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VERA BRADLEY, INC.

FORM 10-Q
(Quarterly Report)

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

FORM 10-Q

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

For the Quarterly Period Ended April 29, 2017

OR

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

For the Transition Period From __________ to __________

Commission File Number: 001-34918

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

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

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

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

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

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

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

Large accelerated filer	☐	Accelerated filer	☒

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

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

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

The registrant had 36,154,015 shares of its common stock outstanding as of May 31, 2017 .

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FORWARD-LOOKING STATEMENTS

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

- possible inability to successfully implement our long-term strategic plan;
- possible continued declines in our comparable sales;
- possible inability to maintain and enhance our brand;
- possible failure of our multi-channel distribution model;
- possible adverse changes in general economic conditions and their impact on consumer confidence and consumer spending;
- 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 ramifications from the payment card incident disclosed in October 2016; and
- possible data security or privacy breaches or disruptions in our computer systems or website.

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

For a discussion of risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to “Risk Factors” in Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 .

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. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Vera Bradley, Inc.
Condensed Consolidated Balance Sheets

(in thousands)

(unaudited)

	April 29, 2017	January 28, 2017
Assets		
Current assets:		
Cash and cash equivalents	$ 74,400	$ 86,375
Short-term investments	9,489	30,152
Accounts receivable, net	22,693	23,313
Inventories	105,421	102,283
Income taxes receivable	5,722	3,217
Prepaid expenses and other current assets	11,579	10,237
Total current assets	229,304	255,577
Property, plant, and equipment, net	100,566	101,577
Long-term investments	17,519	—
Deferred income taxes	12,672	13,539
Other assets	2,222	2,816
Total assets	$ 362,283	$ 373,509
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 25,705	$ 32,619
Accrued employment costs	10,743	12,474
Other accrued liabilities	18,667	16,906
Income taxes payable	681	508
Total current liabilities	55,796	62,507
Long-term liabilities	27,243	27,216
Total liabilities	83,039	89,723
Commitments and contingencies		
Shareholders' equity:		
Preferred stock; 5,000 shares authorized, no shares issued or outstanding	—	—
Common stock, without par value; 200,000 shares authorized, 41,093 and 40,927 shares issued and 36,253 and 36,218 shares outstanding, respectively	—	—
Additional paid-in-capital	89,438	88,739
Retained earnings	259,718	263,767
Accumulated other comprehensive loss	(43)	(50)
Treasury stock	(69,869)	(68,670)
Total shareholders' equity	279,244	283,786
Total liabilities and shareholders' equity	$ 362,283	$ 373,509

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Income

(in thousands, except per share data)

(unaudited)

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net revenues	$ 96,135	$ 105,181
Cost of sales	43,435	45,525
Gross profit	52,700	59,656
Selling, general, and administrative expenses	57,771	56,376
Other income	267	577
Operating (loss) income	(4,804)	3,857
Interest (income) expense, net	(39)	48
(Loss) income before income taxes	(4,765)	3,809
Income tax (benefit) expense	(716)	1,391
Net (loss) income	$ (4,049)	$ 2,418
Basic weighted-average shares outstanding	36,235	37,547
Diluted weighted-average shares outstanding	36,235	37,724
Basic net (loss) income per share	$ (0.11)	$ 0.06
Diluted net (loss) income per share	$ (0.11)	$ 0.06

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Comprehensive Income

(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net (loss) income	$ (4,049)	$ 2,418
Unrealized gain on available-for-sale investments	13	—
Cumulative translation adjustment	(6)	5
Comprehensive (loss) income, net of tax	$ (4,042)	$ 2,423

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

Vera Bradley, Inc.
Condensed Consolidated Statements of Cash Flows

(in thousands)

(unaudited)

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Cash flows from operating activities		
Net (loss) income	$ (4,049)	$ 2,418
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation of property, plant, and equipment	4,948	4,702
Provision for doubtful accounts	162	23
Stock-based compensation	1,278	842
Deferred income taxes	867	221
Cash gain on investments	152	—
Other non-cash gain, net	(19)	(13)
Changes in assets and liabilities:		
Accounts receivable	458	3,580
Inventories	(3,138)	178
Prepaid expenses and other assets	(748)	(1,749)
Accounts payable	(6,040)	1,262
Income taxes	(2,332)	(12,066)
Accrued and other liabilities	(1,476)	(3,395)
Net cash used in operating activities	(9,937)	(3,997)
Cash flows from investing activities		
Purchases of property, plant, and equipment	(3,362)	(5,594)
Purchases of investments	(26,975)	(30,000)
Proceeds from maturity of investment	30,000	—
Net cash used in investing activities	(337)	(35,594)
Cash flows from financing activities		
Tax withholdings for equity compensation	(579)	(572)
Repurchase of common stock	(1,116)	(5,694)
Other financing activities, net	—	(16)
Net cash used in financing activities	(1,695)	(6,282)
Effect of exchange rate changes on cash and cash equivalents	(6)	5
Net decrease in cash and cash equivalents	(11,975)	(45,868)
Cash and cash equivalents, beginning of period	86,375	97,681
Cash and cash equivalents, end of period	$ 74,400	$ 51,813
Supplemental disclosure of cash flow information		
Cash paid for income taxes, net	$ 522	$ 13,223
Supplemental disclosure of non-cash activity		
Non-cash operating, investing, and financing activities		
Repurchase of common stock		
Expenditures incurred but not yet paid as of April 29, 2017 and April 30, 2016	$ 83	$ 426
Expenditures incurred but not yet paid as of January 28, 2017 and January 30, 2016	$ —	$ 436
Purchases of property, plant, and equipment		
Expenditures incurred but not yet paid as of April 29, 2017 and April 30, 2016	$ 2,780	$ 3,173
Expenditures incurred but not yet paid as of January 28, 2017 and January 30, 2016	$ 2,204	$ 2,872

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

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

1. Description of the Company and Basis of Presentation

The terms "Company" and "Vera Bradley" refer to Vera Bradley, Inc. and its subsidiaries, except where the context requires otherwise or where otherwise indicated.

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

Vera Bradley offers a unique, multi-channel sales model, as well as a focus on service and a high level of customer engagement. The Company sells its products through two reportable segments: Direct and Indirect. The Direct business consists of sales of Vera Bradley products through the Company's full-line and factory outlet stores in the United States, verabradley.com, direct-to-consumer eBay sales, and the Company's annual outlet sale in Fort Wayne, Indiana. As of April 29, 2017 , the Company operated 113 full-line stores and 49 factory outlet stores. The Indirect business consists of sales of Vera Bradley products to approximately 2,400 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, the Company's wholesale customer in Japan, third-party inventory liquidators, and licensing.

The accompanying unaudited consolidated financial statements have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission ("SEC"). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States ("GAAP") have been condensed or omitted as permitted by such rules and regulations. These interim condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements and notes included in the Company's Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , filed with the SEC.

The interim financial statements reflect all adjustments that are, in the opinion of management, necessary to present fairly the results for the interim periods presented. All such adjustments are of a normal, recurring nature. The results of operations for the thirteen weeks ended April 29, 2017 , are not necessarily indicative of the results to be expected for the full fiscal year.

Principles of Consolidation

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

Fiscal Periods

The Company's fiscal year ends on the Saturday closest to January 31. References to the fiscal quarters ended April 29, 2017 , and April 30, 2016 , refer to the thirteen-week periods ended on those dates.

Operating Leases and Tenant-Improvement Allowances

The Company has leases that contain rent holidays and predetermined, fixed escalations of minimum rentals. For each of these leases, the Company recognizes the related rent expense on a straight-line basis commencing on the date of initial possession of the leased property. The Company records the difference between the recognized rent expense and the amount payable under the lease as a deferred rent liability. As of April 29, 2017 and January 28, 2017 , deferred rent liability was $12.9 million and $12.7 million , respectively, and is included within long-term liabilities on the Condensed Consolidated Balance Sheets.

The Company receives tenant-improvement allowances from some of the landlords of its leased properties. These allowances generally are in the form of cash received by the Company from its landlords as part of the negotiated lease terms. The Company records each tenant-improvement allowance as a deferred credit and amortizes the allowance on a straight-line basis as a reduction to rent expense over the term of the lease, commencing on the possession date. As of April 29, 2017 and January 28, 2017 , the deferred lease credit liability was $15.5 million and $15.8 million , respectively. Of these amounts, $2.4 million is included within other accrued liabilities as of April 29, 2017 and

January 28, 2017 ; $13.1 million and $13.4 million is included within long-term liabilities as of April 29, 2017 and January 28, 2017 , respectively.

Recently Issued Accounting Pronouncements

Recently Issued Accounting Pronouncements Not Yet Adopted

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers* . This guidance requires companies to recognize revenue in a manner that depicts the transfer of promised goods or services to customers in amounts that reflect the consideration to which a company expects to be entitled in exchange for those goods or services. The new standard also will result in enhanced disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers. The standard allows for either a full retrospective or a modified retrospective transition method. In August 2015, the FASB issued ASU 2015-14 to defer the effective date of ASU 2014-09 for all entities by one year to annual periods beginning after December 15, 2017, including interim periods within that reporting period, which for the Company is fiscal 2019. Earlier application is permitted as of the original effective date, annual reporting periods beginning after December 2016, including interim periods within that reporting period.

