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

# FORM 10-Q

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

**For the Quarterly Period Ended October 28, 2023**

**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**<br>**(State or other jurisdiction of incorporation or organization)** | **27-2935063**<br>**(I.R.S. Employer Identification No.)** |
| **12420 Stonebridge Road, Roanoke, Indiana**<br>**(Address of principal executive offices)** | **46783**<br>**(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 30,827,003 shares of its common stock outstanding as of November 29, 2023.

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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 January 28, 2023, as well as in Item 1A herein.

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

## PART I. FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

**(unaudited)**

| | October 28, 2023 | January 28, 2023 |
|---|---|---|
| **Assets** | | |
| Current assets: | | |
| Cash and cash equivalents | $ 52,266 | $ 46,595 |
| Accounts receivable, net | 25,599 | 22,105 |
| Inventories | 129,140 | 142,275 |
| Income taxes receivable | 1,376 | 1,311 |
| Prepaid expenses and other current assets | 13,025 | 14,276 |
| Total current assets | 221,406 | 226,562 |
| Operating right-of-use assets | 67,037 | 77,954 |
| Property, plant, and equipment, net | 55,909 | 58,674 |
| Intangible assets, net | 13,731 | 15,918 |
| Deferred income taxes | 18,961 | 21,542 |
| Other assets | 5,790 | 3,851 |
| Total assets | $ 382,834 | $ 404,501 |
| **Liabilities, Redeemable Noncontrolling Interest, and Shareholders' Equity** | | |
| Current liabilities: | | |
| Accounts payable | $ 12,297 | $ 20,350 |
| Accrued employment costs | 11,756 | 14,312 |
| Short-term operating lease liabilities | 18,673 | 19,714 |
| Other accrued liabilities | 13,671 | 12,723 |
| Income taxes payable | 570 | 558 |
| Total current liabilities | 56,967 | 67,657 |
| Long-term operating lease liabilities | 63,915 | 74,664 |
| Other long-term liabilities | 71 | 90 |
| Total liabilities | 120,953 | 142,411 |
| Commitments and contingencies | | |
| Redeemable noncontrolling interest | — | 10,712 |
| Shareholders' equity: | | |
| Preferred stock; 5,000 shares authorized, no shares issued or outstanding | — | — |
| Common stock, without par value; 200,000 shares authorized, 43,185 and 42,846 shares issued and 30,785 and 30,766 shares outstanding, respectively | — | — |
| Additional paid-in-capital | 112,397 | 109,718 |
| Retained earnings | 284,322 | 274,629 |
| Accumulated other comprehensive loss | (74) | (105) |
| Treasury stock | (134,764) | (132,864) |
| Total shareholders' equity of Vera Bradley, Inc. | 261,881 | 251,378 |
| Total liabilities, redeemable noncontrolling interest, and shareholders' equity | $ 382,834 | $ 404,501 |

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

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

**(unaudited)**

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| Net revenues | $ 114,987 | $ 124,040 | $ 337,521 | $ 352,870 |
| Cost of sales | 51,980 | 58,164 | 150,749 | 173,963 |
| Gross profit | 63,007 | 65,876 | 186,772 | 178,907 |
| Selling, general, and administrative expenses | 56,363 | 60,059 | 174,274 | 195,015 |
| Impairment of goodwill and intangible assets | — | — | — | 29,338 |
| Other income, net | 142 | 141 | 773 | 350 |
| Operating income (loss) | 6,786 | 5,958 | 13,271 | (45,096) |
| Interest (income) expense, net | (285) | 39 | (241) | 115 |
| Income (loss) before income taxes | 7,071 | 5,919 | 13,512 | (45,211) |
| Income tax expense (benefit) | 1,953 | 1,090 | 3,819 | (6,429) |
| Net income (loss) | 5,118 | 4,829 | 9,693 | (38,782) |
| Less: Net loss attributable to redeemable noncontrolling interest | — | (338) | — | (7,208) |
| Net income (loss) attributable to Vera Bradley, Inc. | $ 5,118 | $ 5,167 | $ 9,693 | $ (31,574) |
| | | | | |
| Basic weighted-average shares outstanding | 30,814 | 31,061 | 30,836 | 31,721 |
| Diluted weighted-average shares outstanding | 31,322 | 31,229 | 31,246 | 31,721 |
| | | | | |
| Basic net income (loss) per share available to Vera Bradley, Inc. common shareholders | $ 0.17 | $ 0.17 | $ 0.31 | $ (1.00) |
| Diluted net income (loss) per share available to Vera Bradley, Inc. common shareholders | $ 0.16 | $ 0.17 | $ 0.31 | $ (1.00) |

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

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

**(unaudited)**

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| Net income (loss) | $ 5,118 | $ 4,829 | $ 9,693 | $ (38,782) |
| Cumulative translation adjustment | (5) | (46) | 31 | (152) |
| Comprehensive income (loss), net of tax | 5,113 | 4,783 | 9,724 | (38,934) |
| Less: Comprehensive loss attributable to redeemable noncontrolling interest | — | (338) | — | (7,208) |
| Comprehensive income (loss) attributable to Vera Bradley, Inc. | $ 5,113 | $ 5,121 | $ 9,724 | $ (31,726) |

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

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

**(unaudited)**

| | Number of Shares | | | | | | |
|---|---|---|---|---|---|---|---|
| | **Common Stock** | **Treasury Stock** | **Additional Paid-in Capital** | **Retained Earnings** | **Accumulated Other Comprehensive Loss** | **Treasury Stock** | **Total Shareholders' Equity of Vera Bradley, Inc.** |
| **Balance at January 28, 2023** | **30,766,024** | **12,079,690** | **$ 109,718** | **$ 274,629** | **$ (105)** | **$ (132,864)** | **$ 251,378** |
| Net loss attributable to Vera Bradley, Inc. | — | — | — | (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 attributable to Vera Bradley, Inc. | — | — | — | 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 attributable to Vera Bradley, Inc. | — | — | — | 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** |

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

**(unaudited)**

| | Number of Shares | | | | | | |
|---|---|---|---|---|---|---|---|
| | Common Stock | Treasury Stock | Additional Paid-in Capital | Retained Earnings | Accumulated Other Comprehensive Loss | Treasury Stock | Total Shareholders’ Equity of Vera Bradley, Inc. |
| **Balance at January 29, 2022** | **33,170,430** | **9,258,741** | **$ 107,907** | **$ 334,364** | **$ (29)** | **$ (114,802)** | **$ 327,440** |
| Net loss attributable to Vera Bradley, Inc. | — | — | — | (6,974) | — | — | (6,974) |
| Translation adjustments | — | — | — | — | (31) | — | (31) |
| Restricted shares vested, net of repurchase for taxes | 404,469 | — | (1,410) | — | — | — | (1,410) |
| Stock-based compensation | — | — | 543 | — | — | — | 543 |
| Treasury stock purchased | (1,423,096) | 1,423,096 | — | — | — | (10,454) | (10,454) |
| **Balance at April 30, 2022** | **32,151,803** | **10,681,837** | **$ 107,040** | **$ 327,390** | **$ (60)** | **$ (125,256)** | **$ 309,114** |
| Net loss attributable to Vera Bradley, Inc. | — | — | — | (29,767) | — | — | (29,767) |
| Translation adjustments | — | — | — | — | (75) | — | (75) |
| Restricted shares vested, net of repurchase for taxes | 89 | — | — | — | — | — | — |
| Stock-based compensation | — | — | 901 | — | — | — | 901 |
| Treasury stock purchased | (986,023) | 986,023 | — | — | — | (6,023) | (6,023) |
| **Balance at July 30, 2022** | **31,165,869** | **11,667,860** | **$ 107,941** | **$ 297,623** | **$ (135)** | **$ (131,279)** | **$ 274,150** |
| Net income attributable to Vera Bradley, Inc. | — | — | — | $ 5,167 | — | — | 5,167 |
| Translation adjustments | — | — | — | — | (46) | — | (46) |
| Restricted shares vested, net of repurchase for taxes | 11,985 | — | (20) | — | — | — | (20) |
| Stock-based compensation | — | — | 1,149 | — | — | — | 1,149 |
| Treasury stock purchased | (225,010) | 225,010 | — | — | — | (801) | (801) |
| **Balance at October 29, 2022** | **30,952,844** | **11,892,870** | **$ 109,070** | **$ 302,790** | **$ (181)** | **$ (132,080)** | **$ 279,599** |

