These assets are measured at fair value if determined to be impaired. There were no intangible asset impairment charges recorded during the thirteen and thirty-nine weeks ended November 2, 2024 or October 28, 2023. Refer to Note 13 herein for additional information.

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6. Debt

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

The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed the lesser of \$75.0 million or the amount of borrowing availability determined in accordance with a borrowing base of certain assets. Any proceeds of the credit facilities will be used to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC, Vera Bradley Sales, LLC, and Creative Genius, LLC (collectively, the “Named Subsidiaries”). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to \$50.0 million.

Amounts outstanding under the Credit Agreement bear interest at a per annum rate equal to (i) for CBFR borrowings (including swingline loans), the CB Floating Rate, where the CB Floating Rate is the greater of the prime rate or 2.5%, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.25% to -1.50%, (ii) for each Term Benchmark Borrowing, the Adjusted Term SOFR Rate, where the Adjusted Term SOFR Rate is the Term SOFR rate for such interest period plus 0.10% for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.25% to 1.50%, or (iii) for RFR Loans, the Adjusted Daily Simple SOFR Rate, where the adjusted Daily Simple SOFR Rate is equal to the Daily Simple SOFR plus 0.10%, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.25% to 1.50%. The applicable CB Floating Rate, Adjusted Term SOFR Rate, Term SOFR Rate, Daily Simple SOFR, and Adjusted Daily Simple SOFR shall be determined by the administrative agent. The Credit Agreement also requires VBD to pay a commitment fee for the unused portion of the revolving facility of up to 0.30% per annum.

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

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

The Credit Agreement also requires the loan parties, as defined in the Credit Agreement, to maintain a minimum fixed charge coverage ratio of 1.00 to 1.00 during periods when borrowing availability is less than the greater of (A) \$9.4 million, and (B) 12.5% of the lesser of (i) the aggregate revolving commitment, and (ii) the borrowing base. The fixed charge coverage ratio, availability, aggregate revolving commitment, and the borrowing base are further defined in the Credit Agreement.

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

The Credit Agreement matures in May 2028.

As of November 2, 2024 and February 3, 2024, the Company had no borrowings outstanding and availability of \$75.0 million under the Credit Agreement.

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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 November 2, 2024, was (23.5)%, compared to 27.6% for the thirteen weeks ended October 28, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of the impact of foreign operations as well as non-deductible executive compensation.

The effective tax rate for the thirty-nine weeks ended November 2, 2024, was 15.3%, compared to 28.3% for the thirty-nine weeks ended October 28, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of the impact of foreign operations as well as non-deductible executive compensation.

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

8. Stock-Based Compensation

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

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

Awards of Restricted Stock Units

The Company did not grant restricted stock units during the thirteen weeks ended November 2, 2024. During the thirteen weeks ended October 28, 2023, the Company granted 15,267 time-based and performance-based restricted stock units with an aggregate fair value of \$0.1 million to certain employees under the 2020 Equity and Incentive Plan.

During the thirty-nine weeks ended November 2, 2024, the Company granted 755,647 time-based and performance-based restricted stock units with an aggregate fair value of \$5.1 million to certain employees and non-employee directors under the 2020 Equity and Incentive Plan compared to 753,454 time-based and performance-based restricted stock units with an aggregate fair value of \$4.4 million in the same period of the prior year.

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

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

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The following table sets forth a summary of restricted stock unit activity for the thirty-nine weeks ended November 2, 2024 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted- Average Grant Date Fair Value (per unit)	Number of Units	Weighted- Average Grant Date Fair Value (per unit)
Nonvested units outstanding at February 3, 2024	683	\$ 4.58	840	\$ 4.42
Granted	422	6.71	333	6.71
Vested	(336)	5.76	(47)	10.22
Forfeited	(23)	6.48	(42)	6.54
Nonvested units outstanding at November 2, 2024	746	\$ 5.58	1,084	\$ 5.79

As of November 2, 2024, there was \$5.0 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 1.7 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 2024, Marishka Filio filed suit seeking class certification for those who purchased products from the Company's website Verabradley.com during the applicable statute of limitations. The complaint alleges various violations of the California Invasion of Privacy Act and the California Unfair Competition Law. In November 2024, the Company settled this matter with the Plaintiff for a non-material amount and with no admission of any liability nor wrongdoing.

10. Common Stock

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

The Company purchased 3,281,921 shares at an average price of \$6.45 per share, excluding commissions, for an aggregate amount of \$21.2 million during the thirty-nine weeks ended November 2, 2024 under the 2021 Share Repurchase Program. There was \$4.4 million remaining available to repurchase shares of the Company's common stock under the 2021 Share Repurchase Program as of November 2, 2024.