In its preliminary assessment, the provisions of the standard the Company believes to be most significant is the determination of when a customer receives control of the product upon a sale, as this could result in earlier recognition of revenue as compared to the Company's current practice of adjusting for shipments not yet received. The Company is still evaluating the final impact on its consolidated results of operations, financial position and cash flows, as well as additional provisions that may impact the Company's recognition of revenue. The Company will adopt the standard in the first quarter of fiscal 2019 and is continuing to evaluate the transition method upon adoption.

In February 2016, the FASB issued ASU 2016-02, *Leases* , which increases transparency and comparability among organizations by requiring lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases and disclosing key information about leasing arrangements. This guidance is effective for interim and annual periods beginning on or after December 15, 2018. The Company has operating leases at all of its retail stores; therefore, the adoption of this standard will result in a material increase of assets and liabilities on the Company's Consolidated Balance Sheets. The Company is continuing to evaluate the impact on its consolidated results of operations and cash flows.

2. Earnings Per Share

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

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Numerator:		
Net (loss) income	$ (4,049)	$ 2,418
Denominator:		
Weighted-average number of common shares (basic)	36,235	37,547
Dilutive effect of stock-based awards	—	177
Weighted-average number of common shares (diluted)	36,235	37,724
(Loss) earnings per share:		
Basic	$ (0.11)	$ 0.06
Diluted	$ (0.11)	$ 0.06

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

As of April 29, 2017 and April 30, 2016 , 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.

3. Fair Value of Financial Instruments

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

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

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

The carrying amounts reflected on the Condensed Consolidated Balance Sheets for cash and cash equivalents, receivables, other current assets, and payables as of April 29, 2017 , and January 28, 2017 , approximated their fair values.

The following table details the fair value measurements of the Company's investments as of April 29, 2017 and January 28, 2017 (in thousands):

	Level 1		Level 2		Level 3	
	April 29, 2017	January 28, 2017	April 29, 2017	January 28, 2017	April 29, 2017	January 28, 2017
Cash equivalents [(1)]	$ 904	$ —	$ 22,198	$ —	$ —	$ —
Short-term investments:						
Municipal securities	—	—	4,533	—	—	—
Commercial paper	—	—	3,491	—	—	—
U.S. corporate debt securities	—	—	1,465	—	—	—
Certificate of deposit	—	—	—	30,152	—	—
Long-term investments:						
U.S. corporate debt securities	—	—	7,282	—	—	—
Non-U.S. corporate debt securities	—	—	6,144	—	—	—
Municipal securities	—	—	2,079	—	—	—
U.S. treasury securities	2,014	—	—	—	—	—

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

4. Inventories

The components of inventories were as follows (in thousands):

	April 29, 2017	January 28, 2017
Finished goods	105,421	102,283
Total inventories	$ 105,421	$ 102,283

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

5. Debt

On July 15, 2015, Vera Bradley Designs, Inc. ("VBD"), a wholly-owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement among VBD, the lenders from time to time party thereto, JPMorgan Chase Bank, National Association, as administrative agent; Wells Fargo Bank, National Association, as syndication agent; and KeyBank National Association, as documentation agent (the "Credit Agreement"), which amended and restated the Company's prior credit agreement. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed $125.0 million , the proceeds of which may be used for 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").

Amounts outstanding under the Credit Agreement bear interest, at VBD's option, at a per annum rate equal to either (A) the Alternate Base Rate ("ABR") plus the Applicable Margin, where the ABR is the highest of (i) the prime rate, (ii) the federal funds rate plus 0.5% , and (iii) Adjusted LIBOR for a one-month interest period plus 1% , and the Applicable Margin is a percentage ranging from 0.00% to 0.70% depending upon the Company's leverage ratio or (B) Adjusted LIBOR plus the Applicable Margin, where Adjusted LIBOR means LIBOR, as adjusted for statutory reserve requirements for eurocurrency liabilities, and Applicable Margin is a percentage ranging from 1.00% to 1.70% depending upon the Company's leverage ratio. Any loans made, or letters of credit issued, pursuant to the Credit Agreement mature on July 15, 2020.

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 first priority security interests in all of the respective assets of VBD, the Company, and the Named Subsidiaries and a pledge of the equity interests of VBD and the Named Subsidiaries.

The Credit Agreement contains various restrictive covenants, including restrictions on the Company's ability to dispose of assets, make acquisitions or investments, incur debt or liens, make distributions to stockholders or repurchase outstanding stock, enter into related party transactions and make capital expenditures, other than upon satisfaction of the conditions set forth in the Credit Agreement. The Company is also required to comply with certain financial and non-financial covenants, including maintaining a maximum leverage ratio, a minimum ratio of EBITDAR to the sum of interest expense plus rentals (as defined in the Credit Agreement), and a limit on capital expenditures. Upon an event of default, which includes certain customary events such as, among other things, a failure to make required payments when due, a failure to comply with covenants, certain bankruptcy and insolvency events, a material adverse change (as defined in the Credit Agreement), defaults under other material indebtedness, and a change in control, the lenders may accelerate amounts outstanding, terminate the agreement and foreclose on all collateral.

As of April 29, 2017 and January 28, 2017 , the Company had borrowing availability of $125.0 million under its Credit Agreement.

6. Income Taxes

The provision for income taxes for interim periods is based on an estimate of the annual effective tax rate adjusted to reflect the impact of discrete items. Management judgment is required in projecting ordinary income to estimate the Company's annual effective tax rate. A provision for U.S. income tax has not been recorded on the temporary difference related to the Company's foreign subsidiary. The Company has determined that this temporary difference is indefinitely reinvested outside of the U.S.

The effective tax rate for the thirteen weeks ended April 29, 2017 , was 15.0% , compared to 36.5% for the thirteen weeks ended April 30, 2016 . The year-over year decrease is primarily due to the relative impact of permanent and discrete items, including a tax shortfall from stock-based compensation.

7. Stock-Based Compensation

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

The Company reserved 6,076,001 shares of common stock for issuance or transfer under the 2010 Equity and Incentive Plan, which allows for grants of restricted stock units, as well as other equity awards.

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

Awards of Restricted Stock Units

During the thirteen weeks ended April 29, 2017 , the Company granted 506,572 time-based and performance-based restricted stock units with an aggregate fair value of $4.7 million to certain employees and non-employee directors under the 2010 Equity and Incentive Plan compared to a total of 295,148 time-based and performance-based restricted stock units with an aggregate fair value of $5.8 million granted in the same period of the prior year. The Company determined the fair value of the awards based on the closing price of the Company's common stock on the grant date.

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

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

The following table sets forth a summary of restricted stock unit activity for the thirteen weeks ended April 29, 2017 (units in thousands):

	Time-based Restricted Stock Units		Performance-based Restricted Stock Units	
	Number of Units	Weighted-Average Grant Date Fair Value (per unit)	Number of Units	Weighted-Average Grant Date Fair Value (per unit)
Nonvested units outstanding at January 28, 2017	487	$ 18.04	375	$ 19.10
Granted	294	9.31	212	9.31
Vested	(233)	18.18	—	—
Forfeited	(24)	17.15	(93)	24.84
Nonvested units outstanding at April 29, 2017	524	$ 13.11	494	$ 14.05

As of April 29, 2017 , there was $8.4 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 2.1 years, subject to meeting performance conditions.

8. Commitments and Contingencies

Payment Card Incident

Description of Event

On September 15, 2016, the Company received information from law enforcement regarding a potential data security issue related to our retail store network. Findings from the investigation show unauthorized access to the Company's payment processing system and the installation of a program that looked for payment card data. The program was specifically designed to find track data in the magnetic stripe of a payment card that may contain the card number, cardholder name, expiration date, and internal verification code as the data was being routed through the affected payment system. There is no indication that other customer information was at risk. Payment cards used at Vera Bradley store locations between July 25, 2016 and September 23, 2016 may have been affected. Not all cards used in stores during this time frame were affected. Cards used on verabradley.com were not affected.

The Company has resolved this incident and continues to work with the computer security firm to further strengthen the security of its systems to help prevent this from happening in the future. The Company continues to support law enforcement's investigation and also promptly notified the payment card networks so that the banks that issue payment cards could initiate heightened monitoring on the affected cards.

Expenses Incurred

During the first quarter of fiscal 2018, the Company recorded an immaterial amount of expense relating to remediation activities as a result of the Payment Card Incident.

Future Costs

Payment card companies and associations may require the Company to reimburse them for unauthorized card charges and costs to replace cards and may also impose fines or penalties in connection with the Payment Card Incident, and enforcement authorities may also impose fines or other remedies against the Company. At this time, the Company cannot reasonably estimate the potential loss or range of loss related to fines or penalties that may be assessed, if any. The Payment Card Incident, including customer response and any possible third party claims or assessments from payment card companies, could materially adversely affect the Company's financial condition and operating results. The Company expects its insurance coverage will offset most of the expenses for the investigation and other non-remediation legal and professional services associated with the incident, possible third party claims, as well as fines, penalties, or other expenses, if any, imposed by payment card companies, as discussed above.

Insurance Coverage

The Company maintains $15.0 million of cyber security insurance coverage above a $0.1 million deductible.

Other Commitments and Contingencies

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

9. Common Stock

On December 8, 2015, the Company's board of directors approved a share repurchase program (the "2015 Share Repurchase Program") authorizing up to $50.0 million of repurchases of shares of the Company's common stock. The 2015 Share Repurchase Program expires in December 2017.