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

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

## (unaudited)

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | October 28, 2023 | October 29, 2022 |
| **Cash flows from operating activities** | | |
| Net income (loss) | $ 9,693 | $ (38,782) |
| Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities: | | |
| Depreciation of property, plant, and equipment | 5,988 | 6,685 |
| Amortization of operating right-of-use assets | 15,622 | 16,151 |
| Goodwill and intangible asset impairment | — | 29,338 |
| Other impairment charges | — | 1,351 |
| Amortization of intangible assets | 2,187 | 2,305 |
| Provision for doubtful accounts | 87 | (80) |
| Stock-based compensation | 2,365 | 2,593 |
| Deferred income taxes | 3,155 | (5,524) |
| Other non-cash loss, net | 50 | — |
| Changes in assets and liabilities: | | |
| Accounts receivable | (3,581) | (4,354) |
| Inventories | 13,135 | (33,453) |
| Prepaid expenses and other assets | (688) | 2,764 |
| Accounts payable | (8,134) | 49 |
| Income taxes | (53) | 5,772 |
| Operating lease liabilities, net | (16,495) | (19,262) |
| Accrued and other liabilities | (2,273) | (2,311) |
| Net cash provided by (used in) operating activities | 21,058 | (36,758) |
| **Cash flows from investing activities** | | |
| Purchases of property, plant, and equipment | (2,546) | (6,968) |
| Cash paid for business acquisition | (10,000) | — |
| Net cash used in investing activities | (12,546) | (6,968) |
| **Cash flows from financing activities** | | |
| Tax withholdings for equity compensation | (972) | (1,430) |
| Repurchase of common stock | (1,900) | (17,278) |
| Distributions to redeemable noncontrolling interest | — | (613) |
| Net cash used in financing activities | (2,872) | (19,321) |
| Effect of exchange rate changes on cash and cash equivalents | 31 | (152) |
| Net increase (decrease) in cash and cash equivalents | 5,671 | (63,199) |
| Cash and cash equivalents, beginning of period | 46,595 | 88,436 |
| Cash and cash equivalents, end of period | $ 52,266 | $ 25,237 |

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

**(unaudited)**

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | **October 28, 2023** | **October 29, 2022** |
| **Supplemental disclosure of cash flow information** | | |
| Cash paid (received) for income taxes, net | $ 748 | $ (6,637) |
| **Supplemental disclosure of non-cash activity** | | |
| Non-cash operating, investing, and financing activities | | |
| Purchases of property, plant, and equipment | | |
| Expenditures incurred but not yet paid as of October 28, 2023 and October 29, 2022 | $ 1,090 | $ 1,174 |
| Expenditures incurred but not yet paid as of January 28, 2023 and January 29, 2022 | $ 363 | $ 250 |

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; verabradley.com; the Vera Bradley online outlet site; and the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of October 28, 2023, the Company operated 45 full-line stores and 81 outlet stores. In light of the COVID-19 pandemic, the Company cancelled its calendar year 2022 annual outlet sale. The sale resumed in June 2023.
- The VB Indirect segment consists of revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 1,600 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand.
- The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.ca, 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 five 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 January 28, 2023, filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen and thirty-nine weeks ended October 28, 2023, 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. In the prior year, Pura Vida was a majority owned subsidiary and was included in the consolidated financial statements of the Company. Refer to Notes 4 and 12 herein for additional information.

**Fiscal Periods**

The Company's fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended October 28, 2023 and October 29, 2022 refer to the thirteen week periods ended on those dates.

**Recently Issued Accounting Pronouncements**

There were no new accounting pronouncements issued or which became effective during the thirteen and thirty-nine weeks ended October 28, 2023, which had, or are expected to have, a significant impact on the Company's Consolidated Financial Statements.

## 2. Revenue from Contracts with Customers

**Disaggregation of Revenue**

The following presents the Company's net revenues disaggregated by product category for the thirteen and thirty-nine weeks ended October 28, 2023 and October 29, 2022 (in thousands):

| | Thirteen Weeks Ended October 28, 2023 | | | |
|---|---|---|---|---|
| | VB Direct Segment | VB Indirect Segment | Pura Vida Segment | Total |
| *Product categories* | | | | |
| 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 | $ 72,309 (4) | $ 24,986 (5) | $ 17,692 (4) | $ 114,987 |

(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) $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)**

| | Thirteen Weeks Ended October 29, 2022 | | | | | | |
|---|---|---|---|---|---|---|---|
| | VB Direct Segment | | VB Indirect Segment | | Pura Vida Segment | | Total |
| *Product categories* | | | | | | | |
| Bags | $ 34,492 | | $ 11,561 | | $ 231 | | $ 46,284 |
| Travel | 17,744 | | 4,106 | | — | | 21,850 |
| Accessories | 14,901 | | 3,554 | | 19,498 | | 37,953 |
| Home | 8,197 | | 1,258 | | — | | 9,455 |
| Apparel/Footwear(6) | 2,932 | | 888 | | 1,267 | | 5,087 |
| Other | 1,795 | (1) | 947 | (2) | 669 | (3) | 3,411 |
| Total net revenues | $ 80,061 | (4) | $ 22,314 | (5) | $ 21,665 | (4) | $ 124,040 |

(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) $21.7 million of net revenues related to product sales recognized at a point in time and $0.6 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

| | Thirty-Nine Weeks Ended October 28, 2023 | | | | | | |
|---|---|---|---|---|---|---|---|
| | VB Direct Segment | | VB Indirect Segment | | Pura Vida Segment | | Total |
| *Product categories* | | | | | | | |
| 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 | $ 216,916 | (4) | $ 57,722 | (5) | $ 62,883 | (4) | $ 337,521 |

(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.

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

| | Thirty-Nine Weeks Ended October 29, 2022 | | | |
|---|---|---|---|---|
| | VB Direct Segment | VB Indirect Segment | Pura Vida Segment | Total |
| *Product categories* | | | | |
| Bags | $ 98,997 | $ 30,615 | $ 1,073 | $ 130,685 |
| Travel | 52,903 | 10,212 | — | 63,115 |
| Accessories | 42,157 | 7,958 | 61,627 | 111,742 |
| Home | 22,645 | 3,116 | — | 25,761 |
| Apparel/Footwear(6) | 6,996 | 1,748 | 3,062 | 11,806 |
| Other | 5,012 (1) | 2,967 (2) | 1,782 (3) | 9,761 |
| Total net revenues | $ 228,710 (4) | $ 56,616 (5) | $ 67,544 (4) | $ 352,870 |

(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) $54.5 million of net revenues related to product sales recognized at a point in time and $2.1 million of net revenues related to sales-based royalties recognized over time.
(6) Includes mask sales.

**Contract Balances**

Contract liabilities as of October 28, 2023 and January 28, 2023, were $2.5 million and $3.2 million, respectively. The balance as of October 28, 2023 and January 28, 2023 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 October 28, 2023 and January 28, 2023.

The balance for accounts receivable from contracts with customers, net of allowances, as of October 28, 2023 and January 28, 2023, was $25.0 million and $20.7 million, respectively, which is recognized within accounts receivable, net, on the Company’s Condensed Consolidated Balance Sheets. The provision for doubtful accounts was $0.9 million and $0.8 million as of October 28, 2023 and January 28, 2023, respectively. The provision for doubtful accounts is based upon the likelihood of default expected during the life of the receivable.

**Performance Obligations**

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

**Remaining Performance Obligations**

The Company does not have remaining performance obligations in excess of one year or contracts that it does not have the right to invoice as of October 28, 2023.

3. **Leases**

*Discount Rate*

The weighted-average discount rate as of October 28, 2023, and October 29, 2022 was 4.8% and 4.6%, 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 October 28, 2023, 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 October 28, 2023 and October 29, 2022 (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| Operating lease cost | $ 6,439 | $ 6,357 | $ 19,506 | $ 18,721 |
| Variable lease cost | 1,321 | 1,408 | 4,078 | 4,390 |
| Short-term lease cost | 100 | 43 | 455 | 359 |
| Less: Sublease income (1) | (105) | (105) | (315) | (129) |
| Total net lease cost | $ 7,755 | $ 7,703 | $ 23,724 | $ 23,341 |

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

The weighted-average remaining lease term as of October 28, 2023 and October 29, 2022 was 5.4 years.

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

| | Thirty-Nine Weeks Ended | |
|---|---|---|
| | October 28, 2023 | October 29, 2022 |
| Cash paid for amounts included in the measurement of operating lease liabilities (1) | $ 22,111 | $ 19,883 |
| Right-of-use assets increase as a result of new and modified operating lease liabilities, net | $ 4,819 | $ 19,666 |

(1) $2.5 million of lease liabilities were recorded within accounts payable on the Company's Consolidated Balance Sheets as of October 29, 2022.

