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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-K**

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

For the Fiscal Year Ended January 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

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**VERA BRADLEY, INC.**

(Exact name of registrant as specified in its charter)

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**Indiana**

(State or other jurisdiction of  
incorporation or organization)

**27-2935063**

(I.R.S. Employer  
Identification No.)

**12420 Stonebridge Road,  
Roanoke, Indiana**

(Address of principal executive offices)

**46783**

(Zip Code)

**(877) 708-8372**

(Registrant's telephone number, including area code)

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**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

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

None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	<input type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
		Emerging growth company	<input type="checkbox"/>

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 has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the registrant’s voting common stock held by non-affiliates of the registrant as of July 30, 2022 was \$98,125,111.

The registrant had 30,690,024 shares of its common stock outstanding as of March 21, 2023.

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#### DOCUMENT INCORPORATED BY REFERENCE:

Portions of the registrant’s definitive proxy statement for the 2023 Annual Meeting of Shareholders are incorporated by reference into Part III of this Annual Report on Form 10-K. Vera Bradley, Inc. intends to file such proxy statement with the Securities and Exchange Commission pursuant to Regulation 14A not later than 120 days after its fiscal year ended January 28, 2023.

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## Forward-Looking Statements

This annual 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, impacts related to variants of the COVID-19 outbreak, 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 website;
- possible disruptions in our supply chain;
- possible new or increased tariffs on our products and continued increases in inbound and outbound freight expense that could lead to increased product costs and lower profit margins; and
- public health pandemics, including the continued outbreak of the novel coronavirus (COVID-19) and actions to contain the spread of the virus by governmental or other actors.

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 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 this report.

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.

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## PART I

*In this Form 10-K, references to “Vera Bradley, Inc.” or the “Company” refer to Vera Bradley, Inc. and its subsidiaries, including Vera Bradley Designs, Inc. and Creative Genius, LLC. References to “Vera Bradley” relate to the Vera Bradley stand-alone brand and references to “Pura Vida” relate to the Pura Vida stand-alone brand, except where the context requires otherwise or where otherwise indicated. The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to January 31. The fiscal years ended January 28, 2023 (“fiscal 2023”), January 29, 2022 (“fiscal 2022”) and January 30, 2021 (“fiscal 2021”) were each 52-week periods. The fiscal year ending February 3, 2024 (“fiscal 2024”) will be a 53-week period.*

### **Item 1. Business**

#### **Our Company**

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 casual, 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.

In July 2019, Vera Bradley, Inc. acquired a 75% interest in Creative Genius, Inc., which operates under the name Pura Vida Bracelets (“Pura Vida”). Pura Vida results are consolidated within the Company’s financial statements beginning on July 17, 2019, the first full day following the acquisition. On January 30, 2023, subsequent to the end of fiscal 2023, the Company acquired the remaining 25% interest in Pura Vida.

The Company has three reportable segments: Vera Bradley Direct (“VB Direct”), Vera Bradley Indirect (“VB Indirect”), and Pura Vida. For financial information about our reportable segments, refer to Note 17 of the Notes to Consolidated Financial Statements set forth in Part II, “Item 8. Financial Statements and Supplementary Data,” of this report.

#### **Our Brands**

##### *Vera Bradley*

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 is known for its innovative designs, iconic patterns, and brilliant colors that inspire and connect women. The reportable segments within the Vera Bradley brand are VB Direct and VB Indirect.

*VB Direct.* The VB Direct business consists of sales of Vera Bradley products through Vera Bradley full-line and factory outlet stores in the United States; e-commerce sites verabradley.com and verabradley.ca; the Vera Bradley online outlet site; and typically the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of January 28, 2023, the Company operated 51 full-line stores and 79 factory outlet stores. The annual outlet sale was cancelled in 2020, 2021, and 2022 as a result of the COVID-19 pandemic but will resume in calendar 2023.

*VB Indirect.* The VB Indirect business consists of sales of Vera Bradley products to approximately 1,700 specialty retail locations, substantially all of which are located in the United States; sales to 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.

##### *Pura Vida*

Pura Vida, based in La Jolla, California, is a digitally native lifestyle brand that we believe resonates with its loyal consumer following. The Pura Vida brand has a differentiated and expanding offering of bracelets, jewelry, apparel, and other lifestyle accessories. The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabraccets.com, www.puravidabraccets.eu, and www.puravidabraccets.ca and through the distribution of Pura Vida-branded products to wholesale retailers and department stores, substantially all of which are located in the United States, as well as through its five retail stores.

#### **Our History**

When they were traveling together in 1982, Fort Wayne, Indiana friends Barbara Bradley Baekgaard and Patricia Miller realized there was a lack of stylish travel accessories in the market. Within weeks, the friends created Vera Bradley, named after Ms. Bradley Baekgaard’s mother, and began manufacturing and marketing their distinctive products. The founders, together with past and present members of the executive management team, have been instrumental in our growth and success.

The passion for design and customer service established by our founders has driven our Company for over 40 years and remains the cornerstone of Vera Bradley, Inc. today. Ms. Baekgaard retired from Vera Bradley operations in 2017 but continues to serve

on the Board of Directors and as a brand ambassador. Ms. Miller retired in October 2012 as our National Spokesperson and in August 2019 from the Board of Directors.

In July 2019, Vera Bradley, Inc. acquired a majority interest in Pura Vida. On January 30, 2023, subsequent to the end of fiscal 2023, the Company acquired the remaining interest in Pura Vida.

Similar to the Vera Bradley brand, Pura Vida was founded by two friends, Griffin Thall and Paul Goodman. Thall and Goodman, from Southern California, were traveling through Costa Rica in 2010 and crossed paths with two bracelet artisans. Thall and Goodman asked the artisans to make 400 bracelets to take home with them.

Upon returning to San Diego, Thall and Goodman placed the bracelets in a bowl at a local boutique. Within days, the bracelets sold out and customers were asking for more. Thall and Goodman quickly recognized the significance of these simple string bracelets. They were more than just ordinary locally-crafted bracelets; they symbolized a movement valuing the simple things in life. So, Pura Vida, which means “pure life” in Spanish and is a philosophy that encourages the appreciation of life’s simple treasures, was born.

We believe Pura Vida is a great strategic fit for Vera Bradley and that the two companies have combined to make Vera Bradley, Inc. a unique lifestyle company.

### **Enterprise Vision and Growth Strategies**

We are committed to driving growth in our two lifestyle brands, generating strong cash flow, and returning capital to shareholders.

To drive long-term top-line and bottom-line growth, in fiscal 2024 we are embarking on Project Restoration and will focus on four key pillars – **Consumer, Brand, Product, and Channel**.

#### *Vera Bradley*

*Consumer.* We will focus on restoring brand relevancy, targeting the casual and feminine 35 to 54 year old woman who not only values fashion and style but also function. With this strategy we will also inspire and retain our loyal customers outside of this age group.

*Brand.* We will strategically market our distinctive and unique positioning as a colorful, feminine, fashionable brand that connects with consumers on a deep, emotional level.

We are continually looking for new ways to creatively engage our customers, grow brand awareness, and introduce new customers to our brands in a cost-effective manner, but that is becoming more challenging and expensive for both of our brands. Vera Bradley’s marketing platform will continue to be a blend of digital and more traditional channels, such as direct mail, email, quality media placements, public relations, and targeted TV ads. Vera Bradley continues to rank among the top of the industry for our Net Promoter and Customer Satisfaction Scores.

*Product.* We will refocus on core product categories and items we are “best at” by innovating and expanding around our core products. We will elevate our colorful feminine heritage, keeping it distinctive but more trend relevant through updated print and design. We will innovate into strategic adjacent lifestyle item introductions that make sense for our customers. We will also continue to pursue collaborations and partnerships that align with our target customers.

In fiscal 2023, we launched our Featherweight collection, continued with product collaborations such as Disney, Harry Potter, and Crocs and introduced new partnerships with Star Wars, Coleman, Tupperware, and Totes. We also expanded our home assortment and added cloud slip-ons and mules to our VB footwear franchise in the fall and holiday seasons, as well as expanded our cozy, sleep, and outerwear collections.

*Channel.* We will accelerate our digital-first focus and online presence through a mix of brand storytelling and product messaging. We will build a balanced footprint that more clearly differentiates full-line from factory stores, through differentiated pattern and color, product functionality, sustainably-sourced fabrics, and pricing. We will also target new or strengthen existing relationships with strategically-aligned wholesale partners.

In fiscal 2023, we continued to expand options for customers to shop, including enhancing our presence in third-party marketplaces and adding boutiques in select high-traffic airports. We opened five new factory stores and closed 20 underperforming retail stores.

## *Pura Vida*

*Consumer.* We will sharpen our focus on the care-free 18-24 year old girl, who both those younger and older aspire to be. Our target customer is free-spirited, a trendsetter, and focused on “living her best life.” Pura Vida jewelry is a way of expressing herself and fits her personality.

*Brand.* We will refresh our brand image with a focus on showing what “living free” looks and feels like – showing real places, real moments, and real faces that are authentic, diverse, and inclusive. We will recenter our brand ethos on “living life to the fullest” as well as Pura Vida’s hallmark of supporting charities and social responsibility.

Pura Vida remains one of the most highly-engaged brands in the accessories space, surpassing the 2.2 million mark of followers on Instagram and is consistently listed as one of the most engaged jewelry brands on Instagram. Pura Vida continued to rank among the top of the industry for our Net Promoter and Customer Satisfaction Scores.

In fiscal 2023, we began the process of implementing a comprehensive customer data platform to build a single, coherent, complete view of each Pura Vida customer so that we can better target and personalize marketing and become less reliant on third-party marketing. This project is scheduled for completion in the spring of fiscal 2024.

*Product.* We will focus on delivering unique, fun, playful product designs that are affordable and accessible. We will continue to deepen our expertise and innovate in our hero core category of string bracelets as well as other jewelry items, and we will opportunistically explore additional close-in, adjacent categories that make sense for our business and our customers.

In fiscal 2023, we continued collaborations with Disney, Harry Potter, Hello Kitty, and the World Surf League; partnered with key influencers; and offered themed-collections centered around key events such as Shark Week. We also launched our new demi-fine collection featuring 18 karat gold plating, sterling silver, and natural stones and expanded our assortment of engravable jewelry.

Approximately a third of the total Pura Vida business is comprised of jewelry categories other than bracelets, such as rings, anklets, and necklaces.

*Channel.* We will have a strong focus on restoring e-commerce growth, utilizing our new comprehensive customer data platform to strategically target and personalize marketing. We will drive strategic growth of wholesale by pursuing larger, more strategic partnerships and expansion of our larger existing accounts. In addition, we will refine our store model to further drive top and bottom line growth. We are pausing new store growth in fiscal 2024 to determine how big our store base should be and what infrastructure is needed to support it.

We also opened three additional full-line locations, building on the success of our first store opening in San Diego, California in August 2021. Our four full-line stores are playing a role in driving new customer acquisition as we continue to diversify our marketing platforms, and they demonstrate the power a retail presence can have in driving digital sales, omni-channel loyalty, and spending.

## **Our Product Release Strategy**

*Vera Bradley.* We typically introduce new collections monthly. Each launch typically consists of one to three signature cotton-quilted prints, as well as other fabrications including Performance Twill, Re-Active, microfiber, and nylon some of which are also available in solid colors. These collections of prints and solids are incorporated into the designs of a wide range of products, including bags, accessories, and travel items. These collections typically include classic styles, updates to existing designs, and new product introductions.

To keep our assortment current and fresh, and to focus our inventory investments on our best performers, we discontinue prints and fabrications as necessary. We sell our remaining inventory of retired products primarily through our websites (including our online outlet site), factory outlet stores, typically our annual outlet sale, and third-party liquidators.

*Pura Vida.* We introduce new Pura Vida products seasonally, approximately three times a year (spring, summer, and fall). We release curated product assortments multiple times per season that each embody a trend that we believe resonates with our customer base. Each product launch collection typically consists of 20 to 30 customer choices. We offer a mix of seasonally inspired designs and next generation designs of core bestsellers.



## Our Products

The following chart presents net revenues generated by each of the Company's product categories and other revenues as a percentage of our total net revenues for fiscal years 2023, 2022, and 2021.

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Bags	34.3 %	32.0 %	28.2 %
Travel	18.8 %	17.5 %	15.3 %
Accessories	32.0 %	34.5 %	35.1 %
Home	8.5 %	8.6 %	7.3 %
Apparel/Footwear	3.7 %	4.7 %	11.1 %
Other <sup>(1)</sup>	2.7 %	2.7 %	3.0 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>

(1) Includes primarily stationery, licensing, freight, merchandising, and gift card breakage revenue.

*Bags.* Bags are a core part of our product offerings and are the primary component of every seasonal assortment. The category consists of classic and new styles developed by our product development team. Our bag product category includes items such as backpacks, totes, crossbodies, lunch bags, satchels, clutches, and baby bags. Bags play a prominent role in our visual merchandising, and we showcase the different fabrications, patterns, colors, and features of each bag.

*Travel.* Our travel product category includes rolling luggage, cosmetics, travel and packing accessories, and travel bags which include our iconic duffel and weekend bags. The first Vera Bradley product offering included duffel bags, which have consistently been strong performers. We believe their popularity, as well as the appeal of our other travel items, results from our vibrant designs, functional styles, and lightweight fabrications.

*Accessories.* Accessories include Vera Bradley-branded fashion accessories such as ID holders, lanyards, wallets, wristlets, eyewear, scarves, various technology accessories, hair accessories, as well as Pura Vida-branded accessories such as bracelets, rings, and necklaces. A majority of products are sold through the accessories category in the Pura Vida business. We believe our accessories are attractively priced and allow the consumer to include some color in her wardrobe. Our product development teams consistently update the accessories assortment based on consumer demand and fashion trends.

*Home.* Our home category includes textiles, including throw blankets, beach towels, and bedding, as well as items such as mugs and tumblers.

*Apparel/Footwear.* Our apparel and footwear category includes sleepwear, footwear, outerwear, cotton face masks, socks, Vera Bradley tops, and Pura Vida tees and hoodies. Cotton face mask sales began, and were most significant, during fiscal 2021 at both Vera Bradley and Pura Vida.

## Product Development

*Vera Bradley.* We have implemented a fully integrated and cross-functional product development process that aligns design, trend and market research, merchandising, planning, sales, marketing, and sourcing. We believe product development is a core capability that makes our products unique and that our designs and aesthetics set our products apart and drive customer loyalty. Our design and product development teams combine an understanding of the desires of our target customers, with knowledge of upcoming color, material, consumer, and fashion trends to design new collections, as well as new product categories.

We typically begin the development stage of our products in the Vera Bradley portfolio twelve to eighteen months in advance of their release. The development of each new pattern includes the design of a primary print and sometimes a secondary coordinating print. All print development is managed by our internal print design team. Once developed, we generally copyright our patterns as appropriate. We believe that great design is not only central to our products, but also is a fundamental part of our brand development and growth strategies.

Our design team works to ensure that new collections contain an assortment of products and styles that are in line with both trends and customer desires and regularly updates classic styles to enhance functionality. Our team monitors fashion trends and customer needs by typically attending trend and industry shows, subscribing to trend monitoring services, and engaging in comparison shopping.



Our product development team works closely with our marketing and merchandising teams to gather consumer insights through a variety of methodologies, including seasonal market research, in-store testing, scheduled interviews, and online and in-person surveys conducted by our internal team. Our work is also informed in part by market data analysis provided through our membership in industry services and organizations. The design and product development teams work to ensure that we offer products that are constructed to meet our design, function, construction, and quality standards in a cost-effective manner. We believe that, with our cross-functional, collaborative approach, we are able to introduce and market our products in a way that clearly communicates the Vera Bradley brand.

In addition to products developed in-house, we also pursue brand extensions through strategic partnerships, licensing agreements, and brand collaborations. We currently have licenses in place for eyewear; bedding; technology accessories; stationery/drinkware; sleepwear and loungewear; outdoor furniture, accessories, and décor; and wallpaper. We also have licensing agreements with Disney Consumer Products, Warner Brothers Consumer Products, Peanuts Worldwide, Crocs, Gillette, Totes, NCAA (collegiate), and certain U.S. Military forces. We will continue to look for the right strategic partners and licensees that can augment the brand and provide established distribution networks for certain categories of business. Additional arrangements will be launched in fiscal 2024.

*Pura Vida.* Pura Vida continues to develop new styles and re-invent existing styles. We have a cross-functional team that aligns product development with merchandising to strategically manage the design process. Our cross-functional team attends trade shows and performs market research to develop what we believe will be on-trend products that communicate and emulate the “pura vida” lifestyle. We also pursue brand extensions through licensing agreements and we have partnered with Discovery, Warner Brothers Consumer Products, Disney Consumer Products, Sanrio, and other companies that are consistent with our brand.

## **Marketing**

We believe that the growth of our brands and our business is influenced by our ability to introduce and sell our merchandise in a way that clearly conveys the Vera Bradley and Pura Vida brand personalities. We use marketing as a critical tool in our efforts to promote our brands.

We are continually focused on looking for new ways to creatively engage and retain our customers, grow brand awareness, and introduce new customers to our brands in a cost-effective manner, but that is becoming more challenging and expensive for both of our brands due in part to rising digital media costs.

Vera Bradley’s marketing platform will continue to be a blend of digital and more traditional channels, such as direct mail, email, quality media placements, PR, and targeted TV ads. Our marketing efforts are increasingly reflective of our ongoing commitment to diversity and inclusion. The goal of our 360 brand marketing program is to drive brand awareness and desirability, as well as connect with consumers where they are.

We will continue to drive social media engagement by employing more user-generated content, growing our influencer and ambassador programs, further enhancing social storytelling and social selling, expanding Facebook Live and Reels, and growing TikTok engagement.

### *Vera Bradley*

*Retention Advertising.* We communicate with our established customers consistently throughout the year with regular e-mails, social media, and notifications, as well as seasonal direct mail related to the Vera Bradley brand. Our retention advertising is geared to keeping Vera Bradley top of mind with our customers, rewarding our customers, and providing them with news of our seasonal launches, new product introductions, and VB Cares initiatives.

*New Customer Acquisition Advertising.* We primarily employ digital (i.e., display banner, mobile, geo-targeting, and pre-roll video) advertising to increase overall brand awareness and attract new customers.

*Public Relations and Product Placement.* Vera Bradley has received considerable editorial exposure in the press, with mentions in *Oprah Daily*, *In Style*, *Good Morning America*, *Today*, *Cosmopolitan*, *WWD*, *Seventeen*, *Travel and Leisure*, *Real Simple*, and *Good Housekeeping*. In addition, we have expanded our public relations efforts to reach popular online influencers and content creators.

Product placement of Vera Bradley products in feature-length films and on prime-time television shows remains strong with television placements in *This is Us*, *All American*, *Call Me Kat*, *Grownish*, *How I Met Your Father*, and *The Neighborhood*. Movie placements include: *A Man Named Otto*, *Leave the World Behind*, *No Hard Feelings*, *My Big Fat Greek Wedding 3*, and *Barbie*.

*Partnerships.* During fiscal 2023, under the umbrella of VB Cares, we reinforced our position as a total stakeholder-focused and socially-conscious organization and continued to strengthen our community support and charitable initiatives that are meaningful to our customers and that make a significant impact on those in need, particularly women and children. Efforts included supporting the Vera Bradley Foundation for Breast Cancer, Blessings in a Backpack, New Hope Girls, Free Mom Hugs, One Atta Time, American Heart Association, Boys and Girls Club, Big Brothers Big Sisters, among others.

*Social Media and Online Marketing.* We use online marketing and social networking sites as tools to increase brand awareness and drive traffic to verabradley.com and to our Vera Bradley stores. Vera Bradley can be found on Facebook, Instagram, TikTok, Twitter, Pinterest, and YouTube.

For Vera Bradley, we have captured approximately 7.5 million active customer e-mail addresses in our online customer file, with many of these customers providing age, occupation, and location data. This information provides us with deeper insight into the products and categories that are of the highest interest to our customers, and allows us to better target our customers with appropriate messages. As of January 28, 2023, we had approximately 2.0 million Facebook fans and approximately 72,000 Twitter followers. Our Instagram has grown to over 570,000 followers and is our most highly engaged social medium. In addition, we often partner with brand-right bloggers to promote our products.

*Mall Advertising.* We had representation in key markets with mall partner participation. Collaborations and holiday promotions were the primary focus for our retail store locations. The factory outlet channel participated in center marketing throughout the year highlighting key seasonal moments, such as: Spring Break, Back to School, Labor Day, and Holiday.

*Direct Mail.* Vera Bradley mailers are a vehicle for promoting the Vera Bradley brand and product portfolio. Each mailer is sent to a targeted customer mailing list. We believe our direct mail medium generates excitement and awareness about the Vera Bradley brand and allows us to reach both new and loyal customers in their homes. We use direct mail for prospecting, customer retention, and reactivation.

#### *Pura Vida*

*Retention Advertising.* We connect with our established customers with regular emails, affiliate marketing, SMS marketing, and social media marketing. Our retention advertising focuses on informing Pura Vida customers of new product launches, exclusive offers, inventory restocks of best sellers, upselling subscription products, promoting referral and loyalty rewards, and the latest Pura Vida news.

*New Customer Acquisition Advertising.* Pura Vida focuses on digital advertising through Facebook, Instagram, TikTok, Google, Snapchat, and Pinterest to acquire new customers. We are consistently testing new audiences, channels, creative ads, and promotions to maximize our return on paid media spend.

*Ambassador Program.* We have a grassroots program of brand ambassadors who drive customers to our website and generate buzz in local communities, digitally through their social media channels, in person through events, and through word of mouth. This program helps us reach our customers in a peer-to-peer fashion, similar to word of mouth marketing. We acquire these brand ambassadors through advertising on Instagram and Snapchat, as well as regular promotion through our organic and retention channels.

*Influencer Marketing.* We have tiers of small to large sized influencers across various key markets and demographic profiles. We work with macro influencers on product collaborations and campaigns, and foster organic relationships with them through photoshoots, trips, and events which we believe drives organic growth for the brand. We have also built a network of micro influencers through our gifted program who post for our brand in exchange for product and exposure on our social channels.

*Charity Collaborations.* We actively partner with charities to donate to causes that are important to our customers. To date, we have donated nearly \$5.0 million to various charities around the world.

*Events Marketing.* To reach our existing customers in person, to acquire new customers, and to expose customers to the experiential aspect of our brand, we have hosted several successful events at our retail stores, including for store openings and seasonal-based events such as for Valentine's Day.

## **Seasonality**

Because Vera Bradley and Pura Vida products are frequently given as gifts, we have historically realized, and expect to continue to realize, higher sales and operating income in the fourth quarter of our fiscal year, which includes the holiday months of November and December. In addition, our products are popular during back-to-school periods of August and September. Fluctuations in sales and operating income in any fiscal quarter are affected by the timing of seasonal wholesale shipments and other events affecting retail sales.

## **Channels of Distribution**

We distribute our Vera Bradley products through our VB Direct (including e-commerce and retail stores) and VB Indirect segments and Pura Vida products primarily through e-commerce, wholesale retailers, and retail stores. This multi-channel distribution model is designed to enable operational flexibility and maximizes the methods by which we can access potential customers.

### **Vera Bradley Direct Segment**

*Full-Line Stores.* We have developed a retail presence through our full-line stores, all located in the United States, which provides us with a format to showcase our brand and the full array of Vera Bradley products. As of January 28, 2023, we operated 51 full-line stores averaging approximately 2,000 square feet per store. Our sales associates are passionate about our products and customer service, which we believe translates into a superior shopping experience.

*Factory Outlet Stores.* Our factory outlet stores are a vehicle for selling factory exclusive styles, as well as retired merchandise at discounted prices, while maintaining brand integrity. Typically, approximately 95% of the merchandise found in our factory outlet stores consists of factory exclusive styles. Factory outlet stores are an integral part of our distribution strategy, as this format provides an additional channel of distribution for our products and enables us to better target value-oriented customers. Our factory outlet stores average approximately 3,500 square feet per store and we expect to invest approximately \$0.5 million per new store, consisting of inventory, pre-opening costs, and build-out costs, less tenant-improvement allowances. As of January 28, 2023, we operated 79 factory outlet stores, all located in the United States.

*Store Location Selection Strategy.* Our store location decisions for both full-line and factory outlet stores are made based upon our comprehensive retail strategy that includes actual and planned penetration in both Indirect and Direct segments, as well as existing e-commerce demand. While we have temporarily suspended full-line store growth and forecast that we will close additional full-line stores, we believe that long-term expansion of our store base is necessary to increase brand awareness and reinforce our brand image by contributing to our omni-channel retail strategy. In addition to analyzing store economics, we pay particular attention to the location within the shopping center, the size and shape of the space, and co-tenancies. Along with seeking co-tenants that we believe share our target customer, we seek a balanced mix of moderate and high-end retailers to encourage high levels of traffic.

*Store Operations.* The focus of our store operations is providing consumers with a comfortable and memorable shopping experience. We strive to make the experience interactive through special store events, such as showcasing newly launched products or celebrating our namesake's birthday. Our customer service philosophy emphasizes friendly service, merchandise knowledge, and passion for the brand. Consequently, an essential requirement for the success of our stores is our ability to attract, train, and retain talented, highly motivated district managers, store managers, and sales associates.

*E-Commerce.* We sell our products through the verabradley.com and verabradley.ca websites. The objective of these websites is to provide both a mechanism for marketing directly to consumers and a storefront where consumers can find the entire full-line Vera Bradley collection. During fiscal 2021, we re-platformed our websites to become more streamlined, nimble, and efficient in our technology platform and business processes. Since 2018, we have also operated an online outlet site to reduce clearance sales from verabradley.com. We had approximately 52 million visits to verabradley.com and our online outlet site during fiscal 2023.

*Annual Outlet Sale.* We have not held our annual outlet sale for the past three years as a result of the COVID-19 pandemic but plan to resume the sale in June 2023. Our annual outlet sale is typically held in the Allen County War Memorial Coliseum Exposition Center in Fort Wayne, Indiana. The annual outlet sale is an important tradition for Vera Bradley, has many loyal followers, and is an opportunity for us to sell our retired merchandise at discounted prices in a brand-right fashion.

### **Vera Bradley Indirect Segment**

As of January 28, 2023, we sold our products in approximately 1,700 specialty retail locations, as well as department stores, national accounts, third-party e-commerce sites, and third-party inventory liquidators, as well as through licensing agreements.

In fiscal 2012, we launched our products in the department store channel. We are currently in approximately 300 department store locations.

The top 25% of our specialty retailers account for approximately 80% of total specialty retailer revenue. No single Indirect retailer represented more than 10% of consolidated net revenues in fiscal 2023, with the top ten Indirect retailers, representing in the aggregate approximately 60% of total Indirect segment net revenues. The majority of our Indirect retailers have been customers for over five years.