The Company purchased 131,619 shares at an average price of $9.11 per share, excluding commissions, for an aggregate amount of $1.2 million during the thirteen weeks ended April 29, 2017 , under the 2015 Share Repurchase Program. As of April 29, 2017 , there was $20.1 million remaining available to repurchase shares of the Company's common stock under the 2015 Share Repurchase Program.

As of April 29, 2017 , the Company held as treasury shares 4,840,073 shares of its common stock at an average price of $14.44 per share, excluding commissions, for an aggregate carrying amount of $69.9 million . The Company's treasury shares may be issued under the 2010 Equity and Incentive Plan or for other corporate purposes.

10. Other Charges

Thirteen Weeks Ended April 29, 2017

In the first quarter of fiscal 2018, the Company recognized a total of $1.3 million ($0.8 million after the associated tax benefit) of severance charges (reflected in selling, general, and administrative expenses) primarily for the Company's former Chief Financial Officer. These charges are reflected within corporate unallocated expenses.

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11. Investments

Cash Equivalents

Investments classified as cash equivalents relate to highly liquid investments with a maturity of three months or less at the date of purchase. As of April 29, 2017 , these investments in the Company's portfolio consisted of a money market fund, commercial paper and municipal securities.

Short-Term Investments

As of April 29, 2017 , short-term investments consisted of U.S. corporate debt securities, commercial paper and municipal securities with a maturity within one year of the balance sheet date. These securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest (income) expense, net, in the Company's Condensed Consolidated Statements of Income. As of January 28, 2017 , short-term investments consisted of a certificate of deposit with an original maturity of one year and a one-time option to accelerate maturity to 31 days without penalty. The certificate of deposit matured during the first quarter fiscal 2018. Interest income from the certificate of deposit is included in interest (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

The Company held $9.5 million and $30.2 million in short-term investments as of April 29, 2017 and January 28, 2017 , respectively. The following table summarizes the Company's short-term investments (in thousands):

	April 29, 2017	January 28, 2017
Municipal securities	$ 4,533	$ —
Commercial paper	3,491	—
U.S. corporate debt securities	1,465	—
Certificate of deposit	—	30,152
Total short-term investments	$ 9,489	$ 30,152

Long-Term Investments

As of April 29, 2017 , long-term investments consisted of U.S. and non-U.S. corporate debt securities and U.S. treasury and municipal securities with a maturity greater than one year from the balance sheet date. These securities are classified as available-for-sale; therefore, unrealized gains and losses are recorded within other comprehensive income. Interest income earned is recorded within interest (income) expense, net, in the Company's Condensed Consolidated Statements of Income.

The Company held $17.5 million in long-term investments as of April 29, 2017 . The Company did not have long-term investments as of January 28, 2017 . The following table summarizes the Company's long-term investments (in thousands):

	April 29, 2017	January 28, 2017
U.S. corporate debt securities	$ 7,282	$ —
Non-U.S. corporate debt securities	6,144	—
Municipal securities	2,079	—
U.S. treasury securities	2,014	—
Total long-term investments	$ 17,519	$ —

There were no material gross unrealized gains or losses on available-for-sale securities as of the periods ended April 29, 2017 and January 28, 2017 .

12. Segment Reporting

The Company has two operating segments, which are also its reportable segments: Direct and Indirect. These operating segments are components of the Company for which separate financial information is available and for

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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 Direct segment includes the Company’s full-line and factory outlet stores, the Company’s website, verabradley.com, direct-to-consumer eBay sales, and the annual outlet sale. Revenues generated through this segment are driven through the sale of Company-branded products from Vera Bradley to end consumers.

The Indirect segment represents revenues generated through the distribution of Company-branded products to specialty retailers representing approximately 2,400 locations, substantially all of which are located in the United States; key accounts, which include department stores, national accounts, third-party e-commerce sites, the Company's wholesale customer in Japan, and third-party inventory liquidators; and licensing.

Corporate costs represent the Company’s administrative expenses, which include, but are not limited to: human resources, legal, finance, information technology, design, merchandising, corporate-level marketing and advertising, and various other corporate-level-activity-related expenses. 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. Net revenues and operating (loss) income information for the Company’s reportable segments during the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively, consisted of the following (in thousands):

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Segment net revenues:		
Direct	$ 68,837	$ 72,946
Indirect	27,298	32,235
Total	$ 96,135	$ 105,181
Segment operating income:		
Direct	$ 6,812	$ 12,137
Indirect	9,446	12,598
Total	$ 16,258	$ 24,735
Reconciliation:		
Segment operating income	$ 16,258	$ 24,735
Less:		
Unallocated corporate expenses	(21,062)	(20,878)
Operating (loss) income	$ (4,804)	$ 3,857

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

The following discussion summarizes the significant factors affecting the condensed consolidated operating results, financial condition, liquidity, and cash flows of the Company as of and for the thirteen weeks ended April 29, 2017 and April 30, 2016 . The following discussion should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended January 28, 2017 , and our unaudited condensed consolidated financial statements and the related notes included in Item 1 of this Quarterly Report. The results of operations for the thirteen weeks ended April 29, 2017 , are not necessarily indicative of the results to be expected for the full fiscal year.

Executive Summary

Below is a summary of our strategic progress and financial results for the first quarter of fiscal 2018 :

Strategic Progress

- We launched our new platform for verabradley.com in February 2017, creating a dynamic digital flagship. The new site offers a number of enhancements including, among others, the ability to strategically segment and personalize messaging, express check-out, and "order on-line, pickup in-store."
- We are continuing work on our store renovation strategy by adding our new branding, including storefront facade, logo, and interior changes to our higher-volume and traffic full-line stores. One full-line store renovation was completed in the first quarter, and approximately 19 additional renovations will be completed throughout the remainder of fiscal 2018.
- During the first quarter, we opened three factory outlet stores in Laredo, Texas; Myrtle Beach, South Carolina; and Houston, Texas.
- We partnered with TLC on *Girl Starter* , a new reality-competition TV show which debuted in April. We will continue to work with other partners to enhance our image and expand our reach.
- We announced a licensing agreement for apparel and accessories designed for health care professionals which is expected to launch in the Spring of fiscal 2019. In addition, our license for technology products including smartphone and tablet cases, power solutions, and portable audio launched in March.

Financial Summary (all comparisons are to the first quarter of fiscal 2017)

- Net revenues decreased 8.6% to $96.1 million .
- Direct segment sales decreased 5.6% to $68.8 million . Comparable sales decreased 12.5% .
- Indirect segment sales decreased 15.3% to $27.3 million .
- Gross profit was $52.7 million , or 54.8% of net revenue.
- Operating loss was $4.8 million and net loss was $4.0 million , or $0.11 per diluted share. These results included severance charges of $1.3 million ($0.8 million after the associated tax benefit), or $0.02 per diluted share.
- Cash and cash equivalents and investments were $101.4 million at April 29, 2017 .
- Capital expenditures for the thirteen weeks totaled $ 3.4 million .
- Repurchases of common stock for the thirteen weeks totaled $1.2 million .

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 Direct segment reflect sales through our full-line and factory outlet stores, verabradley.com, direct-to-consumer eBay sales, and our annual outlet sale in Fort Wayne, Indiana. Revenues for the Indirect segment reflect sales to specialty retail partners, department stores, national accounts, third-party e-commerce sites, our wholesale customer in Japan, third-party inventory liquidators, and licensing.

Comparable Sales

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

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

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

Gross Profit

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

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

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

SG&A expenses include selling; advertising, marketing, and product development; and administrative. Selling expenses include Direct business expenses, such as store expenses, employee compensation, and store occupancy and supply costs, as well as Indirect business expenses consisting primarily of employee compensation and other expenses associated with sales to Indirect retailers. Advertising, marketing, and product development expenses include employee compensation, media costs, creative production expenses, marketing agency fees, new product design costs, public relations expenses, and market research expenses. A portion of our advertising expenses may be reimbursed by Indirect retailers, and such amount is classified as other income. Administrative expenses include employee compensation for corporate functions, corporate headquarters occupancy costs, consulting and software expenses, and charitable donations.

Other Income

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

Operating (Loss) Income

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

Net (Loss) Income

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

Results of Operations

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

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Statement of Income Data:		
Net revenues	$ 96,135	$ 105,181
Cost of sales	43,435	45,525
Gross profit	52,700	59,656
Selling, general, and administrative expenses	57,771	56,376
Other income	267	577
Operating (loss) income	(4,804)	3,857
Interest (income) expense, net	(39)	48
(Loss) income before income taxes	(4,765)	3,809
Income tax (benefit) expense	(716)	1,391
Net (loss) income	$ (4,049)	$ 2,418
Percentage of Net Revenues:		
Net revenues	100.0 %	100.0%
Cost of sales	45.2 %	43.3%
Gross profit	54.8 %	56.7%
Selling, general, and administrative expenses	60.1 %	53.6%
Other income	0.3 %	0.5%
Operating (loss) income	(5.0)%	3.7%
Interest (income) expense, net	— %	—%
(Loss) income before income taxes	(5.0)%	3.6%
Income tax (benefit) expense	(0.7)%	1.3%
Net (loss) income	(4.2)%	2.3%

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

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net Revenues by Segment:		
Direct	$ 68,837	$ 72,946
Indirect	27,298	32,235
Total	$ 96,135	$ 105,181
Percentage of Net Revenues by Segment:		
Direct	71.6%	69.4%
Indirect	28.4%	30.6%
Total	100.0%	100.0%

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Operating (Loss) Income by Segment:		
Direct	$ 6,812	$ 12,137
Indirect	9,446	12,598
Less: Corporate unallocated	(21,062)	(20,878)
Total	$ (4,804)	$ 3,857
Operating Income as a Percentage of Net Revenues by Segment:		
Direct	9.9 %	16.6 %
Indirect	34.6 %	39.1 %
Store Data (1) :		
Total stores open at end of period	162	152
Comparable sales (including e-commerce) decrease (2)	(12.5)%	(6.7)%
Total gross square footage at end of period (all stores)	377,740	346,708
Average net revenues per gross square foot (3)	$ 118	$ 128

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

(2) Comparable sales are calculated based upon our stores that have been open for at least 12 full fiscal months and net revenues from our e-commerce operations. Increase or decrease is reported as a percentage of the comparable sales for the same period in the prior fiscal year. Remodeled stores are included in comparable sales unless the store was closed for a portion of the current or comparable prior period or the remodel resulted in a significant change in square footage.