As of November 2, 2024, the Company held as treasury shares 15,721,165 shares of its common stock at an average price of \$9.94 per share, excluding commissions, for an aggregate carrying amount of \$156.2 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.

Subsequent to the end of the quarter, in December 2024, the Company's board of directors approved a new share repurchase plan (the "2024 Share Repurchase Program") which authorized Company management to utilize up to \$30.0 million of available cash for repurchases of shares of the Company's common stock. The 2024 Share Repurchase Program goes into effect beginning December 14, 2024 and expires in December 2027. The Company does not

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currently plan to purchase under the 2024 Share Repurchase Program, but anticipates utilizing it in the future depending on the Company's cash position.

11. Cloud Computing Arrangements

The Company capitalizes implementation costs associated with its Cloud Computing Arrangements (“CCA”) consistent with costs capitalized for internal-use software. The CCA costs are amortized over the term of the related hosting agreement, taking into consideration renewal options, if any. The renewal period is included in the amortization period if determined that the option is reasonably certain to be exercised. The amortization expense is recorded within selling, general, and administrative expenses in the Company's Condensed Consolidated Statements of Operations, which is within the same line item as the related hosting fees. The balance of the unamortized CCA implementation costs totaled \$2.4 million and \$3.8 million as of November 2, 2024 and February 3, 2024, respectively. Of this total, \$1.5 million and \$2.8 million was recorded within prepaid expenses and other current assets and \$0.9 million and \$1.0 million was recorded within other assets on the Company's Condensed Consolidated Balance Sheets as of November 2, 2024 and February 3, 2024, respectively. The CCA implementation costs are recorded within operating activities in the Company's Condensed Consolidated Statements of Cash Flows.

12. Redeemable Noncontrolling Interest

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

On July 16, 2019, the Company purchased 75% of Pura Vida's outstanding equity interest and entered into a Put/Call Agreement with the Sellers (the “Put/Call Agreement”) providing for certain rights with respect to the purchase by the Company and sale by the Sellers of the Remaining Pura Vida Interests. On January 23, 2023, the Company and certain of its subsidiaries entered into an Interest Purchase Agreement (the “Interest Purchase Agreement”) with Creative Genius Holdings, Inc. a California corporation, Creative Genius Investments, Inc., a California corporation, Griffin Thall, and Paul Goodman (collectively “Sellers”) to purchase the remaining 25% of the outstanding membership interests (the “Remaining Pura Vida Interests”) of Creative Genius, LLC, a California limited liability company (“Pura Vida”).

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

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

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

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13. Intangible Assets

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

<i>in thousands</i>	November 2, 2024		
	Gross Basis	Accumulated Amortization ⁽¹⁾	Carrying Amount
<i>Definite-lived intangible assets</i>			
Customer Relationships	\$ 24,208	\$ (24,208)	\$ —
Total definite-lived intangible assets	24,208	(24,208)	—
<i>Indefinite-lived intangible asset</i>			
Pura Vida Brand	6,237	—	6,237
Total intangible assets	\$ 30,445	\$ (24,208)	\$ 6,237

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

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

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

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

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14. Cost Savings Initiatives and Other Charges

Cost Savings Initiatives and Severance Charges

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

The Company incurred the following charges during the thirteen weeks ended November 2, 2024 (in thousands):

	Reportable Segment			Unallocated Corporate Expenses	Total Expense
	VB Direct	VB Indirect	Pura Vida		
Severance charges	\$ 186	\$ 14	\$ —	\$ 48	\$ 248
Total ⁽¹⁾	<u>\$ 186</u>	<u>\$ 14</u>	<u>\$ —</u>	<u>\$ 48</u>	<u>\$ 248</u>

(1) Recorded within selling, general, and administrative ("SG&A") expenses

The Company incurred the following charges during the thirty-nine weeks ended November 2, 2024 (in thousands):

	Reportable Segment			Unallocated Corporate Expenses	Total Expense
	VB Direct	VB Indirect	Pura Vida		
Severance charges	\$ 321	\$ 231	\$ —	\$ 485	\$ 1,037
Total ⁽¹⁾	<u>\$ 321</u>	<u>\$ 231</u>	<u>\$ —</u>	<u>\$ 485</u>	<u>\$ 1,037</u>

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

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

	Severance Charges and Cash Retention Payment Acceleration Charges ⁽¹⁾
Liability as of February 3, 2024	\$ 541
Fiscal 2025 charges	1,037
Cash payments	(1,562)
Liability as of November 2, 2024	<u>\$ 16</u>