#### *Indirect Sales Force*

We believe that having a combination of an in-house field sales force and a third-party agency, covering certain geographies, results in a more consistent brand presentation and messaging, enhanced support for our Indirect customers, and a more predictable, scalable, and cost-efficient business model. As of January 28, 2023, our in-house sales team consisted of approximately 25 full-time sales consultants.

In addition to acquiring new and growing existing accounts, our sales consultants serve as a support center for our Indirect customers by assisting and educating them in areas such as merchandising and visual presentation, marketing the brand, product selection, and inventory management. Our visual merchandising program provides our sales consultants with a framework to guide our Indirect customers regarding optimal product placement and display that is intended to reinforce the message that our brand is distinctive.

#### **Pura Vida Segment**

*E-Commerce.* Pura Vida products are available on our websites, [www.puravidabraccets.com](http://www.puravidabraccets.com), [www.puravidabraccets.eu](http://www.puravidabraccets.eu), and [www.puravidabraccets.ca](http://www.puravidabraccets.ca). Pura Vida's website immerses visitors in the brand, its products, and its social mission. Pura Vida is a digitally native brand, and the e-commerce storefront continues to be the primary source of revenues for the Pura Vida business. The e-commerce site also includes a monthly bracelet and jewelry subscription club. The subscription club is a mechanism to continue to build brand loyalty and stimulate higher retention.

*Wholesale.* The Pura Vida wholesale channel is comprised primarily of specialty stores including Tilly's, The Paper Store, Ron Jon Surf Shops, and Hallmark stores, among others. Pura Vida also has a presence on Amazon through a third-party wholesaler. We have a combination of in-house and external sales personnel who work with our wholesale retailers regarding order fulfillment and compilation.

*Retail.* Pura Vida has five retail store locations. Four of the locations opened in fiscal 2023 and one location opened in fiscal 2022. Our full-line locations are allowing us to showcase the Pura Vida lifestyle with a full array of existing products and new product innovations.

#### **Manufacturing and Supply Chain Model**

During fiscal 2023, we continued to be impacted by higher tariffs from previously duty-free countries, where we source products, as a result of the Generalized System of Preferences ("GSP") duty-free status expiring at the end of calendar year 2020. We cannot guarantee if or when the GSP duty-free status will be reinstated and retro-actively applied by Congress.

In addition, supply chain disruptions, including delivery delays and inbound and outbound freight cost increases began to stabilize toward the end of fiscal 2023. During the prior fiscal year, delivery delays oftentimes added several weeks of delays to our deliveries.

#### *Vera Bradley*

Our multi-country manufacturing and supply chain model is designed to achieve efficient, timely, and accurate order fulfillment while maintaining appropriate levels of inventory.

Our manufacturing and sourcing strategy is part of the larger cross-functional product development process. The overall objective for our sourcing team is to build and sustain collaborative partnerships throughout our supply chain, with a focus on identifying appropriate countries and partners to manufacture our products while maintaining and focusing on flexibility. Our sourcing team leverages its expertise in negotiation, relationship management, flexibility, and change management to maintain a strong, diverse global supply chain. Our sourcing team also focuses on achieving the right balance of production sites and countries of origin to mitigate the risk of concentrated production, including potential incremental tariffs. To continue to assist in this risk mitigation, our sourcing team reduced our Vera Bradley production in China from over 50% in fiscal 2019 to approximately 15% in fiscal 2023.

We strive to maintain the appropriate balance of inventory to enable us to provide a high level of service to our customers, including prompt and accurate delivery of our products at a reasonable cost. We believe that we have an active and nimble sales and operations planning process that helps us balance the supply and demand issues that we encounter in our business, optimize our inventory levels, and anticipate inventory needs. We have also integrated our Vera Bradley planning, forecasting, and segmentation processes under one function called Merchandise Planning and Allocation.

Approximately half of Vera Bradley product sales are cotton-based. Our other fabrics include primarily fleece, polyester, and microfiber. We source our raw materials from various suppliers in Asia, with the majority of non-cotton based products coming from China and South Korea. Our cotton-based products are sourced from areas outside of China. Our global sourcing team works with select suppliers enabling us to optimize the mix of cost, lead time, quality, and reliability within our global supply network. We actively mitigate raw materials price increases through purchasing at advantageous times and periods. All of our suppliers must comply with our quality standards, and we use only a limited number of pre-approved suppliers who have demonstrated a commitment to delivering the highest quality products. We are continually updating our factory audit process and building a better compliance program to ensure our vendor code of conduct is met. In fact, in fiscal 2022 we moved from internal factory audits to partnering with BetterWork to conduct the audits. BetterWork brings diverse groups together (governments, global brands, factory owners, unions, and workers) to improve working conditions in the garment industry and make the sector more competitive. These audits encompass both the Vera Bradley and Pura Vida brands. In April 2016, we opened an office in Hong Kong to lead the global supply chain in Asia, including the oversight of sourcing and procurement.

The majority of our Vera Bradley finished goods, not sourced through licenses or strategic partners, are manufactured by a variety of global manufacturers located primarily in Cambodia, Vietnam, Indonesia, China, and the Philippines. We discontinued manufacturing in Myanmar in mid-2021. With the oversight of our office in Hong Kong and our independent contractors, we believe financial benefits have been realized without sacrificing the level of quality inherent in our products or service to our customers.

#### *Pura Vida*

Pura Vida products are sourced primarily from El Salvador, as well as China, India, Guatemala, Cambodia, and Indonesia. We have continued an active supply chain diversification process to ensure a focus on maintaining flexibility and to help mitigate the risk of concentrated production, similar to the Vera Bradley supply chain.

When determining the size of orders placed with our manufacturers, we take into account forward-looking demand, lead times for specific products, current inventory levels, and minimum order quantity requirements. Overseas production has resulted in substantial cost savings and a reduction of capital investment.

#### **Distribution Centers**

Vera Bradley owns a 428,500 square-foot distribution center in Roanoke, Indiana. This automated, computerized facility allows Vera Bradley employees to receive information directly from the order-collection center and quickly identify the products and quantities necessary to fulfill a particular order. The facility's technology enables us to accurately process and pack orders, as well as track shipments and inventory. We believe that our systems for the processing and shipment of orders from our distribution center have enabled us to improve our overall customer service through enhanced order accuracy and reduced turnaround time; however, we continue to make technology and automation enhancements to our distribution center processes to promote optimal output.

Vera Bradley products are shipped primarily via third-party common carriers to our stores, our Indirect retailers, and directly to our customers who purchase through our website. We believe we are positioned well to support the order fulfillment requirements of our business, including business generated through our website.

Pura Vida products for the U.S. e-commerce site and wholesale accounts are distributed primarily through a third-party provider in Tijuana, Mexico. Pura Vida also distributes product through a third-party provider in the Netherlands and Canada, which supports European e-commerce and Canadian wholesale operations, respectively.

#### **Management Information Systems**

We believe that high levels of automation and technology are essential to maintain our competitive position. We maintain computer hardware, applications, and networks to enhance and accelerate the design process, to support the sale and distribution of our products to our customers, and to improve the integration and efficiency of our operations. Our information systems are designed to provide, among other things, enterprise class business management, comprehensive order processing for all commerce channels, production, accounting, and management information and analytics for the product development, retail, sales, marketing, distribution, finance, and human resources functions of our business. In fiscal 2021 at Vera Bradley, we



migrated our ERP, POS, Business Intelligence, and Order Management systems to cloud-based platforms streamlining and simplifying our work and providing for additional capabilities such as mobile POS and multi-company operations on the same platform. We completed our ERP migration during fiscal 2022 for Pura Vida, so that our entire enterprise is on a unified technology platform. We continue to assess our on-premise and cloud-based technology solutions in an effort to ensure we have the optimal solutions for our business. We are continuing to implement a new suite of inventory planning tools to optimize full line assortments, localized assortments, pricing and promotion planning, and inventory positions. Part of these tools were implemented in fiscal 2023 and the remainder is planned for implementation in fiscal 2024.

## **Competition**

For both Vera Bradley and Pura Vida, we face strong competition in each of the product lines and markets in which we compete. We believe that all of our products are in similar competitive positions with respect to the number of competitors they face and the level of competition within each product line. Due to the number of different products we offer, it is not practicable for us to quantify the number of competitors we face. Our products compete with other branded products within their product categories and with private label products sold by retailers. Moreover, the general availability of contract manufacturing allows new entrants to relatively easily access the markets in which we compete, which may increase the number of competitors and adversely affect our competitive position and our business. We compete against other independent retailers, department stores, catalog retailers, gift retailers, and Internet businesses that engage in the retail sale of similar products.

The market for handbags and accessories, in particular, is highly competitive. Our competitors include not only established companies that are expanding their production and marketing of handbags and accessories, but also frequent new entrants to the market. We directly compete with wholesalers and direct sellers of branded handbags and accessories.

In varying degrees, depending on the product category involved, we compete on the basis of design (aesthetic appeal), quality (construction), function, price point, distribution, and brand positioning. We believe that our primary competitive advantages are consumer recognition of our brands, customer loyalty and engagement, product development expertise, and our widespread presence through our multi-channel distribution model. Some of our competitors have achieved significant recognition for their brand names or have substantially greater financial, distribution, marketing, and other resources than we do. Further, we may face new competitors and increased competition from existing competitors as we expand into new markets and increase our presence in existing markets.

## **Copyrights and Trademarks**

For Vera Bradley, the development of new patterns includes the design of primary and secondary prints. Once developed, we generally copyright our patterns as appropriate. We currently have over 1,200 copyrights related to the Vera Bradley business.

We also own the material trademark rights used in connection with the production, marketing, and distribution of all of our products, both in the United States and in the other countries in which our products are principally sold. Our trademarks include “Vera Bradley” and “Pura Vida.” We aggressively police our trademarks and copyrights and pursue infringers and counterfeiters both domestically and internationally. Our trademarks will remain in existence for as long as we continue to use and renew them in advance of their expiration dates. We have no material patents.

## **Human Capital**

Equal employment opportunities are available to all persons at Vera Bradley, Inc. without regard to race, sex, sexual orientation, gender, gender identity, gender expression, marital status, age, color, religion, creed, national origin, ancestry, mental or physical disability, medical condition, genetic information, military or veteran status or any other category protected under applicable federal, state, or local law. We put this standard into practice through our hiring, training, and an annual affirmative action program.

As of January 28, 2023, we had approximately 2,180 employees. Of the total, approximately 1,475 were engaged in Vera Bradley retail selling positions; approximately 315 were engaged in Vera Bradley distribution, sourcing and quality functions; approximately 50 were engaged in Vera Bradley product design; approximately 90 were involved in the Pura Vida business, including the Pura Vida retail stores; and approximately 250 were engaged in corporate support and administrative functions. None of our employees are represented by a union. We believe that our relations with our employees are good, and we have never encountered a significant work stoppage other than as related to temporary stoppages necessitated by the COVID-19 pandemic.

*Project Quilt.* In fiscal 2021, we launched our Company-wide diversity and inclusion initiative, Project Quilt, to continue to enhance diversity, equality, and inclusion, focusing on three key areas – the Associate Experience, the Customer Experience, and the Community Experience.

*Engagement.* Vera Bradley believes it is critical to engage its different stakeholders in order to understand their views, values, and ideas and to design a more responsible environment for all involved. This stakeholder group includes associates. The Company engages its associates through surveys, town halls, and focus groups. Collectively, the Company's success is based upon the unique value of each person's contributions. Our long-term success depends on talented and engaged associates.

Every year, we conduct an associate engagement survey in order to better understand our associates' insights into our Company's strengths and opportunities. In calendar year 2022, we once again had outstanding participation, with over 80% of our associates sharing their candid feedback. Our calendar year 2022 overall engagement score was once again above average in all categories compared to peer companies with some categories in the upper quartile compared to peer companies. The feedback gave us insight into improvement opportunities and was instrumental in decisions we made to shape, strengthen, and improve our Company. As a result of the survey feedback, over the last several years we have made meaningful improvements to benefits, career development, compensation, mental health and wellness programs, and our facilities. We believe listening to our associates' feedback provided through the annual engagement surveys continually strengthens our corporate culture.

Additionally, on February 9, 2022, Vera Bradley was awarded the #1 ranking on the Forbes list of America's Best Midsize Employers 2022. This prestigious award is presented by Forbes and Statista Inc., the world-leading statistics portal and industry ranking provider.

*Pay and Benefits.* The Company offers competitive pay packages that include market-competitive base and hourly compensation, healthcare, a 401(k) savings plan that typically includes a Company contribution match, paid time off (including for volunteer work), paid family leave, matching gifts program, and an Employee Assistance Program.

*Leadership Programs.* Our associates are our biggest asset and when they win, we all win. We recognize everyone in the Company has the ability to lead by example and influence others in a positive way that ultimately provides meaningful value and will make us stronger. Our long-term initiative, Leaders by Design, encourages our associates to grow as leaders through new associate orientation and onboarding, formal training programs, mentorship programs, job shadowing and career-pathing programs and development, including THE LEADERSHIP CHALLENGE®, a globally recognized, research-based leadership development program designed to enhance leadership effectiveness.

*Associate Safety.* Associate safety and well-being is of paramount importance to our Company. We have a comprehensive employee safety program, WorkWise Wellness, that focuses on overall employee health and safety. The WorkWise Wellness program emphasizes our high standard of safety throughout all operations of the organization. The program and its materials, including a comprehensive Safety Manual, addresses a variety of topics including reporting injuries, OSHA compliance, and emergency procedures (related to workplace violence, active shooters, severe weather and blood-borne pathogens, among others). Policies are routinely communicated and training is provided to associates as appropriate.

## **Government Regulation**

Many of our imported products are subject to existing or potential duties or tariffs that may limit the quantity of products that we may import into the United States and other countries or impact the cost of such products. Customs duties have not comprised a material portion of the total cost of a majority of our products. In addition, we are subject to foreign governmental regulation and trade restrictions, including U.S. retaliation against prohibited foreign practices, with respect to our product sourcing and international sales operations.

We are subject to federal, state, local, and foreign laws and regulations governing environmental matters, including the handling, transportation, and disposal of our products and our non-hazardous and hazardous substances and wastes, as well as emissions and discharges into the environment, including discharges to air, surface water, and groundwater. Failure to comply with such laws and regulations could result in costs for corrective action, penalties, or the imposition of other liabilities. Compliance with environmental laws and regulations has not had a material effect upon our capital expenditures, earnings, or competitive position. If we violate any laws or regulations, however, it could have a material adverse effect on our business or financial performance.



## Information About Our Executive Officers

The following table sets forth certain information concerning each of our executive officers:

Name	Age	Position(s)
Jacqueline Ardrey	53	Chief Executive Officer, President and Director, Vera Bradley, Inc.
John Enwright	50	Chief Financial Officer, Vera Bradley, Inc.
Mark C. Dely	47	Chief Administrative & Legal Officer and Corporate Secretary, Vera Bradley, Inc.
Alison Hiatt	52	Chief Marketing Officer, Vera Bradley

*Jacqueline Ardrey* has served as our Chief Executive Officer and Director since November 2022. Prior to joining Vera Bradley, Inc., Ms. Ardrey held the post of President at home furnishings and seasonal décor catalog and online retailer Grandin Road, part of the Qurate Retail Group, between 2018 and October 2022. Previously, Ms. Ardrey was CEO of Trading Company Holdings and Senior Vice President of Merchandising and Supply Chain for omnichannel gourmet food and gifting brand Harry and David. Prior to that, she spent 14 years at multi-channel high-end children’s retailer Hanna Andersson in various roles of increasing responsibility, including Senior Vice President of Merchandising, Design, and Wholesale. Ms. Ardrey began her retail career with the May Company.

*John Enwright* joined the Company in May 2014 as our Senior Director of Financial Planning and Analysis and was soon promoted to Vice President, Financial Planning and Analysis. Mr. Enwright was named Chief Financial Officer in April 2017. Prior to joining Vera Bradley, Mr. Enwright spent 15 years with Tiffany & Co. in various financial roles of increasing responsibility, including most recently as Director of Financial, Planning and Analysis.

*Mark C. Dely* joined the Company in August 2016 as our Vice President, Chief Legal Officer and Corporate Secretary and was promoted to also serve as the Chief Administrative Officer in September 2017. Between January 2013 and August 2016, Mr. Dely served as Senior Vice President, Chief Legal Officer, General Counsel and Secretary of Fred’s, Inc., a publicly-traded retailer and pharmacy with locations throughout the Southeast. From July 2007 to December 2012, Mr. Dely was Vice President and Divisional General Counsel of the Franchise Services Group for The ServiceMaster Company, where he managed the legal function for the Company’s global franchise businesses. Mr. Dely’s additional experience includes being the first in-house counsel for NYSE-listed seed and agricultural-biotech company, Delta & Pine Land Company. Mr. Dely began his legal career at New York law firm Fried Frank, LLP.

*Alison Hiatt* joined the Company in January 2023 as Chief Marketing Officer of the Vera Bradley brand. From October 2019 through October 2022, Ms. Hiatt was Chief Marketing Officer for Salt and Straw, where she was an instrumental part of transforming the unique ice cream company from a regional brand to an emerging national brand through innovative marketing, digital, and e-commerce initiatives and strategic partnerships. Prior to Salt and Straw, from January 2015 to May 2019, Ms. Hiatt was Chief Marketing Officer of Banfield Pet Hospitals, a division of Mars, Inc. Previously, Ms. Hiatt held marketing-related and other retail posts with REI, Starbucks, and Amazon.

## Available Information

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and all amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 are available free of charge on our website, [www.verabradley.com](http://www.verabradley.com), as soon as reasonably practicable after they are filed with or furnished to the Securities and Exchange Commission (“SEC”). No information contained on our website is intended to be included as part of, or incorporated by reference into, this Annual Report on Form 10-K.

## **Item 1A. Risk Factors**

*You should carefully consider all of the information in this report, including the following factors, which could materially affect our business, financial condition, and results of operations in future periods. The risks described below are not the only risks that we face. Additional risks not currently known to us, or that we currently deem to be immaterial, also may materially adversely affect our business, financial condition, and results of operations in future periods.*

### **Risks Related to Our Business Operations and Industry**

***If we are unable to successfully implement our long-term strategic plans and growth strategies, including Project Restoration, our future operating results could suffer.***

The success of our long-term strategic plan and growth strategies, including Project Restoration, alone or collectively, will depend on various factors, including the appeal of our product designs, retail presentation to consumers, effectiveness of our marketing initiatives, expense saving initiatives, competitive conditions, and economic conditions. There is no assurance that we will be able to successfully implement our strategic plan and growth strategies. If we are unsuccessful in implementing some or all of our strategies or initiatives, our future operating results could be adversely impacted.

***Changes in general economic conditions, and their impact on consumer confidence and consumer spending, could adversely impact our results of operations.***

Our performance is subject to general economic conditions and their impact on levels of consumer confidence and consumer spending. Consumer confidence and consumer spending may be influenced by levels of inflation, fluctuating interest rates and credit availability (including possible exposure to bank failures), changing fuel and other energy costs, fluctuating commodity prices, levels of unemployment and consumer debt levels, changes in net worth based on market conditions, general uncertainty regarding the overall future economic environment, political turmoil, the COVID-19 pandemic or other public health matters, and weather and weather-related phenomena. Consumer purchases of discretionary items, including our merchandise, generally decline during periods when disposable income is adversely affected or there is economic uncertainty, and these occurrences could adversely impact our results of operations. In the event that the U.S. economy worsens, or if there is a decline in consumer-spending levels or other unfavorable conditions, including inflation, we could experience lower than expected net revenues, which could force us to delay or slow the implementation of our growth strategies and adversely impact our results of operations.

***Our inability to predict and respond in a timely manner to changes in consumer demand could adversely affect our net revenues and results of operations.***

Our success depends on our ability to gauge the fashion tastes of our customers and to provide merchandise that satisfies consumer demand in a timely manner. Our products must appeal to a broad range of consumers whose preferences cannot be predicted with certainty and are subject to rapid change. We cannot assure that we will be able to develop appealing patterns, styles, and collections or meet changing consumer demands in the future. If we misjudge the market for our products, we may be faced with significant excess inventories for some products and missed opportunities for other products. In addition, changes to our product assortment and to our available fabrications, as well as the availability and breadth of pattern assortment may not gain consumer acceptance. Merchandise misjudgments could adversely impact our net revenues and results of operations.

***We may experience declines in comparable sales and there can be no guarantee that the strategic initiatives we are implementing to improve our results will be successful.***

We may not be able to regain the levels of comparable sales that we have experienced in the past, and comparable sales may also further deteriorate. If our future comparable sales fail to meet market expectations, then the price of our common stock could decline. Also, the aggregate results of operations of our stores have fluctuated in the past and will fluctuate in the future. Numerous factors influence comparable sales, including fashion trends, competition, national and regional economic conditions, pricing, inflation, the timing of the release of new merchandise and promotional events, changes in our merchandise mix, marketing programs, changes in consumer shopping trends, site selection strategy, public health matters, and weather conditions. These factors may cause our comparable sales results to be lower in the future than in recent periods or lower than expectations, either of which could result in a decline in the price of our common stock.

***If our multi-channel distribution model is not successful, our business and results of operations may suffer.***

We currently sell our Vera Bradley-branded products into two segments: Direct to consumers through Vera Bradley full-line and factory outlet stores in the United States, verabradley.com and verabradley.ca, the Vera Bradley online outlet site, and typically the Vera Bradley annual outlet sale in Fort Wayne, Indiana; and through our Vera Bradley Indirect wholesale business

which consists of sales to specialty retail locations, department stores, national accounts, third-party e-commerce sites, third-party inventory liquidators, as well as royalties recognized through licensing agreements related to the Vera Bradley brand. We currently sell our Pura Vida-branded products direct to consumers through our e-commerce websites, puravidabracelets.com, puravidabracelets.eu, and puravidabracelets.ca, through wholesale retailers, and through our five retail stores. These channels are sometimes in direct competition and sales through these channels may not be incremental to total sales. If our omni-channel distribution model is unsuccessful, our business, financial condition, and results of operations could be materially adversely affected.

***We may not be able to successfully open new stores and/or operate new and current stores as planned, which could adversely impact our results of operations.***

Our long-term future growth prospects include our ability to successfully open new stores and operate new and current Vera Bradley and Pura Vida stores. In recent years, however, Vera Bradley comparable store sales have declined. Consequently, the rate at which we have opened new stores has slowed and we do not currently plan to open any new full-line stores during fiscal 2024. We have closed a total of 63 underperforming full-line stores and two underperforming factory outlet stores since the beginning of fiscal 2018 and forecast that we will close additional full-line stores. We plan to open additional Vera Bradley factory outlet stores during fiscal 2024. We will continue to evaluate our plans for store openings in future years in light of demand and store performance.

Our ability to successfully open and operate stores depends on many factors, including our ability to:

- identify suitable store locations, the availability of which may be uncertain;
- negotiate acceptable lease terms, including desired tenant improvement allowances;
- hire, train, and retain store personnel and management;
- assimilate new store personnel and management into our corporate culture;
- source and manufacture inventory; and
- successfully integrate new stores into our existing operations and information technology systems.

The success of new store openings may also be affected by our ability to initiate marketing efforts in advance of opening our first store in a particular region. Additionally, we will incur pre-opening costs and we may encounter initial losses while new stores commence operations, which could strain our resources and adversely impact our results of operations.

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

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

***Closing stores could result in significant costs to us.***

We have closed a total of 63 underperforming full-line stores and two underperforming factory outlet stores since the beginning of fiscal 2018 and forecast that we will close additional full-line stores. We could, in the future, decide to close additional stores beyond those currently forecasted that are producing losses or that are not as profitable as we expect. If we decide to close any stores before the expiration of their lease terms, we may incur payments to landlords to terminate or “buy out” the remaining term of the lease. We also may incur costs related to the employees at such stores, whether or not we terminate the leases early. Upon any such closure, the closing costs, including fixed assets and inventory write-downs, could adversely affect our results and could adversely affect our cash on hand.

***Our ability to attract customers to our stores depends heavily on the success of the shopping centers in which many of our stores are located.***

Substantially all of our Vera Bradley Direct stores are located in regional mall shopping centers, and many of our Vera Bradley Indirect customers are also located in regional mall shopping centers. Factors beyond our control impact mall traffic, including general economic conditions, consumer spending levels, and public health pandemics such as COVID-19. Consumer spending and mall traffic have been depressed in recent years. As a result, mall operators have faced increasing operational and financial difficulties. The increasing inability of mall “anchor” tenants and other area attractions to generate consumer traffic around our

stores, the increasing inability of mall operators to attract “anchor” tenants and maintain viable operations, and the increasing departures of existing “anchor” and other mall tenants due to declines in the sales volume and in the popularity of certain malls as shopping destinations, have reduced and may continue to reduce our sales volume and, consequently, adversely affect our financial condition, results of operations, and cash flows.

***We are subject to risks associated with leasing substantial amounts of space, including future increases in occupancy costs.***

We lease all of our store locations. We typically occupy our stores under operating leases with terms of ten years. We have been able to negotiate favorable rental rates in recent years due in part to the state of the economy and high vacancy rates within some shopping centers, but there is no assurance that we will be able to continue to negotiate such favorable terms. Some of our leases have early cancellation clauses, which permit the lease to be terminated by us or the landlord if certain sales levels are not met in specific periods or if the shopping center does not meet specified occupancy standards. In addition to requiring future minimum lease payments, some of our store leases provide for the payment of common area maintenance charges, real property insurance, and real estate taxes. Many of our lease agreements have escalating rent provisions over the initial term and any extensions. If we expand our store base, our lease expense and our cash outlays for rent under lease agreements will increase. Our substantial operating lease obligations could have significant negative consequences, including:

- requiring that a substantial portion of our available cash be applied to pay our rental obligations, thus reducing cash available for other purposes;
- increasing our vulnerability to general adverse economic and industry conditions;
- limiting our flexibility in planning for or reacting to changes in our business or industry; and
- limiting our ability to obtain additional financing.

Any of these consequences could place us at a disadvantage with respect to our competitors. We depend on cash flow from operating activities to pay our lease expenses and to fulfill our other cash needs. If our business does not generate sufficient cash flow from operating activities to fund these expenses and needs, we may not be able to service our lease expenses, grow our business, respond to competitive challenges, or fund our other liquidity and capital needs, which would harm our business. Additional sites that we lease may be subject to long-term non-cancelable leases if we are unable to negotiate our current standard lease terms. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to perform our obligations under the applicable lease, including paying the base rent for the balance of the lease term. Moreover, even if a lease has an early cancellation clause, we may not satisfy the contractual requirements for early cancellation under the lease. Our inability to enter new leases or renew existing leases on acceptable terms or be released from our obligations under leases for stores that we close would, in any such case, affect us adversely.