**Vera Bradley, Inc.**
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## 4. Earnings Per Share

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

As a result of the redemption feature related to the Put/Call Agreement in the prior year, the Company recorded the prior year 25% noncontrolling interest as redeemable and classified it in temporary equity within its Condensed Consolidated Balance Sheets initially at its acquisition-date fair value. The noncontrolling interest was adjusted each reporting period for income (or loss) attributable to the noncontrolling interest. A measurement period adjustment, if any, was then made to adjust the noncontrolling interest to the higher of the redemption value or carrying value each reporting period. These adjustments were recognized through retained earnings and were not reflected in net income or net income attributable to Vera Bradley, Inc. When calculating earnings per share attributable to Vera Bradley, Inc., the Company adjusted the net income attributable to Vera Bradley, Inc. for the measurement period adjustment to the extent the redemption value exceeds the fair value of the noncontrolling interest on a cumulative basis. Refer to Note 12 for additional information regarding the purchase of the remaining 25% interest on January 30, 2023.

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

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| *Numerator:* | | | | |
| Net income (loss) | $ 5,118 | $ 4,829 | $ 9,693 | $ (38,782) |
| Less: Net loss attributable to redeemable noncontrolling interest | — | (338) | — | (7,208) |
| Net income (loss) attributable to Vera Bradley, Inc. | $ 5,118 | $ 5,167 | $ 9,693 | $ (31,574) |
| *Denominator:* | | | | |
| Weighted-average number of common shares (basic) | 30,814 | 31,061 | 30,836 | 31,721 |
| Dilutive effect of stock-based awards | 508 | 168 | 410 | — |
| Weighted-average number of common shares (diluted) | 31,322 | 31,229 | 31,246 | 31,721 |
| *Net income (loss) per share available to Vera Bradley, Inc. common shareholders:* | | | | |
| Basic | $ 0.17 | $ 0.17 | $ 0.31 | $ (1.00) |
| Diluted | $ 0.16 | $ 0.17 | $ 0.31 | $ (1.00) |

For the thirteen and thirty-nine weeks ended October 28, 2023 and thirteen weeks ended October 29, 2022 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.

For the thirty-nine weeks ended October 29, 2022, all potential common shares were excluded from the diluted share calculation because they were anti-dilutive due to the net loss in the period.

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## 5. Fair Value of Financial Instruments

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

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

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

The carrying amounts reflected on the Condensed Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, other current assets, and accounts payable as of October 28, 2023 and January 28, 2023, approximated their fair values.

The following table details the fair value measurements of the Company's investments as of October 28, 2023 and January 28, 2023 (in thousands):

| | Level 1 | | Level 2 | | Level 3 | |
|---|---|---|---|---|---|---|
| | October 28, 2023 | January 28, 2023 | October 28, 2023 | January 28, 2023 | October 28, 2023 | January 28, 2023 |
| Cash equivalents[(1)] | $ 34,882 | $ 360 | $ — | $ — | $ — | $ — |

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

The Company assesses potential impairments to its long-lived assets, which includes property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets and right-of-use assets are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store’s lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. There were no long-lived asset impairment charges for the thirteen and thirty-nine weeks ended October 28, 2023. The Company recorded $1.4 million for store property, plant, and equipment impairment charges and a corporate lease right-of-use asset impairment charge for the thirty-nine weeks ended October 29, 2022, respectively.

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 assets related to the Pura Vida acquisition including goodwill (in the prior year) and intangible assets. These assets are measured at fair value if determined to be impaired. There were no goodwill or intangible asset impairment charges recorded during the thirteen and thirty-nine weeks ended October 28, 2023. During the thirty-nine weeks ended

October 29, 2022, the Company recorded a $29.3 million impairment charge related to goodwill and the indefinite-lived Pura Vida brand asset in conjunction with its second quarter annual quantitative test. There were no goodwill or indefinite-lived assets impairment charges recorded during the thirteen weeks ended October 29, 2022. Refer to Note 13 herein for additional information.

## 6. Debt

On September 7, 2018, Vera Bradley Designs, Inc. ("VBD"), a wholly-owned subsidiary of the Company, entered into an asset-based revolving Credit Agreement (the "Credit Agreement") among VBD, JPMorgan Chase Bank, N.A., as administrative agent, and the lenders from time to time party thereto. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed the lesser of $75.0 million or the amount of borrowing availability determined in accordance with a borrowing base of certain assets. Any proceeds of the credit facilities will be used to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC and Vera Bradley Sales, LLC (collectively, the "Named Subsidiaries"). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to $25.0 million.
Amounts outstanding under the Credit Agreement bear interest at a per annum rate equal to either (i) for Commercial LIBank Floating Rate ("CBFR") borrowings (including swingline loans), where the CBR is the prime rate which shall never be less than the adjusted one month London Interbank Offered Rate ("LIBOR") on such day, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.00% to -1.50% or (ii) for each eurodollar borrowing, the Adjusted LIBOR, where the Adjusted LIBOR is the LIBO rate for such interest period multiplied by the statutory reserve rate, for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.00% to 1.30%. The applicable CB Floating Rate, Adjusted LIBOR, or LIBOR shall be determined by the administrative agent. The Credit Agreement also requires VBD to pay a commitment fee for the unused portion of the revolving facility of up to 0.20% per annum.

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

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

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

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

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 Third Amendment amended the Credit Agreement to, among other things: extend the maturity date to May 2028; add Creative Genius, LLC as a borrower; increase an option for the borrowers to arrange with lenders to increase the aggregate principal amount by up to $50.0 million; update the commitment fee rate to 0.20% or 0.30% depending on the average quarterly utilization; update the interest rate per annum for the CBFR to the greater of the prime rate or 2.5% and remove references to LIBOR (in the case of a CBFR borrowings including swingline loans); remove references to eurodollar borrowings and replace with term benchmark borrowings where the interest rate per annum is the adjusted term Secured Overnight Financing Rate ("SOFR"), as defined in the Third Amendment to the Credit Agreement; and add Risk-free Rate (RFR) borrowings where the interest rate per annum is the adjusted daily simple SOFR, as defined in the Third Amendment to the Credit Agreement.

The Third Amendment also modified the periods that the fixed charge coverage ratio is not permitted to be less than 1.00. The borrowers are required to maintain the fixed charge coverage ratio for periods when borrowing availability is less than the greater of (A) approximately $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.

As of October 28, 2023 and January 28, 2023, the Company had no borrowings outstanding and availability of $75.0 million under the Credit Agreement.

## 7. Income Taxes

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

The effective tax rate for the thirteen weeks ended October 28, 2023, was 27.6%, compared to 18.4% for the thirteen weeks ended October 29, 2022. The year-over-year effective tax rate increase was primarily due to the relative impact of permanent items in the current-year period compared to the prior-year period, primarily as a result of noncontrolling interest in the prior-year period and non-deductible executive compensation.

The effective tax rate for the thirty-nine weeks ended October 28, 2023, was 28.3%, compared to 14.2% for the thirty-nine weeks ended October 29, 2022. The year-over-year effective tax rate increase was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation, noncontrolling interest in the prior-year period, and non-deductible executive compensation.

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

## 8. Stock-Based Compensation

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

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

*Awards of Restricted Stock Units*

During the thirteen weeks ended 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. The company did not grant restricted stock units during the thirteen weeks ended October 29, 2022.

During the thirty-nine weeks ended October 28, 2023, the Company granted 753,454 time-based and performance-based restricted stock units with an aggregate fair value of $4.4 million to certain employees and non-employee directors under the 2020 Equity and Incentive Plan compared to 841,369 time-based and performance-based restricted stock units with an aggregate fair value of $6.3 million in the same period of the prior year.

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

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

The following table sets forth a summary of restricted stock unit activity for the thirty-nine weeks ended October 28, 2023 (units in thousands):

| | Time-based Restricted Stock Units | | Performance-based Restricted Stock Units | |
|---|---|---|---|---|
| | Number of Units | Weighted-Average Grant Date Fair Value (per unit) | Number of Units | Weighted-Average Grant Date Fair Value (per unit) |
| Nonvested units outstanding at January 28, 2023 | 965 | $ 5.74 | 523 | $ 4.71 |
| Granted | 438 | 5.89 | 315 | 5.82 |
| Vested | (409) | 6.95 | (94) | 4.08 |
| Forfeited | (161) | 6.20 | (103) | 6.85 |
| Nonvested units outstanding at October 28, 2023 | 833 | $ 5.14 | 641 | $ 5.01 |

As of October 28, 2023, there was $5.1 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock units. That cost is expected to be recognized over a weighted-average period of 2.0 years, subject to meeting performance conditions.

## 9. Commitments and Contingencies

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

In August 2019, Vesi Incorporated ("Vesi") filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company's licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint sought damages in an amount not less than $10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. In November 2019, the Company filed a counterclaim against the principals of Vesi as personal guarantors for monies owed to the Company by Vesi. The Company filed a motion for summary judgement asking the Court to dismiss all claims with prejudice and grant judgement on its counterclaim. On January 4, 2023, the District Court granted the Company's motion for summary judgment dismissing Vesi's claims and also granted judgment on the Company's counterclaims against the principals of Vesi for an immaterial amount. Vesi appealed this decision. On November 9, 2023 the United States Court of Appeals for the Sixth Circuit issued an opinion affirming the District Court's judgment in favor of the Company dismissing Vesi's claims and granting the Company's counterclaims.