(1) Remaining liability is recorded within accrued employment costs

The Company incurred the following charges during the thirteen weeks ended October 28, 2023 (in thousands):

	Reportable Segment			Unallocated Corporate Expenses	Total Expense
	VB Direct	VB Indirect	Pura Vida		
Severance charges	\$ —	\$ —	\$ —	\$ 304	\$ 304
Total ⁽¹⁾	<u>\$ —</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 304</u>	<u>\$ 304</u>

(1) Recorded within SG&A expenses

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The Company incurred the following charges during the thirty-nine weeks ended October 28, 2023 (in thousands):

	Reportable Segment			Unallocated Corporate Expenses	Total Expense
	VB Direct	VB Indirect	Pura Vida		
Severance charges ⁽¹⁾	\$ 342	\$ —	\$ 79	\$ 1,951	\$ 2,372
Consulting fees and other costs ⁽²⁾	—	—	—	105	105
Total ⁽³⁾	\$ 342	\$ —	\$ 79	\$ 2,056	\$ 2,477

(1) Includes former CFO severance

(2) Related to professional fees

(3) Recorded within SG&A expenses

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

	Severance Charges and Cash Retention Payment Acceleration Charges ⁽¹⁾	Consulting Fees and Other Costs
Liability as of January 28, 2023	\$ 3,083	\$ 60
Fiscal 2024 charges	2,372	105
Cash payments	(5,250)	(165)
Liability as of October 28, 2023	<u>\$ 205</u>	<u>\$ —</u>

(1) Remaining liability is recorded within accrued employment costs

15. Segment Reporting

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

The VB Direct segment includes Vera Bradley full-line and outlet stores; e-commerce sites (verabradley.com, outlet.verabradley.com, and international.verabradley.com); and the Vera Bradley annual outlet sale. Revenues generated from this segment are driven through the sale of Vera Bradley-branded products from Vera Bradley to end consumers.

The VB Indirect segment represents revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 1,200 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand.

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

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

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Notes to the Condensed Consolidated Financial Statements
(unaudited)

Company management evaluates segment operating results based on several indicators. The primary or key performance indicators for each segment are net revenues and operating income. Net revenues and operating income (loss) information for the Company's reportable segments during the thirteen and thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Segment net revenues:				
VB Direct	\$ 52,475	\$ 72,309	\$ 181,140	\$ 216,916
VB Indirect	18,008	24,986	51,294	57,722
Pura Vida	10,095	17,692	39,569	62,883
Total	\$ 80,578	\$ 114,987	\$ 272,003	\$ 337,521
Segment operating income (loss):				
VB Direct	\$ 2,104	\$ 15,708	\$ 19,530	\$ 43,669
VB Indirect	6,068	8,967	14,637	19,877
Pura Vida	(2,711)	(580)	(3,824)	4,982
Total	\$ 5,461	\$ 24,095	\$ 30,343	\$ 68,528
Reconciliation:				
Segment operating income	\$ 5,461	\$ 24,095	\$ 30,343	\$ 68,528
Less:				
Unallocated corporate expenses	(15,935)	(17,309)	(49,375)	(55,257)
Operating (loss) income	\$ (10,474)	\$ 6,786	\$ (19,032)	\$ 13,271

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 November 2, 2024 and October 28, 2023. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended February 3, 2024, and our unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report. The results of operations for the thirteen and thirty-nine weeks ended November 2, 2024, are not necessarily indicative of the results to be expected for the full fiscal year.

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

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

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

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

How We Assess the Performance of Our Business

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

Net Revenues

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

Comparable Sales

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

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

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

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

Gross Profit

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

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

Selling, General, and Administrative Expenses (“SG&A”)

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

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

Advertising, marketing, and product development expenses include employee compensation, media costs, creative production expenses, marketing agency fees, new product design costs, public relations expenses, and market research expenses. Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations, as well as severance charges and consulting fees associated with cost savings initiatives disclosed in Note 14 to the Notes to the Condensed Consolidated Financial Statements herein.