***Our failure to effectively compete with other retailers for sales could have a material adverse effect on our financial condition, results of operations, and cash flows.***

The market for bags, accessories, travel items and our other products is increasingly competitive. Our competitive challenges include:

- attracting customer traffic;
- sourcing and manufacturing merchandise efficiently;
- competitively pricing our products and achieving customer perception of value;
- maintaining favorable brand recognition and effectively marketing our products to consumers in diverse market segments;
- developing designs that appeal to a broad range of demographic and age segments;
- developing high-quality products;
- offering attractive promotional incentives while maintaining profit margins; and
- establishing and maintaining good working relationships with our wholesale retailers.

In our Vera Bradley Indirect business and Pura Vida wholesale business, we compete with numerous manufacturers, importers, and distributors of handbags, accessories, and other products for the limited space available for the display of such products to the consumer. In our Vera Bradley Direct business and Pura Vida e-commerce and retail store business, we compete against other gift and specialty retailers, department stores, catalog retailers, and Internet businesses that engage in the retail sale of similar products. Moreover, the general availability of contract manufacturing allows new entrants easy access to the markets in which we compete, which may increase the number of competitors and adversely affect our competitive position and our business.

In addition, in light of a continued difficult consumer environment, pricing is a significant driver of consumer choice in our industry and we regularly engage in price competition, particularly through our promotional programs, which impacts our margins. To the extent that we decrease our promotional activity or are otherwise unable to effectively compete on pricing, our ability to maintain sales levels may be adversely impacted.

***Our wholesale business could suffer as a result of decisions by our wholesale retailers to decrease or eliminate the amount of merchandise purchased from us.***

We do not enter into long-term agreements with any of our wholesale retailers. Instead, we enter into a number of purchase order commitments with our customers for each of our lines every season. A decision by a significant number of wholesale retailers, whether motivated by competitive conditions, operational or financial difficulties, reduced access to capital, or otherwise, to decrease or eliminate the amount of merchandise purchased from us or to change their manner of doing business with us could adversely impact our results of operations. Although we recommend retail sale prices for our products to our wholesale retailers, we typically do not provide dealer allowances or other economic incentives to support those prices. Possible promotional pricing or discounting by wholesale retailers in response to softening retail demand could have a negative effect on our brand image and prestige, which might be difficult to counteract.

***Bankruptcies or other operational or financial difficulties of our wholesale retailers could adversely impact our business.***

We sell our wholesale merchandise primarily to specialty retail and department stores across the United States and extend trade credit based on an evaluation of each wholesale retailer's financial condition, usually without requiring collateral. Perceived or actual financial difficulties of a customer could cause us to curtail or eliminate business with that customer or could decrease demand for our products by that customer. Pending the resolution of a relationship with a financially troubled wholesale retailer, we might assume credit risk that we would otherwise avoid relating to our receivables from that customer. Inability to collect on accounts receivable from our wholesale retailers would adversely impact our results of operations and financial position.

#### **Risks Related to Global Sourcing and Distribution**

***We rely on various contract manufacturers to produce all of our products and generally do not have long-term contracts with our manufacturers.***

Our various contract manufacturers produce all of our products. We generally do not enter into long-term formal written agreements with our manufacturers and instead transact business with each of them on an order-by-order basis. In the event of a disruption in our contract manufacturers' systems, we may be unable to locate alternative manufacturers of comparable quality at an acceptable price or in a timely manner, or at all. Identifying a suitable manufacturer is an involved process that requires us to become satisfied with the prospective manufacturer's quality control, responsiveness and service, financial stability, labor practices, and environmental compliance. Any delay, interruption, or increased cost in the manufactured products that might occur for any reason, such as the lack of long-term contracts or regulatory requirements and the loss of certifications, power interruptions, fires, hurricanes, war, public health pandemics such as COVID-19, or threats of terrorism, could affect our ability to meet customer demand for our products, adversely affect our net revenues, increase our cost of sales, and hurt our results of operations. In addition, manufacturing disruption could injure our reputation and customer relationships, thereby harming our business.

***We rely on various suppliers to supply a significant majority of our raw materials.***

We generally do not enter into long-term formal written agreements with our suppliers and typically transact business with each of them on an order-by-order basis. In the event of a significant disruption in the supply of fabrics or raw materials from our current sources, we may not be able to locate alternative suppliers of materials of comparable quality at an acceptable price or in a timely manner, or at all. In such a case, we could have difficulty meeting consumer demand and net revenues could be adversely impacted.

***We rely on a limited number of distribution facilities for the products we sell.***

Distribution operations for Vera Bradley-branded products are currently concentrated in a single, company-owned distribution center in Roanoke, Indiana. Pura Vida-branded products are primarily distributed from one third-party distribution center in Tijuana, Mexico.

Any significant disruption in the operation of these facilities due to natural disaster or severe weather, or events such as fire, accidents, power outages, system failures, or other unforeseen causes, could devalue or damage a significant portion of our inventory and could adversely affect our product distribution and sales until such time as we could secure alternative facilities.



In addition to the aforementioned events, public health emergencies (such as the COVID-19 pandemic) could cause disruptions in our distribution operations if we were to temporarily suspend operations, or if we are unable to obtain the staffing levels required to effectively operate the facilities. If we encounter difficulties with our distribution facilities or other problems or disasters arise, we cannot ensure that critical systems and operations will be restored in a timely manner or at all, and this would have a material adverse effect on our business. In addition, growth could require us to further expand our current facilities, which could affect us adversely in ways that we cannot predict.

***The cost of raw materials could increase our cost of sales and cause our results of operations to suffer.***

Fluctuations in the price, availability, and quality of fabrics or other raw materials used to manufacture our products, as well as the price for labor, marketing, and transportation, could have adverse impacts on our cost of sales and our ability to meet our customers' demands. In particular, fluctuations in the price of cotton, our primary raw material, could have an adverse impact on our cost of sales. In addition, because a key component of our products is petroleum-based, the cost of oil affects the cost of our products. Upward movement in the price of oil in the global oil markets would also likely result in rising fuel and freight prices, which could increase our shipping costs. In the future, we may not be able to pass all or a portion of higher costs on to our customers.

***Our business is subject to the risks inherent in global sourcing and manufacturing activities.***

We source our Vera Bradley raw materials primarily from various suppliers in Asia, with the majority of non-cotton based products coming from China and South Korea. Our cotton-based products are sourced from areas outside of China. For Vera Bradley, we outsource the production of a significant majority of our products to companies in Asia. We source our Pura Vida components primarily from Asia and outsource the production of products primarily to El Salvador. We are subject to the risks inherent in global sourcing and manufacturing, including, but not limited to:

- exchange rate fluctuations and trends;
- availability of raw materials;
- compliance with labor laws and other foreign governmental regulations;
- compliance with U.S. import and export laws and regulations including the Uyghur Forced Labor Prevention Act (“UFLPA”) as described below;
- disruption or delays in shipments;
- loss or impairment of key manufacturing sites;
- product quality issues;
- political unrest;
- natural disasters, acts of war and terrorism, changing macroeconomic trends, public health emergencies (such as COVID-19), and other external factors over which we have no control; and
- quotas, duties, tariffs, or other trade restrictions or regulations.

The UFLPA went into effect on June 21, 2022. The act establishes a rebuttable presumption that the importation of any goods manufactured in whole or partially in Xinjiang Uyghur Autonomous Region of the PRC, or produced by certain entities, is prohibited to entry to the United States. The Commissioner of U.S. Customs and Border Protection employs a risk-based approach that prioritizes the highest-risk goods based on current data and intelligence available to them at the time of entry.

Significant disruption of manufacturing for any of the above reasons could interrupt product supply and, if not remedied in a timely manner, could have an adverse impact on our results of operations. Additionally, we do not have complete oversight over our contract manufacturers. Violation of labor or other laws by those manufacturers, or the divergence of a contract manufacturer's labor or other practices from those generally accepted as ethical in the United States or in other markets in which we may in the future do business, could also draw negative publicity for us and our brands, diminishing the value of our brands and reducing demand for our products.

***Our ability to source our products at favorable prices, or at all, could be harmed, with adverse effects on our results of operations, if new trade restrictions are imposed or if existing trade restrictions become more burdensome.***

A significant majority of our Vera Bradley and Pura Vida products are currently manufactured for us in Asia and Central America, respectively. The United States and the countries in which our products are produced have imposed and may impose additional quotas, duties, tariffs, or other restrictions or regulations or may adversely adjust prevailing quotas, duties, or tariffs. Countries impose, modify, and remove tariffs and other trade restrictions in response to a diverse array of factors, including global and national economic and political conditions, which make it impossible for us to predict future developments regarding tariffs and other trade restrictions. Trade restrictions, which include embargoes, safeguards, and customs restrictions, could increase the cost or reduce the supply of products available to us or could require us to modify our supply chain organization or other current business practices, any of which could harm our results of operations.

***We rely on independent transportation providers for substantially all of our product shipments.***

We currently rely on independent transportation service providers for substantially all of our product shipments. Our utilization of these delivery services, or those of any other shipping companies that we may elect to use, is subject to risks, including increases in fuel prices, which would increase our shipping costs, employee strikes, labor shortages, and inclement weather, which may impact the shipping company's ability to provide delivery services sufficient to meet our shipping needs.

If for any reason we were to change shipping companies, we could face logistical difficulties that might adversely affect deliveries, and we would incur costs and expend resources in the course of making the change. Moreover, we might not be able to obtain terms as favorable as those received from the service providers that we currently use, which in turn would increase our costs. We also would face shipping and distribution risks and uncertainties associated with any expansion of our distribution facilities and related systems.

***Losses or disruptions associated with our distribution systems could have a material adverse effect on our business and operations.***

Our operating results depend on the orderly operation of our receiving and distribution functions, which also depends on our vendors' adherence to our shipping and receiving schedules. We may not anticipate all of the changing demands that our operating activities may impose on our receiving and distribution functions. There may also be events that are beyond our control that could cause delays in these functions, including but not limited to, changing macroeconomic trends, public health pandemics such as COVID-19 and other catastrophic events, and general disruptions or delays in shipping and receiving.

In addition, we rely on the flow of our goods through worldwide ports on a consistent basis. Disruption at the ports could create significant risks to our business, particularly if the occurrence is during a peak import time. If we experience significant delays in our receipt of product, we may experience an increase in freight costs, unanticipated inventory shortages, and missed sales opportunities which could adversely affect our financial condition, results of operations, and cash flows.

### **Risks Related to Pura Vida**

***We have taken material impairment charges related to goodwill and other indefinite-lived intangible assets associated with the Pura Vida acquisition in the past and may be required to take additional impairment charges in the future, which may adversely affect the company's financial condition and results of operations.***

We used the purchase method of accounting to account for the acquisition of a majority interest in Pura Vida consummated on July 16, 2019. A portion of the purchase price for this business is allocated to identifiable tangible and intangible assets and assumed liabilities based on estimated fair values at the date of acquisition. Goodwill is measured indirectly as the excess of the sum of (1) the consideration transferred (including contingent consideration, if any) and (2) the fair value of any noncontrolling interest in the acquiree over the net assets acquired and liabilities assumed. The purchase price allocation resulted in a goodwill value of \$44.3 million and a value of \$61.7 million related to other intangible assets.

During fiscal 2023, we recorded a full impairment of goodwill totaling \$44.3 million and an impairment charge for the Pura Vida brand intangible asset of \$25.0 million. The carrying value of the intangible assets as of January 28, 2023, was \$15.9 million. When the Company performs future impairment tests, it is possible that the carrying value of the remaining intangible assets could exceed their implied fair value and therefore would require adjustment. Such adjustment would result in a charge to operating income in that period. Once adjusted, there can be no assurance that there will not be further adjustments for impairment in future periods.



## **Risks Related to Information Technology and Security**

***A data security or privacy breach could damage our reputation and our relationships with our customers, expose us to litigation risk and adversely affect our business.***

We remain dependent on information technology systems and networks, including the Internet, for a significant portion of our sales, primarily through our e-commerce operations and credit card transaction authorization and processing. We are also responsible for storing data relating to our customers and employees and rely on third parties for the operation of our e-commerce websites and for the various social media tools and websites we use as part of our marketing strategy. As part of our normal course of business, we often collect, retain, and transmit certain sensitive and confidential customer information, including the transmission of credit card information, over public networks. There is a significant concern by consumers and employees over the security of personal information transmitted over the Internet, consumer identity theft, and user privacy. Despite the security measures we currently have in place, our facilities and systems and those of our third-party service providers may be vulnerable to security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and/or human errors, ransomware, or other similar events. Any electronic or physical security breach involving the misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information, including penetration of our network security, whether by us or by a third-party, could disrupt our business, severely damage our reputation and our relationships with our customers, expose us to risks of litigation and liability, and adversely affect our business and results of operations. We do not control third-party service providers and cannot guarantee that electronic or physical computer break-ins and security breaches will not occur in the future. Any perceived or actual unauthorized disclosure of personally identifiable information regarding our customers or website visitors could harm our reputation and credibility, reduce our e-commerce net sales, impair our ability to attract website visitors, and reduce our ability to attract and retain customers. We may also incur significant costs in complying with the various applicable state, federal, and foreign laws regarding unauthorized disclosure of personal information.

***Our business could suffer if our computer systems and websites are disrupted or cease to operate effectively.***

We are dependent on our computer systems to record and process transactions and manage and operate our business, including in designing, marketing, manufacturing, importing, tracking and distributing our products, processing payments, and accounting for and reporting results. We also utilize an automated replenishment system to facilitate the processing of basic replenishment orders, the movement of goods through distribution channels, and the collection of information for planning and forecasting. In addition, we have e-commerce websites in the U.S., Europe, and Canada. Given the complexity of our business and the significant number of transactions that we engage in, it is imperative that we maintain constant operation of our computer hardware and software systems. Despite our preventive efforts, including back-up systems, our systems are vulnerable from time to time to damage or interruption from, among other things, security breaches, computer viruses or power outages. Any material disruptions in our information technology systems could have a material adverse effect on our business, financial condition, and results of operations.

***We are exposed to business risks as a result of our e-commerce operations.***

We operate e-commerce stores at [www.verabradley.com](http://www.verabradley.com), which includes an online outlet site we created in fiscal 2018, [www.verabradley.ca](http://www.verabradley.ca), [www.puravidabracelets.com](http://www.puravidabracelets.com), [www.puravidabracelets.eu](http://www.puravidabracelets.eu), and [www.puravidabracelets.ca](http://www.puravidabracelets.ca). Expanding our e-commerce business is one of the key objectives of our business strategy. Our e-commerce operations are subject to numerous risks, including unanticipated operating problems, reliance on third-party computer hardware and software providers, system failures, and the need to invest in additional computer systems. Specific risks include: (i) diversion of sales from our stores; (ii) rapid technological change; (iii) liability for e-commerce content; and (iv) risks related to the failure of the computer systems that operate the websites and their related support systems, including from computer viruses, telecommunication failures, and electronic break-ins and similar disruptions. Internet operations involve risks which may be beyond our control that could have a direct material adverse effect on our operating results, including: (i) price competition involving the items we intend to sell; (ii) the level of merchandise returns we experience; (iii) governmental regulation; (iv) e-commerce security breaches involving unauthorized access to our systems and/or customer information; (v) credit card fraud; and (vi) competition and general economic conditions specific to the Internet, e-commerce, and the accessories industry. Our inability to effectively address these risks and any other risks that we face in connection with our Internet operations could materially adversely affect our business, financial condition, results of operations, and/or cash flows.

## **Risks Related to Tax and Valuation Matters**

### ***Fluctuations in our tax obligations and effective tax rate may result in volatility of our operating results and stock price.***

We are subject to income taxes in many U.S. and certain foreign jurisdictions. We record tax expense based on our estimates of future payments, which includes reserves for uncertain tax positions in multiple tax jurisdictions. At any one time, many tax years are subject to audit by various taxing jurisdictions. Further, possible changes in federal, state, local, and non-U.S. tax laws bearing upon our revenues, income, property, or other aspects of our operations or business would, if enacted, affect our results of operations in ways and to a degree that we cannot currently predict.

### ***We have recorded long-lived asset impairment charges in the past and we may record material long-lived asset impairment charges in the future.***

Quarterly, we assess whether events or changes in circumstances have occurred that indicate the carrying value of long-lived asset groups may not be recoverable. If we determine that the carrying value of long-lived asset groups are not recoverable, we will be required to record impairment charges relating to those assets. For example, our assessments during fiscal years 2023 and 2022 indicated that operating losses or insufficient operating income existed at certain retail stores, with a projection that the operating losses or insufficient operating income for those locations would continue. As such, we recorded non-cash charges of \$0.8 million and \$0.1 million during fiscal years 2023 and 2022, respectively, within selling, general, and administrative expenses in the consolidated statements of operations to write down the carrying values of these stores' long-lived asset groups to their estimated fair values. We also recorded \$0.6 million of a non-cash impairment charge relating to a corporate right-of-use asset in fiscal 2023.

Our quarterly evaluation of store assets includes consideration of current and historical performance and projections of future profitability. The profitability projections rely upon estimates made by us, including store-level sales, gross margins, and direct expenses, and, by their nature, include judgments about how current strategic initiatives will impact future performance. If we are not able to achieve projected key financial metrics for any reason, including if any of the strategic initiatives we implement do not result in significant improvements in our current financial performance trend, this would indicate that the value of our long-lived assets was not recoverable and we would incur additional impairment of assets in the future.

In the event we record additional impairment charges, this could have a material adverse effect on our results of operations and financial condition.

## **Risks Related to Legal and Regulatory Matters**

### ***There are claims made against us from time to time that can result in litigation or regulatory proceedings, which could distract management from our business activities and result in significant liability or damage to the images associated with our brands.***

We increasingly face the risk of litigation and other claims against us. Litigation and other claims may arise in the ordinary course of our business and include employee claims, custom and duty claims, commercial disputes, intellectual property issues, marketing and solicitation claims, product-oriented allegations, and slip and fall claims. Often these cases raise complex factual and legal issues, which are subject to risks and uncertainties and which could require significant management time. Litigation and other claims against us could result in unexpected expenses and liability, as well as materially adversely affect our operations and our reputation.

### ***Our inability or failure to protect our intellectual property or our infringement of other's intellectual property could have a negative impact on our operating results.***

We believe that our registered copyrights, registered and common law trademarks, and other proprietary rights have significant value and are critical to our ability to create and sustain demand for our products. The actions taken by us to establish and protect our proprietary rights may not be adequate to prevent imitation of our products or infringement of our rights by others. The legal regimes of some foreign countries, particularly China, may not protect proprietary rights to the same extent as the laws of the United States, and it may be more difficult for us to successfully challenge the use of our proprietary rights by others in these countries. The inability to protect our copyrights, trademarks, and other proprietary rights could adversely impact our results of operations. Any litigation regarding our proprietary rights could be time consuming and costly and could consume significant amounts of management time that would otherwise be spent operating and growing our business.

We are also subject to the risk that claims will be brought against us for infringement of the intellectual property rights of third parties, seeking to block the sale of our products claimed to violate their intellectual property rights or to receive payment of monetary amounts related thereto. Although we have not been inhibited from selling our products in connection with intellectual property disputes, intellectual property-related obstacles may arise as we expand our product lines and extend our

brands as well as the geographic scope of our sales and marketing. In particular, we may be subject to copyright infringement claims for which we may not be entitled to indemnification from our suppliers. In addition, in recent years, companies in the retail industry, including us, have been subject to patent infringement claims from non-practicing entities, or “patent trolls.” Any infringement or other intellectual property claim made against us, whether or not it has merit, could be time-consuming and result in costly litigation. As a result, any such claim, or the combination of multiple claims, could have a material adverse effect on our operating results. If we are required to stop using any of our registered or nonregistered trademarks, our brands could be negatively affected, our sales could decline and, consequently, our business and results of operations could be adversely affected.

***The success of our Environmental, Social, and Governance (“ESG”) actions may impact the value of our brands.***

There has been increasing stakeholder and regulatory focus on ESG matters affecting public companies. Expectations regarding ESG disclosures, setting and executing ESG-related goals, and achieving measurable progress in a timely manner could expose us to market, operational, and execution costs or risks. We expect that stakeholder expectations, as well as laws, rules and regulations, in these areas will continue to evolve quickly, which may result in the need for increased resources for ESG monitoring and reporting and adjustments to our operations may be necessary. We could face scrutiny with respect to the accuracy, adequacy, or completeness of our ESG-related disclosures. Additionally, disclosures about our ESG-related initiatives or goals, and progress against those goals, may be based on standards for measuring progress that are still developing, internal controls and processes that continue to evolve, and assumptions or third-party information that we believe to be reasonable but are subject to change in the future. We could also be subject to scrutiny with respect to the scope or nature of our ESG-related initiatives or goals, or for any revisions to those goals. If our ESG-related data, processes, and reporting are incomplete or inaccurate, or if we fail to achieve progress with respect to these initiatives or goals on a timely basis, or at all, our reputation and the value of our brands could be adversely affected. Any harm to our reputation resulting from failure or perceived failure to meet ESG-related goals, metrics, or disclosures could adversely affect our business, financial performance, and growth.

**Risks Related to the Securities Markets and Ownership of Our Common Stock**

***Our stock price may be volatile or may decline regardless of our operating performance, and you may not be able to resell shares at or above the price at which you purchase them.***

The market price of our common stock may fluctuate significantly in response to a number of factors, most of which we cannot control, including:

- actions by other shopping mall or lifestyle center tenants;
- weather conditions, particularly during the holiday shopping period;
- unexpected departures of key executives;
- financial projections that we may choose to provide to the public, any changes in these projections or our failure for any reason to meet these projections;
- the public’s response to press releases or other public announcements by us or others, including our filings with the SEC and announcements relating to litigation and other matters;
- speculation about our business in the press or the investment community;
- future sales of our common stock by our significant shareholders, officers, and directors;
- our entry into new markets;
- the impact of wars, hostilities, riots, social unrest or acts of terrorism on trading markets;
- changes in laws or regulations that impact the retail industry;
- strategic actions by us or our competitors, such as acquisitions or restructurings;
- the continued outbreak of COVID-19 and its adverse impact on the capital markets; and
- changes in accounting principles.

These and other factors may result in a lower market price of our common stock, regardless of our actual operating performance.

In addition, the stock markets, including The NASDAQ Global Select Market, have experienced extreme price and volume fluctuations that have affected and continue to affect the market prices of equity securities of many retail companies. In the past, stockholders have instituted securities class action litigation following periods of market volatility. If we were involved in

securities litigation, we could incur substantial costs and our resources and the attention of management could be diverted from our business.

***Our business could be negatively affected as a result of the actions of activist shareholders.***

Over the last few years, proxy contests and other forms of shareholder activism have been directed against numerous public companies in retail businesses. We could become engaged in a consent solicitation, or proxy contest, or experience other shareholder activism, in the future. Activist shareholders may advocate for certain governance and strategic changes at our company. In the event of shareholder activism, particularly with respect to matters which our Board of Directors (“Board”), in exercising their fiduciary duties, disagree with or have determined not to pursue, our business could be adversely affected because responding to actions by activist shareholders can be costly and time-consuming, disrupting our operations and diverting the attention of management, and perceived uncertainties as to our future direction may result in the loss of potential business opportunities and may make it more difficult to attract and retain qualified personnel, business partners, and customers.

In addition, if faced with a consent solicitation or proxy contest, we may not be able to respond successfully to the contest or dispute, which would be disruptive to our business. If individuals are elected to our Board with a differing agenda, our ability to effectively and timely implement our strategic plans and create additional value for our shareholders may be adversely affected.

***A limited number of shareholders control a significant percentage of the voting power of our common stock, and therefore investors may have diminished ability to determine the outcome of shareholder votes.***

Robert Hall, Barbara Bradley Baekgaard, Joan Hall (Mr. Hall’s wife and Ms. Bradley Baekgaard’s daughter), Patricia R. Miller, and P. Michael Miller, directly or indirectly, beneficially own and have the ability to exercise voting control over, in the aggregate, 19.0% of our outstanding shares of common stock as of January 28, 2023. As a result, these shareholders are able to exercise significant influence over all matters requiring shareholder approval, including the election of directors, any amendments to our second amended and restated articles of incorporation, and significant corporate transactions. This concentrated ownership of outstanding common stock may diminish an investor's ability to influence corporate matters, and the interests of these shareholders may not coincide with our interests or interests of investors. As a result, we may take actions that investors do not believe to be in our interests or their interests and that could depress our stock price. In addition, this significant concentration of stock ownership may adversely affect the trading price of our common stock should investors perceive disadvantages in owning shares of common stock in a company that has such concentrated ownership.

***Our actual operating results may differ significantly from our guidance, which could cause incongruous fluctuation in our stock price.***

From time to time, we provide guidance regarding our future performance that represents our management’s estimates as of the date of release. This guidance, which consists of forward-looking statements, is prepared by our management and is qualified by, and subject to, the assumptions and the other information contained or referred to in the release. Our guidance is not prepared with a view toward compliance with published guidelines of the American Institute of Certified Public Accountants, and neither our independent registered public accounting firm nor any other independent expert or outside party compiles or examines our guidance and no such person expresses any opinion or any other form of assurance with respect thereto.

Guidance is based upon a number of assumptions and estimates that, while presented with numerical specificity, are inherently subject to significant business, economic, and competitive uncertainties and contingencies, many of which are beyond our control and are based upon specific assumptions with respect to future business decisions, some of which will change. We generally state possible outcomes as high and low ranges which are intended to provide a sensitivity analysis as variables are changed, but are not intended to represent that actual results could not fall outside of the suggested ranges. The principal reason that we release this data is to provide a basis for our management to discuss our business outlook with analysts and investors. We do not accept any responsibility for any projections or reports published by any such persons.

Guidance is necessarily speculative in nature, and it can be expected that some or all of the assumptions of the guidance furnished by us will not materialize or will vary significantly from actual results. Accordingly, our guidance is only an estimate of what management believes is realizable as of the date of release. Actual results will vary from the guidance and the variations may be material. Investors should also recognize that the reliability of any forecasted financial data diminishes the further into the future that the data are forecast.

In light of the foregoing, if investors, analysts, and others fail to review our guidance within the proper context or place undue reliance on our guidance, deviations from such guidance may result in incongruous fluctuation in our stock price.