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## 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 320,127 shares at an average price of $5.94 per share, excluding commissions, for an aggregate amount of $1.9 million during the thirty-nine weeks ended October 28, 2023 under the 2021 Share Repurchase Program. There was $25.8 million remaining available to repurchase shares of the Company's common stock under the 2021 Share Repurchase Program as of October 28, 2023.

As of October 28, 2023, the Company held as treasury shares 12,399,817 shares of its common stock at an average price of $10.87 per share, excluding commissions, for an aggregate carrying amount of $134.8 million. The Company’s treasury shares may be issued under the 2010 Equity and Incentive Plan (with respect to outstanding awards under that plan), under the 2020 Equity and Incentive Plan, or for other corporate purposes.

## 11. Cloud Computing Arrangements

The Company capitalizes implementation costs associated with its Cloud Computing Arrangements (“CCA”) consistent with costs capitalized for internal-use software. The CCA costs are amortized over the term of the related hosting agreement, taking into consideration renewal options, if any. The renewal period is included in the amortization period if determined that the option is reasonably certain to be exercised. The amortization expense is recorded within selling, general, and administrative expenses in the Company's Condensed Consolidated Statements of Operations, which is within the same line item as the related hosting fees. The balance of the unamortized CCA implementation costs totaled $4.3 million and $6.4 million as of October 28, 2023 and January 28, 2023, respectively. Of this total, $2.7 million and $3.0 million was recorded within prepaid expenses and other current assets and $1.6 million and $3.4 million was recorded within other assets on the Company's Condensed Consolidated Balance Sheets as of October 28, 2023 and January 28, 2023, 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. Changes in redeemable noncontrolling interest for the thirty-nine weeks ended October 28, 2023, were as follows (in thousands):

| | | |
|---|---|---|
| **Balance at January 28, 2023** | **$** | **10,712** |
| Adjustment for purchase of noncontrolling interest | | (10,712) |
| **Balance at April 29, 2023, July 29, 2023, and October 28, 2023** | **$** | — |

Changes in redeemable noncontrolling interest for the thirteen and thirty-nine weeks ended October 29, 2022, were as follows (in thousands):

| | | |
|---|---|---|
| **Balance at January 29, 2022** | **$** | **30,974** |
| Net income attributable to redeemable noncontrolling interest | | 264 |
| Distributions to redeemable noncontrolling interest | | (146) |
| **Balance at April 30, 2022** | **$** | **31,092** |
| Net loss attributable to redeemable noncontrolling interest | | (7,134) |
| Distributions to redeemable noncontrolling interest | | (467) |
| **Balance at July 30, 2022** | **$** | **23,491** |
| Net loss attributable to redeemable noncontrolling interest | | (338) |
| **Balance at October 29, 2022** | **$** | **23,153** |

**13. Intangible Assets and Goodwill**

The following tables detail the carrying value of the Company's intangible assets other than goodwill related to the acquisition of a majority interest in Pura Vida. On January 30, 2023, the Company purchased the remaining 25% interest in Pura Vida.

| | October 28, 2023 | | |
|---|---|---|---|
| *in thousands* | **Gross Basis** | **Accumulated Amortization(1)** | **Carrying Amount** |
| *Definite-lived intangible assets* | | | |
| Customer Relationships | $ 24,208 | $ (22,143) | $ 2,065 |
| Non-competition Agreements | 788 | (788) | — |
| Total definite-lived intangible assets | 24,996 | (22,931) | 2,065 |
| | | | |
| *Indefinite-lived intangible asset* | | | |
| Pura Vida Brand (2) | 11,666 | — | 11,666 |
| | | | |
| Total intangible assets, excluding goodwill | $ 36,662 | $ (22,931) | $ 13,731 |

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

(2) Impairment charges of $9.9 million and $15.1 million were recorded within the Pura Vida segment during the second and fourth quarters of fiscal 2023.

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| *in thousands* | January 28, 2023 Gross Basis | January 28, 2023 Accumulated Amortization[1] | January 28, 2023 Carrying Amount |
|---|---|---|---|
| *Definite-lived intangible assets* | | | |
| Customer Relationships | $ 24,208 | $ (19,956) | $ 4,252 |
| Non-competition Agreements | 788 | (788) | — |
| Total definite-lived intangible assets | 24,996 | (20,744) | 4,252 |
| | | | |
| *Indefinite-lived intangible asset* | | | |
| Pura Vida Brand [2] | 11,666 | — | 11,666 |
| | | | |
| Total intangible assets, excluding goodwill | $ 36,662 | $ (20,744) | $ 15,918 |

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

(2) Impairment charges of $9.9 million and $15.1 million were recorded within the Pura Vida segment during the second and fourth quarters of fiscal 2023.

Amortization expense is recorded within selling, general, and administrative expenses in the Company's Condensed Consolidated Statement of Operations. The future amortization expense for intangible assets is as follows (in thousands):

| | Amortization Expense |
|---|---|
| Fiscal 2024 (remaining three months) | 729 |
| Fiscal 2025 | 1,336 |
| Total | $ 2,065 |

There was no goodwill balance as of October 28, 2023 and January 28, 2023 due to impairment charges recorded during fiscal 2023.

The Company performs its annual impairment test of the indefinite-lived Pura Vida brand during the second quarter of each fiscal year. The annual test included goodwill in prior years.

The fair value of the Pura Vida brand was estimated using a relief-from-royalty method. The estimates and assumptions used in the determination of the fair value of the Pura Vida brand included the projected revenue growth, long-term growth rate, the royalty rate, and discount rate.

For the prior year test, the fair value of the Pura Vida reporting unit was determined using a combination of an income-based approach (discounted cash flows) and a market-based approach (guideline transaction method). The discounted cash flow method involved subjective estimates and assumptions such as projected revenue growth, operating profit, and the discount rate. The guideline transaction method involved transaction multiples derived from the acquisition of controlling interests in stocks of companies that are engaged in the same or similar lines of business as the reporting unit.

During the assessment for the fiscal 2024 test which was performed during the second quarter, it was determined that the fair value of the Pura Vida brand exceeded its carrying value and no impairment charge was recorded. During the prior year test, the Company recorded an impairment charge of $9.9 million and $19.4 million for the Pura Vida brand and goodwill, respectively, during the second quarter of fiscal 2023 within the Pura Vida segment.

Due to the operating loss incurred by the Pura Vida segment during the third quarter, the Company determined there was a triggering event and performed additional analysis on the valuation of the Pura Vida brand as of October 28, 2023. As of October 28, 2023, the Company determined that the fair value of the Pura Vida brand exceeded its carrying value by a nominal amount and concluded that no additional impairment existed for the brand asset. There were no impairment charges recorded for the thirteen and thirty-nine weeks ended October 28, 2023.

The Company recognizes that any changes to actual fourth quarter results within the Pura Vida segment for fiscal 2024 or projected fiscal 2025 results could potentially have a material impact on our assessment of the Pura Vida brand impairment. The Company will continue to monitor actual performance against expectations. Should any indicators of impairment arise in subsequent periods, the Company will be required to perform additional analysis to determine whether additional impairment of the brand asset exists.

While we consider our assumptions in the determination of the fair value of these assets to be reasonable, they are complex and highly subjective. Adverse changes in key assumptions in future periods may result in further declines in the fair value estimates of the Pura Vida brand below its carrying value resulting in additional impairment charges, which could be material. Our key assumptions (as described above in the valuation methodologies used in the determination of fair value) may be impacted by macroeconomic conditions, including inflationary pressures and the impact on consumer discretionary spending, as well as a sustained decline in stock price and potential changes in business strategy. Refer to Note 5 herein for additional information regarding the fair value measurement.