Operating (Loss) Income

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

Net (Loss) Income

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

Impairment Charges

Intangible Assets

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

Refer to Note 15 to the Notes to the Consolidated Financial Statements filed with the SEC on Form 10-K for the fiscal year ended February 3, 2024, for additional information regarding the indefinite-lived intangible assets impairment test and impairment charges recorded during fiscal 2024. There were no impairment charges recorded during the thirteen and thirty-nine weeks ended November 2, 2024 or October 28, 2023. Depending on the results of future impairment tests, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Long-lived Assets

Property, plant, and equipment and lease right-of-use assets (the “asset group” for store-related assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, as further defined in Note 5 to the Notes to the Condensed Consolidated Financial Statements herein. Impairment charges of \$2.2 million were recognized during the thirteen and thirty-nine weeks ended November 2, 2024, for store property, plant, and equipment charges, which are included in SG&A expenses within the Condensed Consolidated Statements of Operations and within impairment charges in the Condensed Consolidated Statements of Cash Flows. \$2.1 million of the impairment charge is included in the Direct segment, and \$0.1 million is included in the Pura Vida segment for the thirteen and thirty-nine weeks ended November 2, 2024. There were no impairment charges recorded during the thirteen and thirty-nine weeks ended October 28, 2023. We are unable to predict the extent of the impact that the inflationary environment could have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

Results of Operations

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Statement of Operations Data:				
Net revenues	\$ 80,578	\$ 114,987	\$ 272,003	\$ 337,521
Cost of sales	36,969	51,980	130,124	150,749
Gross profit	43,609	63,007	141,879	186,772
Selling, general, and administrative expenses	54,220	56,363	161,628	174,274
Other income, net	137	142	717	773
Operating (loss) income	(10,474)	6,786	(19,032)	13,271
Interest income, net	113	285	1,059	241
(Loss) income before income taxes	(10,361)	7,071	(17,973)	13,512
Income tax expense (benefit)	2,439	1,953	(2,758)	3,819
Net (loss) income	\$ (12,800)	\$ 5,118	\$ (15,215)	\$ 9,693
Percentage of Net Revenues:				
Net revenues	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	45.9 %	45.2 %	47.8 %	44.7 %
Gross profit	54.1 %	54.8 %	52.2 %	55.3 %
Selling, general, and administrative expenses	67.3 %	49.0 %	59.4 %	51.6 %
Other income, net	0.2 %	0.1 %	0.2 %	0.2 %
Operating (loss) income	(13.0)%	5.9 %	(7.0)%	3.9 %
Interest income, net	0.1 %	0.3 %	0.4 %	0.1 %
(Loss) income before income taxes	(12.9)%	6.2 %	(6.6)%	4.0 %
Income tax expense (benefit)	3.0 %	1.7 %	(1.0)%	1.1 %
Net (loss) income	(15.9)%	4.5 %	(5.6)%	2.9 %

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

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023	November 2, 2024	October 28, 2023
Net Revenues by Segment:				
VB Direct	\$ 52,475	\$ 72,309	\$ 181,140	\$ 216,916
VB Indirect	18,008	24,986	51,294	57,722
Pura Vida	10,095	17,692	39,569	62,883
Total	<u>\$ 80,578</u>	<u>\$ 114,987</u>	<u>\$ 272,003</u>	<u>\$ 337,521</u>
Percentage of Net Revenues by Segment:				
VB Direct	65.1 %	62.9 %	66.6 %	64.3 %
VB Indirect	22.4 %	21.7 %	18.9 %	17.1 %
Pura Vida	12.5 %	15.4 %	14.5 %	18.6 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
Operating Income (Loss) by Segment:				
VB Direct	\$ 2,104	\$ 15,708	\$ 19,530	\$ 43,669
VB Indirect	6,068	8,967	14,637	19,877
Pura Vida	(2,711)	(580)	(3,824)	4,982
Less: Corporate unallocated	(15,935)	(17,309)	(49,375)	(55,257)
Total	<u>\$ (10,474)</u>	<u>\$ 6,786</u>	<u>\$ (19,032)</u>	<u>\$ 13,271</u>
Operating Income (Loss) as a Percentage of Net Revenues by Segment:				
VB Direct	4.0 %	21.7 %	10.8 %	20.1 %
VB Indirect	33.7 %	35.9 %	28.5 %	34.4 %
Pura Vida	(26.9)%	(3.3)%	(9.7)%	7.9 %
Vera Bradley Store Data ⁽¹⁾:				
Total stores opened during period	5	1	5	3
Total stores closed during period	—	—	(3)	(7)
Total stores open at end of period	126	126	126	126
Total gross square footage at end of period	387,245	379,576	387,245	379,576
Average net revenues per gross square foot ⁽²⁾	\$ 85	\$ 126	\$ 300	\$ 372
Comparable sales (including e-commerce) decrease ⁽³⁾	(27.2)%	(8.2)%	(16.0)%	(5.8)%

- (1) Includes Vera Bradley full-line and outlet stores. These figures do not include Pura Vida retail locations or Pura Vida e-commerce operations.
- (2) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period.
- (3) Comparable sales are calculated based upon stores that have been open for at least 12 full fiscal months and net revenues from e-commerce operations. Comparable sales decrease is reported as a percentage of the comparable sales for the same period in the prior fiscal year. Remodeled stores are included in comparable sales unless the store was closed for a portion of the current or comparable prior period, in which case the non-comparable temporary closure periods are not included, or the remodel resulted in a significant change in square footage.