(3) Dollars not in thousands. Average net revenues per gross square foot are calculated by dividing total net revenues for our stores that have been open at least 12 full fiscal months as of the end of the period by total gross square footage for those stores. Remodeled stores are included in average net revenues per gross square foot unless the store was closed for a portion of the period.

Payment Card Incident

Description of Event

On September 15, 2016, we received information from law enforcement regarding a potential data security issue related to our retail store network. Findings from the investigation show unauthorized access to our payment processing system and the installation of a program that looked for payment card data. The program was specifically designed to find track data in the magnetic stripe of a payment card that may contain the card number, cardholder name, expiration date, and internal verification code as the data was being routed through the affected payment systems. There is no indication that other customer information was at risk. Payment cards used at Vera Bradley store locations between July 25, 2016 and September 23, 2016 may have been affected. Not all cards used in stores during this time frame were affected. Cards used on verabradley.com were not affected.

We have resolved this incident and continue to work with the computer security firm to further strengthen the security of our system to help prevent this from happening in the future. We continue to support law enforcement's investigation and also promptly notified the payment card networks so that the banks that issue payment cards could initiate heightened monitoring on the affected cards.

Expenses Incurred

During the first quarter of fiscal 2018, we recorded an immaterial amount of expense relating to remediation activities as a result of the Payment Card Incident.

Future Costs

Payment card companies and associations may require us to reimburse them for unauthorized card charges and costs to replace cards and may also impose fines or penalties in connection with the Payment Card Incident, and enforcement authorities may also impose fines or other remedies against us. At this time, we cannot reasonably estimate the potential loss or range of loss related to fines or penalties that may be assessed, if any. The Payment Card Incident, including customer response and any possible third party claims or assessments from payment card companies, could materially adversely affect our financial condition and operating results. We expect our insurance coverage will offset most of the expenses for the investigation and other non-remediation legal and professional services associated with the incident, possible third party claims, as well as fines, penalties, or other expenses, if any, imposed by payment card companies, as discussed above.

Insurance Coverage

We maintain $15.0 million of cyber security insurance coverage above a $0.1 million deductible.

Other Charges Affecting Comparability of the Thirteen Weeks Ended April 29, 2017 , and April 30, 2016

Thirteen Weeks Ended April 29, 2017

In the first quarter of fiscal 2018, we recognized a total of $1.3 million of severance charges ($0.8 million after the associated tax benefit) (reflected in SG&A expenses) primarily for our former Chief Financial Officer. These charges are reflected within corporate unallocated expenses.

Thirteen Weeks Ended April 29, 2017 , Compared to Thirteen Weeks Ended April 30, 2016

Net Revenues

For the thirteen weeks ended April 29, 2017 , net revenues decreased $9.1 million , or 8.6% , to $96.1 million , from $105.2 million in the comparable prior-year period.

Direct . For the thirteen weeks ended April 29, 2017 , net revenues in the Direct segment decreased $4.1 million , or 5.6% , to $68.8 million , from $72.9 million in the comparable prior-year period. This change resulted from a $5.0 million contribution of revenue from our non-comparable stores, including three additional factory outlet stores opened in the current fiscal year, which was more than offset by a comparable sales decrease of $8.1 million , or 12.5% . The decrease in comparable sales includes a 22.0% decrease in e-commerce sales and a 7.8% decrease in comparable store sales. The decline in comparable sales was primarily due to year-over-year declines in store and e-commerce traffic and e-commerce sales were partially impacted by the conversion to our new platform, which was completed in February 2017.

Indirect . For the thirteen weeks ended April 29, 2017 , net revenues in the Indirect segment decreased $4.9 million , or 15.3% , to $27.3 million , from $32.2 million in the comparable prior-year period. This change was primarily due to a decline in orders from the Company's specialty retail accounts and certain key accounts along with a reduction in the number of specialty retail accounts.

Gross Profit

For the thirteen weeks ended April 29, 2017 , gross profit decreased $7.0 million , or 11.7% , to $52.7 million , from $59.7 million in the comparable prior-year period. As a percentage of net revenues, gross profit decreased to 54.8% for the thirteen weeks ended April 29, 2017 , from 56.7% in the comparable prior-year period. The decrease as a percentage of net revenues was primarily due to channel mix changes and increased promotional activity at our factory outlet stores.

Selling, General, and Administrative Expenses

For the thirteen weeks ended April 29, 2017 , SG&A expenses increased $1.4 million , or 2.5% , to $57.8 million , from $56.4 million in the comparable prior-year period. As a percentage of net revenues, SG&A expenses increased to 60.1% for the thirteen weeks ended April 29, 2017 , from 53.6% in the comparable prior-year period. The increase in SG&A expenses for the thirteen weeks ended April 29, 2017 was primarily due to $1.3 million in severance charges principally for our former Chief Financial Officer in the current-year period.

Other Income

For the thirteen weeks ended April 29, 2017 , other income decreased $0.3 million , or 53.7% , to $0.3 million , from $0.6 million in the comparable prior-year period, primarily due to a decrease in participation in the co-op mailer program.

Operating (Loss) Income

For the thirteen weeks ended April 29, 2017 , operating (loss) income decreased $8.7 million , or 224.6% , to $(4.8) million in the current-year period, from $3.9 million in the comparable prior-year period. As a percentage of net revenues, operating (loss) income was (5.0)% and 3.7% for the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively. Operating (loss) income decreased due to the factors described above.

Direct . For the thirteen weeks ended April 29, 2017 , operating income in the Direct segment decreased $5.3 million , or 43.9% , to $6.8 million from $12.1 million in the comparable prior-year period. As a percentage of Direct segment net revenues, operating income in the Direct segment was 9.9% and 16.6% for the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively. The decrease in operating income as a percentage of Direct segment net revenues was primarily due to lower sales, a decrease in gross profit as a percentage of net revenues, as described above, and deleveraging of store operating expenses as a result of lower comparable store sales.

Indirect . For the thirteen weeks ended April 29, 2017 , operating income in the Indirect segment decreased $3.2 million , or 25.0% , to $9.4 million from $12.6 million in the comparable prior-year period. As a percentage of Indirect segment net revenues, operating income in the Indirect segment was 34.6% and 39.1% for the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively. The decrease in operating income as a percentage of Indirect segment net revenues was primarily due to lower sales and a decrease in gross profit as a percentage of net revenues, as described above.

Corporate Unallocated . For the thirteen weeks ended April 29, 2017 , unallocated expenses increased $0.2 million , or 0.9% , to $21.1 million from $20.9 million in the comparable prior-year period. The increase in unallocated expenses was primarily due to $1.3 million in severance charges, partially offset by a decrease in advertising expense of $0.8 million as a result of the timing of spend in the current-year period.

Income Tax (Benefit) Expense

The effective tax rate for the thirteen weeks ended April 29, 2017 , was 15.0% , compared to 36.5% for the thirteen weeks ended April 30, 2016 . The year-over year decrease is primarily due to the relative impact of permanent and discrete items, including a tax shortfall from stock-based compensation.

Net (Loss) Income

For the thirteen weeks ended April 29, 2017 , net (loss) income decreased $6.4 million , or 267.5% , to $(4.0) million from $2.4 million in the comparable prior-year period. The current-year period included $1.3 million ($0.8 million after the associated tax benefit) in severance expense.

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 $125.0 million second amended and restated credit agreement. There were no borrowings under this agreement during the thirteen weeks ended April 29, 2017 , and there was no debt outstanding as of April 29, 2017 . 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; share repurchases; and debt repayments. The most significant components of our working capital are cash and cash equivalents, short-term investments, merchandise inventories, accounts receivable, accounts payable, and other current liabilities.

We believe that cash on hand and cash equivalents, investments, cash flows from operating activities, and the availability of borrowings under our second amended and restated credit agreement or other financing arrangements will be sufficient to meet working capital requirements, anticipated capital expenditures, share repurchases, and debt payments for the foreseeable future.

Investments

Cash Equivalents. Investments classified as cash equivalents relate to highly liquid investments with a maturity of three months or less from the date of purchase. As of April 29, 2017 , these investments in our portfolio consisted of a money market fund, commercial paper and municipal securities.

Short-Term Investments. As of April 29, 2017 , short-term investments consisted of U.S. corporate debt securities, commercial paper and municipal securities with a maturity within one year of the balance sheet date. As of January 28, 2017 , short-term investments consisted of a certificate of deposit with an original maturity of one year and a one-time option to accelerate maturity to 31 days without penalty. The certificate of deposit matured during the first quarter fiscal 2018.