## 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 October 28, 2023 (in thousands):

| | Reportable Segment | | | | |
|---|---|---|---|---|---|
| | VB Direct | VB Indirect | Pura Vida | Unallocated Corporate Expenses | Total Expense |
| Severance charges | $ — | $ — | $ — | $ 304 | $ 304 |
| Consulting fees and other costs | — | — | — | — | — |
| Total (1) | $ — | $ — | $ — | $ 304 | $ 304 |

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

The Company incurred the following charges during the thirteen weeks ended October 29, 2022 (in thousands):

| | Reportable Segment | | | | |
|---|---|---|---|---|---|
| | VB Direct | VB Indirect | Pura Vida | Unallocated Corporate Expenses | Total Expense |
| Severance charges | $ — | $ — | $ 406 | $ — | $ 406 |
| Consulting fees and other costs (1) | — | — | 115 | 1,018 | 1,133 |
| Total (2) | $ — | $ — | $ 521 | $ 1,018 | $ 1,539 |

(1) Includes $1.0 million for fees related to cost savings initiatives and CEO search and $0.1 million for concept brand exit costs
(2) Recorded within SG&A expenses

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

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

The Company incurred the following charges during the thirty-nine weeks ended October 29, 2022 (in thousands):

| | Reportable Segment | | | Unallocated Corporate Expenses | Total Expense |
|---|---|---|---|---|---|
| | VB Direct | VB Indirect | Pura Vida | | |
| Severance charges [1] | $ 15 | $ — | $ 422 | $ 5,683 | $ 6,120 |
| Consulting fees and other costs [2] | 302 | — | 115 | 3,923 | 4,340 |
| Total [3] | $ 317 | $ — | $ 537 | $ 9,606 | $ 10,460 |

(1) Includes CEO retirement severance
(2) Includes $3.9 million for fees related to cost savings initiatives and CEO search and $0.3 million for concept brand exit costs; and $0.1 million for certain Pura Vida professional fees
(3) $10.3 million of the charges are recorded within SG&A expenses and $0.2 million are recorded within cost of sales

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) |
| Non-cash charges and adjustments | — | — |
| Liability as of October 28, 2023 | $ 205 | $ — |

(1) Remaining liability is recorded within accrued employment costs

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

*Other Charges*

During the thirteen weeks ended October 29, 2022, the Company recorded a benefit of $0.3 million within cost of sales in its Condensed Consolidated Statement of Operations for a reversal of certain purchase order cancellation fees. $0.2 million was recorded within the Direct segment and $0.1 million was recorded within the Indirect segment.

During the thirty-nine weeks ended October 29, 2022, the Company recorded $5.9 million of non-cash inventory adjustments related to the exit of certain technology products and excess mask products and $0.8 million for purchase order cancellation fees within cost of sales in its Condensed Consolidated Statement of Operations. Collectively, $5.3 million was recorded within the Direct segment, $1.1 million was recorded within the Indirect segment, and $0.9 million was recorded within the Pura Vida segment. There were no similar charges during the thirteen and thirty-nine weeks ended October 28, 2023.

## 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; the Vera Bradley website, verabradley.com; the Vera Bradley online outlet site; and the Vera Bradley annual outlet sale. Revenues generated from this segment are driven through the sale of Vera Bradley-branded products from Vera Bradley to end consumers.

The VB Indirect segment represents revenues generated through the distribution of Vera Bradley-branded products to specialty retailers representing approximately 1,600 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand.

The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.ca, 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.

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

Company management evaluates segment operating results based on several indicators. The primary or key performance indicators for each segment are net revenues and operating income. Net revenues and operating income information for the Company's reportable segments during the thirteen and thirty-nine weeks ended October 28, 2023 and October 29, 2022, respectively, consisted of the following (in thousands):

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| Segment net revenues: | | | | |
| VB Direct | $ 72,309 | $ 80,061 | $ 216,916 | $ 228,710 |
| VB Indirect | 24,986 | 22,314 | 57,722 | 56,616 |
| Pura Vida | 17,692 | 21,665 | 62,883 | 67,544 |
| Total | $ 114,987 | $ 124,040 | $ 337,521 | $ 352,870 |
| Segment operating income (loss): | | | | |
| VB Direct | $ 15,708 | $ 17,060 | $ 43,669 | $ 32,607 |
| VB Indirect | 8,967 | 9,012 | 19,877 | 18,409 |
| Pura Vida | (580) | (1,353) | 4,982 | (28,831) |
| Total | $ 24,095 | $ 24,719 | $ 68,528 | $ 22,185 |
| Reconciliation: | | | | |
| Segment operating income | $ 24,095 | $ 24,719 | $ 68,528 | $ 22,185 |
| Less: | | | | |
| Unallocated corporate expenses | (17,309) | (18,761) | (55,257) | (67,281) |
| Operating income (loss) | $ 6,786 | $ 5,958 | $ 13,271 | $ (45,096) |

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

The following discussion summarizes the significant factors affecting the condensed consolidated operating results, financial condition, liquidity, and cash flows of the Company as of and for the thirteen and thirty-nine weeks ended October 28, 2023 and October 29, 2022. The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2023, and our unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report. The results of operations for the thirteen and thirty-nine weeks ended October 28, 2023, 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*. In the third quarter of fiscal 2024, we continued work on Project Restoration, which is focused on four key pillars of the business for each brand to help drive long-term profitable growth. These pillars are: Consumer, Brand, Product, and Channel.

During the third quarter, we continued with product innovation and collaborations at both brands.

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.

These expense savings are expected to be fully realized in fiscal 2025. Savings are being derived across various areas of the Company, including retail store efficiencies, marketing expenses, information technology contracts, professional services, logistics and operational costs, and corporate payroll. We will continue to review our expense structure for additional cost reduction opportunities.

*Macroeconomic and Other Factors*. We have been impacted by higher tariffs from previously duty-free countries, where we source products, as a result of the expiration of the Generalized System of Preferences ("GSP") duty-free status at the end of calendar year 2020. In addition, the macroeconomic environment has been further challenged by inflationary pressures, including high gas prices, and other related factors that have impacted consumer discretionary spending. We continued to see weakness in the Vera Bradley outlet store business in the third quarter, which was partially offset by the return of the Vera Bradley annual outlet sale in the second quarter of fiscal 2024.

Within our supply chain, the COVID-19 pandemic caused disruptions that have resulted in delivery delays and increased inbound and outbound shipping costs. However, these supply chain disruptions began to stabilize towards the end of fiscal 2023 and we continued to see favorability in our operating results associated with the reduction in these costs in the third quarter of fiscal 2024 compared to the prior-year period.

We also implemented strategic price increases across both of our brands to mitigate some of these inflationary and supply chain pressures in late fiscal 2022 and early fiscal 2023. We will continue to monitor our pricing as it relates to the current macroeconomic trends.

While we continue to actively monitor this rapidly evolving macroeconomic environment and are working to mitigate the situation, these matters could have a material adverse effect on our liquidity, operating results, and financial condition.

### 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; the Vera Bradley website, verabradley.com; the Vera Bradley online outlet site; and the Vera Bradley annual outlet sale. The Vera Bradley annual outlet sale was cancelled in the prior year but resumed in June 2023. Revenues for the VB Indirect segment reflect sales of Vera Bradley-branded products to specialty retail partners; key accounts consisting of department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand. Revenues for the Pura Vida segment reflect revenues generated through the Pura Vida websites, www.puravidabracelets.com, www.puravidabracelets.ca, and www.puravidabracelets.eu; through the distribution of Pura Vida-branded products to wholesale retailers; and through Pura Vida retail stores.

*Comparable Sales*

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

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

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

*Gross Profit*

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

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

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

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

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

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

*Operating Income (Loss)*

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

*Net Income (Loss)*

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

*Net Income (Loss) Attributable to Vera Bradley, Inc.*

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

**Impairment Charges**

*Goodwill and Other Intangible Assets*

We perform our annual impairment test of the indefinite-lived Pura Vida brand (and goodwill in prior years) during the second quarter of each fiscal year.

Due to the operating loss incurred by the Pura Vida segment during the third quarter, the Company determined there was a triggering event and performed additional analysis on the valuation of the Pura Vida brand as of October 28, 2023. As of October 28, 2023, the Company determined that the fair value of the Pura Vida brand exceeded its carrying values by a nominal amount and concluded that no additional impairment existed for the brand asset.

The Company recognizes that any changes to actual fourth quarter results within the Pura Vida segment for fiscal 2024 or projected fiscal 2025 results could potentially have a material impact on our assessment of the Pura Vida brand impairment. The Company will continue to monitor actual performance against expectations. Should any indicators of impairment arise in subsequent periods, the Company will be required to perform additional analysis to determine whether additional impairment of the brand asset exists.

There were no impairment charges recorded during the thirteen and thirty-nine weeks ended October 28, 2023. During the second quarter of fiscal 2023, impairment charges of $9.9 million and $19.4 million for the Pura Vida brand and goodwill, respectively, were recorded within the Pura Vida segment. There were no impairment charges recorded during the thirteen weeks ended October 29, 2022. Refer to Note 13 herein, as well as Note 15 to the Notes to the Consolidated Financial Statements filed with the SEC on Form 10-K for the fiscal year ended January 28, 2023, for additional information regarding the goodwill and indefinite-lived intangible assets impairment tests and impairment charges recorded during fiscal 2023.