Thirteen Weeks Ended November 2, 2024, Compared to Thirteen Weeks Ended October 28, 2023

Net Revenues

For the thirteen weeks ended November 2, 2024, net revenues decreased \$34.4 million, or 29.9%, to \$80.6 million, from \$115.0 million in the comparable prior-year period.

VB Direct. For the thirteen weeks ended November 2, 2024, net revenues in the VB Direct segment decreased \$19.8 million, or 27.4%, to \$52.5 million, from \$72.3 million in the comparable prior-year period. Vera Bradley comparable sales decreased 27.2%, which includes a 32.6% decrease in comparable store sales and a 17.5% decrease in e-commerce sales. In addition, non-comparable store revenue decreased \$0.5 million. The decrease in comparable sales and comparable store sales was primarily due to reduced traffic, conversion, and units sold in the e-commerce, full-line, and outlet channels.

VB Indirect. For the thirteen weeks ended November 2, 2024, net revenues in the VB Indirect segment decreased \$7.0 million, or 27.9%, to \$18.0 million, from \$25.0 million in the comparable prior-year period. The decrease was primarily due to a decline in specialty and key account orders, as well as a decrease in liquidation sales.

Pura Vida. For the thirteen weeks ended November 2, 2024, net revenues in the Pura Vida segment decreased \$7.6 million, or 42.9%, to \$10.1 million, from \$17.7 million in the comparable prior-year period. The decrease was primarily due to a decline in e-commerce and wholesale sales.

Gross Profit

For the thirteen weeks ended November 2, 2024, gross profit decreased \$19.4 million, or 30.8%, to \$43.6 million, from \$63.0 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 54.1% for the thirteen weeks ended November 2, 2024, from 54.8% in the comparable prior-year period. Current year gross margin was negatively impacted by sales channel mix as well as an increase in outbound freight costs.

Selling, General, and Administrative Expenses

For the thirteen weeks ended November 2, 2024, SG&A expenses decreased \$2.2 million, or 3.8%, to \$54.2 million, from \$56.4 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 67.3% for the thirteen weeks ended November 2, 2024, from 49.0% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were \$46.3 million compared to \$45.0 million in the comparable prior-year period. SG&A expenses related to Pura Vida were \$7.9 million compared to \$11.4 million in the comparable prior-year period. For the thirteen weeks ended November 2, 2024, consolidated SG&A expenses decreased primarily due to a \$3.1 million reduction in employee-related costs, including lower variable compensation and reduced headcount; \$0.8 million selling expense reduction resulting from sales decreases as described above; and \$0.7 million intangible asset amortization in the prior-year period that did not occur in the current-year period. These decreases were partially offset by \$2.2 million of property, plant, and equipment impairment charges in the current year period.

Other Income, Net

For the thirteen weeks ended November 2, 2024, net other income totaled \$0.1 million, consistent with the comparable prior-year period.

Operating (Loss) Income

For the thirteen weeks ended November 2, 2024, there was an operating loss of \$(10.5) million, a \$17.3 million decrease, or 254.3%, from operating income of \$6.8 million in the comparable prior-year period. As a percentage of net revenues, operating (loss) income was (13.0)% and 5.9% for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. Operating loss increased due to the factors described in the captions above.

VB Direct. For the thirteen weeks ended November 2, 2024, operating income in the VB Direct segment decreased \$13.6 million, or 86.6%, to \$2.1 million from \$15.7 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 4.0% and 21.7% for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to SG&A expense deleverage associated with decreased sales as well as property, plant, and equipment charges of \$2.1 million.

VB Indirect. For the thirteen weeks ended November 2, 2024, operating income in the VB Indirect segment decreased \$2.9 million, or 32.3%, to \$6.1 million from \$9.0 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 33.7% and 35.9% for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. The decrease in operating income as a percentage of VB Indirect

segment net revenues was primarily due to SG&A expense deleverage associated with decreased sales, partially offset by an increase in gross margin due to a decrease in liquidation sales.