***Anti-takeover provisions in our organizational documents and Indiana law may discourage or prevent a change in control, even if a sale of the Company would be beneficial to our shareholders, which could cause our stock price to decline and prevent attempts by shareholders to replace or remove our current management.***

Our second amended and restated articles of incorporation and amended and restated bylaws contain provisions that may delay or prevent a change in control, discourage bids at a premium over the market price of our common stock, harm the market price of our common stock, and diminish the voting and other rights of the holders of our common stock. These provisions include:

- authorizing our board of directors to issue preferred stock and additional shares of our common stock without shareholder approval;
- prohibiting shareholder action by written consent;
- prohibiting our shareholders from calling a special meeting of shareholders; and
- requiring advance notice for raising business matters or nominating directors at shareholders' meetings.

As permitted by our second amended and restated articles of incorporation and amended and restated bylaws, our board of directors also has the ability, should they so determine, to adopt a shareholder rights agreement, sometimes called a "poison pill," providing for the issuance of a new series of preferred stock to holders of common stock. In the event of a takeover attempt, this preferred stock would give rights to holders of common stock (other than the potential acquirer) to buy additional shares of our common stock at a discount, leading to the dilution of the potential acquirer's stake. The adoption of a poison pill, or the board's ability to do so, can have negative effects such as those described above.

As an Indiana corporation, we are governed by the Indiana Business Corporation Law (as amended from time to time, the "IBCL"). Under specified circumstances, certain provisions of the IBCL related to control share acquisitions, business combinations, and constituent interests may delay, prevent, or make more difficult unsolicited acquisitions or changes of control of us. These provisions also may have the effect of preventing changes in our management. It is possible that these provisions could make it more difficult to accomplish transactions that shareholders might deem to be in their best interest.

### **Risks Related to the COVID-19 Pandemic**

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

The COVID-19 pandemic has in the past and may again in the future result in travel restrictions both domestically and internationally, community and self-quarantines, certain factory closures or reduced operations, as well as mall closures and reduced mall operating hours. We have experienced in the past due to the COVID-19 pandemic, and may experience in the future, significantly reduced traffic, demand, and sales. Further, new variants of the virus and new and evolving guidance and mandates from governments and public health officials, may necessitate additional closures to some, or all, of our retail stores, the stores of our Indirect segment partners and Pura Vida wholesale retailers, or otherwise detrimentally impact aspects of our operations. The pandemic has also and may reduce consumers' willingness and ability to travel to major cities and vacation destinations in which some of our stores are located.

In recent fiscal years, COVID-19 has led to temporary factory closures and production and logistics constraints due to workforce availability, as well as global supply chain challenges such as vessel and container shortages and port congestion. As a result of the aforementioned restrictions, or other related factors, we have experienced and may experience in the future delayed shipments and increased shipping costs for some of our merchandise. We may also be adversely impacted should the pandemic compromise operations at our corporate headquarters and distribution center located in Roanoke, Indiana.

The extent of the pandemic's impact on our results of operations, financial condition, and share price will likely depend on future developments including the potential for spikes in the number of COVID-19 cases in future periods, including as may be related to the spread of new virus variants; mitigation activities undertaken by governments and the general public; the overall economic impacts of quarantines and business closures; and current, and potentially long-term, changes in consumer behavior.

As a result of the above-mentioned factors, the Company's liquidity, results of operations, and financial condition could be adversely impacted.



## **General Risk Factors**

***Our results of operations could suffer if we lose key management or design associates or are unable to attract and retain the talent required for our business.***

Our performance depends largely on the efforts and abilities of our senior management and product development teams. These executives and design associates have substantial experience in our business and have made significant contributions to our growth and success. Although we have entered into an employment agreement with our Chief Executive Officer, we may not be able to retain her services or those of other key individuals in the future. The unexpected loss of services of key employees could have adverse impacts on our business and results of operations. We may also need to attract and retain additional qualified employees and develop, train, and manage an increasing number of management-level, sales, and other employees. Competition for qualified employees is intense. We may not be able to attract and retain employees as needed in the future.

***Our results of operations could suffer if we are unable to attract and retain retail and distribution center employees required for our business.***

We must attract, motivate, and retain a sufficient number of qualified retail and distribution center employees. Historically, competition for talent in these positions has been intense and turnover is generally high, both of which have been amplified by the COVID-19 pandemic. If we are unable to attract and retain such employees with the necessary skills and experience, we may not achieve our objectives and our financial condition, results of operations, and cash flows could be adversely impacted.

***Our results of operations are subject to quarterly fluctuations, which could adversely affect the market price of our common stock.***

Our quarterly results of operations may fluctuate significantly as a result of a variety of factors, including, among other things:

- timing of new store openings and store closings;
- net revenues and profits contributed by new stores;
- increases or decreases in store traffic and comparable sales;
- shifts in the timing of holidays, particularly in the United States and China;
- changes in our merchandise mix;
- timing of marketing campaigns or promotions;
- timing of sales to Vera Bradley and Pura Vida wholesale retailers; and
- timing of new pattern and collection releases and new product introductions.

Any quarterly fluctuations that we report in the future may not match the expectations of market analysts and investors. This could cause the trading price of our common stock to fluctuate significantly.

***We may be subject to unionization, work stoppages, slowdowns, or increased labor costs.***

Currently, none of our employees are represented by a union. Nevertheless, our employees have the right at any time under the National Labor Relations Act to organize or affiliate with a union. If some or all of our workforce were to become unionized, our business could be exposed to increased risk of work stoppages and slowdowns. In addition, if the terms of the collective bargaining agreement were significantly more favorable to union workers than our current pay-and-benefits arrangements, our costs would increase and our results of operations would suffer.

***We may suffer negative publicity and our business may be harmed if we need to recall any products we sell.***

We have in the past needed to, and may in the future need to, recall products that we determine may present safety issues. If products we sell have safety problems of which we are not aware, or if we or the Consumer Product Safety Commission recall a product sold in our stores, we may suffer negative publicity and, potentially, product liability lawsuits, which could have a material adverse impact on our reputation, financial condition and results of operations or cash flows.

***The phaseout of the London Interbank Offered Rate (LIBOR) and transition to the Secured Overnight Financing Rate (SOFR) may adversely affect interest rates.***

The Financial Conduct Authority (the authority that regulates LIBOR) began to phase out LIBOR by the end of 2021 and announced that it would completely phase out LIBOR by June 30, 2023. SOFR is calculated differently from LIBOR and the differences in their calculations may give rise to uncertainties. The replacement of LIBOR with SOFR may adversely affect

interest rates and result in higher borrowing costs. This change could materially and adversely affect our results of operations, cash flows, and liquidity. We cannot predict the effect of the termination of LIBOR or the establishment and use of SOFR. We may need to renegotiate our revolving credit facility or incur other indebtedness and the use of SOFR or another benchmark rate may negatively impact the terms of such indebtedness. As LIBOR ceases to exist, we may need to amend certain contracts and cannot predict whether SOFR or another benchmark rate would be negotiated. This may result in an increase to our interest expense.



**Item 1B. Unresolved Staff Comments**

None.

**Item 2. Properties**

The following table sets forth the location, use, and size of our distribution, corporate facilities, and showrooms as of January 28, 2023. The leases on the leased properties expire at various times through 2033, subject to renewal options.

<b>Location</b>	<b>Primary Use</b>	<b>Approximate Square Footage</b>	<b>Leased/Owned</b>
Roanoke, Indiana	Vera Bradley corporate headquarters, design center, and showroom	188,000	Owned
Roanoke, Indiana	Vera Bradley warehouse and distribution	428,500	Owned
New York, New York	Vera Bradley office and showroom	3,700	Leased
Hong Kong	Vera Bradley Asia sourcing office	5,100	Leased
Atlanta, Georgia	Vera Bradley showroom	5,600	Leased
Dallas, Texas	Vera Bradley showroom	1,800	Leased
La Jolla, California	Pura Vida corporate headquarters	7,400	Leased

As of January 28, 2023, we also leased 134 Vera Bradley store locations, including a former location, and five Pura Vida store locations in the United States. The Vera Bradley locations include three stores to be opened in fiscal 2024. See below for more information regarding the locations of our open stores as of January 28, 2023.

We consider these properties to be in good condition generally and believe that our facilities are adequate for our operations and provide sufficient capacity to meet our anticipated requirements. The Vera Bradley properties in the above table are used by both the Vera Bradley Direct segment and Vera Bradley Indirect segment, excluding the two standalone showrooms which are used exclusively by the Vera Bradley Indirect segment. The Pura Vida headquarters is used by the Pura Vida segment.

## Store Locations

*Vera Bradley*. Our Vera Bradley full-line stores are located primarily in high-traffic regional malls, lifestyle centers, and mixed-use shopping centers across the United States. The following table shows the number of Vera Bradley full-line and factory outlet stores we operated in each state as of January 28, 2023:

State	Total Number of Vera Bradley Full-Line Stores	Total Number of Vera Bradley Factory Outlet Stores	State	Total Number of Vera Bradley Full-Line Stores	Total Number of Vera Bradley Factory Outlet Stores
Alabama	1	1	Minnesota	1	1
Arizona	—	1	Mississippi	—	2
Colorado	1	1	Missouri	1	2
Connecticut	1	1	Nebraska	—	1
Delaware	1	1	Nevada	—	1
Florida	2	9	New Hampshire	—	1
Georgia	1	3	New Jersey	3	3
Hawaii	1	1	New York	3	5
Illinois	3	2	North Carolina	—	6
Indiana	2	2	Ohio	2	2
Iowa	1	1	Oklahoma	1	1
Kansas	1	1	Pennsylvania	4	6
Kentucky	1	1	South Carolina	—	4
Louisiana	1	1	Tennessee	1	2
Maryland	3	1	Texas	9	7
Massachusetts	—	1	Virginia	1	3
Michigan	4	2	Wisconsin	1	2
			Totals	51	79

*Pura Vida*. As of January 28, 2023, Pura Vida had five retail store locations. Of the five locations, three were in California, one was in South Carolina, and one was in Arizona.

We lease all of our stores. Lease terms for our retail stores are generally ten years with options to renew for varying terms. The leases generally provide for a fixed minimum rental plus contingent rent, which is determined as a percentage of sales in excess of specified levels.

### Item 3. Legal Proceedings

We may be involved from time to time, as a plaintiff or a defendant, in various routine legal proceedings incidental to the ordinary course of our business. In the ordinary course, we are involved in the policing of our intellectual property rights. As part of our policing program, from time to time we file lawsuits in the United States and abroad, alleging acts of trademark counterfeiting, trademark infringement, trademark dilution, and ancillary and pendent state and foreign law claims. These actions often result in seizure of counterfeit merchandise and negotiated settlements with defendants. Defendants sometimes raise as affirmative defenses, or as counterclaims, the purported invalidity or unenforceability of our proprietary rights.

In August of 2019, Vesi Incorporated (“Vesi”) filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company’s licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint seeks damages in an amount not less than \$10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. The Company has denied any liability and intends to vigorously defend itself in the case. In November 2019, the Company filed a counterclaim against the principals of Vesi as personal guarantors for monies owed to the Company by Vesi. The Company filed a motion for summary judgement asking the Court to dismiss all claims with prejudice and grant judgment on its counterclaim. On January 4, 2023, the 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 has appealed this decision. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of

operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

**Item 4. Mine Safety Disclosure**

Not Applicable

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Our common stock is listed on the NASDAQ Global Select Market under the symbol “VRA”.

As of March 27, 2023, we had approximately 25 registered shareholders of record. The number of shareholders of record is based upon the actual number of shareholders registered at such date and does not include holders of shares in “street name” or persons, partnerships, associations, corporations, or other entities identified in security position listings maintained by depositories.

#### Unregistered Sales of Equity Securities and Use of Proceeds

The following table details activity under the 2021 Share Repurchase Program during the thirteen weeks ended January 28, 2023. Refer to Note 13 of the Notes to the Consolidated Financial Statements as set forth in Part II, Item 8. of this Annual Report on Form 10-K for additional information regarding our share repurchase programs.

Details regarding the activity under the 2021 Share Repurchase Program during the thirteen weeks ended January 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 Programs
October 30, 2022 - November 26, 2022	66,500	\$ 3.43	66,500	\$ 28,285,779
November 27, 2022 - December 31, 2022	77,720	4.24	77,720	27,956,135
January 1, 2023 - January 28, 2023	42,600	5.31	42,600	27,729,991
	<u>186,820</u>	<u>\$ 4.20</u>	<u>186,820</u>	

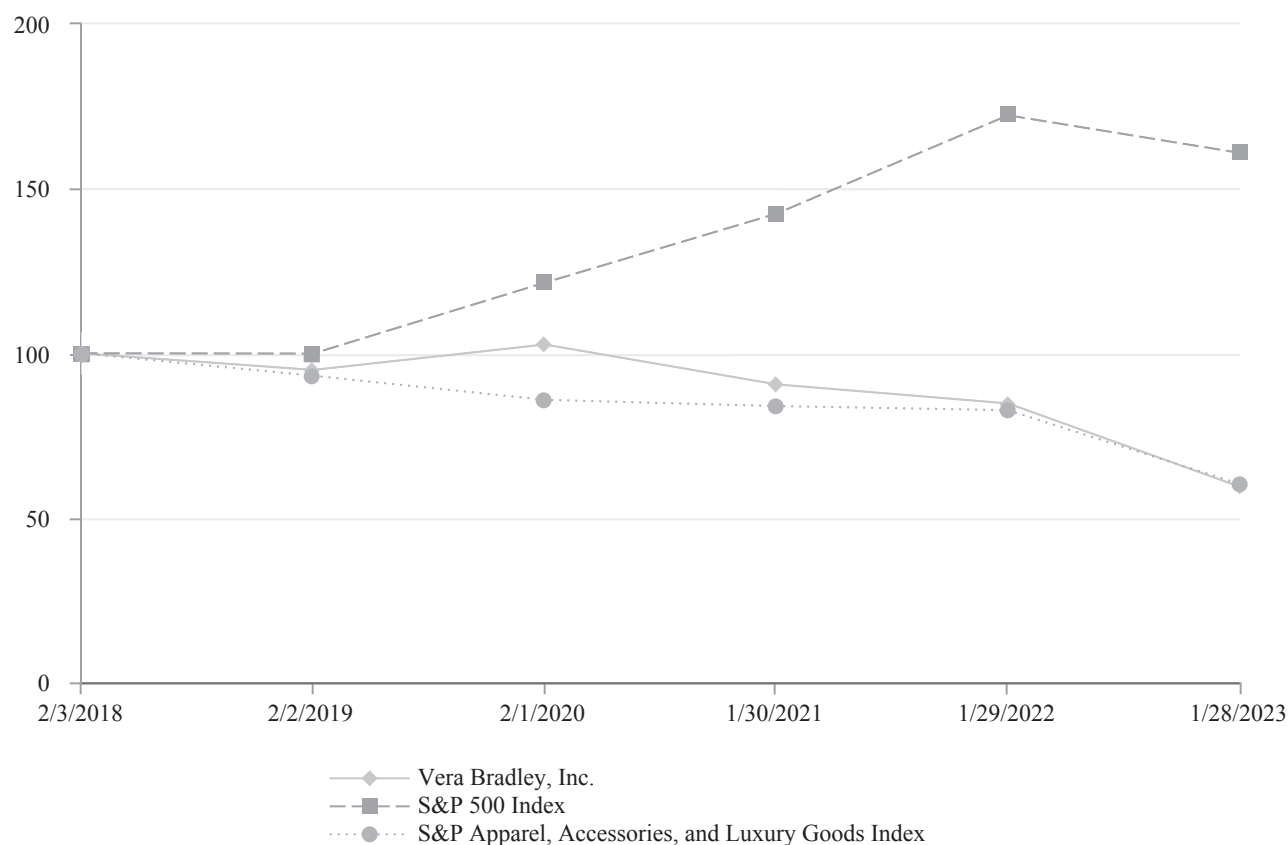
#### Dividends

Our common stock began trading on October 21, 2010, following our initial public offering. Since that time, we have not declared any cash dividends. The payment of dividends is evaluated on a periodic basis.

## Stock Performance Graph

The graph set forth below compares the cumulative shareholder return on our common stock between February 3, 2018, and January 28, 2023, to the cumulative return of (i) the S&P 500 Index and (ii) the S&P 500 Apparel, Accessories, and Luxury Goods Index over the same period. This graph assumes an initial investment of \$100 on February 3, 2018, in our common stock, the S&P 500 Index, and the S&P 500 Apparel, Accessories, and Luxury Goods Index and assumes the reinvestment of dividends, if any.

The comparisons shown in the graph below are based on historical data. We caution that the stock price performance presented in the graph below is not necessarily indicative of, nor is it intended to forecast, the potential future performance of our common stock. Information used in the graph was obtained from The NASDAQ Stock Market website. As such, although we believe the information to be accurate, we cannot assure you of its accuracy.



Company/Market/Peer Group	2/3/2018	2/2/2019	2/1/2020	1/30/2021	1/29/2022	1/28/2023
Vera Bradley, Inc.	\$ 100.00	\$ 94.96	\$ 102.68	\$ 90.57	\$ 84.78	\$ 59.48
S&P 500 Index	\$ 100.00	\$ 99.94	\$ 121.49	\$ 142.45	\$ 172.36	\$ 160.94
S&P 500 Apparel, Accessories, and Luxury Goods Index	\$ 100.00	\$ 93.20	\$ 85.87	\$ 83.98	\$ 82.72	\$ 60.32

## Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations

*You should read the following discussion in conjunction with the consolidated financial statements and accompanying notes and the information contained in other sections of this report, particularly under the headings “Risk Factors” and “Business.” This discussion and analysis is based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. The statements in this discussion and analysis concerning expectations regarding our future performance, liquidity, and capital resources, as well as other non-historical statements in this discussion and analysis, are forward-looking statements. See “Forward-Looking Statements.” These forward-looking statements are subject to numerous risks and uncertainties, including those described under “Risk Factors.” Our actual results could differ materially from those suggested or implied by any forward-looking statements.*

### Macroeconomic Environment

We continue to experience challenges associated with the unpredictable macroeconomic environment in which we operate our businesses. The COVID-19 pandemic caused supply chain 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. We cannot predict the future impacts of the COVID-19 pandemic and its associated factors, which may necessitate temporary closures to some, or all, of our retail stores due to guidance and mandates from governments and public health officials, or require other Company action that may impact our operations.

We have also 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, primarily customers with lower household incomes. We have also seen a trend of increasing digital media costs.

We 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.

We also continued the implementation of our targeted cost reductions, which are expected to be fully realized in fiscal 2024. 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. We will continue to review our expense structure in future years for additional cost reduction opportunities.

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.

### Executive Summary

Some of our major achievements for fiscal 2023 are as follows:

- At the **Vera Bradley** brand:
  - We expanded our robust product innovation pipeline, including launching our Featherweight Collection; continued another year of product collaborations with brands such as Disney, Harry Potter, and Crocs; and expanded our cozy, sleep, and outerwear collections.
  - We continued to strengthen and rationalize our store base. We opened five new factory outlet stores and closed 19 underperforming full-line stores and one factory outlet store, ending the fiscal year with 51 full-line and 79 factory outlet locations. We also continued to expand options for customers to shop, including enhancing our presence in third-party marketplaces and adding boutiques in select high-traffic airports.
- At the **Pura Vida** brand:
  - We entered into several high-profile product collaborations, with brands such as Hello Kitty, Disney, and Harry Potter, and expanded our product offerings by launching our demi-fine collection and expanding our assortment of engravable jewelry, all designed to bring new customers to our brand.
  - We focused on building a more diverse, innovative, effective, and performance-based marketing program to drive Pura Vida e-commerce sales. We began the process of implementing a comprehensive customer data platform to build a single, coherent, complete view of each Pura Vida customer so that we can better target and personalize marketing and become less reliant on third-party marketing. This project is scheduled for

completion in the spring of fiscal 2024. We continued to engage our micro influencers, significantly expanded our TikTok presence, launched impactful ads on connected TV, optimized SMS, and aggressively explored other methods to effectively reach our customers.

- We opened three new Pura Vida full-line stores during the year, bringing our full-line store count to four, which collectively exceeded our expectations. These four full-line stores are playing a role in driving new customer acquisition as we continue to diversify our marketing platforms, and they demonstrate the power a retail presence can have in driving digital sales, omni-channel loyalty, and spending.

In addition, we further streamlined our corporate structure by eliminating the positions of Vera Bradley Brand President, Chief Creative Officer, and Chief Revenue Officer, and by adding the position of Chief Marketing Officer, all designed to drive additional annual cost savings of approximately \$2.0 million, add more focus on marketing and merchandising, and position the Company to deliver steady top-line and bottom-line growth. These decisions were made in order to right-size our leadership team and cost structure for the size of our business, to address the continuing challenging macroeconomic environment, and to best position us to achieve our long-term strategic plans. We also continued to make investments in customer data science, business analytics, and pricing optimization, allowing us to collect and analyze data and make fact-based decisions to more efficiently run our business.

Fiscal 2023 was a challenging year as we saw significant declines in our consolidated net revenues compared to the prior year, largely due to inflationary pressures impacting consumer spending and traffic at our Vera Bradley factory stores and a decline in social and digital media effectiveness which we believe significantly impacted our Pura Vida e-commerce channel. We also experienced a reduction in our gross margin as a percentage of net revenues compared to the prior year, which reflected charges of approximately \$16.7 million in inventory adjustments related to excess Pura Vida inventory, excess mask products, the exit of certain technology products, valuation adjustments to write discounted inventory down to its net realizable value, concept brand exit costs, and \$1.6 million for certain purchase order cancellation fees.

Fiscal 2023 SG&A expenses were impacted by approximately \$15.0 million of charges primarily related to the change in our leadership and our cost-saving initiatives, which we do not expect to recur in future periods, as well as \$3.3 million in intangible asset amortization and impairment charges of \$1.4 million for Vera Bradley store assets and a corporate lease-right-of-use asset.

Largely due to lower projected net revenues and operating profits, as well as a change in certain strategies in the Pura Vida segment, we recorded goodwill and Pura Vida brand indefinite-lived asset impairment charges of \$69.3 million in the fiscal year. Refer to *Impairment Charges* herein and Note 15 to the Notes to the Consolidated Financial Statements herein for additional information.

## **How We Assess the Performance of Our Business**

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

### *Net Revenues*

Net revenues reflect sales of our merchandise and revenue from distribution and shipping and handling fees, less returns and discounts. Revenues for the VB Direct segment reflect sales through Vera Bradley full-line and factory outlet stores; the Vera Bradley websites [verabradley.com](http://verabradley.com) and [verabradley.ca](http://verabradley.ca); and our Vera Bradley online outlet site. There were no sales from our Vera Bradley annual outlet sale in Fort Wayne, Indiana for the past three years as it was cancelled due to the COVID-19 pandemic. Revenues for the VB Indirect segment reflect sales of Vera Bradley-branded products to specialty retail partners; department stores; national accounts; third-party e-commerce sites; third-party inventory liquidators; and royalties recognized through licensing agreements related to the Vera Bradley brand. Revenues for the Pura Vida segment reflect revenues generated through the Pura Vida websites, [www.puravidabracelets.com](http://www.puravidabracelets.com), [www.puravidabracelets.eu](http://www.puravidabracelets.eu), and [www.puravidabracelets.ca](http://www.puravidabracelets.ca), through the distribution of Pura Vida-branded products to wholesale retailers, and through Pura Vida retail stores.

### *Comparable Sales*

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



As a result of the temporary closure of all Vera Bradley stores due to COVID-19 during portions of the first and second quarters of fiscal 2021, the Company's fiscal 2022 and fiscal 2021 comparable store sales and comparable sales calculations are not meaningful and therefore are not provided.

Typically, measuring the change in year-over-year comparable sales allows us 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 and level of promotions;
- Amount of store, mall, and e-commerce traffic;
- The level of customer service that we provide in stores and to our on-line customers;
- Our ability to source and distribute products efficiently;
- The number of stores we open and close in any period; and
- The timing and success of promotional and marketing efforts.

#### *Gross Profit*

Gross profit is equal to our net revenues less our cost of sales. Cost of sales includes the direct cost of purchased merchandise, distribution center costs, operations overhead, duty, all inbound freight costs incurred, and inventory adjustments including adjustments described in Note 16 to the Notes to the Consolidated Financial Statements herein. The components of our reported cost of sales may not be comparable to those of other retail and wholesale companies.

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

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

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

- VB Direct business expenses, such as store expenses, employee compensation, and store occupancy and supply costs;
- VB Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers; and
- Pura Vida business expenses primarily related to employee compensation 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. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income.

Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations, as well as severance charges and consulting fees associated with cost savings initiatives and the CEO search disclosed in Note 16 to the Notes to the Consolidated Financial Statements herein.

#### *Other Income, Net*

Other income, net primarily includes certain legal settlements and sales tax credits received for timely filings, and sublease income.

#### *Operating (Loss) Income*

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

#### *(Loss) Income Before Income Taxes*

(Loss) income before income taxes is equal to operating (loss) income plus interest income less interest expense.

### *Net (Loss) Income*

Net (loss) income is equal to (loss) income before income taxes less income tax expense.

### *Net (Loss) Income Attributable to Redeemable Noncontrolling Interest*

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

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

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

## **Impairment Charges**

### *Goodwill and Other Intangible Assets*

We perform our annual impairment test over goodwill and the indefinite-lived Pura Vida brand during the second quarter of each fiscal year. We have experienced significantly lower sales from our Pura Vida e-commerce channel due to a decline in social and digital media effectiveness, as well as lower wholesale sales. These lower sales volumes had a negative impact on the fair value determination of the aforementioned assets.

During the assessment for the fiscal 2023 annual test, it was determined that the fair values of the Pura Vida reporting unit and the Pura Vida brand were less than their carrying values. As a result, we 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.

We identified triggering events during the subsequent quarters of fiscal 2023, due to lower operating profit compared to previous forecasts, as well as changes in the long-range plan such as a pause on the opening of new Pura Vida retail stores. We performed further testing on the Pura Vida reporting unit and Pura Vida brand as a result. These analyses caused additional impairment charges to be recorded in the fourth quarter of fiscal 2023 of \$15.1 million and \$24.9 million for the Pura Vida brand and goodwill, respectively, which reflects a full goodwill impairment. Collectively, impairment charges for the Pura Vida brand and goodwill during fiscal 2023 totaled \$69.3 million.

Refer to Note 15 to the Notes to the Consolidated Financial Statements herein for additional information regarding the goodwill and indefinite-lived intangible assets impairment tests.

### *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 2 to the Notes to the Consolidated Financial Statements herein. Impairment charges of \$1.4 million, \$0.1 million, and \$7.4 million were recognized in the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021, respectively, for property, plant, and equipment assets and lease right-of-use assets related to underperforming stores and a corporate right-of-use asset and are included in SG&A expenses in the Consolidated Statements of Operations and in impairment charges in the Consolidated Statements of Cash Flows. Impairment charges of \$0.6 million were recorded within corporate unallocated during fiscal 2023. The remaining impairment charges were included in the VB Direct segment. The COVID-19 pandemic, including the temporary closure of Vera Bradley retail stores beginning in mid-March of fiscal 2021, significantly impacted the Company's operations and cash flows which was the main driver of the impairment charges in fiscal 2021. We are unable to predict the extent of the impact that the inflationary environment, or other macroeconomic factors, will have on our operations, the economy, or other factors; therefore, it is possible additional impairments could be identified in future periods, and such amounts could be material.