*Long-lived Assets*

Property, plant, and equipment and lease right-of-use assets (the “asset group” for store-related assets) are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset group may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows. If the estimated undiscounted future cash flows related to the asset group are less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, as further defined in Note 5 to the Notes to the Condensed Consolidated Financial Statements herein. There were no impairment charges recorded during the thirteen and thirty-nine weeks ended October 28, 2023, or the thirteen weeks ended October 29, 2022. Impairment charges of $1.4 million were recognized during the thirty-nine weeks ended October 29, 2022, for store-related property, plant, and equipment and a lease right-of-use asset which are included in SG&A expenses in the Condensed Consolidated Statements of Operations and in other impairment charges in the Condensed Consolidated Statements of Cash Flows. $0.8 million of the impairment charge is included in the Direct segment for the thirty-nine weeks ended October 29, 2022, and $0.6 million of the impairment charge is included in corporate unallocated expenses for the thirty-nine weeks ended October 29, 2022. 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 | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| **Statement of Operations Data:** | | | | |
| Net revenues | $ 114,987 | $ 124,040 | $ 337,521 | $ 352,870 |
| Cost of sales | 51,980 | 58,164 | 150,749 | 173,963 |
| Gross profit | 63,007 | 65,876 | 186,772 | 178,907 |
| Selling, general, and administrative expenses | 56,363 | 60,059 | 174,274 | 195,015 |
| Impairment of goodwill and intangible assets | — | — | — | 29,338 |
| Other income, net | 142 | 141 | 773 | 350 |
| Operating income (loss) | 6,786 | 5,958 | 13,271 | (45,096) |
| Interest (income) expense, net | (285) | 39 | (241) | 115 |
| Income (loss) before income taxes | 7,071 | 5,919 | 13,512 | (45,211) |
| Income tax expense (benefit) | 1,953 | 1,090 | 3,819 | (6,429) |
| Net income (loss) | 5,118 | 4,829 | 9,693 | (38,782) |
| Less: Net loss attributable to redeemable noncontrolling interest | — | (338) | — | (7,208) |
| Net income (loss) attributable to Vera Bradley, Inc. | $ 5,118 | $ 5,167 | $ 9,693 | $ (31,574) |
| **Percentage of Net Revenues:** | | | | |
| Net revenues | 100.0 % | 100.0 % | 100.0 % | 100.0 % |
| Cost of sales | 45.2 % | 46.9 % | 44.7 % | 49.3 % |
| Gross profit | 54.8 % | 53.1 % | 55.3 % | 50.7 % |
| Selling, general, and administrative expenses | 49.0 % | 48.4 % | 51.6 % | 55.3 % |
| Impairment of goodwill and intangible assets | — % | — % | — % | 8.3 % |
| Other income, net | 0.1 % | 0.1 % | 0.2 % | 0.1 % |
| Operating income (loss) | 5.9 % | 4.8 % | 3.9 % | (12.8)% |
| Interest (income) expense, net | (0.3)% | — % | (0.1)% | — % |
| Income (loss) before income taxes | 6.2 % | 4.8 % | 4.0 % | (12.8)% |
| Income tax expense (benefit) | 1.7 % | 0.9 % | 1.1 % | (1.8)% |
| Net income (loss) | 4.5 % | 3.9 % | 2.9 % | (11.0)% |
| Less: Net loss attributable to redeemable noncontrolling interest | — % | (0.3)% | — % | (2.0)% |
| Net income (loss) attributable to Vera Bradley, Inc. | 4.5 % | 4.2 % | 2.9 % | (8.9)% |

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 | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| **Net Revenues by Segment:** | | | | |
| VB Direct | $ 72,309 | $ 80,061 | $ 216,916 | $ 228,710 |
| VB Indirect | 24,986 | 22,314 | 57,722 | 56,616 |
| Pura Vida | 17,692 | 21,665 | 62,883 | 67,544 |
| Total | $ 114,987 | $ 124,040 | $ 337,521 | $ 352,870 |
| **Percentage of Net Revenues by Segment:** | | | | |
| VB Direct | 62.9 % | 64.5 % | 64.3 % | 64.8 % |
| VB Indirect | 21.7 % | 18.0 % | 17.1 % | 16.0 % |
| Pura Vida | 15.4 % | 17.5 % | 18.6 % | 19.2 % |
| Total | 100.0 % | 100.0 % | 100.0 % | 100.0 % |

| | Thirteen Weeks Ended | | Thirty-Nine Weeks Ended | |
|---|---|---|---|---|
| | October 28, 2023 | October 29, 2022 | October 28, 2023 | October 29, 2022 |
| **Operating Income (Loss) by Segment:** | | | | |
| VB Direct | $ 15,708 | $ 17,060 | $ 43,669 | $ 32,607 |
| VB Indirect | 8,967 | 9,012 | 19,877 | 18,409 |
| Pura Vida | (580) | (1,353) | 4,982 | (28,831) |
| Less: Corporate unallocated | (17,309) | (18,761) | (55,257) | (67,281) |
| Total | $ 6,786 | $ 5,958 | $ 13,271 | $ (45,096) |
| **Operating Income (Loss) as a Percentage of Net Revenues by Segment:** | | | | |
| VB Direct | 21.7 % | 21.3 % | 20.1 % | 14.3 % |
| VB Indirect | 35.9 % | 40.4 % | 34.4 % | 32.5 % |
| Pura Vida | (3.3)% | (6.2)% | 7.9 % | (42.7)% |
| **Vera Bradley Store Data [(1)]:** | | | | |
| Total stores opened during period | 1 | 1 | 3 | 5 |
| Total stores closed during period | — | (4) | (7) | (10) |
| Total stores open at end of period | 126 | 140 | 126 | 140 |
| Total gross square footage at end of period | 379,576 | 401,239 | 379,576 | 401,239 |
| Average net revenues per gross square foot [(2)] | $ 126 | $ 135 | $ 372 | $ 386 |
| Comparable sales (including e-commerce) decrease [(3)] | (8.2)% | (9.6)% | (5.8)% | (11.6)% |

(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 October 28, 2023, Compared to Thirteen Weeks Ended October 29, 2022**

*Net Revenues*

For the thirteen weeks ended October 28, 2023, net revenues decreased $9.0 million, or 7.3%, to $115.0 million, from $124.0 million in the comparable prior-year period.

*VB Direct*. For the thirteen weeks ended October 28, 2023, net revenues in the VB Direct segment decreased $7.8 million, or 9.7%, to $72.3 million, from $80.1 million in the comparable prior-year period. Vera Bradley comparable sales decreased 8.2%, which includes a 11.3% decrease in comparable store sales and a 2.1% decrease in e-commerce sales. In addition, non-comparable store revenue decreased $1.4 million. Closed retail store locations were partially offset by three outlet stores opened in the current year. The decrease in comparable sales and comparable store sales was impacted by reduced conversion and units sold primarily in the outlet channel.

*VB Indirect*. For the thirteen weeks ended October 28, 2023, net revenues in the VB Indirect segment increased $2.7 million, or 12.0%, to $25.0 million, from $22.3 million in the comparable prior-year period. The increase was primarily due to a significant one-time key account order that did not take place in the prior period.

*Pura Vida*. For the thirteen weeks ended October 28, 2023, net revenues in the Pura Vida segment decreased $4.0 million, or 18.3%, to $17.7 million, from $21.7 million in the comparable prior-year period. The decrease was primarily due to a decline in wholesale and e-commerce sales, partially offset by an increase in retail store sales associated with three non-comparable retail stores opened in the prior year.

*Gross Profit*

For the thirteen weeks ended October 28, 2023, gross profit decreased $2.9 million, or 4.4%, to $63.0 million, from $65.9 million in the comparable prior-year period. As a percentage of net revenues, gross profit increased to 54.8% for the thirteen weeks ended October 28, 2023, from 53.1% in the comparable prior-year period. Current year gross margin was favorably impacted by lower year-over-year inbound and outbound freight expense and the sell-through of previously-reserved inventory, partially offset by an increase in promotional activity.

*Selling, General, and Administrative Expenses*

For the thirteen weeks ended October 28, 2023, SG&A expenses decreased $3.7 million, or 6.2%, to $56.4 million, from $60.1 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 49.0% for the thirteen weeks ended October 28, 2023, from 48.4% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $45.0 million compared to $46.6 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $11.4 million compared to $13.5 million in the comparable prior-year period. The decrease in consolidated SG&A expenses for the thirteen weeks ended October 28, 2023 was primarily due to a $1.6 million decrease in employee-related expenses due to a reduction in headcount, partially offset by an increase in incentive compensation due to Company performance estimates; a $0.9 million decrease in expenses associated with cost savings initiatives and other professional fees; and $1.2 million in other net expense reductions which included spending reductions related to information technology contracts, visual merchandising, certain professional fees, and other expenses. SG&A expenses as a percentage of net revenues increased primarily due to SG&A expense deleverage associated with a decrease in sales.

*Impairment of Goodwill and Intangible Assets*

There were no impairment charges of goodwill and intangible assets for the thirteen weeks ended October 28, 2023 and October 29, 2022. For additional information, refer to *Goodwill and Other Intangible Assets* herein.

*Other Income, Net*

For the thirteen weeks ended October 28, 2023, net other income totaled $0.1 million, consistent with the comparable prior-year period.