Pura Vida. For the thirteen weeks ended November 2, 2024, operating loss in the Pura Vida segment increased \$2.1 million, or 367.4%, to \$(2.7) million from \$(0.6) million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating loss in the Pura Vida segment was (26.9)% and (3.3)% for the thirteen weeks ended November 2, 2024 and October 28, 2023, respectively. The increase in operating loss as a percentage of Pura Vida net revenues was primarily due to SG&A expense deleverage associated with a decrease in sales, an increase in promotional activity, and property, plant, and equipment charges of \$0.1 million.

Corporate Unallocated. For the thirteen weeks ended November 2, 2024, unallocated expenses decreased \$1.4 million, or 7.9%, to \$15.9 million from \$17.3 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to a decrease in employee related expenses of \$1.2 million and \$0.2 million in other net corporate expense reductions.

Income Tax Expense

The effective tax rate for the thirteen weeks ended November 2, 2024, was (23.5)%, compared to 27.6% for the thirteen weeks ended October 28, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of the impact of foreign operations as well as non-deductible executive compensation. See Note 7 "Income Taxes" of the Notes to the Condensed Consolidated Financial Statements for additional information about the Company's interim provision for income taxes.

Net (Loss) Income

For the thirteen weeks ended November 2, 2024, there was a net loss of \$(12.8) million, a \$17.9 million decrease, or 350.1%, from net income of \$5.1 million in the comparable prior-year period due to the factors described in the captions above.

Thirty-Nine Weeks Ended November 2, 2024, Compared to Thirty-Nine Weeks Ended October 28, 2023

Net Revenues

For the thirty-nine weeks ended November 2, 2024, net revenues decreased \$65.5 million, or 19.4%, to \$272.0 million, from \$337.5 million in the comparable prior-year period.

VB Direct. For the thirty-nine weeks ended November 2, 2024, net revenues in the VB Direct segment decreased \$35.8 million, or 16.5%, to \$181.1 million, from \$216.9 million in the comparable prior-year period. Vera Bradley comparable sales decreased 16.0%, which includes a 20.1% decrease in comparable store sales as well as a decrease in e-commerce sales of 8.3%. In addition, non-comparable store revenue decreased \$1.2 million. The decrease in comparable sales and comparable store sales was primarily due to reduced traffic, conversion, and units sold in the full-line and outlet channels.

VB Indirect. For the thirty-nine weeks ended November 2, 2024, net revenues in the VB Indirect segment decreased \$6.4 million, or 11.1%, to \$51.3 million, from \$57.7 million in the comparable prior-year period. The decrease was primarily due to a decrease in specialty account orders, liquidation sales, and key account orders.

Pura Vida. For the thirty-nine weeks ended November 2, 2024, net revenues in the Pura Vida segment decreased \$23.3 million, or 37.1%, to \$39.6 million, from \$62.9 million in the comparable prior-year period. The decrease was primarily due to a decline in e-commerce and wholesale sales, partially offset by an increase in retail store sales associated with the opening of two new retail stores in the current-year period.

Gross Profit

For the thirty-nine weeks ended November 2, 2024, gross profit decreased \$44.9 million, or 24.0%, to \$141.9 million, from \$186.8 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 52.2% for the thirty-nine weeks ended November 2, 2024, from 55.3% in the comparable prior-year period. Current year gross margin was negatively impacted by sales channel mix, increases in promotional activity, and one-time vendor charges.

Selling, General, and Administrative Expenses

For the thirty-nine weeks ended November 2, 2024, SG&A expenses decreased \$12.7 million, or 7.3%, to \$161.6 million, from \$174.3 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 59.4% for

the thirty-nine weeks ended November 2, 2024, from 51.6% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were \$135.1 million compared to \$140.5 million in the comparable prior-year period. SG&A expenses related to Pura Vida were \$26.5 million compared to \$33.7 million in the comparable prior-year period. For the thirty-nine weeks ended November 2, 2024, consolidated SG&A expenses decreased primarily due to a \$10.9 million reduction in employee-related costs, including lower variable compensation, reduced headcount, and decrease in severance charges compared to the prior-year period; a \$1.8 million reduction in variable selling expenses resulting from sales decreases as described above; a \$0.8 decrease in professional fees; a \$0.8 million reduction in intangible asset amortization; and a \$0.6 million reduction in building expenses. These decreases were partially offset by \$2.2 million of property, plant, and equipment impairment charges in the current year period.

Other Income, Net

For the thirty-nine weeks ended November 2, 2024, net other income decreased \$0.1 million to \$0.7 million, from \$0.8 million in the comparable prior-year period. The decrease in net other income was primarily due to ticket sales from the Vera Bradley annual outlet sale.