## Cost Savings Initiatives and Other Charges

During fiscal 2023, the Company began implementation of its targeted cost reductions, which are expected to be fully realized in fiscal 2024. 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. Refer to Note 16 to the Notes to the Consolidated Financial Statements herein for additional information regarding charges for cost savings initiatives and remaining liabilities, as well as other charges not comparable with the prior year.

## Results of Operations

The following tables summarize key components of our consolidated results of operations for the last three fiscal years, both in dollars and as a percentage of our net revenues.

<i>(\$ in thousands)</i>	Fiscal Year Ended <sup>(1)</sup>		
	January 28, 2023	January 29, 2022	January 30, 2021
<b>Statement of (Loss) Income Data:</b>			
Net revenues	\$ 499,961	\$ 540,453	\$ 468,272
Cost of sales	261,017	252,510	202,754
Gross profit	238,944	287,943	265,518
Selling, general, and administrative expenses <sup>(2)</sup>	265,016	261,993	252,588
Impairment of goodwill and intangible assets	69,256	—	—
Other income, net	457	961	135
Operating (loss) income	(94,871)	26,911	13,065
Interest expense, net	153	263	1,203
(Loss) income before income taxes	(95,024)	26,648	11,862
Income tax (benefit) expense <sup>(3)</sup>	(15,640)	6,430	1,173
Net (loss) income	(79,384)	20,218	10,689
Less: Net (loss) income attributable to redeemable noncontrolling interest	(19,649)	2,380	2,008
Net (loss) income attributable to Vera Bradley, Inc.	<u>\$ (59,735)</u>	<u>\$ 17,838</u>	<u>\$ 8,681</u>
<b>Percentage of Net Revenues:</b>			
Net revenues	100.0 %	100.0 %	100.0 %
Cost of sales	52.2 %	46.7 %	43.3 %
Gross profit	47.8 %	53.3 %	56.7 %
Selling, general, and administrative expenses	53.0 %	48.5 %	53.9 %
Impairment of goodwill and intangible assets	13.9 %	— %	— %
Other income, net	0.1 %	0.2 %	— %
Operating (loss) income	(19.0)%	5.0 %	2.8 %
Interest expense, net	— %	— %	0.3 %
(Loss) income before income taxes	(19.0)%	4.9 %	2.5 %
Income tax (benefit) expense	(3.1)%	1.2 %	0.3 %
Net (loss) income	(15.9)%	3.7 %	2.3 %
Less: Net (loss) income attributable to redeemable noncontrolling interest	(3.9)%	0.4 %	0.4 %
Net (loss) income attributable to Vera Bradley, Inc.	<u>(11.9)%</u>	<u>3.3 %</u>	<u>1.9 %</u>

The following tables present net revenues by operating segment, both in dollars and as a percentage of our net revenues, and Vera Bradley full-line and factory outlet store data for the last three fiscal years:

	Fiscal Year Ended <sup>(1)</sup>		
	January 28, 2023	January 29, 2022	January 30, 2021
<i>(\$ in thousands, except as otherwise indicated)</i>			
<b>Net Revenues by Segment:</b>			
VB Direct	\$ 328,231	\$ 354,875	\$ 289,274
VB Indirect	73,316	66,001	66,517
Pura Vida	98,414	119,577	112,481
Total	<u>\$ 499,961</u>	<u>\$ 540,453</u>	<u>\$ 468,272</u>
<b>Percentage of Net Revenues by Segment:</b>			
VB Direct	65.6 %	65.7 %	61.8 %
VB Indirect	14.7 %	12.2 %	14.2 %
Pura Vida	19.7 %	22.1 %	24.0 %
Total	<u>100.0 %</u>	<u>100.0 %</u>	<u>100.0 %</u>
	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
<b>Vera Bradley Store Data <sup>(4)</sup>:</b>			
Total stores opened during period	5	6	6
Total stores closed during period	(20)	(5)	(13)
Total stores open at end of period	130	145	144
Comparable sales (including e-commerce) decrease <sup>(5)</sup>	(9.5)%	NM	NM
Total gross square footage at end of period	381,664	397,037	380,100
Average net revenues per gross square foot <sup>(6)</sup>	\$ 555	\$ 633	NM

- (1) The Company utilizes a 52-53 week fiscal year ending on the Saturday closest to January 31. Fiscal years 2023, 2022, and 2021 consisted of 52 weeks.
- (2) Impairment charges, related primarily to underperforming stores, totaled \$1.4 million, \$0.1 million, and \$7.4 million during the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021, respectively.
- (3) Includes a \$2.8 million tax benefit related to the net operating loss carryback provisions of the CARES Act in fiscal 2021.
- (4) Includes Vera Bradley full-line and factory outlet stores.
- (5) 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. 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. As a result of Vera Bradley retail stores being temporarily closed for approximately half of the first and second quarters of fiscal 2021, comparable sales were not meaningful and were therefore not provided for fiscal years 2022 and 2021.
- (6) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period. As a result of Vera Bradley retail stores being temporarily closed for approximately half of the first and second quarters of fiscal 2021, average net revenues per gross square foot were not meaningful and were therefore not provided for fiscal year 2021.

## Fiscal 2023 Compared to Fiscal 2022

### Net Revenues

For fiscal 2023, net revenues decreased \$40.5 million, or 7.5%, to \$500.0 million, from \$540.5 million for fiscal 2022.

*VB Direct.* For fiscal 2023, net revenues decreased \$26.7 million, or 7.5%, to \$328.2 million, from \$354.9 million for fiscal 2022. Vera Bradley comparable sales decreased \$33.3 million, or 9.5%, which includes a 14.6% decrease in comparable store sales partially offset by a 1.5% increase in e-commerce sales. This comparable sales decrease was partially offset by sales from

our stores with non-comparable periods, including our five factory outlet stores that opened in the current fiscal year, which contributed \$6.5 million of revenue. The decrease in comparable sales and comparable store sales was impacted by reduced traffic, conversion, and units sold primarily in the factory outlet channel. These decreases were partially offset by price increases on certain merchandise in the current-year.

*VB Indirect.* For fiscal 2023, net revenues increased \$7.3 million, or 11.1%, to \$73.3 million, from \$66.0 million for fiscal 2022. The increase was primarily due to an increase in orders from certain key accounts.

*Pura Vida.* For fiscal 2023, net revenues decreased \$21.2 million, or 17.7%, to \$98.4 million, from \$119.6 million for fiscal 2022. The decrease was primarily due to a decline of \$16.2 million in e-commerce sales due to a decline in social and digital media effectiveness and lower marketing spending, as well as a decline of \$7.0 million in wholesale orders. These decreases were partially offset by sales from our new store openings. We are working to evolve our Pura Vida business model from one that is largely dependent on e-commerce and digital marketing to one that is a true omni-channel business with a more diversified marketing program.

#### *Gross Profit*

For fiscal 2023, gross profit decreased \$48.9 million, or 17.0%, to \$239.0 million, from \$287.9 million for fiscal 2022. As a percentage of net revenues, gross profit decreased to 47.8% for fiscal 2023, from 53.3% for fiscal 2022. Gross profit as a percentage of net revenues was negatively impacted by approximately 330 basis points for inventory adjustments related to excess inventory in the Pura Vida business and excess mask products, the exit of certain technology products, valuation adjustments to write discounted inventory down to its net realizable value, and concept brand exit costs, as well as approximately 30 basis points for purchase order cancellation fees related to certain spring 2023 products and certain raw materials. In addition, gross profit as a percentage of net revenues was negatively impacted by inbound and outbound freight and shipping costs, deleverage of overhead costs, channel mix changes, and increased promotional activity, partially offset by price increases on certain merchandise in the current-year.

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

For fiscal 2023, SG&A expenses increased \$3.0 million, or 1.2%, to \$265.0 million, from \$262.0 million for fiscal 2022. As a percentage of net revenues, SG&A expenses were 53.0% and 48.5% for fiscal 2023 and fiscal 2022, respectively. SG&A expenses related to Vera Bradley and corporate unallocated were \$211.6 million compared to \$205.8 million in the comparable prior-year period. SG&A expenses related to Pura Vida were \$53.4 million compared to \$56.2 million in the comparable prior-year period. The increase in consolidated SG&A expenses for fiscal 2023 was primarily due to:

- severance charges of \$9.2 million including for CEO retirement severance and Vera Bradley brand executive severance;
- \$4.4 million of consulting fees related to our cost saving and strategic initiatives, CEO search, and other Pura Vida and Vera Bradley professional fees that did not occur in the prior year;
- \$1.3 million for incremental Vera Bradley store impairment charges and a corporate lease right-of-use asset impairment charge;
- new CEO sign-on bonus and relocation expenses of \$1.0 million; and
- \$0.4 million of former CEO November and December salary expense and stock-based compensation expense associated with retirement.

The aforementioned increases in SG&A expenses were partially offset by a \$6.9 million reduction in advertising and marketing expenses, primarily related to the Pura Vida brand; a \$4.1 million reduction in expense associated with incentive compensation due to company performance estimates and forfeitures compared to the prior-year period; a \$1.7 million reduction in lease expense due to contingent rental payments associated with lower store sales and store closures, which was partially offset by new store openings for both brands; and a \$1.0 million reduction in employee-related and other costs due primarily to headcount reductions, including closed Vera Bradley stores, partially offset by an increase in travel expenses.

SG&A expenses as a percentage of net revenues increased primarily due to the aforementioned items, as well as SG&A expense deleverage associated with decreased sales.

#### *Impairment of Goodwill and Intangible Assets*

Fiscal 2023 included a \$69.3 million charge for impairment of goodwill and intangible assets related to Pura Vida goodwill and the indefinite-lived Pura Vida brand asset, which is reflected within the Pura Vida segment. For additional information, refer to *Goodwill and Other Intangible Assets* herein. There were no similar charges in the comparable prior-year period.



### Other Income, Net

For fiscal 2023, net other income decreased \$0.5 million to \$0.5 million, from \$1.0 million for fiscal 2022. The decrease in net other income was primarily due to legal settlements in the prior-year period that did not recur.

### Operating (Loss) Income

For fiscal 2023, operating loss increased \$121.8 million, or 452.5%, to \$(94.9) million from operating income of \$26.9 million for fiscal 2022. As a percentage of net revenues, operating (loss) income was (19.0)% and 5.0% for fiscal 2023 and fiscal 2022, respectively. Operating loss increased due to the factors described above.

The following table provides additional information about our operating (loss) income (in thousands).

	Fiscal Year Ended		\$ Change	% Change
	January 28, 2023	January 29, 2022		
<b>Operating (Loss) Income:</b>				
VB Direct	\$ 51,097	\$ 73,506	\$ (22,409)	(30.5)%
VB Indirect	22,965	20,323	2,642	13.0 %
Pura Vida	(78,591)	9,519	(88,110)	(925.6)%
Less: Unallocated corporate expenses	(90,342)	(76,437)	(13,905)	18.2 %
Operating (loss) income	<u>\$ (94,871)</u>	<u>\$ 26,911</u>	<u>\$ (121,782)</u>	(452.5)%

*VB Direct.* For fiscal 2023, operating income decreased \$22.4 million, or 30.5%. As a percentage of VB Direct segment net revenues, operating income in the VB Direct segment was 15.6% and 20.7% for fiscals 2023 and 2022, respectively. The decrease in operating income as a percentage of VB Direct segment net revenues was primarily due to a decrease in gross margin as a percentage of net revenues as described above, including approximately 190 basis points related to inventory adjustments for the exit of certain technology products, excess mask products, and concept brand exit costs, as well as certain purchase order cancellation fees; SG&A expense deleverage associated with decreased sales; and a decrease in advertising expense, employee-related costs including incentive compensation expense, and lease expense. These decreases in SG&A expenses were partially offset by \$0.8 million in incremental store impairment charges.

*VB Indirect.* For fiscal 2023, operating income increased \$2.6 million, or 13.0%. As a percentage of VB Indirect segment net revenues, operating income in the VB Indirect segment was 31.3% and 30.8% for fiscals 2023 and 2022, respectively. The increase in operating income as a percentage of VB Indirect segment net revenues was primarily due to SG&A leverage associated with increased sales, partially offset by a decrease in gross margin as a percentage of net revenues as described above, including approximately 230 basis points related to inventory adjustments for the exit of certain technology products, excess mask products, and valuation adjustments to write discounted inventory down to its net realizable value, as well as certain purchase order cancellation fees.

*Pura Vida.* For fiscal 2023, operating loss increased \$88.1 million. As a percentage of Pura Vida segment net revenues, operating (loss) income in the Pura Vida segment was (79.9)% and 8.0% for fiscals 2023 and 2022, respectively. The increase in operating loss as a percentage of Pura Vida net revenues was primarily due to goodwill and indefinite-lived Pura Vida brand impairment charges in the current-year period of \$44.3 million and \$25.0 million, respectively. In addition, there was expense deleverage associated with a decrease in sales, inventory adjustments for excess inventory and valuation adjustments to write discounted inventory down to its net realizable value which impacted the operating loss as a percentage of net revenues by approximately 1,000 basis points in the current year, and new store expenses. These decreases to operating income were partially offset by reductions in advertising expense compared to the prior-year period.

*Corporate Unallocated.* For fiscal 2023, corporate unallocated expenses increased \$13.9 million, or 18.2% to \$90.3 million from \$76.4 million in the prior-year period. The increase in corporate unallocated expenses was primarily due to severance charges of \$8.7 million, including CEO retirement severance and Vera Bradley brand executive severance; consulting fees of \$4.2 million associated with cost savings, strategic initiatives, and CEO search; \$2.4 million increase in corporate advertising expense; \$1.0 million for new CEO sign-on bonus and relocation expenses; \$0.7 million primarily related to legal settlements in the prior-year period that did not recur; \$0.6 million related to a lease right-of-use asset impairment charge in the current-year period; and \$0.4 million related to former CEO November and December salary payments and stock compensation expense associated with retirement. These increases were partially offset by a \$3.6 million decrease in employee-related expenses, primarily related to a decline in incentive compensation expense as a result of company performance estimates and forfeitures along with reduced headcount.

### *Interest Expense, Net*

For fiscal 2023, net interest expense totaled \$0.2 million compared to \$0.3 million in fiscal 2022, consistent with the prior year.

### *Income Tax (Benefit) Expense*

For fiscal 2023, we recorded an income tax benefit of \$15.6 million at an effective tax rate of 16.5%, compared to income tax expense of \$6.4 million at an effective tax rate of 24.1% for fiscal 2022. The effective tax rate decreased 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 non-deductible executive compensation and stock-based compensation.

### *Net (Loss) Income*

For fiscal 2023, net loss increased \$99.6 million to \$(79.4) million from net income of \$20.2 million in fiscal 2022 due to the factors described in the captions above.

### *Net (Loss) Income Attributable to Redeemable Noncontrolling Interest*

For fiscal 2023, net loss attributable to redeemable noncontrolling interest was \$(19.6) million compared to net income attributable to redeemable noncontrolling interest of \$2.4 million in the prior-year period. This represents the allocation of the Pura Vida net (loss) income to the noncontrolling interest. The change in net (loss) income was due to the factors described above in the Pura Vida operating segment.

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

For fiscal 2023, net loss attributable to Vera Bradley, Inc. increased \$77.5 million to \$(59.7) million from net income attributable to Vera Bradley, Inc. of \$17.8 million in fiscal 2022 due to the factors described in the captions above.

## **Fiscal 2022 Compared to Fiscal 2021**

Refer to the Company's Annual Report on Form 10-K filed with the SEC on March 29, 2022, for a comparison of fiscal 2022 to fiscal 2021 operating results.

## **Liquidity and Capital Resources**

### *General*

Our primary sources of liquidity are cash on hand and cash equivalents, investments, and cash flow from operations. We also have access to additional liquidity, if needed, through borrowings under our \$75.0 million asset-based revolving credit agreement (the "Credit Agreement") which was entered into on September 7, 2018. There was no debt outstanding under the Credit Agreement as of January 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):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net cash (used in) provided by operating activities	\$ (13,421)	\$ 39,861	\$ 20,702
Net cash (used in) provided by investing activities	(8,239)	(4,154)	17,680
Net cash used in financing activities	(20,105)	(11,413)	(24,146)

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

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

Net cash used in operating activities was \$13.4 million during fiscal 2023, as compared to net cash provided by operating activities of \$39.9 million during fiscal 2022. The increase in cash used in operating activities was primarily related to an increase in the net loss after non-cash charges of \$47.5 million, as well as the change in assets and liabilities. Changes in assets and liabilities resulting in a use of cash were primarily related to the change in accounts payable due to a reduction in inventory in-transit and timing of payments, an increase in accounts receivable partly associated with increased VB Indirect segment sales, as well as a reduction in accrued and other liabilities reflecting a reduction in freight and duty accruals due to lower inbound units and costs at the end of the year, and a reduction in certain variable liabilities due in part to lower sales including the percent rent liability, partially offset by accruals associated with severance payments. The change in inventory reflects \$16.7 million in inventory adjustments associated primarily with excess inventory, the exit of certain technology products, valuation adjustments to write discounted inventory down to its net realizable value in the current-year period, and concept brand exit costs. The change in inventory was also impacted by decreased sales compared to the prior-year period, a reduction in transit times, as well as incremental freight and duty costs. Changes that provided a source of cash were due primarily to net payments of \$6.6 million in income taxes which we received during the current-year period.

### *Net Cash Used in Investing Activities*

Investing activities consisted 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 \$8.2 million in fiscal 2023, compared to \$4.2 million in fiscal 2022. The increase in cash used in investing activities was primarily a result of increased spending associated with purchases of property, plant, and equipment due mostly to relocations of certain existing Vera Bradley factory outlet stores, incremental Pura Vida retail stores, and timing of payments.

Capital expenditures for fiscal 2024 are expected to be approximately \$5.0 million related to planned investments associated with new Vera Bradley factory store locations and technology and logistics enhancements.

### *Net Cash Used in Financing Activities*

Net cash used in financing activities was \$20.1 million in fiscal 2023 compared to \$11.4 million in fiscal 2022. The increase in cash used in financing activities was primarily due to \$18.1 million of common stock repurchases in the current-year period compared to \$7.7 million in the comparable prior-year period.

Refer to the Company's Annual Report on Form 10-K filed with the SEC on March 29, 2022, for a comparison of fiscal 2022 to fiscal 2021 cash flow activity.

### *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.

For further information regarding the Credit Agreement, please see Note 6 of the Notes to Consolidated Financial Statements set forth in Part II, "Item 8. Financial Statements and Supplementary Data," of this report.

### **Material Cash Requirements**

Our material cash requirements from known contractual and other obligations include the following:

- The \$10.0 million purchase of the remaining Pura Vida Interests paid subsequent to fiscal 2023 as further described in Note 2 to the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report;

- Approximately \$3.1 million of severance liability associated with cost savings initiatives further described in Note 16 to the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report;
- Operating lease obligations as disclosed further in Note 4 to the Notes to the Consolidated Financial Statements in Part II, Item 8 of this report;
- Purchase order commitments primarily related to inventory purchases;
- Salaries, cash incentives, benefits, and other employee-related costs;
- Planned capital expenditures;
- Income tax payments; and
- Other supply and service agreements entered into as part of our normal operations.

We may be subject to additional material cash requirements that are contingent upon certain events that have not yet occurred. We expect to fund these cash requirements using cash on hand, cash provided by our operations and, to the extent necessary, borrowings under our Credit Agreement.

### **Critical Accounting Policies and Estimates**

The preparation of financial statements in accordance with accounting principles generally accepted in the United States (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of our assets, liabilities, revenues, and expenses, as well as the disclosures relating to contingent assets and liabilities at the date of the consolidated financial statements. We evaluate our accounting policies, estimates, and judgments on an on-going basis. We base our estimates and judgments on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results may differ from these estimates under different assumptions and conditions.

We evaluate the development and selection of our critical accounting policies and estimates and believe that the following policies and estimates involve a higher degree of judgment or complexity and are most significant to reporting our results of operations and financial position, and are therefore discussed as critical. The following critical accounting policies reflect the significant estimates and judgments used in the preparation of our consolidated financial statements. With respect to critical accounting policies, even a relatively minor variance between actual and expected experience can potentially have a materially favorable or unfavorable impact on subsequent results of operations. Our historical results for the periods presented in the consolidated financial statements, however, have not been materially impacted by such variances. More information on all of our significant accounting policies can be found in Note 2, “Summary of Significant Accounting Policies,” to the consolidated financial statements.

#### *Inventories*

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method. Appropriate consideration is given to obsolescence, excess quantities, and other factors, including the popularity of a pattern or product, in evaluating net realizable value. We record valuation adjustments to our inventories, which are reflected in cost of sales, if the cost of specific inventory items on hand exceeds the amount we expect to realize from the ultimate sale or disposal of the inventory. This adjustment calculation requires us to make assumptions and estimates, which are based on factors such as merchandise seasonality, historical trends, and estimated sales and inventory levels, including sell-through of remaining units. In addition, as part of inventory adjustments, we provide for inventory shrinkage based on historical trends from our physical inventory counts. We perform physical inventory counts throughout the year and adjust the shrinkage provision accordingly.

The balance of inventory adjustments was \$16.5 million and \$0.6 million for these matters as of the fiscal years ended January 28, 2023, and January 29, 2022, respectively. The increase in the balance was primarily related to adjustments for excess Pura Vida inventory and excess mask inventory, the exit of certain technology products, and valuation adjustments to write discounted inventory down to its net realizable value. We believe we have the ability to move some of our retired finished goods through a number of channels, including our Vera Bradley and Pura Vida websites, the Vera Bradley online outlet site, Vera Bradley factory outlet stores, the Vera Bradley Annual Outlet Sale which is planned to resume in June 2023, and through third-party liquidators as needed.

### *Valuation of Long-lived Assets*

Property, plant, and equipment and operating right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset group may not be recoverable. In evaluating an asset group for recoverability, we estimate the future cash flows expected to result from the use of the asset group at the store level, the lowest identifiable level of cash flow, if applicable. If the sum of the estimated undiscounted future cash flows related to the asset group is less than the carrying value, we recognize a loss equal to the difference between the carrying value and the fair value, usually determined by an estimated discounted cash flow analysis of the asset. Factors used in the valuation of long-lived assets include, but are not limited to, our plans for future operations, brand initiatives, recent operating results, and projected future cash flows. With respect to our stores, we analyze store economics, location within the shopping center, the size and shape of the space, and desirable co-tenancies in our selection process. Impairment charges are classified in SG&A expenses and were \$1.4 million, \$0.1 million, and \$7.4 million for the periods ended January 28, 2023, January 29, 2022, and January 30, 2021, 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.

### *Goodwill and Other Intangible Assets*

The Company tests goodwill for impairment annually, or more frequently if events or changes in circumstances indicate that goodwill may be impaired. The Company may first use a qualitative analysis to assess whether it is more-likely-than-not that the fair value of the reporting unit (including goodwill) is less than its carrying value. This qualitative analysis may include, but is not limited to: macroeconomic factors; industry and market considerations; cost factors that have a negative effect on earnings and cash flows; entity specific factors; a change in the composition or carrying amount of the reporting unit's net assets; and a sustained decrease in stock price. If it is determined that it is more-likely-than-not that the fair value is less than the carrying value after this analysis, a quantitative impairment test is performed.

If we elect to bypass the qualitative assessment for the reporting unit, or if a qualitative assessment indicates it is more likely than not that the estimated carrying value of the reporting unit exceeds its fair value, we perform a quantitative goodwill impairment test. Under the quantitative test, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the total amount of goodwill allocated to the reporting unit. The fair value of the reporting unit is determined using an income-based approach and a market-based approach.

The income approach estimates fair value of the reporting unit using a discounted cash flow model that involves subjective estimates and assumptions such as projected revenue growth, operating profit, and the discount rate. Under the market approach, the Company may use the guideline public company method and/or the guideline transaction method to estimate fair value of the reporting unit. The guideline public company method uses market multiples derived from market prices of stocks of companies that are engaged in the same or similar lines of business as the reporting unit. The guideline transaction method employs 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.

As of January 28, 2023, the Company had no goodwill recorded as it recorded a full goodwill impairment charge of \$44.3 million within the Pura Vida reporting unit during fiscal 2023. For the annual goodwill impairment analysis performed during fiscal 2023, we performed a quantitative analysis. We performed subsequent impairment tests during the third and fourth quarters of fiscal 2023 due to triggering events, including lower operating profit compared to previous forecasts, as well as changes in the long-range plan such as a pause on the opening of new Pura Vida retail stores.

Our indefinite-lived intangible asset represents the Pura Vida brand. We test the Pura Vida brand for impairment annually, or more frequently if events or changes in circumstances indicate that the asset may be impaired. Our annual impairment test may be completed through a qualitative assessment to determine if the fair value of the Pura Vida brand is more likely than not greater than the carrying amount. If we elect to bypass the qualitative assessment, or if a qualitative assessment indicates it is more likely than not that the estimated carrying value exceeds the fair value, we test for impairment using a quantitative process. Our quantitative process includes comparing the carrying value to the fair value of the Pura Vida brand, with any excess recognized as an impairment loss. Fair value is estimated using a relief-from-royalty method. The estimates and assumptions used in the determination of the fair value of the Pura Vida brand include the projected revenue growth, long-term growth rate, the royalty rate, and discount rate.

As of January 28, 2023, the carrying value of the Pura Vida brand was \$11.7 million. For the annual impairment analysis performed during fiscal 2023, we performed a quantitative analysis. Consistent with the goodwill analysis, we performed subsequent impairment tests during the third and fourth quarters of fiscal 2023 due to the aforementioned triggering events. We recorded \$25.0 million in impairment charges for the Pura Vida brand during fiscal 2023.

The estimated fair value of the Pura Vida brand is subject to change as a result of many factors including changing economic conditions. Should actual cash flows and our future estimates deteriorate from the estimates we used, impairment charges for the Pura Vida brand asset may be necessary in future years.