*Operating Income*

For the thirteen weeks ended October 28, 2023, operating income increased $0.8 million, or 13.9%, to $6.8 million in the current-year period, from $6.0 million in the comparable prior-year period. As a percentage of net revenues, operating income was 5.9% and 4.8% for the thirteen weeks ended October 28, 2023 and October 29, 2022, respectively. Operating income increased due to the factors described in the captions above.

*VB Direct*. For the thirteen weeks ended October 28, 2023, operating income in the VB Direct segment decreased $1.4 million, or 7.9%, to $15.7 million from $17.1 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 21.7% and 21.3% for the thirteen weeks ended October 28, 2023 and October 29, 2022, respectively. Income as a percentage of VB Direct segment revenues was essentially flat for the current year thirteen weeks ended as compared to the same period of the prior year primarily due to an increase in gross margin as a percentage of net revenues as described above. These increases were partially offset by SG&A expense deleverage associated with decreased sales.

*VB Indirect*. For the thirteen weeks ended October 28, 2023, operating income in the VB Indirect segment totaled $9.0 million, consistent with the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 35.9% and 40.4% for the thirteen weeks ended October 28, 2023 and October 29, 2022, respectively. The decrease in operating income as a percentage of VB Indirect segment net revenues was primarily due to a decrease in margin resulting from a large key account order in the current year.

*Pura Vida.* For the thirteen weeks ended October 28, 2023, operating loss in the Pura Vida segment decreased $0.8 million, or 57.1%, to $(0.6) million from $(1.4) million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating loss in the Pura Vida segment was (3.3)% and (6.2)% for the thirteen weeks ended October 28, 2023 and October 29, 2022, respectively. The decrease in operating loss as a percentage of Pura Vida net revenues was primarily due to an increase in gross margin as a percentage of net revenues as described above, a decrease in marketing and advertising spend, as well as employee-related expenses as compared to the prior year period.

*Corporate Unallocated*. For the thirteen weeks ended October 28, 2023, unallocated expenses decreased $1.5 million, or 7.7%, to $17.3 million from $18.8 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to prior year consulting fees of $0.8 million associated with cost savings initiatives and other professional fees; a decrease in employee-related expenses of $0.6 million; and $0.4 million in other net expense reductions which included spending reductions related to information technology contracts, visual merchandising, certain professional fees, and other expenses, partially offset by an increase in advertising spend of $0.3 million.

*Income Tax Expense*

The effective tax rate for the thirteen weeks ended October 28, 2023, was 27.6%, compared to 18.4% for the thirteen weeks ended October 29, 2022. The year-over year effective tax rate increase was primarily due to the relative impact of permanent items in the current-year period compared to the prior-year period, primarily as a result of noncontrolling interest in the prior-year period and non-deductible executive compensation.

*Net Income*

For the thirteen weeks ended October 28, 2023, net income increased $0.3 million to $5.1 million from $4.8 million in the comparable prior-year period due to the factors described in the captions above.

*Net Loss Attributable to Redeemable Noncontrolling Interest*

For the thirteen weeks ended October 29, 2022, net loss attributable to redeemable noncontrolling interest was $(0.3) million. This represents the allocation of the Pura Vida net loss to the noncontrolling interest. On January 30, 2023, we purchased the remaining 25% interest in Pura Vida resulting in 100% ownership. As a result, there was no noncontrolling interest for the current-year period.

*Net Income Attributable to Vera Bradley, Inc.*

For the thirteen weeks ended October 28, 2023, net income attributable to Vera Bradley, Inc. decreased $0.1 million to $5.1 million from $5.2 million in the comparable prior-year period due to the factors described in the captions above.

**Thirty-Nine Weeks Ended October 28, 2023, Compared to Thirty-Nine Weeks Ended October 29, 2022**

*Net Revenues*

For the thirty-nine weeks ended October 28, 2023, net revenues decreased $15.4 million, or 4.4%, to $337.5 million, from $352.9 million in the comparable prior-year period.

*VB Direct*. For the thirty-nine weeks ended October 28, 2023, net revenues in the VB Direct segment decreased $11.8 million, or 5.2%, to $216.9 million, from $228.7 million in the comparable prior-year period. Vera Bradley comparable sales decreased 5.8%, which includes a 8.5% decrease in comparable store sales. E-commerce sales were flat compared to the prior-year period. In addition, non-comparable store revenue decreased $3.1 million. Closed retail store locations were partially offset by three outlet stores opened in the current year. The decrease in comparable sales and comparable store sales was impacted by reduced traffic, conversion, and units sold primarily in the outlet channel. These decreases were partially offset by sales from the Vera Bradley annual outlet sale held during the current-year period but not in the comparable prior-year period.

*VB Indirect*. For the thirty-nine weeks ended October 28, 2023, net revenues in the VB Indirect segment increased $1.1 million, or 2.0%, to $57.7 million, from $56.6 million in the comparable prior-year period. The increase was primarily due to an increase in certain key account orders in the current year period.

*Pura Vida.* For the thirty-nine weeks ended October 28, 2023, net revenues in the Pura Vida segment decreased $4.6 million, or 6.9%, to $62.9 million, from $67.5 million in the comparable prior-year period. The decrease was primarily due to a decline in wholesale and e-commerce sales, partially offset by an increase in retail store sales associated with three non-comparable retail stores opened in the prior year.

*Gross Profit*

For the thirty-nine weeks ended October 28, 2023, gross profit increased $7.9 million, or 4.4%, to $186.8 million, from $178.9 million in the comparable prior-year period. As a percentage of net revenues, gross profit increased to 55.3% for the thirty-nine weeks ended October 28, 2023, from 50.7% in the comparable prior-year period. Current year gross margin was favorably impacted by lower year-over-year inbound and outbound freight expense and the sell-through of previously-reserved inventory, partially offset by an increase in promotional activity.

*Selling, General, and Administrative Expenses*

For the thirty-nine weeks ended October 28, 2023, SG&A expenses decreased $20.7 million, or 10.6%, to $174.3 million, from $195.0 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses decreased to 51.6% for the thirty-nine weeks ended October 28, 2023, from 55.3% in the comparable prior-year period. SG&A expenses related to Vera Bradley and corporate unallocated were $140.5 million compared to $157.6 million in the comparable prior-year period. SG&A expenses related to Pura Vida were $33.7 million compared to $37.4 million in the comparable prior-year period. The decrease in consolidated SG&A expenses for the thirty-nine weeks ended October 28, 2023 was primarily due to a decrease in employee-related expenses of $5.6 million due to a reduction in headcount, partially offset by an increase in incentive compensation due to Company performance estimates; a decrease in severance charges of $3.7 million, which includes severance related to our CFO transition in the current year more than offset by the retirement severance related to our former CEO in the prior year; a $3.9 million decrease in professional expenses, a portion of which were associated with cost savings initiatives and other professional fees that did not recur in the current year; a $2.5 million reduction in marketing spend; $1.4 million related to store and lease right-of-use asset impairment charges in the prior year that did not recur in the current year; and $3.6 million in other net expense reductions which included spending reductions related to information technology contracts, visual merchandising, certain professional fees, and other expenses.

*Impairment of Goodwill and Intangible Assets*

There were no impairment charges of goodwill and intangible assets for the thirty-nine weeks ended October 28, 2023. For the thirty-nine weeks ended October 29, 2022, impairment of goodwill and intangible assets totaled $29.3 million. These charges related to Pura Vida goodwill and the indefinite-lived Pura Vida brand asset and are reflected within the Pura Vida segment. For additional information, refer to *Goodwill and Other Intangible Assets* herein.

*Other Income, Net*

For the thirty-nine weeks ended October 28, 2023, net other income increased $0.4 million to $0.8 million compared to $0.4 million in the comparable prior-year period. The increase in net other income was primarily due to a legal settlement in the current year that did not occur in the prior year, ticket sales from the Vera Bradley annual outlet sale, and sublease income.

*Operating Income (Loss)*

For the thirty-nine weeks ended October 28, 2023, operating income increased $58.4 million, or 129.4%, to $13.3 million in the current-year period, from an operating loss of $(45.1) million in the comparable prior-year period. As a percentage of net revenues, operating income (loss) was 3.9% and (12.8)% for the thirty-nine weeks ended October 28, 2023 and October 29, 2022, respectively. Operating income increased due to the factors described in the captions above.

*VB Direct*. For the thirty-nine weeks ended October 28, 2023, operating income in the VB Direct segment increased $11.1 million, or 33.9%, to $43.7 million from $32.6 million in the comparable prior-year period. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 20.1% and 14.3% for the thirty-nine weeks ended October 28, 2023 and October 29, 2022, respectively. The increase in operating income as a percentage of VB Direct segment net revenues was primarily due to an increase in gross margin as a percentage of net revenues as described above; a decrease in employee-related expenses due to closed stores and cost savings initiatives; store impairment charges in the prior year that did not recur in the current year; and a reduction in spending associated with visual merchandising, professional fees, and other variable expenses.