Operating (Loss) Income

For the thirty-nine weeks ended November 2, 2024, there was an operating loss of \$(19.0) million, a \$32.3 million decrease, or 243.4%, from operating income of \$13.3 million in the comparable prior-year period. As a percentage of net revenues, operating (loss) income was (7.0)% and 3.9% for the thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively. Operating loss increased due to the factors described in the captions above.

VB Direct. For the thirty-nine weeks ended November 2, 2024, operating income in the VB Direct segment decreased \$24.2 million, or 55.3%, to \$19.5 million from \$43.7 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 10.8% and 20.1% for the thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to a decrease in gross margin as a percentage of net revenues as described above, SG&A expense deleverage associated with decreased sales, as well as property, plant, and equipment charges of \$2.1 million.

VB Indirect. For the thirty-nine weeks ended November 2, 2024, operating income in the VB Indirect segment decreased \$5.3 million, or 26.4%, to \$14.6 million from \$19.9 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 28.5% and 34.4% for the thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was due to a decrease in gross margin as a percentage of net revenues as well as SG&A expense deleverage associated with decreased sales.

Pura Vida. For the thirty-nine weeks ended November 2, 2024, there was an operating loss in the Pura Vida segment of \$(3.8) million, a \$8.8 million decrease, or 176.7%, from operating income of \$5.0 million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating (loss) income in the Pura Vida segment was (9.7)% and 7.9% for the thirty-nine weeks ended November 2, 2024 and October 28, 2023, respectively. The increase in operating loss as a percentage of Pura Vida net revenues was primarily due to SG&A expense deleverage associated with decreased e-commerce and wholesale revenues, an increase in promotional activity, as well as property, plant, and equipment charges of \$0.1 million.

Corporate Unallocated. For the thirty-nine weeks ended November 2, 2024, unallocated expenses decreased \$5.9 million, or 10.6%, to \$49.4 million from \$55.3 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to a \$6.3 million reduction in employee-related costs, including lower variable compensation, reduced headcount, and decrease in severance charges compared to the prior-year period, as well as a \$0.8 million reduction in professional fees. These decreases were partially offset by an increase in advertising spend of \$0.8 million primarily related to Project Restoration initiatives and \$0.4 million of net other expenses.

Income Tax (Benefit) Expense

The effective tax rate for the thirty-nine weeks ended November 2, 2024, was 15.3%, compared to 28.3% for the thirty-nine weeks ended October 28, 2023. The change in year-over-year effective tax rate was primarily due to a change in the projection of the Company's annual income in the current fiscal quarter. The year-over-year effective tax rate also reflects the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of the impact of foreign operations as well as non-deductible executive compensation. See Note 7 "Income Taxes" of the Notes to the Condensed Consolidated Financial Statements for additional information about the Company's interim provision for income taxes.

Net (Loss) Income

For the thirty-nine weeks ended November 2, 2024, there was a net loss of \$(15.2) million, a \$24.9 million decrease, from net income of \$9.7 million in the comparable prior-year period due to the factors described in the captions above.

Liquidity and Capital Resources

General

Our primary sources of liquidity are cash on hand and cash equivalents, as well as cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our \$75.0 million asset-based revolving credit agreement (the "Credit Agreement"). There was no debt outstanding as of November 2, 2024. Historically, our primary cash needs have been for merchandise inventories; payroll; store rent; capital expenditures associated with operational equipment, buildings, information technology, and opening new stores; and share repurchases. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

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

Cash Flow Analysis

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

	Thirty-Nine Weeks Ended	
	November 2, 2024	October 28, 2023
Net cash (used in) provided by operating activities	\$ (35,757)	\$ 21,058
Net cash used in investing activities	(6,050)	(12,546)
Net cash used in financing activities	(21,871)	(2,872)

Net Cash (Used in) Provided by Operating Activities

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

Net cash used in operating activities for the thirty-nine weeks ended November 2, 2024 was \$35.8 million compared to net cash provided by operating activities of \$21.1 million for the thirty-nine weeks ended October 28, 2023. The increase in cash used in operating activities was primarily related to a net loss of \$(15.2) million, a \$24.9 million decrease, from net income in the comparable prior-year period, a change in deferred income taxes of \$3.3 million, \$1.6 million in other non-cash items, partially offset by a \$2.2 million impairment charge in the current year period. Additionally, there was a change in assets and liabilities of \$29.2 million, primarily driven by an increase in inventory receipts in the current year period.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was \$6.1 million for the thirty-nine weeks ended November 2, 2024 compared to \$12.5 million for the thirty-nine weeks ended October 28, 2023. The decrease in cash used in investing activities was a result of the purchase of the remaining 25% interest in Pura Vida for \$10.0 million in the prior year, partially offset by an increase in property, plant, and equipment spending of \$3.5 million primarily as a result of Vera Bradley outlet new store openings in the current year as well as Project Restoration initiatives.