## **Item 7A. Quantitative and Qualitative Disclosures About Market Risk**

### *Interest Rate Risk*

We are subject to interest rate risk in connection with borrowings under our asset-based revolving credit agreement (the “Credit Agreement”). The Credit Agreement allows for a revolving credit commitment of \$75.0 million, bearing interest at a variable rate, based on a per annum rate equal to either (i) for CBFRR borrowings (including swingline loans), the CB Floating Rate, where the CB Floating Rate is the prime rate which shall never be less than the adjusted one month LIBOR rate on such day, plus the Applicable Rate, where the Applicable Rate is a percentage spread ranging from -1.00% to -1.50% or (ii) for each eurodollar borrowing, the Adjusted LIBO Rate, where the Adjusted LIBO Rate is the LIBO rate for such interest period multiplied by the statutory reserve rate, for the interest period in effect for such borrowing, plus the Applicable Rate, where the Applicable Rate is a percentage ranging from 1.00% to 1.30%. The applicable CB Floating Rate, Adjusted LIBO Rate, or LIBO Rate shall be determined by the administrative agent. Assuming borrowings available under the Credit Agreement are fully extended at \$75.0 million, each quarter point increase or decrease in the interest rate would change our annual interest expense by approximately \$0.2 million.

In addition, the Financial Conduct Authority (the authority that regulates LIBOR) began to phase out LIBOR by the end of 2021 and announced that it would completely phase out LIBOR by June 30, 2023 and transition to the Secured Overnight Financing Rate (“SOFR”). SOFR is calculated differently from LIBOR and the differences in their calculations may give rise to uncertainties. The replacement of LIBOR with SOFR may adversely affect interest rates and result in higher borrowing costs. We cannot predict the effect of the termination of LIBOR or the establishment and use of SOFR. We may need to renegotiate our revolving credit facility or incur other indebtedness and the use of SOFR or another benchmark rate may negatively impact the terms of such indebtedness. As LIBOR ceases to exist, we may need to amend certain contracts and cannot predict whether SOFR or another benchmark rate would be negotiated. This may result in an increase to our interest expense.

### *Foreign Exchange Rate Risk*

We source a majority of our finished goods from various suppliers primarily in Cambodia, Vietnam, Indonesia, El Salvador, China, and the Philippines. Substantially all purchases and sales involving foreign persons are denominated in U.S. dollars, and therefore we do not hedge using any derivative instruments. Historically, we have not been impacted materially by changes in exchange rates.

## Item 8. Financial Statements and Supplementary Data

### Vera Bradley, Inc. Index to Consolidated Financial Statements

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## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Vera Bradley, Inc.

### Opinion on the Financial Statements

We have audited the accompanying consolidated balance sheets of Vera Bradley, Inc. and subsidiaries (the "Company") as of January 28, 2023 and January 29, 2022, the related consolidated statements of operations, comprehensive income, shareholders' equity, and cash flows, for each of the three years in the period ended January 28, 2023, and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as of January 28, 2023 and January 29, 2022, and the results of its operations and its cash flows for each of the three years in the period ended January 28, 2023, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of January 28, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 28, 2023, expressed an unqualified opinion on the Company's internal control over financial reporting.

### Basis for Opinion

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### Critical Audit Matter

The critical audit matter communicated below is a matter arising from the current-period audit of the financial statements that was communicated or required to be communicated to the audit committee and that (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

### Goodwill and Indefinite-Lived Intangible Assets – Refer to Notes 2 and 15 to the financial statements

#### *Critical Audit Matter Description*

The Company's quantitative analysis of the Pura Vida reporting unit of goodwill ("goodwill") and the indefinite-lived Pura Vida brand asset ("Pura Vida brand") for impairment involves the comparison of the fair value of the goodwill or Pura Vida brand asset to its respective carrying value. The fair value of goodwill was determined using an income-based approach and a market-based approach, which required management to make significant estimates and assumptions including the projected revenue growth, operating profit growth, and discount rate. The Company used the relief-from-royalty method to estimate the fair value of the Pura Vida brand, which required management to make significant estimates and assumptions related to the projected revenue growth, royalty rate and discount rate. The goodwill balance was \$0 as of January 28, 2023. The carrying value of the Pura Vida brand was \$11.7 million as of January 28, 2023. The carrying values of goodwill and the Pura Vida brand exceeded their fair values during fiscal 2023 and, therefore, impairment of \$44.3 million and \$25.0 million, respectively, was recognized during the year ended January 28, 2023.

We identified the impairment analysis of goodwill and the Pura Vida brand as a critical audit matter because of the significant judgments made by management to estimate the fair value of these indefinite-lived assets. This required a high degree of auditor judgment and an increased extent of effort, including the need to involve our fair value specialists, when performing audit procedures to evaluate the reasonableness of management's estimates and assumptions particularly related to the projected revenue growth, operating profit growth and discount rate for the goodwill impairment analysis and the projected revenue growth, royalty rate, and discount rate for the Pura Vida brand impairment analysis.

#### *How the Critical Audit Matter Was Addressed in the Audit*

Our audit procedures related to the projected revenue growth, operating profit growth and discount rate for goodwill and Pura Vida brand as well as the royalty rate for the Pura Vida brand included the following, among others:

1. We tested the effectiveness of controls over management's goodwill and brand impairment analyses, including those over the determination of the fair value, such as controls related to management's forecasts of projected revenue growth, operating profit growth, and selection of royalty rate and discount rates.
2. We evaluated management's ability to accurately forecast by comparing actual results to management's historical forecasts.
3. We evaluated the reasonableness of management's projected revenue growth and operating profit growth by comparing the forecasts to (1) historical results, (2) internal communications to management and the Board of Directors, and (3) forecasted information included in industry reports.
4. With the assistance of our fair value specialists, we evaluated the reasonableness of the (1) valuation methodology, and (2) discount rates and royalty rate by:
  - a. Assessing the appropriateness of the valuation methodology used to determine the discount rates and royalty rate.
  - b. Testing the underlying source information and the mathematical accuracy of the calculations.
  - c. Developing a range of independent estimates and comparing those to the discount rates and royalty rate selected by management.

/s/ Deloitte & Touche LLP  
Indianapolis, Indiana  
March 28, 2023

We have served as the Company's auditor since 2016.

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the shareholders and the Board of Directors of Vera Bradley, Inc.

### **Opinion on Internal Control over Financial Reporting**

We have audited the internal control over financial reporting of Vera Bradley, Inc. and subsidiaries (the “Company”) as of January 28, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of January 28, 2023, based on criteria established in Internal Control — Integrated Framework (2013) issued by COSO.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated financial statements as of and for the year ended January 28, 2023, of the Company and our report dated March 28, 2023, expressed an unqualified opinion on those financial statements.

### **Basis for Opinion**

The Company’s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management’s Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company’s internal control over financial reporting is a process designed 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. A company’s internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Deloitte & Touche LLP  
Indianapolis, Indiana  
March 28, 2023

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

	January 28, 2023	January 29, 2022
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 46,595	\$ 88,436
Accounts receivable, net	22,105	20,681
Inventories	142,275	144,881
Income taxes receivable	1,311	9,391
Prepaid expenses and other current assets	14,276	15,928
Total current assets	226,562	279,317
Operating right-of-use assets	77,954	79,873
Property, plant, and equipment, net	58,674	59,941
Intangible assets, net	15,918	44,223
Goodwill	—	44,254
Deferred income taxes	21,542	3,857
Other assets	3,851	6,081
Total assets	<u>\$ 404,501</u>	<u>\$ 517,546</u>
<b>Liabilities, Redeemable Noncontrolling Interest, and Shareholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 20,350	\$ 30,492
Accrued employment costs	14,312	12,463
Short-term operating lease liabilities	19,714	18,699
Other accrued liabilities	12,723	16,422
Income taxes payable	558	—
Total current liabilities	67,657	78,076
Long-term operating lease liabilities	74,664	80,861
Other long-term liabilities	90	195
Total liabilities	142,411	159,132
Commitments and contingencies		
Redeemable noncontrolling interest	10,712	30,974
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 42,846 and 42,429 shares issued and 30,766 and 33,170 outstanding, respectively	—	—
Additional paid-in capital	109,718	107,907
Retained earnings	274,629	334,364
Accumulated other comprehensive loss	(105)	(29)
Treasury stock	(132,864)	(114,802)
Total shareholders' equity of Vera Bradley, Inc.	251,378	327,440
Total liabilities, redeemable noncontrolling interest, and shareholders' equity	<u>\$ 404,501</u>	<u>\$ 517,546</u>

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



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

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net revenues	\$ 499,961	\$ 540,453	\$ 468,272
Cost of sales	261,017	252,510	202,754
Gross profit	238,944	287,943	265,518
Selling, general, and administrative expenses	265,016	261,993	252,588
Impairment of goodwill and intangible assets	69,256	—	—
Other income, net	457	961	135
Operating (loss) income	(94,871)	26,911	13,065
Interest expense, net	153	263	1,203
(Loss) income before income taxes	(95,024)	26,648	11,862
Income tax (benefit) expense	(15,640)	6,430	1,173
Net (loss) income	(79,384)	20,218	10,689
Less: Net (loss) income attributable to redeemable noncontrolling interest	(19,649)	2,380	2,008
Net (loss) income attributable to Vera Bradley, Inc.	<u>\$ (59,735)</u>	<u>\$ 17,838</u>	<u>\$ 8,681</u>
Basic weighted-average shares outstanding	31,503	33,785	33,390
Diluted weighted-average shares outstanding	31,503	34,437	33,914
Basic net (loss) income per share attributable to Vera Bradley, Inc. common shareholders	\$ (1.90)	\$ 0.53	\$ 0.26
Diluted net (loss) income per share attributable to Vera Bradley, Inc. common shareholders	\$ (1.90)	\$ 0.52	\$ 0.26

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

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

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Net (loss) income	\$ (79,384)	\$ 20,218	\$ 10,689
Unrealized loss on available for sale debt investments	—	(4)	(172)
Cumulative translation adjustment	(76)	(33)	22
Comprehensive (loss) income, net of tax	(79,460)	20,181	10,539
Less: Comprehensive (loss) income attributable to redeemable noncontrolling interest	(19,649)	2,380	2,008
Comprehensive (loss) income attributable to Vera Bradley, Inc.	<u>\$ (59,811)</u>	<u>\$ 17,801</u>	<u>\$ 8,531</u>

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

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

	Number of Shares						Total Shareholders' Equity of Vera Bradley, Inc.
	Common Stock	Treasury Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	
<b>Balance at February 1, 2020</b>	33,503,249	8,011,372	\$ 100,357	\$ 307,414	\$ 158	\$ (104,159)	\$ 303,770
Net income attributable to Vera Bradley, Inc.	—	—	—	8,681	—	—	8,681
Translation adjustments	—	—	—	—	22	—	22
Unrealized loss on available for sale investments	—	—	—	—	(172)	—	(172)
Restricted shares vested, net of repurchase for taxes	293,076	—	(575)	—	—	—	(575)
Stock-based compensation	—	—	5,651	—	—	—	5,651
Treasury stock purchased	(381,835)	381,835	—	—	—	(2,901)	(2,901)
Redeemable noncontrolling interest redemption value adjustment	—	—	—	431	—	—	431
<b>Balance at January 30, 2021</b>	33,414,490	8,393,207	\$ 105,433	\$ 316,526	\$ 8	\$ (107,060)	\$ 314,907
Net income attributable to Vera Bradley, Inc.	—	—	—	17,838	—	—	17,838
Translation adjustments	—	—	—	—	(33)	—	(33)
Unrealized loss on available for sale investments	—	—	—	—	(4)	—	(4)
Restricted shares vested, net of repurchase for taxes	621,474	—	(2,456)	—	—	—	(2,456)
Stock-based compensation	—	—	4,930	—	—	—	4,930
Treasury stock purchased	(865,534)	865,534	—	—	—	(7,742)	(7,742)
<b>Balance at January 29, 2022</b>	33,170,430	9,258,741	\$ 107,907	\$ 334,364	\$ (29)	\$ (114,802)	\$ 327,440
Net loss attributable to Vera Bradley, Inc.	—	—	—	(59,735)	—	—	(59,735)
Translation adjustments	—	—	—	—	(76)	—	(76)
Restricted shares vested, net of repurchase for taxes	416,543	—	(1,430)	—	—	—	(1,430)
Stock-based compensation	—	—	3,241	—	—	—	3,241
Treasury stock purchased	(2,820,949)	2,820,949	—	—	—	(18,062)	(18,062)
<b>Balance at January 28, 2023</b>	30,766,024	12,079,690	\$ 109,718	\$ 274,629	\$ (105)	\$ (132,864)	\$ 251,378

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

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

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
<b>Cash flows from operating activities</b>			
Net (loss) income	\$ (79,384)	\$ 20,218	\$ 10,689
Adjustments to reconcile net (loss) income to net cash (used in) provided by operating activities:			
Depreciation of property, plant, and equipment	8,854	9,315	13,483
Amortization of operating right-of-use assets	21,543	20,521	21,128
Goodwill and intangible asset impairment	69,256	—	—
Other impairment charges	1,351	85	7,446
Amortization of intangible assets	3,303	3,073	9,009
Provision for doubtful accounts	(77)	101	1,333
Stock-based compensation	3,241	4,930	5,651
Deferred income taxes	(17,685)	(327)	4,126
Gain on investments	—	—	13
Adjustment of earn-out liability	—	—	229
Other non-cash charges (gain), net	6	(37)	(1)
Changes in assets and liabilities:			
Accounts receivable	(1,347)	6,761	(5,579)
Inventories	2,606	(3,465)	(17,810)
Prepaid expenses and other assets	3,882	2,215	(7,940)
Accounts payable	(10,223)	3,210	7,353
Income taxes	8,638	(2,340)	(8,121)
Operating lease liabilities, net	(25,398)	(25,961)	(22,680)
Accrued and other liabilities	(1,987)	1,562	2,373
Net cash (used in) provided by operating activities	<u>(13,421)</u>	<u>39,861</u>	<u>20,702</u>
<b>Cash flows from investing activities</b>			
Purchases of property, plant, and equipment	(8,239)	(5,489)	(5,743)
Purchases of investments	—	—	(851)
Proceeds from maturities and sales of investments	—	1,290	23,281
Cash received for business acquisition, net of cash acquired	—	—	993
Proceeds from disposal of property, plant, and equipment	—	45	—
Net cash (used in) provided by investing activities	<u>(8,239)</u>	<u>(4,154)</u>	<u>17,680</u>
<b>Cash flows from financing activities</b>			
Tax withholdings for equity compensation	(1,430)	(2,456)	(575)
Repurchase of common stock	(18,062)	(7,742)	(3,077)
Distributions to redeemable noncontrolling interest	(613)	(1,215)	(1,817)
Borrowings under asset-based revolving credit agreement	—	—	60,000
Repayment of borrowings under asset-based revolving credit agreement	—	—	(60,000)
Payment of contingent consideration for business acquisition	—	—	(18,677)
Net cash used in financing activities	<u>(20,105)</u>	<u>(11,413)</u>	<u>(24,146)</u>
Effect of exchange rate changes on cash and cash equivalents	(76)	(33)	22
Net (decrease) increase in cash and cash equivalents	(41,841)	24,261	14,258
Cash and cash equivalents, beginning of period	88,436	64,175	49,917
Cash and cash equivalents, end of period	<u>\$ 46,595</u>	<u>\$ 88,436</u>	<u>\$ 64,175</u>

**Vera Bradley, Inc.**  
**Consolidated Statements of Cash Flows**

(in thousands)  
(continued)

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
<b>Supplemental disclosure of cash-flow information</b>			
Cash (received) paid for income taxes, net	\$ (6,573)	\$ 9,083	\$ 5,079
Cash paid for interest	\$ 88	\$ 293	\$ 1,133
<b>Supplemental disclosure of non-cash activity</b>			
Non-cash operating, investing, and financing activities			
Repurchase of common stock incurred but not yet paid			
As of January 28 2023, January 29, 2022, and January 30, 2021	\$ —	\$ —	\$ —
As of January 29, 2022, January 30, 2021, and February 1, 2020	\$ —	\$ —	\$ 176
Purchases of property, plant, and equipment incurred but not yet paid			
As of January 28 2023, January 29, 2022, and January 30, 2021	\$ 363	\$ 250	\$ 343
As of January 29, 2022, January 30, 2021, and February 1, 2020	\$ 250	\$ 343	\$ 559

Refer to Note 4 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 Consolidated Financial Statements**

## **1. Description of the Company**

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

Vera Bradley, 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 casual, 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, subsequent to the end of fiscal 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 business consists of sales of Vera Bradley products through Vera Bradley full-line and factory outlet stores in the United States; verabradley.com and verabradley.ca; the Vera Bradley online outlet site; and typically the Vera Bradley annual outlet sale in Fort Wayne, Indiana. As of January 28, 2023, the Company operated 51 full-line stores and 79 factory outlet stores. In light of the COVID-19 pandemic, the Company cancelled its calendar year 2022, 2021, and 2020 annual outlet sales. The sale will resume in calendar year 2023.
- The VB Indirect business consists of sales of Vera Bradley products to approximately 1,700 specialty retail locations, substantially all of which are located in the United States, as well as department stores, national accounts, third-party e-commerce sites, third-party inventory liquidators, and royalties recognized through licensing agreements related to the Vera Bradley brand.
- The Pura Vida segment represents revenues generated through the Pura Vida websites, www.puravidabracclets.com, www.puravidabracclets.eu, and www.puravidabracclets.ca, the distribution of Pura Vida-branded products to wholesale retailers, substantially all of which are located in the United States, as well as through its five retail stores.

### **Principles of Consolidation**

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

### **Fiscal Periods**

The Company utilizes a 52-53 week fiscal year ended on the Saturday closest to January 31. As such, fiscal years 2023, 2022, and 2021, ending on January 28, 2023, January 29, 2022, and January 30, 2021 respectively, each reflected a 52-week period.

## **2. Summary of Significant Accounting Policies**

### **Use of Significant Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (“GAAP”) requires management to make estimates and assumptions that affect the reported amounts of the Company’s assets, liabilities, revenues, and expenses, as well as the disclosures relating to contingent assets and liabilities at the date of the consolidated financial statements. Significant areas requiring the use of management estimates include the



**Vera Bradley, Inc.**  
**Notes to Consolidated Financial Statements**

valuation of inventories, valuation of long-lived assets, including operating right-of-use assets, valuation of goodwill and indefinite-lived intangible assets, accounts receivable valuation allowances, and sales return allowances. Actual results could differ from these estimates. The Company revises its estimates and assumptions as new information becomes available.

**Cash and Cash Equivalents**

Cash and cash equivalents represent cash on hand, deposits with financial institutions, and investments with an original maturity of three months or less.

**Inventories**

Inventories are stated at the lower of cost or net realizable value. Cost is determined using the first-in, first-out (“FIFO”) method. Appropriate consideration is given to obsolescence, excess quantities, and other factors, including the popularity of a pattern or product, in evaluating net realizable value. Substantially all inventory relates to finished goods.

**Property, Plant, and Equipment**

Property, plant, and equipment are carried at cost and depreciated or amortized over the following estimated useful lives using the straight-line method:

Buildings and building improvements .....	39.5 years
Land improvements .....	5 – 15 years
Furniture and fixtures, and leasehold improvements .....	3 – 10 years
Equipment .....	7 years
Vehicles .....	5 years
Computer equipment and software .....	3 – 5 years

The Company recognizes depreciation and amortization expense within cost of sales for expenditures related to distribution center, sourcing, and other related functions and selling, general, and administrative expenses for all other expenditures. Leasehold improvements are amortized over the shorter of the life of the asset or the lease term. Lease terms typically range from three to ten years.

When a decision is made to abandon property, plant, and equipment prior to the end of the previously estimated useful life, depreciation or amortization estimates are revised to reflect the use of the asset over the shortened estimated useful life. At the time of disposal, the cost of assets sold or retired and the related accumulated depreciation or amortization are removed from the accounts and any resulting loss is included in the Consolidated Statements of Operations.

Property, plant, and equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset groups may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows, which is at the retail store level for store-related assets. If the estimated undiscounted future cash flows related to the property, plant, and equipment and operating right-of-use assets are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, as further defined below in “Fair Value of Financial Instruments.”

Routine maintenance and repair costs are expensed as incurred.

The Company capitalizes certain costs incurred in connection with acquiring, modifying, and installing internal-use software. Capitalized costs are included in property, plant, and equipment and are amortized over three to five years. Software costs that do not meet capitalization criteria are expensed as incurred.

**Revenue Recognition and Accounts Receivable**

Vera Bradley and Pura Vida product sales to customers, including amounts billed to customers for shipping fees, as well as royalties from licensing arrangements related to the Vera Bradley brand, are included in net revenues. Costs related to shipping of product are classified in cost of sales in the Consolidated Statements of Operations. The Company has elected to treat shipping and handling activities that occur after the customer has obtained control of a good as an activity to fulfill

**Vera Bradley, Inc.**  
**Notes to Consolidated Financial Statements**

the promise to transfer the product rather than as an additional promised service. Net revenues exclude sales taxes collected from customers and remitted to governmental authorities from the transaction price.

Revenue from the sale of the Company's products is recognized when control of the promised goods or services is transferred to customers, in the amount that reflects the consideration the Company expects to be entitled to in exchange for those goods or services. Revenue is recognized using the five-step model. These steps are: (i) identify the contract with the customer; (ii) identify the performance obligations; (iii) determine the transaction price; (iv) allocate the transaction price to each performance obligation; and (v) recognize revenue as the performance obligations are satisfied.

The Company collects payment at the point of sale for Vera Bradley and Pura Vida full-line and factory outlet store transactions, upon shipment for Vera Bradley e-commerce transactions, and upon purchase for Pura Vida e-commerce transactions. The Company generally collects payment in arrears in accordance with established payment terms for each customer within the VB Indirect segment and for Pura Vida wholesale retailers.

Historical experience provides the Company the ability to reasonably estimate the amount of product sales that customers will return. Product returns are often resalable through multiple channels. Additionally, the Company reserves for customer allowances for certain VB Indirect retailers based upon various contract terms and other potential product credits granted to VB Indirect retailers.

The returns and credits reserve and the related activity for each fiscal year presented were as follows (in thousands):

	Balance at Beginning of Year	Provision Charged to Net Revenues	Allowances Taken / Written Off	Balance at End of Year
Fiscal year ended January 28, 2023	\$ 1,582	\$ 12,320	\$ (12,101)	\$ 1,801
Fiscal year ended January 29, 2022	1,714	17,043	(17,175)	1,582
Fiscal year ended January 30, 2021	1,362	14,284	(13,932)	1,714

The Company establishes an allowance for doubtful accounts based on historical experience and customer-specific identification and believes that collections of receivables, net of the allowance for doubtful accounts, are reasonably assured. The allowance for doubtful accounts was approximately \$0.8 million and \$1.2 million as of January 28, 2023 and January 29, 2022, respectively. The provision for doubtful accounts is based upon the likelihood of default expected during the life of the receivable.

### **Cost of Sales**

Cost of sales includes material and labor costs, freight, inventory shrinkage, operating lease costs, duty, and other operating expenses, including depreciation of the Vera Bradley distribution center and equipment. Costs and related expenses to purchase and distribute the products are recorded as cost of sales when the related revenues are recognized.

### **Operating Leases**

The Company recognizes lease liabilities at the lease commencement date based upon the present value of the remaining lease payments. Operating right-of-use assets are based on the lease liability adjusted for prepaid rent, deferred rent, and tenant allowances received from certain of the Company's landlords, primarily for its retail store locations.

Operating lease liabilities are amortized based upon the effective interest method. Operating right-of-use assets are amortized based upon the straight-line lease expense less interest on the lease liability. Operating lease expense is recognized on a straight-line basis over the lease term. Variable rent expense is recognized in the period incurred.

Operating right-of-use assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable. The reviews are conducted at the lowest identifiable level of cash flows, which is at the retail store level for store-related assets. If the estimated undiscounted future cash flows related to the operating right-of-use assets are less than the carrying value, the Company recognizes a loss equal to the difference between the carrying value and the fair value, as further defined below in "Fair Value of Financial Instruments."

Refer to Note 4 herein for additional information regarding the Company's leases.

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**Store Pre-Opening, Occupancy, and Operating Costs**

The Company charges costs associated with the opening of new stores to selling, general, and administrative expenses as incurred. Selling, general, and administrative expenses also include store operating costs, store employee compensation, and store occupancy and supply costs.

**Business Combination**

In connection with a business combination, the Company records the identifiable assets acquired, liabilities assumed, contingent consideration liabilities, if any, and any noncontrolling interest in the acquiree at their acquisition-date fair values. Goodwill is measured indirectly as the excess of the sum of (1) the consideration transferred (including contingent consideration, if any) and (2) the fair value of any noncontrolling interest in the acquiree over the net assets acquired and liabilities assumed. Refer to Note 14 herein for additional information regarding the noncontrolling interest in Pura Vida as of January 28, 2023.

These fair value assessments require management judgment and include the use of significant estimates and assumptions including future cash flows, discount and other market rates, and asset lives, among other items.

**Goodwill and Other Intangible Assets**

Upon an acquisition, the Company records the fair value of goodwill and the identifiable intangible assets. As of January 28, 2023 the identifiable intangible assets consisted of the Pura Vida brand and customer relationships. As of January 29, 2022 the balance also included non-competition agreements. Assets that are determined to have an indefinite life, including goodwill and the Pura Vida brand, are not amortized but are assessed for impairment at least annually or whenever events or circumstances indicate that the goodwill may be impaired. Definite-lived intangible assets, including customer relationships and non-competition agreements, are amortized over their estimated useful lives and are also subject to impairment testing, similar to the Company's long-lived assets.

The Company performs its annual goodwill and Pura Vida brand impairment test during the second quarter. The Company may first use a qualitative analysis to determine whether it is more-likely-than-not that the fair value of the reporting unit (including goodwill) is less than its carrying value. If it is determined that it is more-likely-than-not that the fair value is less than the carrying value after this analysis, a quantitative impairment test is performed. If the Company elects to bypass the qualitative analysis, or if it is determined through the qualitative analysis that it is more-likely-than-not that the fair value of the reporting unit is less than its carrying value, a quantitative analysis is performed. Under the quantitative test, the fair value of the reporting unit is compared with its carrying value (including goodwill). If the carrying value of the reporting unit exceeds its fair value, an impairment loss is recognized in an amount equal to that excess, limited to the amount of total goodwill allocated to the reporting unit. The fair value of the reporting unit is determined using an income-based approach and a market-based approach. The Company's critical estimates for the goodwill test include the revenue growth rate, operating profit, and discount rate. The fair value of the Pura Vida brand is estimated using the relief-from-royalty method. The critical estimates for the Pura Vida brand impairment test include the projected revenue growth, long-term growth rate, the royalty rate, and the discount rate.

As of January 28, 2023, the carrying value of the Pura Vida brand was \$11.7 million. Goodwill was fully impaired during fiscal 2023 leaving no balance. For the annual impairment analysis performed during fiscal 2023, the Company performed a quantitative analysis, as well as subsequent analyses due to triggering events, further described in Note 15 herein. There were impairment charges recorded of \$44.3 million and \$25.0 million during fiscal 2023 for goodwill and the Pura Vida brand, respectively.