*VB Indirect*. For the thirty-nine weeks ended October 28, 2023, operating income in the VB Indirect segment increased $1.5 million, or 8.0%, to $19.9 million from $18.4 million in the comparable prior-year period. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 34.4% and 32.5% for the thirty-nine weeks ended October 28, 2023 and October 29, 2022, respectively. The increase in operating income as a percentage of VB Indirect segment net revenues was due to an increase in gross margin as a percentage of net revenues as described above, as well as decreased SG&A expenses.

*Pura Vida.* For the thirty-nine weeks ended October 28, 2023, operating income in the Pura Vida segment increased $33.8 million, or 117.3%, to $5.0 million from a net loss of $(28.8) million in the comparable prior-year period. As a percentage of Pura Vida segment net revenues, operating income (loss) in the Pura Vida segment was 7.9% and (42.7)% for the thirty-nine weeks ended October 28, 2023 and October 29, 2022, respectively. The increase in operating income as a percentage of Pura Vida net revenues was primarily due to goodwill and indefinite-lived Pura Vida brand impairment charges in the prior-year period of $19.4 million and $9.9 million, respectively; a decrease in marketing and advertising expenses; a decrease in employee-related expenses due to headcount reductions and cost savings initiatives; and an increase in gross margin as a percentage of net revenues as described above.

*Corporate Unallocated*. For the thirty-nine weeks ended October 28, 2023, unallocated expenses decreased $12.0 million, or 17.9%, to $55.3 million from $67.3 million in the comparable prior-year period. The decrease in unallocated expenses was primarily due to a reduction in severance charges of $3.7 million which included severance related to our CFO transition in the current year more than offset by severance associated with the retirement of our former CEO in the prior year that did not recur in the current year; prior year consulting fees of $3.3 million associated with cost savings initiatives and other professional fees that did not recur in the current year; a reduction in employee-related expenses of $2.5 million primarily related to lower headcount, partially offset by an increase in incentive compensation expense as a result of Company performance estimates; $0.6 million for a lease right-of-use asset charge in the prior year that did not recur in the current year; and $1.9 million in other net corporate expense reductions including a reduction in information technology contracts, corporate advertising expense, and other corporate expenses.

*Income Tax Expense (Benefit)*

The effective tax rate for the thirty-nine weeks ended October 28, 2023, was 28.3%, compared to 14.2% for the thirty-nine weeks ended October 29, 2022. The year-over year effective tax rate increase was primarily due to the relative impact of permanent and discrete items in the current-year period compared to the prior-year period, primarily as a result of stock-based compensation, noncontrolling interest in the prior-year period, and non-deductible executive compensation.

*Net Income (Loss)*

For the thirty-nine weeks ended October 28, 2023, net income increased $48.5 million to $9.7 million from a net loss of $(38.8) million in the comparable prior-year period due to the factors described in the captions above.

*Net Loss Attributable to Redeemable Noncontrolling Interest*

For the thirty-nine weeks ended October 29, 2022, net loss attributable to redeemable noncontrolling interest was $(7.2) million. This represents the allocation of the Pura Vida net loss to the noncontrolling interest. On January 30, 2023, we purchased the remaining 25% interest in Pura Vida resulting in 100% ownership. As a result, there was no noncontrolling interest for the current-year period.

*Net Income (Loss) Attributable to Vera Bradley, Inc.*

For the thirty-nine weeks ended October 28, 2023, net income attributable to Vera Bradley, Inc. increased $41.3 million to $9.7 million from net loss attributable to Vera Bradley, Inc. of $(31.6) million in the comparable prior-year period due to the factors described in the captions above.

**Liquidity and Capital Resources**

*General*

Our primary sources of liquidity are cash on hand and cash equivalents, as well as cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our $75.0 million asset-based revolving credit agreement (the “Credit Agreement”). There was no debt outstanding as of October 28, 2023. 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 | |
|---|---|---|
| | October 28, 2023 | October 29, 2022 |
| Net cash provided by (used in) operating activities | $ 21,058 | $ (36,758) |
| Net cash used in investing activities | (12,546) | (6,968) |
| Net cash used in financing activities | (2,872) | (19,321) |

*Net Cash Provided by (Used in) Operating Activities*

Net cash provided by (used in) operating activities consists primarily of net income (loss) 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 provided by operating activities for the thirty-nine weeks ended October 28, 2023 was $21.1 million compared to net cash used in operating activities of $36.8 million for the thirty-nine weeks ended October 29, 2022. The increase in cash provided by operating activities was primarily related to an increase in net income of $48.5 million, partially offset by the change in non-cash items of $23.4 million, as well as the change in assets and liabilities. A source of cash was provided by lower inventory receipts; the timing of collection of tenant allowances associated with our store leases; a lower accounts receivable change due to lower sales and timing; and an increase in incentive compensation liability in the current-year period compared to the prior-year period. These sources of cash were partially offset by a lower amount of accrued liabilities for severance and cost savings initiatives; timing of accounts payable; and the change in income taxes. There was a net income tax refund of $6.6 million in the prior-year period compared to net cash payments of $0.7 million 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 $12.5 million for the thirty-nine weeks ended October 28, 2023 compared to $7.0 million for the thirty-nine weeks ended October 29, 2022. The increase in cash used in investing activities was a result of the purchase of the remaining 25% interest in Pura Vida for $10.0 million, partially offset by a decline in property, plant, and equipment spending primarily as a result of a lower amount of new store construction in the current year and Vera Bradley store relocations in the prior year that did not recur.

Capital expenditures for fiscal 2024 are expected to be approximately $4.0 million.

*Net Cash Used in Financing Activities*

Net cash used in financing activities was $2.9 million for the thirty-nine weeks ended October 28, 2023 compared to $19.3 million for the thirty-nine weeks ended October 29, 2022. The decrease in cash used in financing activities was primarily due to $1.9 million of common stock repurchases in the current-year period compared to $17.3 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. 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 and Vera Bradley Sales, LLC (collectively, the "Named Subsidiaries"). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to $25.0 million.

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.

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

**Material Cash Requirements**

As of October 28, 2023, 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 January 28, 2023.

**Off-Balance-Sheet Arrangements**

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

**Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company's significant accounting policies is included in Note 2 to the Company's consolidated financial statements in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company's consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023. There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of October 28, 2023.

**Recently Issued Accounting Pronouncements**

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

## ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of October 28, 2023, there was no material change in the market risks described in "Quantitative and Qualitative Disclosures About Market Risks" in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2023.

## ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company's Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of October 28, 2023.

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

## PART II. OTHER INFORMATION

### ITEM 1. LEGAL PROCEEDINGS

In August of 2019, Vesi Incorporated (“Vesi”) filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company’s licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint sought damages in an amount not less than $10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. In November 2019, the Company filed a counterclaim against the principals of Vesi as personal guarantors for monies owed to the Company by Vesi. The Company filed a motion for summary judgement asking the Court to dismiss all claims with prejudice and grant judgement on its counterclaim. On January 4, 2023, the District Court granted the Company’s motion for summary judgment dismissing Vesi’s claims and also granted judgment on the Company’s counterclaims against the principals of Vesi for an immaterial amount. Vesi appealed this decision. On November 9, 2023 the United States Court of Appeals for the Sixth Circuit issued an opinion affirming the District Court’s judgment in favor of the Company dismissing Vesi’s claims and granting the Company’s counterclaims.

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 January 28, 2023.

## 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 October 28, 2023 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 |
|---|---|---|---|---|
| July 30, 2023 - August 26, 2023 | 22,000 | $ 6.80 | 22,000 | $ 26,165,760 |
| August 27, 2023 - September 30, 2023 | 28,300 | 6.71 | 28,300 | 25,975,768 |
| October 1, 2023 - October 28, 2023 | 21,507 | 6.79 | 21,507 | 25,829,670 |
| | 71,807 | $ 6.76 | 71,807 | |

## ITEM 5. OTHER INFORMATION

*Securities Trading Plans of Directors and Executive Officers*

During the thirteen weeks ended October 28, 2023, 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 |
|---|---|
| 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.<br>(Registrant) |
| Date: December 6, 2023 | /s/ Michael Schwindle |
| | Michael Schwindle<br>Chief Financial Officer |

**Exhibit 31.1**

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

I, Jacqueline Ardrey, certify that:

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

Date: December 6, 2023

/s/ Jacqueline Ardrey
Jacqueline Ardrey
*Chief Executive Officer*

**Exhibit 31.2**

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

I, Michael Schwindle, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: December 6, 2023

/s/ Michael Schwindle
Michael Schwindle
*Chief Financial Officer*

**Exhibit 32.1**

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

I, Jacqueline Ardrey, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended October 28, 2023 (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 6, 2023
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 October 28, 2023 (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 6, 2023
Date