Long-Term Investments. As of April 29, 2017 , long-term investments consisted of U.S. and non-U.S. corporate debt securities and U.S. treasury and municipal securities with a maturity greater than one year from the balance sheet date.

Refer to Note 11 *Investments* herein for additional detail regarding investments.

Cash Flow Analysis

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

	Thirteen Weeks Ended	
	April 29, 2017	April 30, 2016
Net cash used in operating activities	$ (9,937)	$ (3,997)
Net cash used in investing activities	(337)	(35,594)
Net cash used in financing activities	(1,695)	(6,282)

Net Cash Used in Operating Activities

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

Net cash used in operating activities for the thirteen weeks ended April 29, 2017 , was $9.9 million compared to net cash used in operating activities of $4.0 million for the thirteen weeks ended April 30, 2016 . The increase in cash used in operating activities was primarily a result of a decrease in net income of $6.4 million and a change in accounts payable which resulted in a use of cash of $6.0 million as compared to a source of cash of $1.3 million in the comparable prior-year period. The change in accounts payable was primarily a result of the timing of inventory payments. This was partially offset by a change in income taxes which resulted in a use of cash of $2.3 million as compared to a use of cash of $12.1 million in the comparable prior-year period. The income tax change was primarily a result of the timing of an $11.5 million federal income tax payment in the prior-year period.

Net Cash Used in Investing Activities

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

Net cash used in investing activities was $0.3 million and $35.6 million for the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively. There was a decrease of $2.2 million in spending for property, plant, and equipment in the current-year period primarily due to the construction of three retail stores in the current-year period as compared to five stores in the comparable prior-year period and a reduction in information technology investment spending. In addition, there was a source of cash of $3.0 million as a result of net investment activity in the current-year period and a use of cash of $30.0 million in the comparable prior-year period.

Capital expenditures for fiscal 2018 are expected to be approximately $10.0 million to $15.0 million .

Net Cash Used in Financing Activities

Net cash used in financing activities was $1.7 million and $6.3 million for the thirteen weeks ended April 29, 2017 and April 30, 2016 , respectively. The decrease in cash used in financing activities was primarily due to $1.1 million of cash purchases of our common stock under the 2015 Share Repurchase Plan in the current-year period compared to $5.7 million of cash purchases of our common stock under the 2015 Share Repurchase Plans in the prior-year period.

Second Amended and Restated Credit Agreement

On July 15, 2015, Vera Bradley Designs, Inc. ("VBD"), a wholly-owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement among VBD, the lenders from time to time party thereto, JPMorgan Chase Bank, National Association, as administrative agent; Wells Fargo Bank, National Association, as syndication agent; and KeyBank National Association, as documentation agent (the "Credit Agreement"), which amended and restated our prior credit agreement. The Credit Agreement provides for certain credit facilities to VBD in an aggregate principal amount not to initially exceed $125.0 million, the proceeds of which may be used for 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").

Amounts outstanding under the Credit Agreement bear interest, at VBD's option, at a per annum rate equal to either (A) the Alternate Base Rate ("ABR") plus the Applicable Margin, where the ABR is the highest of (i) the prime rate, (ii) the federal funds rate plus 0.5%, and (iii) Adjusted LIBOR for a one-month interest period plus 1%, and the Applicable Margin is a percentage ranging from 0.00% to 0.70% depending upon the Company's leverage ratio or (B) Adjusted LIBOR plus the Applicable Margin, where Adjusted LIBOR means LIBOR, as adjusted for statutory reserve requirements for eurocurrency liabilities, and Applicable Margin is a percentage ranging from 1.00% to 1.70% depending upon the Company's leverage ratio. Any loans made, or letters of credit issued, pursuant to the Credit Agreement mature on July 15, 2020. As of April 29, 2017 , the Company had borrowing availability of $125.0 million under the agreement.

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 first priority security interests in all of the respective assets of VBD, the Company, and the Named Subsidiaries and a pledge of the equity interests of VBD and the Named Subsidiaries.

The Credit Agreement contains various restrictive covenants, including restrictions on the Company's ability to dispose of assets, make acquisitions or investments, incur debt or liens, make distributions to stockholders or repurchase outstanding stock, enter into related party transactions and make capital expenditures, other than upon satisfaction of the conditions set forth in the Credit Agreement. The Company is also required to comply with certain financial and non-financial covenants, including maintaining a maximum leverage ratio, a minimum ratio of EBITDAR to the sum of interest expense plus rentals (as defined in the Credit Agreement), and a limit on capital expenditures. Upon an event of default, which includes certain customary events such as, among other things, a failure to make required payments when due, a failure to comply with covenants, certain bankruptcy and insolvency events, a material adverse change (as defined in the Credit Agreement), defaults under other material indebtedness, and a change in control, the lenders may accelerate amounts outstanding, terminate the agreement and foreclose on all collateral. The Company was in compliance with these covenants as of April 29, 2017 .

Off-Balance-Sheet Arrangements

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

Critical Accounting Policies and Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company’s significant accounting policies is included in Note 2 to the Company’s consolidated financial statements in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 . In addition to these policies, refer to Note 11 *Investments* of this Quarterly Report on Form 10-Q for a discussion of the Company's investment accounting policy.

Certain accounting policies and estimates of the Company are considered critical, as these policies and estimates are the most important to the depiction of the Company’s consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 . There were no significant changes to any of the critical accounting policies and estimates described in the Annual Report as of April 29, 2017 .

Recently Issued Accounting Pronouncements

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

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of April 29, 2017 , there was no material change in the market risks described in “Quantitative and Qualitative Disclosures About Market Risks” in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 .

ITEM 4. CONTROLS AND PROCEDURES

At the end of the period covered by this Quarterly Report on Form 10-Q, the Company carried out an evaluation, under the supervision and with the participation of the Company’s Disclosure Committee and management, including the Chief Executive Officer and the Interim Chief Financial Officer of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Securities Exchange Act of 1934. Based on that evaluation, the Chief Executive Officer and Interim Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of April 29, 2017 .

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

PART II. OTHER INFORMATION

ITEM 1A. RISK FACTORS

There has been no material change to our risk factors as previously set forth in the Company’s Annual Report on Form 10-K for the fiscal year ended January 28, 2017 .

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

On December 8, 2015, the Company’s board of directors approved a share repurchase program (the “2015 Share Repurchase Program”) authorizing up to $50.0 million of repurchases of shares of the Company's common stock. The 2015 Share Repurchase Program expires in December 2017. During the thirteen weeks ended April 29, 2017 , the Company repurchased 131,619 shares of the Company's common stock at an average price of $9.11 per share, excluding commissions.

Details on the shares repurchased under the program during the thirteen weeks ended April 29, 2017 are as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Program
January 29, 2017 - February 25, 2017	8,560	$ 10.65	8,560	$ 21,238,544
February 26, 2017 - April 1, 2017	56,941	9.10	56,941	20,720,216
April 2, 2017 - April 29, 2017	66,118	8.91	66,118	20,130,955
	131,619	$ 9.11	131,619	

ITEM 6. EXHIBITS

a. Exhibits

Exhibit No.	Description
10.1	Fiscal 2018 Restricted Stock Unit/Performance Unit Terms and Conditions
10.2	Fiscal 2018 Annual Incentive Compensation Plan (Executives)
10.3	Form of Performance-Based Award Agreement under the 2010 Equity and Incentive Plan
31.1	CEO Section 302 Certification
31.2	CFO Section 302 Certification
32.1	Section 906 Certifications*
101	The following materials from Vera Bradley, Inc.'s Quarterly Report on Form 10-Q for the quarter ended April 29, 2017 formatted in Extensible Business Reporting Language (XBRL): (i) Condensed Consolidated Statements of Income for the Thirteen Weeks ended April 29, 2017 and April 30, 2016; (ii) Condensed Consolidated Statements of Comprehensive Income for the Thirteen Weeks ended April 29, 2017 and April 30, 2016; (iii) Condensed Consolidated Balance Sheets as of April 29, 2017 and January 28, 2017; (iv) Condensed Consolidated Statements of Cash Flows for the Thirteen Weeks ended April 29, 2017 and April 30, 2016, and (v) Notes to Condensed Consolidated Financial Statements. **

* Furnished, not filed.

** Pursuant to Rule 406T of SEC Regulation S-T, the Interactive Data Files included as Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and otherwise are not subject to liability under these Sections.

SIGNATURE

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

	Vera Bradley, Inc. (Registrant)
Date: June 7, 2017	/s/ John Enwright
	John Enwright
	Vice President – Interim Chief Financial Officer

EXHIBIT INDEX

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Exhibit 10.1

Vera Bradley, Inc.
2010 Equity and Incentive Plan

FISCAL 2018 LONG TERM INCENTIVE PLAN
RESTRICTED STOCK UNIT/PERFORMANCE UNIT

TERMS AND CONDITIONS

1. Definitions . Any term capitalized herein but not defined will have the meaning set forth in the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the "Plan").

2. Grant and Vesting of Restricted Stock Units .

(a) As of the grant date specified in the Award Agreement (the "Grant Date"), the Participant will be credited with the number of Restricted Stock Units set forth in the Award Agreement. Each Restricted Stock Unit is a notional amount that represents one unvested share of Common Stock. Each Restricted Stock Unit constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Restricted Stock Unit vests.