Net Cash Used in Financing Activities

Net cash used in financing activities was \$21.9 million for the thirty-nine weeks ended November 2, 2024 compared to \$2.9 million for the thirty-nine weeks ended October 28, 2023. The increase in cash used in financing activities was primarily due to \$21.2 million of common stock repurchases in the current-year period compared to \$1.9 million in the comparable prior-year period.

Credit Agreement

On September 7, 2018, Vera Bradley Designs, Inc. (“VBD”), a wholly-owned subsidiary of the Company, entered into an asset-based revolving Credit Agreement (the “Credit Agreement”) among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. On August 3, 2023, certain subsidiaries of the Company, JP Morgan Chase Bank, N.A., as the administrative agent, and lenders from time to time party thereto, entered into a Third Amendment (the “Third Amendment”) to the Credit Agreement. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed the lesser of \$75.0 million or the amount of borrowing availability determined in accordance with a borrowing base of certain assets. Borrowings under the credit facilities are available to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC, Vera Bradley Sales, LLC, and Creative Genius, LLC (collectively, the “Named Subsidiaries”). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to \$50.0 million.

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

Material Cash Requirements

As of November 2, 2024, there were no material changes outside the ordinary course of business to material cash requirements, as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

Off-Balance-Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company’s significant accounting policies is included in Note 2 to the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company’s consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 3, 2024. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of November 2, 2024.

Recently Issued Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of November 2, 2024, there was no material change in the market risks described in “Quantitative and Qualitative Disclosures About Market Risks” in the Company’s Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company’s Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of November 2, 2024.

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

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In August of 2024, Marishka Filio filed suit seeking class certification for those who purchased products from the Company's website Verabradley.com during the applicable statute of limitations. The complaint alleges various violations of the California Invasion of Privacy Act and the California Unfair Competition Law. In November 2024, the Company settled this matter with the Plaintiff for a non-material amount and with no admission of any liability nor wrongdoing.

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

ITEM 1A. RISK FACTORS

There have been no material changes to the risk factors previously set forth in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2024.

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

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

Details regarding the activity under the program during the thirteen weeks ended November 2, 2024 are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program
August 4, 2024 - August 31, 2024	426,577	\$ 5.93	426,577	\$ 7,114,444
September 1, 2024 - October 5, 2024	460,093	5.15	460,093	4,744,378
October 6, 2024 - November 2, 2024	73,817	5.22	73,817	4,359,149
	<u>960,487</u>	<u>\$ 5.50</u>	<u>960,487</u>	

ITEM 5. OTHER INFORMATION*Securities Trading Plans of Directors and Executive Officers*

During the thirteen weeks ended November 2, 2024, none of the Company's directors or executive officers adopted or terminated any contract, instruction, or written plan for the purchase or sale of Company securities that was intended to satisfy the affirmative defense conditions of Rule 10b5-1(c) or any "non-Rule 10b5-1 trading arrangement."

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
3.1	Articles of Amendment to Amended and Restated Articles of Incorporation of Vera Bradley, Inc., dated October 11, 2024 (Incorporated by reference to Exhibit 3.1 on Form 8-K filed October 11, 2024)
4.1	Rights Agreement dated October 11, 2024 between Vera Bradley, Inc., and Equiniti Trust Company, LLC (Incorporated by reference to Exhibit 4.1 on Form 8-K filed October 11, 2024)
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 11, 2024

/s/ Michael Schwindle
Michael Schwindle
Chief Financial Officer

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

I, Jacqueline Ardrey, certify that:

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

Date: December 11, 2024

/s/ Jacqueline Ardrey

Jacqueline Ardrey

Chief Executive Officer

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

I, Michael Schwindle, certify that:

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

Date: December 11, 2024

/s/ Michael Schwindle

Michael Schwindle

Chief Financial Officer

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

I, Jacqueline Ardrey, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended November 2, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Jacqueline Ardrey

Jacqueline Ardrey

Chief Executive Officer

December 11, 2024

Date

I, Michael Schwindle, the Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended November 2, 2024 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Michael Schwindle

Michael Schwindle

Chief Financial Officer

December 11, 2024

Date