The estimated fair value of the Pura Vida brand is subject to change as a result of many factors including changing economic conditions. Should actual cash flows and our future estimates deteriorate from the estimates we used, impairment charges may be necessary in future years.

**Redeemable Noncontrolling Interest**

On July 16, 2019, as contemplated by the Interest Purchase Agreement, the Company and certain of its subsidiaries and the owners of the remaining twenty-five percent (25%) ownership interest in Pura Vida (the "Sellers") which was not acquired by the Company (the "Remaining Pura Vida Interest") entered into a Put/Call Agreement (the "Put/Call Agreement"). Pursuant to the Put/Call Agreement, and subject to the terms and conditions thereof, the Sellers have the right to sell all of the Remaining Pura Vida Interest to the Company, and the Company has the right to purchase all of the Remaining Pura

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Vida Interests from Sellers, in each case generally at any time following the fifth anniversary of the closing date of the transaction until the tenth anniversary thereof. The purchase price for any Remaining Pura Vida Interest put to, or called by, the Company will be determined based on the arithmetic average of a multiple of adjusted EBITDA of Pura Vida and a multiple of adjusted EBITDA of the Company, as defined in the Put/Call Agreement, over the twelve-month period ending on the last day of the month immediately preceding the month in which an exercise notice is delivered by a relevant party. In the event of a change in control of the Company, the parties may exercise a portion of their put and call rights prior to the fifth anniversary of the closing date (as defined in the Put/Call Agreement).

As a result of this redemption feature, the Company recorded the noncontrolling interest as redeemable and classified it in temporary equity within its Consolidated Balance Sheets initially at its acquisition-date fair value. The noncontrolling interest is adjusted each reporting period for income (or loss) attributable to the noncontrolling interest. A measurement period adjustment, if any, is then made to adjust the noncontrolling interest to the higher of the redemption value or carrying value each reporting period. These adjustments are recognized through retained earnings and are not reflected in net income or net income attributable to Vera Bradley, Inc. When calculating earnings per share attributable to Vera Bradley, Inc., the Company adjusts 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. The fair value of the noncontrolling interest is estimated using a combination of the income approach, a discounted cash flow analysis, and the market approach, utilizing the guideline company method. The reporting unit's discounted cash flow analysis requires significant management judgment with respect to revenue, total direct costs, selling, general, and administrative expenses, capital expenditures, and the selection and use of an appropriate discount rate. The projected revenue and expense assumptions and capital expenditures are based on our annual and long-term business plans. Discount rates reflect market-based estimates of the risks associated with the projected cash flows directly resulting from the use of those assets in operations.

#### *Subsequent Event*

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 Pura Vida. The closing date of the Transaction was January 30, 2023 (fiscal 2024).

Pursuant to the Interest Purchase Agreement, and subject to the terms and conditions thereof, on the closing date, the Company indirectly acquired the Remaining Pura Vida Interests (the "Transaction") in exchange for cash consideration consisting of approximately \$10 million payable 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 one hundred percent (100%) of the ownership interests in Pura Vida. The Interest Purchase Agreement also includes certain non-competition and customer, supplier and employee non-solicitation and non-interference covenants from the Sellers in favor of the Company during the four-year period beginning on the closing date of the Transaction.

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.

#### **Stock-Based Compensation**

The Company accounts for stock-based compensation using the fair-value recognition provisions of ASC 718, *Stock Compensation*. Under these provisions, for its awards of restricted stock and restricted-stock units, the Company recognizes stock-based compensation expense in an amount equal to the fair market value of the underlying stock on the grant date of the respective award. The Company recognizes this expense, net of estimated forfeitures, on a straight-line basis over the requisite service period.

#### **Advertising Costs**

The Company expenses advertising costs at the time the promotion first appears in media, in stores, or on its websites, and includes those costs in selling, general, and administrative expenses in the Consolidated Statements of Operations.

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Total advertising expense was as follows (in thousands):

Fiscal year ended January 28, 2023	\$ 54,941
Fiscal year ended January 29, 2022	61,223
Fiscal year ended January 30, 2021	54,571

**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 Consolidated Balance Sheets for cash and cash equivalents, accounts receivable, and accounts payable as of January 28, 2023 and January 29, 2022, approximated their fair values.

The following table details the fair value measurements of the Company’s investments as of January 28, 2023 and January 29, 2022 (in thousands):

	Level 1		Level 2		Level 3	
	January 28, 2023	January 29, 2022	January 28, 2023	January 29, 2022	January 28, 2023	January 29, 2022
Cash equivalents <sup>(1)</sup>	\$ 360	\$ 2,856	\$ —	\$ —	\$ —	\$ —

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

The Company assesses potential impairments to its long-lived assets, which includes property, plant, and equipment and lease right-of-use assets, on a quarterly basis or whenever events or circumstances indicate that the carrying amount of an asset may not be recoverable. Store-level assets and right-of-use assets are grouped at the individual store-level for the purpose of the impairment assessment. Recoverability of an asset group is measured by a comparison of the carrying amount of an asset group to its estimated undiscounted future cash flows expected to be generated by the asset group. If the carrying amount of the asset group exceeds its estimated undiscounted future cash flows, an impairment charge is recognized as the amount by which the carrying amount of the asset group exceeds the fair value of the asset group. The fair value of the store assets is determined using the discounted future cash flow method of anticipated cash flows through the store’s lease-end date using fair value measurement inputs classified as Level 3. The fair value of right-of-use assets is estimated using market comparative information for similar properties. Level 3 inputs are derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable. The Company recorded \$1.4 million, \$0.1 million, and \$7.4 million in impairment charges primarily related to store assets including property, plant, and equipment and lease right-of-use assets during the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021, respectively.

Assets recognized or disclosed at fair value on the consolidated financial statements on a nonrecurring basis include items such as property, plant, and equipment, including leasehold improvements, and operating lease assets, as well as assets related to the Pura Vida acquisition including goodwill and intangible assets. These assets are measured at fair value if determined to be impaired. Refer to Note 15 herein regarding the Pura Vida brand and goodwill impairment test and fiscal 2023 impairment charges.

The discounted cash flow models used to estimate the applicable fair values involve numerous estimates and assumptions that are highly subjective. Changes to these estimates and assumptions could materially impact the fair value estimates. The estimates and assumptions critical to the overall fair value estimates include: (1) estimated future cash flow generated at the



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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.

**Income Taxes**

The Company accrues income taxes payable or refundable and recognizes deferred tax assets and liabilities based on differences between the book and tax bases of assets and liabilities. The Company measures deferred tax assets and liabilities using enacted rates in effect for the years in which the differences are expected to reverse, and recognizes the effect of a change in enacted rates in the period of enactment.

When measuring deferred tax assets, the Company considers both positive and negative evidence to determine whether it is more likely than not that the deferred tax assets will be realized. This evidence includes recent operating results, projected future taxable income, the reversal of existing taxable differences, tax planning strategies, among other factors. When necessary, a valuation allowance is recorded to reduce the deferred tax assets to their anticipated realizable value.

The Company establishes liabilities for uncertain positions taken or expected to be taken in income tax returns, using a more-likely-than-not recognition threshold. The Company includes in income tax expense any interest and penalties related to uncertain tax positions.

**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 in the same line item within the Company's Consolidated Statements of Operations as the related hosting fees. The balance of the unamortized CCA implementation costs totaled \$6.4 million and \$8.0 million as of January 28, 2023 and January 29, 2022, respectively. Of this total, \$3.0 million and \$2.8 million was recorded within prepaid expenses and other current assets and \$3.4 million and \$5.2 million was recorded within other assets on the Company's Consolidated Balance Sheets as of January 28, 2023 and January 29, 2022, respectively. The CCA implementation costs are recorded within operating activities in the Company's Consolidated Statements of Cash Flows.

**Recently Issued Accounting Pronouncements**

There were no new accounting pronouncements issued or which became effective during fiscal 2023 which had, or are expected to have, a significant impact on the Company's Consolidated Financial Statements.



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**3. Revenue from Contracts with Customers**

**Disaggregation of Revenue**

The following presents the Company's net revenues disaggregated by product category for the fifty-two weeks ended January 28, 2023, January 29, 2022, and January 30, 2021 (in thousands):

<i>Product categories</i>	Fifty-Two Weeks Ended			
	January 28, 2023			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Bags	\$ 131,432	\$ 38,587	\$ 1,249	\$ 171,268
Travel	79,585	14,283	—	93,868
Accessories	58,932	10,312	90,743	159,987
Home	38,040	4,233	—	42,273
Apparel/Footwear <sup>(6)</sup>	12,701	2,236	3,844	18,781
Other	7,541 (1)	3,665 (2)	2,578 (3)	13,784
Total net revenues	<u>\$ 328,231</u> (4)	<u>\$ 73,316</u> (5)	<u>\$ 98,414</u> (4)	<u>\$ 499,961</u>

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

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

(3) Related to freight.

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

(5) \$70.7 million of net revenues related to product sales recognized at a point in time and \$2.6 million of net revenues related to sales-based royalties recognized over time.

(6) Includes mask sales.

<i>Product categories</i>	Fifty-Two Weeks Ended			
	January 29, 2022			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
Bags	\$ 138,910	\$ 33,125	\$ 974	\$ 173,009
Travel	82,507	12,150	—	94,657
Accessories	65,219	10,021	111,248	186,488
Home	41,987	4,416	—	46,403
Apparel/Footwear <sup>(6)</sup>	18,592	2,406	4,110	25,108
Other	7,660 (1)	3,883 (2)	3,245 (3)	14,788
Total net revenues	<u>\$ 354,875</u> (4)	<u>\$ 66,001</u> (5)	<u>\$ 119,577</u> (4)	<u>\$ 540,453</u>

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

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

(3) Related to freight.

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

(5) \$63.1 million of net revenues related to product sales recognized at a point in time and \$2.9 million of net revenues related to sales-based royalties recognized over time.

(6) Includes mask sales.

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	Fifty-Two Weeks Ended			
	January 30, 2021			
	VB Direct Segment	VB Indirect Segment	Pura Vida Segment	Total
<i>Product categories</i>				
Bags	\$ 105,197	\$ 26,732	\$ —	\$ 131,929
Travel	59,606	12,191	—	71,797
Accessories	49,578	8,207	106,547	164,332
Home	31,819	2,253	—	34,072
Apparel/Footwear <sup>(6)</sup>	36,762	13,416	1,857	52,035
Other	6,312 (1)	3,718 (2)	4,077 (3)	14,107
Total net revenues	<u>\$ 289,274 (4)</u>	<u>\$ 66,517 (5)</u>	<u>\$ 112,481 (4)</u>	<u>\$ 468,272</u>

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

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

(3) Related to freight.

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

(5) \$63.5 million of net revenues related to product sales recognized at a point in time and \$3.0 million of net revenues related to sales-based royalties recognized over time.

(6) Includes mask sales.

### Contract Balances

Contract liabilities as of January 28, 2023 and January 29, 2022, were \$3.2 million and \$3.9 million, respectively. The balance 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 Consolidated Balance Sheets. Substantially all contract liabilities are recognized within one year. The Company did not have contract assets as of January 28, 2023 and January 29, 2022.

The balance for accounts receivable from contracts with customers, net of allowances, as of January 28, 2023 and January 29, 2022 was \$20.7 million and \$18.1 million, respectively, which is recognized within accounts receivable, net, on the Company's Consolidated Balance Sheets. The provision for doubtful accounts was \$0.8 million and \$1.2 million as of January 28, 2023 and January 29, 2022, 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 January 28, 2023.

### Significant Judgments

#### Product Sales

In the Vera Bradley and Pura Vida retail stores (recognized within the VB Direct segment and the Pura Vida segments), control is transferred and net revenue is recognized at the point of sale. Product shipments for the Company's e-commerce channels (recognized within the VB Direct and Pura Vida segments) and shipments to its wholesale retailers (recognized within the VB Indirect segment and Pura Vida segment) are generally shipped Free on Board ("FOB") shipping point typically from its distribution center in Roanoke, Indiana, for Vera Bradley products and primarily from its third-party fulfillment center in Tijuana, Mexico for Pura Vida products. Net revenue is recognized upon shipment consistent with

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when control is transferred to the customer. Upon shipment, the customer has the right to direct the use of, and obtain substantially all of the benefits from, the product.

*Licensing Royalties*

The Company grants rights to access its Vera Bradley IP and accounts for any resulting sales-based royalty revenue over time, as the subsequent sales occur. The Company has contractually guaranteed minimum royalties in certain of its sales-based royalty arrangements which are recognized straight-line over the remaining license period once determined that the minimum sales level will not be achieved. Licensing royalties are recognized within VB Indirect segment net revenues.

*Transaction Price and Amounts Allocated to Performance Obligations*

The transaction price is the amount of consideration the Company expects to be entitled to in a sales transaction. The transaction price is net of discounts, estimated variable consideration (if any), and any customer allowances offered or estimated, including those offered to certain Indirect retailers based on various contract terms. The transaction price also is net of allowances for product returns, which the Company is able to reasonably estimate based upon historical experience. The transaction price is allocated to each performance obligation in the contract based upon the standalone selling price.

**Contract Costs**

Sales commissions are paid to certain employees based upon specific sales achieved during a time period. As the Company's contracts related to these sales commissions do not exceed one year, these incentive payments are expensed as incurred.

**Other Practical Expedients**

*Significant Financing Components*

The Company does not adjust for the time value of money as the majority of its contracts have an original expected duration of one year or less; contracts that are greater than one year are related to net revenues that are constrained until the subsequent sales occur. The net revenues associated with these contracts are immaterial, and the Company does not adjust for the time value of money.

**Concentration of Credit Risk**

Five customers represented nearly 50.0% of the balance of accounts receivable, net as of January 28, 2023.

**4. Leases**

**Nature of Leases**

The Company has operating leases at all of its Vera Bradley and Pura Vida retail stores, as well as for its New York office, the California Pura Vida office, Asia sourcing office, and showrooms. The Company also has operating leases for storage spaces. The Company does not have residual value guarantees, restrictions, or covenants imposed by leases.

**Determination of Lease Terms**

Retail store leases have remaining terms of up to 10 years as of January 28, 2023. These leases generally have early termination rights when certain sales thresholds are not met for a specified measurement period. The Company's other leases have remaining terms of up to approximately four years as of January 28, 2023. If the lease contains a renewal period at the Company's option, the renewal period is included in the lease term if determined the option is reasonably certain to be exercised at lease commencement. The Company's lease options generally do not include termination rights other than those mentioned. The Company did not have financing leases as of January 28, 2023.

**Variable Rental Payments**

All of the Company's retail store leases contain variable rental payments when the retail store's sales exceed a specified breakpoint. In addition, the majority of the Company's leases contain real estate taxes, common area maintenance, and similar items that are billed as pass-through charges from its landlords. These rental payments are not included in the measurement of the lease liability, but are recognized as variable lease cost in the period incurred.

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Certain of the Company's leases also contain lease components with increases based upon an index or rate. These lease components are included on the Company's balance sheet at the rate as of lease commencement. Future changes in the index or rate will generally be included as variable lease cost.

**Significant Judgments and Assumptions**

*Determination of Whether a Contract Contains a Lease*

The Company determines whether a contract is or contains a lease at the inception of the contract. The contract is, or contains, a lease if the contract conveys the right to control the use of identified property, plant, or equipment for a period of time in exchange for consideration. The Company generally must also have the right to obtain substantially all of the economic benefits from use of the property, plant, and equipment and have the right to direct its use.

*Discount Rate*

The weighted-average discount rate as of January 28, 2023 and January 29, 2022, was 4.6% and 4.7%, respectively. The discount rate is not readily determinable in the lease; therefore, the Company estimated the incremental borrowing rate, at the commencement or remeasurement 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 January 28, 2023, the Company had two leases which were executed but did not have control of the underlying assets; therefore, the lease liability and right-of-use asset are not recorded on the Condensed Consolidated Balance Sheet. These leases contain undiscounted lease payments, which will be included in the determination of the lease liability, totaling approximately \$5.1 million and have terms of approximately 10 years commencing in fiscal year 2024.

**Practical Expedients (Policy Elections)**

The Company has elected the following practical expedients as policy elections upon the adoption of ASC Topic 842.

<b>Short-Term Leases</b>	The Company elected to exclude leases with a term of 12 months or less from recognition on the balance sheet for all leases.
<b>Not Separating Lease and Nonlease Components</b>	The Company elected to combine lease and nonlease components and recognize as a single lease component for all leases.

**Amounts Recognized in the 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 Consolidated Statements of Operations for the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021 (in thousands):

	Fifty-Two Weeks Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Operating lease cost	\$ 25,118	\$ 25,200	\$ 26,112
Variable lease cost	5,975	7,560	5,821
Short-term lease cost	476	515	445
Less: Sublease income <sup>(1)</sup>	(234)	—	—
<b>Total lease cost</b>	<b>\$ 31,335</b>	<b>\$ 33,275</b>	<b>\$ 32,378</b>

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

The weighted-average remaining lease term as of January 28, 2023 and January 29, 2022 was 5.4 years and 5.3 years, respectively.

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

	Fifty-Two Weeks Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Cash paid for amounts included in the measurement of operating lease liabilities <sup>(1)</sup>	\$ 30,014	\$ 33,517	\$ 27,180
Right-of-use assets increase as a result of new and modified operating lease liabilities, net	\$ 20,379	\$ 11,584	\$ 1,268

(1) \$2.5 million of lease liabilities were recorded within accounts payable on the Company's Consolidated Balance Sheets as of January 30, 2021, and were paid in the first quarter of fiscal 2022.

**Maturity Analysis of Operating Lease Liabilities**

Maturities of the Company's operating lease liabilities (undiscounted) reconciled to its lease liability as of January 28, 2023 were as follows (in thousands):

	Operating Leases
Fiscal 2024	\$ 23,650
Fiscal 2025	22,290
Fiscal 2026	17,099
Fiscal 2027	12,908
Fiscal 2028	9,629
Thereafter	21,974
Total remaining obligations	107,550
Less: Interest	(13,172)
Present value of lease liabilities	\$ 94,378

**5. Property, Plant, and Equipment**

Property, plant, and equipment consisted of the following (in thousands):

	January 28, 2023	January 29, 2022
Land and land improvements	\$ 5,981	\$ 5,981
Building and building improvements	46,276	46,233
Furniture, fixtures, leasehold improvements, computer equipment and software	86,180	88,097
Equipment and vehicles	28,528	27,893
Construction in progress	489	733
	167,454	168,937
Less: Accumulated depreciation and amortization	(108,780)	(108,996)
Property, plant, and equipment, net	\$ 58,674	\$ 59,941

Depreciation and amortization expense associated with property, plant, and equipment, excluding impairment charges (in thousands):

Fiscal year ended January 28, 2023	\$ 8,854
Fiscal year ended January 29, 2022	9,315
Fiscal year ended January 30, 2021	13,483

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**6. Debt**

As of January 28, 2023 and January 29, 2022, the Company had no borrowings outstanding and availability of \$75.0 million under its Credit Agreement.

*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. Any proceeds of the credit facilities will be used to finance general corporate purposes of VBD and its subsidiaries, including but not limited to Vera Bradley International, LLC and Vera Bradley Sales, LLC (collectively, the “Named Subsidiaries”). The Credit Agreement also contains an option for VBD to arrange with lenders to increase the aggregate principal amount by up to \$25.0 million.

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

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

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

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

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

Any commitments made under the Credit Agreement mature on September 7, 2023. There were no material fees or expenses associated with the Credit Agreement.



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**7. Income Taxes**

The components of the income tax (benefit) expense were as follows (in thousands):

	January 28, 2023	January 29, 2022	January 30, 2021
<b>Current:</b>			
Federal	\$ 680	\$ 5,923	\$ (4,644)
Foreign	562	279	268
State	803	555	1,423
	<u>2,045</u>	<u>6,757</u>	<u>(2,953)</u>
<b>Deferred:</b>			
Federal	(15,517)	(1,300)	4,794
State	(2,168)	973	(668)
	<u>(17,685)</u>	<u>(327)</u>	<u>4,126</u>
Total income tax (benefit) expense	<u>\$ (15,640)</u>	<u>\$ 6,430</u>	<u>\$ 1,173</u>

A breakdown of the Company's (loss) income before income taxes is as follows (in thousands):

	January 28, 2023	January 29, 2022	January 30, 2021
Domestic	\$ (98,539)	\$ 24,881	\$ 10,151
Foreign	3,515	1,767	1,711
Total (loss) income before income taxes	<u>\$ (95,024)</u>	<u>\$ 26,648</u>	<u>\$ 11,862</u>

A reconciliation of the income tax (benefit) expense to the amount computed at the federal statutory rate is as follows (in thousands):

	January 28, 2023		January 29, 2022		January 30, 2021	
Federal taxes at statutory rate	\$ (19,955)	21.0 %	\$ 5,596	21.0 %	\$ 2,491	21.0 %
State and local income taxes, net of federal benefit	(1,063)	1.1	1,175	4.4	598	5.0
Impact related to redeemable noncontrolling interest	4,126	(4.3)	(508)	(1.9)	(419)	(3.5)
Shortfall from stock-based compensation	271	(0.3)	(472)	(1.8)	597	5.0
Impact of foreign rate differential	(167)	0.2	(82)	(0.3)	211	1.8
Change in uncertain tax positions	(15)	—	32	0.1	(2)	—
Benefits provided by the CARES Act	—	—	—	—	(2,793)	(23.5)
Non-deductible executive compensation	1,150	(1.2)	471	1.8	246	2.1
Other	13	—	218	0.8	244	2.0
Total income tax (benefit) expense	<u>\$ (15,640)</u>	<u>16.5 %</u>	<u>\$ 6,430</u>	<u>24.1 %</u>	<u>\$ 1,173</u>	<u>9.9 %</u>

For the tax year ending January 30, 2021, the effective tax rate reflects the favorable impact of the Coronavirus Aid, Relief and Economic Security ("CARES") Act, enacted on March 27, 2020. The Company realized a \$2.8 million tax benefit related to the net operating loss carryback provisions of the CARES Act.

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Deferred income taxes reflect the net tax effects of temporary differences between the book and tax bases of assets and liabilities. Significant components of deferred tax assets and liabilities were as follows (in thousands):

	January 28, 2023	January 29, 2022
Deferred tax assets:		
Operating lease liabilities	\$ 25,262	\$ 27,317
Compensation and benefits	2,602	2,807
Inventories	2,298	1,637
Investment in subsidiary	14,595	826
Other	1,519	2,041
Subtotal deferred tax assets	46,276	34,628
Less: valuation allowances	(48)	(48)
Total deferred tax assets	46,228	34,580
Deferred tax liabilities:		
Operating lease assets	(19,858)	(21,043)
Property, plant, and equipment	(2,966)	(6,056)
Other	(1,862)	(3,624)
Total deferred tax liabilities	(24,686)	(30,723)
Net deferred tax assets	\$ 21,542	\$ 3,857

The Company considered both positive and negative evidence to determine whether it was more likely than not that some, or all, of the deferred tax assets would not be realized in its valuation allowance assessment. Based on this assessment, the Company recorded immaterial valuation allowances as of January 28, 2023 and January 29, 2022

*Uncertain Tax Positions*

A reconciliation of the beginning and ending gross amount of unrecognized tax benefits (excluding interest and penalties) is as follows (in thousands):

	January 28, 2023	January 29, 2022	January 30, 2021
Beginning balance	\$ 92	\$ 55	\$ 59
Net increases in unrecognized tax benefits as a result of current year activity	2	37	—
Lapse of statute of limitations	(21)	—	(4)
Ending balance	\$ 73	\$ 92	\$ 55

As of January 28, 2023, \$0.1 million of total unrecognized tax benefits, net of federal benefit, would, if recognized, favorably affect the effective tax rate in future periods. Total unrecognized tax benefits are currently not expected to decrease by a significant amount in the next twelve months. The Company recognized an immaterial amount of interest only, no penalties, related to unrecognized tax benefits in the fiscal years ended January 29, 2022, February 1, 2020, and February 2, 2019. Unrecognized tax benefits are included within other long-term liabilities in the Company's Consolidated Balance Sheets.

The Company files income tax returns in the U.S. federal jurisdiction and various U.S. state and foreign jurisdictions. The Company is subject to U.S. federal income tax examinations for fiscal years 2020 and forward. With a few exceptions, the Company is subject to audit by various state and foreign taxing authorities for fiscal 2019 through the current fiscal year.

**8. Stock-Based Compensation**

The Company's stock-based compensation consists of awards of restricted stock and restricted stock units. The Company recognized stock-based compensation expense of \$3.2 million, \$4.9 million, and \$5.7 million in the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021, respectively.

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*Awards of Restricted-Stock Units*

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

During the fiscal year ended January 28, 2023, the Company granted a total of 1,652,898 time-based and performance-based restricted stock units to certain employees and non-employee directors under the 2020 Equity and Incentive Plan with an aggregate fair value of \$9.3 million. The Company determined the fair value of the units based on the closing price of the Company's common stock on the grant date.

The majority of 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 unit awards issued to non-employee directors vest after a one-year period from the grant date. The Company recognizes the expense relating to these awards, net of estimated forfeitures, on a straight-line basis over the vesting period.

The majority of 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 the three-year performance period 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 and based on the probable outcome of achievement of the financial targets, on a straight-line basis over the vesting period.

The following table summarizes information about restricted-stock units as of and for the year ended January 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 29, 2022	855	\$ 7.43	708	\$ 7.95
Granted	992	5.60	661	5.62
Change due to performance condition achievement	—	—	(159)	6.56
Vested	(442)	7.73	(174)	13.10
Forfeited	(440)	6.70	(513)	6.92
Nonvested units outstanding at January 28, 2023	965	\$ 5.74	523	\$ 4.71

As of January 28, 2023, there was \$4.4 million of total unrecognized compensation cost, net of estimated forfeitures, related to nonvested restricted stock units. That cost is expected to be recognized over a weighted average period of 1.9 years, subject to meeting performance conditions. The total fair value of restricted stock units for which restrictions lapsed (vested) during fiscal 2023 was \$4.4 million.

**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 the aggregate, to have a material adverse effect on the Company's financial condition, results of operations, or cash flows of a particular reporting period.

In August of 2019, Vesi Incorporated ("Vesi") filed suit against the Company in the U.S. District Court for the Southern District of Ohio related to the Company's licensing business and alleging breach of fiduciary duty, unfair competition, defamation, and tortious interference with prospective business relationships. The complaint seeks damages in an amount not less than \$10.0 million for punitive damages, attorney fees, prejudgment interest, and any other additional relief. The Company has denied any liability and intends to vigorously defend itself in the case. In November 2019, the Company filed

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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 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 has appealed this decision. At this time, we are not able to estimate a possible loss or range of loss that may result from this matter or to determine whether such loss, if any, would have a material adverse effect on our financial condition or results of operations due to the fact that the Company is vigorously defending itself and management believes that the Company has a number of meritorious legal defenses.