(b) Restricted Stock Units will vest on each of the first three anniversaries of the Grant Date. If the Participant's Service with the Company and all of its Affiliates terminates before the date that a grant of Restricted Stock Units vests, his or her right to receive the Shares underlying such unvested Restricted Stock Units will be only as provided in Section 5.

3. Grant and Vesting of Performance Units ("Performance RSUs") .

(a) As of the Grant Date, the Participant will be credited with the number of Performance RSUs set forth in the Award Agreement. Each Performance RSU is a notional amount that represents one unvested share of Common Stock. Each Performance RSU constitutes the right, subject to the terms and conditions of the Plan and this document, to the distribution of a Share if and when the Performance RSU is deemed earned and vested.

(b) Performance RSUs granted under the Plan are intended to qualify as performance-based compensation under section 162(m) of the Internal Revenue Code of 1986, as amended ("Code"). Performance RSUs (or tranches of such Performance RSUs) will become earned only if the Company achieves a stated level of "Earnings Per Share" (as defined below) during the applicable Performance Year within the Performance Period as set forth in the Award Agreement. Except as provided in Section 5, any earned Performance RSUs (and the Participant's right to receive the Shares underlying such Performance RSUs) will become vested only if the Participant remains continuously employed with the Company during the Performance Period. The following additional provisions apply to grants of Performance RSUs:

(i) *Certification of Results.* Before any award of Performance RSUs is deemed earned with respect to a Performance Period, the Committee shall certify, in accordance with Section 9.5 of the Plan, in writing (i) that the performance goals described in the Award Agreement has been achieved for the Performance Period, and (ii) the calculation of "Earnings Per Share" (as defined below) for each Performance Year within the Performance Period.

(ii) *Definition of "Earnings Per Share."* For purposes of this Subsection 3(b), the term "Earnings Per Share" means, with respect to any Awards of Performance RSUs, the Company's consolidated earnings per share, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.

(iii) *Definition of "Performance Year."* For purposes of this Subsection 3(b), the term "Performance Year" means, with respect to any Awards of Performance RSUs, each fiscal year of the Company ending within the Performance Period.

(iv) *Finality of Committee Determinations.* Any determination by the Committee of Earnings per Share and the level and entitlement to the Award of Performance RSUs, and any interpretation, rule, or decision adopted by the Committee under the Plan or in carrying out or administering the Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Committee may rely conclusively on determinations made by the Company and its auditors to determine Earnings per Share and related information for purposes of administration of the Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company. This Subsection is not intended to limit the Committee's power, to the extent it deems proper in its sole discretion, to take any action permitted under the Plan and Code Section 162(m).

4. Rights as a Stockholder .

(a) Unless and until a Restricted Stock Unit or an earned Performance RSU, as applicable, has vested and the Share underlying it has been distributed to the Participant, the Participant will not be entitled to vote in respect of that Restricted Stock Unit or Performance RSU (as applicable) or that Share.

(b) If the Company declares a cash dividend on its Shares, then, on the payment date of the dividend, the Participant will be credited with dividend equivalents equal to the amount of cash dividend per Share multiplied by the number of outstanding Restricted Stock Units or Performance RSUs (as applicable) credited to the Participant through the record date. The dollar amount credited to a Participant under the preceding sentence will be credited to an account ("Account") established for the Participant for bookkeeping purposes only on the books of the Company. The amounts credited to the Account will be credited as of the last day of each month with interest, compounded monthly, until the amount credited to the Account is paid to the Participant. The rate of interest credited under the previous sentence will be the prime rate of interest as reported by the Midwest edition of the Wall Street Journal for the second business day of each fiscal quarter on an annual basis. The balance in the Account will be subject to the same terms regarding vesting and forfeiture as the Participant's Restricted Stock Units or Performance RSUs, as applicable, awarded under the applicable Award Agreement, and will be paid in cash in a single sum at the time that the Shares associated with the Participant's Restricted Stock Units or Performance RSUs, as applicable, are delivered (or forfeited at the time that the Participant's Restricted Stock Units or Performance RSUs, as applicable, are forfeited).

5. Termination of Service; Change in Control . If a Participant's Service is terminated for any reason during the applicable Restricted Period or Performance Period, the terms and conditions of the underlying Award Agreement will govern when and whether the Participant will forfeit the right to receive Shares underlying any Restricted Stock Units or Performance RSUs, as applicable, that have not yet vested. To the extent provided in the underlying Award Agreement, all or a portion of the previously unvested Restricted Stock Units or Performance RSUs, as applicable, then outstanding will vest immediately prior to or upon the consummation of a Change in Control.

For purposes hereof, a "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.

6. Timing and Form of Payment . Except as provided in this Section or in clauses 2(b) or 3(b) or Section 5, above, once a Restricted Stock Unit vests or a Performance RSU is earned and vested, as applicable, the Participant will be entitled to receive a Share in its place. Delivery of the Share will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Restricted Period or Performance Period, as applicable, and not later than the 15 th day of the third month following the end of the Restricted Period or Performance Period, as applicable. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time.

7. Assignment and Transfers . The Participant may not assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

8. Withholding Tax. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required by law to be withheld with respect to the Award. Unless the Committee or its designee agrees to a different method for withholding such taxes, the number of Shares (underlying the Award) necessary to cover applicable withholdings will be withheld from the issuance of any Shares of exchange for the Award.

9. Securities Law Requirements.

(a) The Restricted Stock Units and Performance RSUs are subject to the further requirement that, if at any time the Committee determines in its sole discretion that the listing or qualification of the Shares subject to the Restricted Stock Units and Performance RSUs under any securities exchange requirements or under any applicable law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the issuance of Shares under it, then Shares will not be issued under the Restricted Stock Units and Performance RSUs, unless the necessary listing, qualification, consent or approval has been effected or obtained free of any conditions not acceptable to the Committee.

(b) No person who acquires Shares pursuant to the Award reflected in this document may, during any period of time during which that person is an affiliate of the Company (within the meaning of the rules and regulations of the Securities and Exchange Commission under the Securities Act), sell the Shares, unless the offer and sale is made pursuant to (i) an effective registration statement under the Securities Act, which is current and includes the Shares to be sold, or (ii) an appropriate exemption from the registration requirements of the Securities Act, such as that set forth in Rule 144 promulgated under the Securities Act. With respect to individuals subject to Section 16 of the Exchange Act, transactions under this Award are intended to comply with all applicable conditions of Rule 16b-3, or its successors under the Exchange Act. To the extent any provision of the Award or action by the Committee fails to so comply, the Committee may determine, to the extent permitted by law, that the provision or action will be null and void.

10. No Limitation on Rights of the Company. Subject to Sections 4.3, 14.1 and 14.2 of the Plan, the grant of the Award described in this document will not in any way affect the right or power of the Company to make adjustments, reclassifications or changes in its capital or business structure, or to merge, consolidate, dissolve, liquidate, sell or transfer all or any part of its business or assets.

11. Plan, Restricted Stock Units, Performance RSUs and Award Not a Contract of Employment. Neither the Plan, the Restricted Stock Units, the Performance RSUs nor any other right or interest that is part of the Award granted under the Plan or this document is a contract of employment, and no terms of employment or Service of the Participant will be affected in any way by the Plan, the Restricted Stock Units, the Performance RSUs, the Award, this document or related instruments, except as specifically provided therein. Neither the establishment of the Plan nor the Award will be construed as conferring any legal rights upon the Participant for a continuation of employment or Service, nor will it interfere with the right of the Company or any Affiliate to discharge the Participant and to treat him or her without regard to the effect that treatment might have upon him or her as a Participant.

12. Participant to Have No Rights as a Stockholder. Except as provided in Section 4 above, the Participant will have no rights as a stockholder with respect to any Shares subject to the Restricted Stock Units or Performance RSUs, as applicable, prior to the date on which he or she is recorded as the holder of those Shares on the records of the Company.

13. Notice. Any notice or other communication required or permitted hereunder must be in writing and must be delivered personally, or sent by certified, registered or express mail, postage prepaid. Any such notice will be deemed given when so delivered personally or, if mailed, three days after the date of deposit in the United States mail, in the case of the Company to 12420 Stonebridge Road, Roanoke, Indiana 46783, Attn: Corporate Secretary, and, in the case of the Participant, to the last known address of the Participant in the Company's records.

14. Governing Law. This document and the Award will be construed and enforced in accordance with, and governed by, the laws of the State of Indiana, determined without regard to its conflict of law rules.

15. Code Section 409A. Notwithstanding any other provision in this document, if a Participant is a "specified employee" (as such term is defined for purposes of Code Section 409A) at the time of his or her termination of Service, no amount that is subject to Code Section 409A and that becomes payable by reason of such termination of Service shall be paid to the Participant before the earlier of (i) the expiration of the six-month period measured from the date of the Participant's termination of Service, and (ii) the date of the Participant's death.

16. Plan Document Controls . The rights granted under this document are in all respects subject to the provisions of the Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the Plan, the Plan will control.

Exhibit 10.2

Senior Executive Annual Incentive Compensation Plan

Fiscal 2018

Plan Overview

Awards under this Senior Executive Annual Incentive Compensation Plan (the "Annual Plan") are granted under and governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the “2010 Plan”), as amended. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

This Annual Plan is designed to give each eligible Participant (as defined in the attached Administrative Guidelines) an opportunity to share in the Company's success for the fiscal year ending February 3, 2018 (the "Performance Period"). The incentive is intended to be an inducement for future faithful service as well as a reward for performance. The incentive opportunity for the Performance Period is based on a percentage of each Participant's Base Salary (as defined herein) and will be earned based on three to four independent performance measures as more fully described herein (collectively, the “FY18 Performance Measures”).

Calculation of Incentive Opportunity

The target incentive opportunity for each Participant is determined based on a percentage of each Participant's Base Salary (as defined below) based upon the Participant’s level.

	Incentive Opportunity (Percent of Base Salary)		
Participant Level	**Threshold**	**Target**	**Excellence**
EVP	25%	50%	87.5%
VP2	20%	40%	70%

"Base Salary" is defined as the Participant's gross base salary (before taxes and deductions) paid by the Company to the Participant during the Performance Period.

Each Participant will have the opportunity to earn the incentive set forth above based on the level of achievement against the FY18 Performance Measures. The applicability and weighting of the FY18 Performance Measures relative to the total incentive opportunity is as follows:

Participant Level	**Corporate Performance**		**Corporate Strategic Objective Performance**	**Individual Personal Financial Objectives**
	Net Revenue	**Operating Income**		
EVP/VP2	25%	25%	25%	25%

Corporate Performance

Payouts for Corporate Performance are based on meeting two independent financial metrics, which are net revenue and operating income. Each financial metric is weighted at 50% of the Corporate Performance goal. Assuming at least threshold levels of performance against the Corporate Performance goals are met during the Performance Period, the actual payout levels will range from 25%-200% of target. The actual amount of the Corporate Performance goals is considered to be confidential information and so is not included in this document, but can be obtained from Human Resources.

Net Revenue Performance Level	**Payout as a Percentage of the Portion of Incentive Tied to Corporate Performance***
Threshold	25%
Target	100%
Excellence	200%
Operating Income Performance Level	**Payout as a Percentage of the Portion of Incentive Tied to Corporate Performance***
Threshold	25%
Target	100%
Excellence	200%

* Payout levels are determined using linear interpolation for results falling between the three performance levels.

Corporate Strategic Objective Performance

Payouts for performance against the Corporate Strategic Objectives will be based on performance against the following objectives, with underlying success measures to be provided by your manager:

- Complete Update to Strategic Plan
- Increase Brand Desirability: Implement a robust marketing program, recognize and reward her, leverage known brands, hyper-focused brand clarity and alignment in key functional areas, and drive retail traffic
- Increase Product Desirability: Increase customer wallet by 2.7% for FY18
- Optimize Platform Distribution: Increase total direct conversion 900 basis points.
- Leverage Core Expense: Improve SG&A and COGS and optimize the store network to improve the Company's cost structure.
- Power Performance Through People: Build a world-class team of empowered and high-performance individuals and teams, who rally around our brand and core values and are passionate about both winning together and bringing women together through the secret language of beauty

Assuming threshold levels are met, the actual payout levels range from 0%-150% of target. The Compensation Committee of the Board of Directors of the Company (the "Compensation Committee") shall determine the level of performance achieved against the Corporate Objectives in its sole discretion.

Payout levels for achievement of the Corporate Strategic Objectives range from 0%-150% of that portion of incentive tied to Corporate Strategic Objectives.

Individual Financial Goals

Payouts for performance against the Individual Financial Goals will be based on a Participant's overall achievement of personal financial objectives, as determined by the Participant's supervisor and approved by the Compensation Committee.

Payout levels for achievement of the Individual Financial Goals range from 0%-150% of that portion of incentive tied to the Individual Financial Goals.

Administrative Guidelines - Provide additional information regarding how the Annual Plan will be administered.

1. The CEO direct reports at a level of Executive Vice President and certain designated CEO direct reports at the Vice President Level 2 are eligible to participate in this Annual Plan. Any question regarding eligibility for participation in this Annual Plan shall be resolved by the Compensation Committee, in the Committee's sole discretion.
2. Participation in this Annual Plan neither gives any employee the right to be retained as an employee nor limits the Company's right to discharge or discipline any employee.
3. Final payout of any bonus under this Plan is subject to the final approval of the Chief Financial Officer, Vice President, Human Resources and Compensation Committee.
4. Participants placed on a Performance Improvement Plan within six months of when payment is made under this Plan will not be eligible for such payment.
5. Certification of Results. Before any Awards under the Annual Plan are deemed earned with respect to a Performance Period, the Compensation Committee shall certify, in accordance with Section 9.5 of the 2010 Plan, in writing (i) that the performance goals have been met for the Performance Period, and (ii) the calculation of "Operating Income" and "Net Revenue" for the Performance Period.
    a. Definition of "Operating Income". For purposes of this Annual Plan, the term "Operating Income" means, with respect to the Performance Period related to any Awards, the Company's consolidated operating income, as determined in accordance with U.S. GAAP, adjusted to exclude the effects, as shown on the financial statements furnished as part of Form 8-K (announcing the Company's fiscal year-end financial results) for any fiscal year of the Company ending with or within the Performance Period, of (i) any acquisition during the Performance Period, including the amortization expense of intangible assets acquired during the Performance Period, (ii) material charges or income arising from litigation, (iii) corporate restructuring, asset impairment, or other special charges, and (iv) cumulative effect of changes to U.S. GAAP accounting.
    b. Definition of "Net Revenue". For purposes of this Annual Plan, the term "Net Revenue" means, with respect to the Performance Period related to any Awards, the Company's consolidated net revenue, as determined in accordance with U.S. GAAP.
6. Except as provided herein, (a) no Participant will be entitled to an incentive payment under the Plan unless the Participant is employed by the Company or an Affiliate in an eligible position on the day the incentive payment is made, and (b) a Participant who separates from Service for any reason prior to the date of payment of such incentive will not be entitled to a prorated award, unless otherwise required by applicable state law. By way of clarification, should a Participant separate from Service and be rehired within the same Performance Period, the Participant shall not be given credit for prior periods Service. Notwithstanding the preceding provisions, the following provisions will apply if, during the Performance Period (or after the Performance Period and prior to the date of payment), you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause):

i. Death or Disability: In the event a Participant's Service terminates as a result of death or Disability prior to the date on which the incentive payment is made, the outstanding Award shall be treated as earned at the target level (if such Service terminated prior to the end of the Performance Period), or at the actual level (if such Service terminated after the Performance Period and prior to the payment date), with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

ii. Retirement: In the event a Participant's Service with the Company terminates as a result of Retirement during the Performance Period, the outstanding Award shall be earned based on the actual Company performance level obtained (determined at the end of the Performance Period) and target individual performance level, with any such earned Awards becoming fully vested and paid out as provided in section 8, below.

7. Notwithstanding anything to the contrary in this Annual Plan, in the event of a Change in Control of the Company during the Performance Period, then the outstanding Award shall be treated as earned at the target level, but prorated based on the number of full fiscal months (in which the Participant provided Service throughout such month) during the Performance Period, with any such earned Awards becoming fully vested and paid out as soon as practicable (but not later than 30 calendar days) following the Change in Control. For purposes of this Annual Plan, the term "Change in Control" shall mean the occurrence of any one or more of the following: (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Exchange Act and the rules of the Securities and Exchange Commission as in effect on the date of this Award), other than (i) Barbara Baekgaard, Patricia Miller, Michael Ray and Kim Colby and their respective heirs and descendants and any trust established for the benefit of such Persons, (ii) the Company or a corporation owned directly or indirectly by the shareholders of the Company in substantially the same proportions as their ownership of stock of the Company, or (iii) any employee benefit plan (or related trust) sponsored or maintained by the Company or any Affiliate, of securities of the Company representing more than twenty-five percent (25%) of the combined voting power of the Company's then outstanding securities; (b) the occupation of a majority of the seats (other than vacant seats) on the Board by Persons who were neither (i) nominated by the Board nor (ii) appointed by directors so nominated; or (c) the consummation of (i) an agreement for the sale or disposition of all or substantially all of the Company's assets, or (ii) a merger, consolidation or reorganization of the Company with or involving any other corporation, other than a merger, consolidation or reorganization that results in the voting securities of the Company outstanding immediately prior thereto continuing to represent (either by remaining outstanding or by being converted into voting securities of the surviving entity) at least fifty percent (50%) of the combined voting power of the voting securities of the Company (or such surviving entity) outstanding immediately after such merger, consolidation or reorganization.
8. All Participants will receive an award that is prorated based on Base Salary earned during the Performance Period.
9. In the event that a Participant joins the Company at any time during the final three fiscal months of the Performance Period, such participant will not be eligible to participate in this Plan.
10. All goal attainment calculations will follow normal rounding guidelines (i.e., 93.1% to 93.49% = 93%; 93.5% to 93.9% = 94%).
11. Payments under the Annual Plan will be paid in cash after the end of the Company's fiscal tax year but no later than the 15th day of the third month following the Company's fiscal tax year on which the annual incentives under this Annual Plan are based.
12. The Company shall have the power and the right to deduct or withhold an amount sufficient to satisfy federal, state, and local taxes (including FICA obligations), domestic or foreign, and other deductions required to be withheld by law with respect to this Award.
13. Record keeping and computation required by this Annual Plan will be subject to review by third-party auditors, and by the Compensation Committee.
14. Interpretations, determinations, and actions regarding plan administration shall be made by the Compensation Committee.

Any such determinations and any interpretation, rule, or decision under the Annual Plan or in carrying out or administering the Annual Plan, is final and binding for all purposes and upon all interested persons, their heirs, and personal representatives. The Company or its designee may rely conclusively on determinations made by the Company and its auditors to determine related information for purposes of administration of the Annual Plan, whether such information is determined by the Company, its auditors, or a third-party vendor engaged to provide such information to the Company.