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**10. 401(k) Profit Sharing Plan and Trust**

The Company has a 401(k) profit sharing plan and trust for all qualified employees and provides a 100% match for the first 3% of employee contributions and a 50% match for the next 2% of employee contributions, for a maximum Company match of 4% of employee contributions, limited to the annual legal allowable limit. Additionally, the Company has the option of making discretionary profit sharing payments to the plan as approved by the board of directors. As of January 28, 2023, January 29, 2022, and January 30, 2021, no discretionary profit sharing payments had been approved. The 401(k) contribution match was temporarily suspended beginning in March 2020 as a result of the COVID-19 pandemic and resumed in January 2021. The Company recognizes 401(k) Company contributions within cost of sales for employees related to distribution center, sourcing, and other related functions and selling, general, and administrative expenses for all other employees. Total Company contributions to the plan were as follows (in thousands):

Fiscal year ended January 28, 2023	\$	1,854
Fiscal year ended January 29, 2022		1,929
Fiscal year ended January 30, 2021		723

**11. Related-Party Transactions**

*Charitable Contributions.* The Vera Bradley Foundation for Breast Cancer (the “Foundation”) was founded by one of the Company’s directors, who is also on the board of directors of the Foundation. The liability associated with commitments to the Foundation was approximately \$0.1 million as of January 28, 2023 and January 29, 2022. The liability consisted of pass-through donations from customers and is included in other accrued liabilities in the Consolidated Balance Sheets.

The associated expense for contributions to the Foundation, which is included in selling, general, and administrative expenses, was as follows (in thousands):

Fiscal year ended January 28, 2023	\$	191
Fiscal year ended January 29, 2022		160
Fiscal year ended January 30, 2021		53

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**12. Earnings Per Share**

Basic net (loss) income per share is computed based on the weighted-average number of shares of common stock outstanding during the period. Diluted net income per share is computed based on the weighted-average number of shares of common stock plus the effect of dilutive potential common shares outstanding during the period using the treasury stock method. Dilutive potential common shares include outstanding restricted stock and restricted-stock units. The components of basic and diluted net (loss) income per share are as follows (in thousands, except per share data):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
<i>Numerator:</i>			
Net (loss) income	\$ (79,384)	\$ 20,218	\$ 10,689
Less: Net (loss) income attributable to redeemable noncontrolling interest	(19,649)	2,380	2,008
Net (loss) income attributable to Vera Bradley, Inc.	<u>\$ (59,735)</u>	<u>\$ 17,838</u>	<u>\$ 8,681</u>
<i>Denominator:</i>			
Weighted-average number of common shares (basic)	31,503	33,785	33,390
Dilutive effect of stock-based awards	—	652	524
Weighted-average number of common shares (diluted)	<u>31,503</u>	<u>34,437</u>	<u>33,914</u>
<i>Net (loss) income per share attributable to Vera Bradley, Inc.:</i>			
Basic	\$ (1.90)	\$ 0.53	\$ 0.26
Diluted	\$ (1.90)	\$ 0.52	\$ 0.26

As of January 28, 2023, all potential common shares were excluded from the diluted share calculation because they were anti-dilutive due to the net loss in the period.

As of January 29, 2022 and January 30, 2021, 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. The diluted share calculations include performance-based restricted stock units for completed performance periods.

**13. Common Stock**

On November 29, 2018, the Company's board of directors approved a share repurchase plan (the "2018 Share Repurchase Program") authorizing up to \$50.0 million of repurchases of shares of the Company's common stock. On December 3, 2020, the 2018 Share Repurchase Program was extended through December 11, 2021. On March 20, 2020, the Company temporarily suspended the share repurchase program to conserve cash as a result of the COVID-19 pandemic. The board of directors authorized the resumption of the share repurchase program beginning on March 11, 2021.

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 went into effect beginning December 13, 2021 and expires in December 2024.

During the fiscal year ended January 28, 2023, the Company purchased and held 2,820,949 shares at an average price of \$6.40 per share, excluding commissions, for an aggregate amount of \$18.1 million, under the 2021 Share Repurchase Programs.

During the fiscal year ended January 29, 2022, the Company purchased and held 865,534 shares at an average price of \$8.94 per share, excluding commissions, for an aggregate amount of \$7.7 million, under the 2018 and 2021 Share Repurchase Programs.



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During the fiscal year ended January 30, 2021, the Company purchased and held 381,835 shares at an average price of \$7.60 per share, excluding commissions, for an aggregate amount of \$2.9 million, under the 2018 Share Repurchase Program.

As of January 28, 2023, there was \$27.7 million remaining available to repurchase shares of the Company's common stock under the 2021 Share Repurchase Program.

As of January 28, 2023, the Company held as treasury shares 12,079,690 shares of its common stock at an average price of \$11.00 per share, excluding commissions, for an aggregate carrying amount of \$132.9 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.

**14. Redeemable Noncontrolling Interest**

Redeemable noncontrolling interest represents the remaining twenty-five percent (25%) interest in Pura Vida not acquired by the Company. On January 30, 2023, subsequent to the end of fiscal 2023, the Company purchased the remaining 25% interest in Pura Vida. Refer to Note 2 herein for additional information.

Changes in redeemable noncontrolling interest for the fifty-two weeks ended January 28, 2023, January 29, 2022, and January 30, 2021 were as follows (in thousands):

<b>Balance at February 1, 2020</b>	<b>\$ 30,049</b>
Net income attributable to redeemable noncontrolling interest	2,008
Distributions to redeemable noncontrolling interest	(1,817)
Adjustment to redemption value	(431)
<b>Balance at January 30, 2021</b>	<b>\$ 29,809</b>
Net income attributable to redeemable noncontrolling interest	2,380
Distributions to redeemable noncontrolling interest	(1,215)
<b>Balance at January 29, 2022</b>	<b>\$ 30,974</b>
Net loss attributable to redeemable noncontrolling interest	(19,649)
Distributions to redeemable noncontrolling interest	(613)
<b>Balance at January 28, 2023</b>	<b>\$ 10,712</b>

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**15. 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.

<i>in thousands</i>	January 28, 2023		
	Gross Basis	Accumulated Amortization <sup>(1)</sup>	Carrying Amount
<i>Definite-lived intangible assets</i>			
Customer Relationships	\$ 24,208	\$ (19,956)	\$ 4,252
Non-competition Agreements	788	(788)	—
Total definite-lived intangible assets	24,996	(20,744)	4,252
<i>Indefinite-lived intangible asset</i>			
Pura Vida Brand <sup>(2)</sup>	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.

<i>in thousands</i>	January 29, 2022		
	Gross Basis	Accumulated Amortization <sup>(1)</sup>	Carrying Amount
<i>Definite-lived intangible assets</i>			
Customer Relationships	\$ 24,208	\$ (17,041)	\$ 7,167
Non-competition Agreements	788	(400)	388
Total definite-lived intangible assets	24,996	(17,441)	7,555
<i>Indefinite-lived intangible asset</i>			
Pura Vida Brand	36,668	—	36,668
Total intangible assets, excluding goodwill	\$ 61,664	\$ (17,441)	\$ 44,223

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

The amortization expense for intangible assets is as follows (in thousands):

	Amortization Expense
Fiscal 2024	\$ 2,916
Fiscal 2025	1,336
Total	\$ 4,252

The total amount of the goodwill as of January 29, 2022, was \$44.3 million which was recorded within the Pura Vida segment upon acquisition. There was no goodwill balance as of January 28, 2023 due to impairment charges recorded during the year. Goodwill is deductible for tax purposes, limited to the Company's 75% majority ownership interest. Refer

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to Note 2 herein for addition information regarding goodwill. Changes to goodwill for the fiscal year ended January 28, 2023 are as follows (in thousands):

<b>Balance at January 29, 2022</b>	<b>\$ 44,254</b>
Goodwill impairment <sup>(1)</sup>	(44,254)
<b>Balance at January 28, 2023</b>	<b>\$ —</b>

(1) Goodwill impairment charges of \$19.4 million and \$24.9 million were recorded within the Pura Vida segment during the second and fourth quarters of fiscal 2023.

There were no changes in goodwill for the fiscal year ended January 29, 2022.

The Company performs its annual impairment test over goodwill and the indefinite-lived Pura Vida brand during the second quarter of each fiscal year. The Company has experienced significantly lower sales from its Pura Vida e-commerce channel due to a decline in social and digital media effectiveness, as well as lower sales from the wholesale channel. These lower sales volumes had a negative impact on the fair value determination of the aforementioned assets.

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.

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.

During the assessment for the fiscal 2023 annual test, it was determined that the fair values of the Pura Vida reporting unit and the Pura Vida brand were less than their carrying values. As a result, 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.

We identified triggering events during the subsequent quarters of fiscal 2023, due to lower operating profit compared to previous forecasts, as well as changes in the long-range plan such as a pause on the opening of new Pura Vida retail stores. We performed further testing on the Pura Vida reporting unit and Pura Vida brand as a result. These analyses caused additional impairment charges to be recorded in the fourth quarter of fiscal 2023 of \$15.1 million and \$24.9 million for the Pura Vida brand and goodwill, respectively, which reflects a full goodwill impairment. Collectively, impairment charges for the Pura Vida brand and goodwill during fiscal 2023 totaled \$69.3 million.

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, supply chain challenges, as well as a sustained decline in stock price and potential changes in business strategy. Refer to Note 2 herein for additional information regarding the fair value measurement.

## **16. 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 2024. 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.

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The Company has incurred the following charges during the fifty-two weeks ended January 28, 2023 (in thousands):

	Reportable Segment			Unallocated Corporate Expenses	Total Expense
	VB Direct	VB Indirect	Pura Vida		
Severance charges and cash retention payment acceleration charges <sup>(1)</sup>	\$ 15	\$ —	\$ 422	\$ 8,745	\$ 9,182
Consulting fees and other costs <sup>(2)</sup>	302	—	179	3,976	4,457
Total <sup>(3)</sup>	\$ 317	\$ —	\$ 601	\$ 12,721	\$ 13,639

(1) Includes CEO retirement severance and Vera Bradley brand executive officer severance

(2) Includes \$3.9 million for fees related to cost savings initiatives and CEO search; \$0.3 million for concept brand exit costs; and \$0.3 million for certain professional fees

(3) \$13.4 million of the charges are recorded within selling, general, and administrative 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 <sup>(1)</sup>	Consulting Fees and Other Costs <sup>(2)</sup>
Fiscal 2023 charges	\$ 9,182	\$ 4,457
Cash payments	(6,083)	(4,095)
Non-cash charges and adjustments	(16)	(302)
Liability as of January 28, 2023	\$ 3,083	\$ 60

(1) Remaining liability is recorded within accrued employment costs

(2) Remaining liability is recorded within accounts payable

There were no similar charges during fiscal years 2022 and 2021.

*Other Charges*

*Fiscal 2023.* During the fifty-two weeks ended January 28, 2023, the Company recorded within cost of sales \$18.1 million of inventory adjustments which consisted of: \$8.9 million of excess Pura Vida inventory recognized in the fourth quarter as a result of a change in the Company's liquidation strategy during the quarter; \$6.4 million related to the exit of certain technology products and excess mask products recognized in the second and fourth quarters; \$1.2 million of valuation adjustments to write discounted inventory down to its net realizable value recognized in the fourth quarter; and \$1.6 million for purchase order cancellation fees related to spring 2023 product and certain raw materials.

During the fifty-two weeks ended January 28, 2023, the Company recorded within selling, general, and administrative expenses: \$1.0 million for CEO sign-on bonus and relocation expenses; \$0.4 million for former CEO salary retention payments and stock-based compensation associated with retirement; and \$0.2 million of professional fees associated with strategic initiatives and other costs.

Collectively, \$6.2 million was recorded within the Direct segment, \$1.7 million was recorded within the Indirect segment, \$10.2 million was recorded within the Pura Vida segment, and \$1.6 million was recorded within corporate unallocated expenses.

There were no similar charges during fiscal years 2022 and 2021.

**Vera Bradley, Inc.**  
**Notes to Consolidated Financial Statements**

**17. 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 factory outlet stores, the Vera Bradley websites, verabradley.com and verabradley.ca, the Vera Bradley online outlet site, and the Vera Bradley annual outlet sale. Revenues generated through 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 Company-branded products to specialty retailers representing approximately 1,700 locations, substantially all of which are located in the United States, as well as select department stores, national accounts, third-party e-commerce sites, third-party inventory liquidators, and licensing agreements related to the Vera Bradley brand. No customer accounted for 10% or more of the Company's net revenues during fiscal years 2023, 2022, and 2021.

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

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

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. The table below represents key financial information for each of the Company's operating and reportable segments: VB Direct, VB Indirect, and Pura Vida.

The accounting policies of the segments are the same as those described in Note 2. The Company does not report depreciation or amortization expense, total assets, or capital expenditures by segment as such information is neither used by management nor accounted for at the segment level.

**Vera Bradley, Inc.**  
**Notes to Consolidated Financial Statements**

Net revenues and operating (loss) income information for the Company's reportable segments consisted of the following (in thousands):

	Fiscal Year Ended		
	January 28, 2023	January 29, 2022	January 30, 2021
Segment net revenues:			
VB Direct	\$ 328,231	\$ 354,875	\$ 289,274
VB Indirect	73,316	66,001	66,517
Pura Vida	98,414	119,577	112,481
Total	<u>\$ 499,961</u>	<u>\$ 540,453</u>	<u>\$ 468,272</u>
Segment operating (loss) income:			
VB Direct	\$ 51,097	\$ 73,506	\$ 48,524
VB Indirect	22,965	20,323	24,502
Pura Vida	(78,591)	9,519	8,031
Total	<u>\$ (4,529)</u>	<u>\$ 103,348</u>	<u>\$ 81,057</u>
Reconciliation:			
Segment operating (loss) income	\$ (4,529)	\$ 103,348	\$ 81,057
Less:			
Unallocated corporate expenses	(90,342)	(76,437)	(67,992)
Operating (loss) income	<u>\$ (94,871)</u>	<u>\$ 26,911</u>	<u>\$ 13,065</u>

Sales outside of the United States were immaterial for all periods presented.

Revenues from external customers for Vera Bradley brand products are attributable to sales of bags, accessories, travel, apparel/footwear, and home items. Other revenues from Vera Bradley external customers primarily include revenues associated with our freight, stationery, licensing, merchandising, and gift card breakage.

Revenues from external customers for Pura Vida brand products are primarily attributable to sales of accessories and apparel. Other revenues from Pura Vida external customers include revenues associated with freight.

Refer to Note 3 herein for disaggregation of net revenues by reportable segment.

As of January 28, 2023 and January 29, 2022, substantially all of the Company's long-lived assets were located in the United States.



**Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None.

**Item 9A. Controls and Procedures**

***Evaluation of Disclosure Controls and Procedures***

We maintain disclosure controls and procedures, (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are designed to provide reasonable assurance that information required to be disclosed in the reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosures. Because of inherent limitations, disclosure controls and procedures, no matter how well designed and operated, can provide only reasonable, and not absolute, assurance that the objectives of disclosure controls and procedures are met.

Our management, with the participation of our Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer each has concluded that the Company's disclosure controls and procedures are effective as of January 28, 2023.

***Management's Report on Internal Control over Financial Reporting***

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The Company's internal control over financial reporting is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with generally accepted accounting principles. Management, under the supervision and with the participation of the Company's Chief Executive Officer and Chief Financial Officer, has evaluated the effectiveness of the Company's internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (2013 framework) in Internal Control-Integrated Framework. Based on the results of that evaluation, management has concluded that such internal control over financial reporting was effective as of January 28, 2023.

The effectiveness of the Company's internal control over financial reporting as of January 28, 2023, has been audited by Deloitte and Touche LLP, an independent registered public accounting firm, as stated in their report which appears in Item 8 of this Annual Report on Form 10-K.

***Changes in Internal Control over Financial Reporting***

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.

**Item 9B. Other Information**

None.

**Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections**

Not applicable.

## PART III

### Item 10. Directors, Executive Officers and Corporate Governance

The information set forth in the Proxy Statement for the 2023 Annual Meeting of Shareholders under the headings “The Board of Directors,” “Family Relationships,” “Delinquent Section 16(a) Reports,” “Conflict of Interest and Business Ethics Policy,” “Code of Ethics for Senior Financial Officers,” and “Standing Committees and Meetings of the Board” is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended. In addition, the information set forth under the heading “Item 1: Business – Executive Officers of the Company” in this Form 10-K is incorporated herein by reference.

### Item 11. Executive Compensation

The information set forth in the Proxy Statement for the 2023 Annual Meeting of Shareholders under the headings “Executive Compensation Discussion and Analysis,” “Compensation Committee Interlocks and Insider Participation,” “Compensation Tables,” and “Compensation Committee Report” is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters

The information set forth in the Proxy Statement for the 2023 Annual Meeting of Shareholders under the heading “Share Ownership of Certain Beneficial Owners and Management” is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

### Securities Authorized for Issuance Under Equity Compensation Plans

The following table sets forth information regarding equity securities authorized for issuance under our equity compensation plans as of January 28, 2023:

Plan Category	Number of Securities to Be Issued upon Exercise of Outstanding Options, Warrants and Rights (a) <sup>(1)</sup>	Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights (b) (\$)	Number of Securities Remaining Available for Future Issuance Under the Equity Compensation Plans (Excluding Securities Reflected in Column (a)) (c) <sup>(2)</sup>
Equity compensation plans approved by security holders	1,487,605	—	1,571,086
Equity compensation plans not approved by security holders	—	—	—
<b>Total</b>	<b>1,487,605</b>	<b>—</b>	<b>1,571,086</b>

- (1) Assumes that target performance requirements will be achieved for performance shares with incomplete performance periods. These securities represent awards to be issued under the 2010 and 2020 Equity and Incentive Plans.
- (2) Represents securities available for issuance under the 2020 Equity and Incentive Plan.

**Item 13. Certain Relationships and Related Transactions, and Director Independence**

The information set forth in the Proxy Statement for the 2023 Annual Meeting of Shareholders under the headings “Policy on Related Party Transactions,” “Related Party Transactions for Fiscal 2023,” and “Board Independence” is incorporated herein by reference. The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

**Item 14. Principal Accounting Fees and Services**

The information required by this item is incorporated herein by reference to our 2023 Proxy Statement under the caption “Principal Accounting Fees and Services.” The Proxy Statement will be filed with the Commission within 120 days after the end of the fiscal year covered by this Form 10-K pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### (1) Consolidated Financial Statements

The following consolidated financial statements of Vera Bradley, Inc. are filed as part of this report under Item 8. Financial Statements and Supplementary Data:

Reports of Independent Registered Public Accounting Firm	49
Consolidated Balance Sheets as of January 28, 2023, and January 29, 2022	52
Consolidated Statements of Operations for the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021	53
Consolidated Statements of Comprehensive Income for the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021	54
Consolidated Statements of Shareholders' Equity for the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021	55
Consolidated Statements of Cash Flows for the fiscal years ended January 28, 2023, January 29, 2022, and January 30, 2021	56
Notes to Consolidated Financial Statements	58

#### (2) Financial Statement Schedules

Financial statement schedules have been omitted because they are not required or are not applicable or because the information required in those schedules either is not material or is included in the consolidated financial statements or the accompanying notes.

#### (3) List of Exhibits

The documents set forth below are filed herewith or incorporated by reference to the location indicated.

## EXHIBIT INDEX

Exhibit No.	Description
2.1+	Interest Purchase Agreement dated January 23, 2023, among Vera Bradley Holdings, LLC; Creative Genius Holdings, Inc.; Creative Genius, Inc.; Griffin Thall; and Paul Goodman (incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed January 24, 2023)
3.1	Amended and Restated Articles of Incorporation (Incorporated by reference to Exhibit 3.1 to the Current Report on Form 8-K filed June 8, 2021)
3.2	Amended and Restated Bylaws (Incorporated by reference to Exhibit 3.2 to the Current Report on Form 8-K filed March 6, 2019)
4.1	Specimen Common Stock Certificate (Incorporated by reference to Exhibit 4.1 to the Registration Statement on Form S-1, Registration No. 333-167934)
4.2	Description of Registrant's Securities (Incorporated by reference to Exhibit 4.2 to the Annual Report on Form 10-K for the fiscal year ended February 1, 2020)
10.1†	Vera Bradley, Inc. 2010 Equity and Incentive Plan (Incorporated by reference to Exhibit 10.1 to the Registration Statement on Form S-1, Registration No. 333-167934)
10.2†	Form of Indemnification Agreement (Incorporated by reference to Exhibit 10.5 to the Registration Statement on Form S-1, Registration No. 333-167934)
10.3†	Form of Outside Director Restricted Stock Unit Terms and Conditions (Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended May 1, 2021)
10.4†	Vera Bradley, Inc. 2014 Executive Severance Plan (Amended May 30, 2018) (Incorporated by reference to Exhibit 10.4 to the Annual Report on Form 10-K for the year ended February 2, 2019)
10.5	Credit Agreement dated as of September 7, 2018 among Vera Bradley Designs, Inc., JPMorgan Chase Bank, N.A., and the lenders party thereto (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2018)
10.6	Pledge and Security Agreement dated as of September 7, 2018 among Vera Bradley Designs, Inc., Vera Bradley, Inc., Vera Bradley International, LLC, Vera Bradley Sales, LLC, and JP Morgan Chase Bank, N.A. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 4, 2018)
10.7†	Fiscal 2023 Executive Officer Annual Incentive Compensation Plan (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on June 9, 2022)
10.8†	Employment Agreement for Robert Wallstrom dated November 11, 2013 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed November 5, 2013)
10.9†	Second Amendment of Employment Agreement for Robert Wallstrom dated June 17, 2016 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed June 22, 2016)
10.10†	Form of Performance-Based Award Agreement under the 2010 Equity and Incentive Plan (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended April 29, 2017)
10.11†	Form of Restricted Stock Unit/Performance Unit Terms and Conditions (Revised Fiscal 2019) (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended May 5, 2018)
10.12	Interest Purchase Agreement dated July 16, 2019, among Vera Bradley Holdings, LLC; Creative Genius Holdings, Inc.; Creative Genius, Inc.; Griffin Thall; and Paul Goodman (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q for the quarter ended August 3, 2019, as amended)

Exhibit No.	Description
10.13	Put/Call Agreement dated July 16, 2019, among Vera Bradley Holdings, LLC; Creative Genius Holdings, Inc.; Creative Genius Investments, Inc.; Griffin Thall; Paul Goodman; Vera Bradley Designs, Inc.; and Vera Bradley, Inc. (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended August 3, 2019, as amended)
10.14	First Amendment to Credit Agreement dated June 19, 2019, among Vera Bradley Designs, Inc., JP Morgan Chase Bank, N.A., and the lenders party thereto (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended August 3, 2019, as amended)
10.15	Second Amendment to Credit Agreement dated July 16, 2019, among Vera Bradley Designs, Inc., JP Morgan Chase Bank, N.A., and the lenders party thereto (Incorporated by reference to Exhibit 10.4 to the Quarterly Report on Form 10-Q for the quarter ended August 3, 2019, as amended)
10.16†	Vera Bradley, Inc. 2020 Equity and Incentive Plan (Incorporated by reference to Appendix A to the registrant's Definitive Proxy Statement filed April 30, 2020)
10.17†	Form of Performance-Based Award Agreement under the 2020 Equity and Incentive Plan (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q for the quarter ended May 1, 2021)
10.18†	Form of Restricted Stock Unit/Performance Unit Terms and Conditions (under the 2020 Equity and Incentive Plan) (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q for the quarter ended May 1, 2021)
10.19†	Employment Agreement between Vera Bradley, Inc. and Jacqueline Ardrey dated September 20, 2022 (Incorporated by reference to Exhibit 10.1 to the Current Report on Form 8-K filed on September 20, 2022)
10.20†	Retention Letter Agreement dated December 6, 2022 with John Enwright (Incorporated by reference to Exhibit 10.1 to the Quarterly Report on Form 10-Q filed on December 7, 2022)
10.21†	Retention Letter Agreement dated December 6, 2022 with Mary Beth Trypus (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on December 7, 2022)
10.22†	Retention Letter Agreement dated December 6, 2022 with Beatrice Mac Cabe (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on December 7, 2022)
10.23†	Form of Restricted Stock Unit/Performance Unit Terms and Conditions Under the 2020 Equity and Incentive Plan (Revised) (Incorporated by reference to Exhibit 10.2 to the Quarterly Report on Form 10-Q filed on June 9, 2022)
10.24†	Third Amended and Restated Employment Agreement for Robert Wallstrom dated June 9, 2022 (Incorporated by reference to Exhibit 10.3 to the Quarterly Report on Form 10-Q filed on June 9, 2022)
21.1*	Subsidiaries of Vera Bradley, Inc.
23.1*	Consent of Deloitte & Touche LLP
31.1*	Rule 13a-14(a)/15d-14(a) Certification of Chief Executive Officer
31.2*	Rule 13a-14(a)/15d-14(a) Certification of Chief Financial Officer
32.1*	Section 1350 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)
- + Certain information has been excluded from this exhibit because it is not material and would likely cause competitive harm to the registrant if publicly disclosed.
- \* Filed herewith
- † Denotes management contract or compensation plan, contract or arrangement.

**Item 16. Form 10-K Summary**

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, on March 28, 2023.

Vera Bradley, Inc.

/s/ John Enwright

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John Enwright

Chief Financial Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints John Enwright and Jacqueline Ardrey, and each of them, as his or her true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for him or her and in his or her name, place, and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his or her substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Registrant and in the capacities indicated on March 28, 2023.

<u>Signature</u>	<u>Title</u>
<u>/s/ Jacqueline Ardrey</u> Jacqueline Ardrey	Director and Chief Executive Officer (principal executive officer)
<u>/s/ John Enwright</u> John Enwright	Chief Financial Officer (principal accounting officer)
<u>/s/ Barbara Bradley Baekgaard</u> Barbara Bradley Baekgaard	Director
<u>/s/ Kristina Cashman</u> Kristina Cashman	Director
<u>/s/ Robert J. Hall</u> Robert J. Hall	Director
<u>/s/ Mary Lou Kelley</u> Mary Lou Kelley	Director
<u>/s/ Frances P. Philip</u> Frances P. Philip	Director
<u>/s/ Edward M. Schmults</u> Edward M. Schmults	Director
<u>/s/ Carrie Tharp</u> Carrie Tharp	Director
<u>/s/ Nancy R. Twine</u> Nancy R. Twine	Director