15. While it is the intent of the Company to continue this Annual Plan as stated herein, the Company reserves the right to amend or discontinue the plan at any time in its sole discretion.

16. No Participant can assign, encumber or transfer any of his or her rights and interests under the Award described in this document, except, in the event of his or her death, by will or the laws of descent and distribution.

17. The rights granted under this document are in all respects subject to the provisions of the 2010 Plan to the same extent and with the same effect as if they were set forth fully therein. If the terms of this document or the Award conflict with the terms of the 2010 Plan, the 2010 Plan will control.

Exhibit 10.3

[Date]

Re: ***Award Agreement - Grant of Performance Units***

Dear ____________,

Congratulations! In recognition of your continued dedication to Vera Bradley, we are pleased to award you with a discretionary grant of Performance Units ("Award"). This letter constitutes an Award Agreement between you and Vera Bradley regarding the terms and conditions of the grant. In order for the Award referenced in this Award Agreement to become effective, **you must electronically accept your grant no later than two weeks from the grant date.**

While complete details of this grant are defined in the enclosed documents, a high-level summary of this Award is as follows:

Type of Grant	Discretionary grant of Performance Units ("Performance RSUs"). This is a one-time, discretionary grant to reward you for your continued contribution to the success of Vera Bradley.
Number of Performance RSUs	**[Insert XX]**
Date of Grant of Award	**[Insert XX]**
Performance Period	**[Insert XX]**
Earning of Performance RSUs	The Performance RSUs will be divided into three equal tranches of 1/3 each (each a separate "Tranche") of the total Award and allocated to each of the three fiscal years of the Company ending during the Performance Period, with each such fiscal year being considered a performance year ("Performance Year"). Importantly, each Tranche of Performance RSUs must be " **earned** " and " **vested** " before it will be settled in the form of Shares of the Company. Except as otherwise provided herein, (i) each Tranche of Performance RSUs will be deemed **earned** only if the Earnings Per Share (as defined in the **[Insert XX]** Restricted Stock Unit/Performance Unit Terms and Conditions) of the Company for the applicable Performance Year meets or exceeds the threshold level established by the Compensation Committee for such Performance Year, and (ii) each Tranche of Performance RSUs will be deemed **vested** only if you are continuously employed with the Company throughout the Performance Period .

	Performance Level* for each Tranche		
	Threshold	**Target**	**Excellence**
Performance Level Attainment as % of Target [Insert FYXX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target [Insert FYXX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Performance Level Attainment as % of Target [Insert FYXX]	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**
Payout level for Tranche of Performance RSUs**	**[Insert XX]**	**[Insert XX]**	**[Insert XX]**

* The actual number of Performance RSUs allocated to each Tranche that can be earned under this Award Agreement is based on the level of performance achieved (as summarized in the table above) during the applicable Performance Year and can range from 0% of the "Target" (for performance levels below the "Threshold" level) to a maximum of **[Insert XX]** % of the "Target" (for performance levels at or above the "Excellence" level).

** Payout levels for each Tranche of Performance RSUs are based on the attained percentage of the target Earnings Per Share for each respective Performance Year (using linear interpolation for results falling between the three performance levels).

Termination of Service	In general, should your Service with Vera Bradley be terminated prior to the last day of the Performance Period, all then outstanding Performance RSUs (whether or not one or more Tranches have been earned as a result of the Earnings per Share for such Performance Year) will be forfeited to the Company. However, the following provisions will apply if, during the Performance Period, you cease providing Services due to death, Disability or Retirement (and provided that you have not otherwise engaged in an act that would constitute Cause): • **<u>Death or Disability:</u>** In the event that your Service with the Company terminates as a result of your death or Disability during the Performance Period, (i) with respect to Performance Years that have been completed at the time of such death or Disability, each such Tranche shall be earned only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have <u>not</u> been completed at the time of such death or Disability, each such Tranche shall be deemed to be earned based on the "Target" level of performance for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Disability" shall have the meaning assigned to such term in the 2010 Plan. • **<u>Retirement:</u>** In the event your Service terminates as a result of your Retirement during the Performance Period, each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Retirement, each such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have <u>not</u> been completed at the time of such Retirement, each such Tranche shall be deemed to be earned based on the actual performance level attained for such Performance Year, but prorated based on the number of full fiscal months (in which you provided Service throughout such month) during the Performance Period. Any such earned Awards shall become fully vested and paid out in Shares of Company stock pursuant to the settlement provisions below. For purposes of this Award Agreement, "Retirement" shall have the meaning assigned to such term in the 2010 Plan. If your Service with the Company shall terminate during the Performance Period for any reason other than death, Disability, or Retirement, all Performance RSUs granted hereunder (whether or not a Tranche was previously earned) shall be forfeited to the Company.
Change in Control	Notwithstanding anything to the contrary in this Award Agreement, in the event of the consummation of a Change in Control of the Company (and provided that you remain continuously employed with the Company until such Change in Control) during the Performance Period, then each Tranche of outstanding Awards shall be treated as earned (i) with respect to Performance Years that have been completed at the time of such Change in Control, such Tranche shall be earned and vested only to the extent of actual performance for such Performance Year, and (ii) with respect to Performance Years that have <u>not</u> been completed at the time of such Change in Control, each such Tranche shall be deemed to be earned at the Target level, with any such earned Performance RSUs becoming fully vested. Performance RSUs payable upon a Change in Control shall be paid immediately prior to the Change in Control in the form of one Share of Company stock for each vested Performance RSU. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Settlement	Except as it applies to Tranches that are deemed to be earned at "Target" and become payable due to a Change in Control or due to termination of Service as a result of death or Disability, no Awards will become payable unless the Committee certifies that the performance goals in the Award Agreement have been attained with respect to the applicable Performance Year during the Performance Period in a manner that complies with Code Section 162(m) and the 2010 Plan. Any earned Performance RSUs will be paid in the form of one Share of Company stock for each earned whole Performance RSU. Delivery of the Share(s) will be made, including delivery with respect to a Disabled Participant, or to the estate of a deceased Participant, after the end of the Performance Period and not later than the 15 th day of the third month following the end of the Performance Period. Shares will be credited to an account established for the benefit of the Participant with the Company's administrative agent. The Participant will have full legal and beneficial ownership with respect to the Shares at that time. Partial Shares (along with any accumulated dividends) will be paid in cash at the same time the Shares are delivered.
Withholding Taxes	You acknowledge and agree that the Company shall have the power and the right to deduct or withhold, an amount sufficient to satisfy federal, state, and local taxes (including your FICA obligation), domestic or foreign, required by law to be withheld with respect to this Award.

These Performance RSUs have been granted under and are governed by the terms and conditions of the Vera Bradley, Inc. 2010 Equity and Incentive Plan (the “2010 Plan”), as amended. The enclosed Statement of General Information and Availability of Information for the 2010 Plan forms part of a Section 10(a) prospectus covering securities that have been registered under the

Securities Act of 1933, as amended. This document is also enclosed to provide further information and background. Any term capitalized herein but not defined will have the meaning set forth in the 2010 Plan.

Please see the enclosed Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions for further information regarding your Award. It is very important that you keep these documents in a safe place because they describe your rights and responsibilities under the Performance Units and 2010 Plan and explain where and how to obtain other documents and information to which you are entitled.

Again, thank you for your continued contribution to the success of our organization! Your efforts are applauded and truly appreciated. If you have any questions regarding this discretionary grant, please contact Julie North, Vice President - Human Resources.

Sincerely,

Rob Wallstrom

<u>Acknowledgement & Acceptance of Award Agreement and Related Terms</u>

By your electronic acceptance of this grant and the signature of the Company's representative (above) on this Award Agreement, you and the Company agree that this Award of Performance Units is granted under and governed by the terms and conditions of the 2010 Plan, the Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement. You acknowledge that you have reviewed the 2010 Plan, Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions, and this Award Agreement in their entirety, have had an opportunity to obtain the advice of counsel prior to executing this Award Agreement, and fully understand all provisions of the 2010 Plan, Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement. Further, by your electronic acceptance of this grant, you hereby agree to (i) accept as binding, conclusive and final all decisions or interpretations of the Committee upon any questions relating to the 2010 Plan, Fiscal **[Insert XX]** Long Term Incentive Restricted Stock Unit/Performance Unit Terms and Conditions and this Award Agreement, and (ii) notify the Company upon any change in your residence address.

I/2785778.2

Exhibit 31.1

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

I, Robert Wallstrom, certify that:

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

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

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

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

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

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

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

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

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

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

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

Date: June 7, 2017

/s/ Robert Wallstrom

Robert Wallstrom
Chief Executive Officer

Exhibit 31.2

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

I, John Enwright, certify that:

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

Date: June 7, 2017

/s/ John Enwright

John Enwright
Vice President - Interim Chief Financial Officer

Exhibit 32.1

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

I, Robert Wallstrom, the Chief Executive Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended April 29, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ Robert Wallstrom

Robert Wallstrom

Chief Executive Officer

June 7, 2017

Date

I, John Enwright, the Vice President – Interim Chief Financial Officer of Vera Bradley, Inc., certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended April 29, 2017 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Vera Bradley, Inc. as of the dates and for the periods set forth therein.

/s/ John Enwright

John Enwright

Vice President - Interim Chief Financial Officer

June 7, 2017

Date