

BODY CENTRAL CORP  
Form 10-Q  
May 10, 2012  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, D.C. 20549

**FORM 10-Q**

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

**For the quarterly period ended March 31, 2012**

**or**

- o 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 001-34906**

**BODY CENTRAL CORP.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**14-1972231**  
(I.R.S. Employer  
Identification No.)

**6225 Powers Avenue**

**Jacksonville, FL 32217**

(Address, including zip code, of principal executive offices)

Registrant's telephone number, including area code: **(904) 737-0811**

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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x 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 definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

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

Smaller reporting company

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

The number of shares outstanding of the registrant's common stock as of May 2, 2012 was 16,172,393 shares.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. You can identify these statements by words such as aim, anticipate, assume, believe, could, due, estimate, goal, intend, may, objective, plan, potential, positioned, predict, should, target, will, would and other similar expressions or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. These statements are not guarantees of future performance or development and involve known risks, uncertainties and other factors that are in some cases beyond our control. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors;
- failure to execute successfully our growth strategy;
- changes in consumer spending and general economic conditions;
- changes in the competitive environment in our industry and the markets we serve, including increased competition from other retailers;
- failure of our new stores or existing stores to achieve sales and operating levels consistent with our expectations;
- our dependence on a strong brand image;
- failure of our information technology systems to support our business;
- our dependence upon key executive management or our inability to hire or retain additional personnel;

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- disruptions in our supply chain and distribution facility;
- our reliance upon independent third-party transportation providers for all of our product shipments;
- hurricanes, natural disasters, unusually adverse weather conditions, boycotts and unanticipated events;
- the seasonality of our business;
- increases in costs of fuel, or other energy, transportation or utilities costs as well as in the costs of raw materials, labor and employment;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- restrictions imposed by our lease obligations on our current and future operations; and
- our inability to protect our trademarks or other intellectual property rights.

Body Central Corp. (herein we , our , us or the Company ) derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual

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results. For the discussion of these 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 our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission ( **SEC** ). The forward-looking statements included in this Quarterly Report on Form 10-Q 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 otherwise required by law.

Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****BODY CENTRAL CORP.****CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

|   | March 31,<br>2012                 | December 31,<br>2011 | April 2,<br>2011 |
|---|-----------------------------------|----------------------|------------------|
|   | (In thousands, except share data) |                      |                  |
| <b>Assets</b>   |                                   |                      |                  |
| Current assets  |                                   |                      |                  |
| Cash and cash equivalents   | \$ 24,608                         | \$ 41,993            | \$ 25,108        |
| Short-term investments  | 19,871                            |                      |                  |
| Accounts receivable   | 1,098                             | 2,607                | 851              |
| Inventories   | 22,530                            | 21,141               | 19,543           |
| Prepaid expenses and other current assets   | 4,885                             | 4,293                | 4,418            |
| Deferred tax asset  | 1,659                             | 1,953                | 1,722            |
| Total current assets  | 74,651                            | 71,987               | 51,642           |
| Property and equipment, net of accumulated depreciation and amortization of \$21,089, \$19,892 and \$16,630   | 23,229                            | 22,159               | 17,545           |
| Goodwill  | 21,508                            | 21,508               | 21,508           |
| Intangible assets, net of accumulated amortization of \$3,810, \$3,663 and \$3,166  | 16,395                            | 16,542               | 16,982           |
| Other assets  | 101                               | 106                  | 102              |
| Total assets  | \$ 135,884                        | \$ 132,302           | \$ 107,779       |
| <b>Liabilities and Stockholders' Equity</b>   |                                   |                      |                  |
| Current liabilities   |                                   |                      |                  |
| Merchandise accounts payable  | \$ 16,741                         | \$ 16,498            | \$ 17,068        |
| Accrued expenses and other current liabilities  | 15,665                            | 18,608               | 13,614           |
| Total current liabilities   | 32,406                            | 35,106               | 30,682           |
| Other liabilities   | 7,482                             | 7,899                | 6,823            |
| Deferred tax liability  | 3,966                             | 4,225                | 4,562            |
| Total liabilities   | 43,854                            | 47,230               | 42,067           |
| Commitments and contingencies   |                                   |                      |                  |
| Stockholders' equity  |                                   |                      |                  |
| Common stock, \$0.001 par value, 45,000,000 shares authorized, 16,154,243 shares issued and outstanding as of March 31, 2012, 16,095,377 shares issued and outstanding as of December 31, 2011 and 15,655,957 shares issued and outstanding as of April 2, 2011 | 16                                | 16                   | 16               |
| Additional paid-in capital  | 93,724                            | 92,705               | 87,650           |
| Accumulated deficit   | (1,710)                           | (7,649)              | (21,954)         |
| Total stockholders' equity  | 92,030                            | 85,072               | 65,712           |
| Total liabilities and stockholders' equity  | \$ 135,884                        | \$ 132,302           | \$ 107,779       |

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



Table of Contents**BODY CENTRAL CORP.****CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)**

|  | <b>Thirteen Weeks Ended</b>                                |                 |
|--|--|-----------------|
|  | <b>March 31,</b>   | <b>April 2,</b> |
|  | <b>2012</b>  | <b>2011</b>     |
|  | <b>(in thousands, except share<br/>and per share data)</b> |                 |
| Net revenues   | \$ 82,681  | \$ 73,984       |
| Cost of goods sold, including occupancy, buying, distribution center and catalog costs | 53,419   | 47,251          |
| Gross profit   | 29,262   | 26,733          |
| Selling, general and administrative expenses   | 18,250   | 16,701          |
| Depreciation and amortization  | 1,477  | 1,203           |
| Income from operations   | 9,535  | 8,829           |
| Interest income, net of interest expense   | (8)  | (5)             |
| Other income, net of other expense   | (42)   | (44)            |
| Income before income taxes   | 9,585  | 8,878           |
| Provision for income taxes   | 3,646  | 3,463           |
| Net income   | \$ 5,939   | \$ 5,415        |
| Net income per common share:   |  |                 |
| Basic  | \$ 0.37  | \$ 0.35         |
| Diluted  | \$ 0.36  | \$ 0.34         |
| Weighted-average common shares outstanding:  |  |                 |
| Basic  | 16,123,255   | 15,550,193      |
| Diluted  | 16,365,933   | 16,070,603      |
| Other comprehensive income, net of tax   |  |                 |
| Comprehensive income   | \$ 5,939   | \$ 5,415        |

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

Table of Contents**BODY CENTRAL CORP.****CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

|   | Thirteen Weeks Ended |                  |
|---|----------------------|------------------|
|   | March 31,<br>2012    | April 2,<br>2011 |
|   | (in thousands)       |                  |
| <b>Cash flows from operating activities</b>                                       |                      |                  |
| Net income  | \$ 5,939             | \$ 5,415         |
| Adjustments to reconcile net income to net cash provided by operating activities: |                      |                  |
| Depreciation and amortization   | 1,477                | 1,203            |
| Deferred income taxes   | 36                   | 45               |
| Tax benefits from stock-based compensation  | (390)                | (834)            |
| Stock based compensation  | 392                  | 240              |
| Loss on disposal of property and equipment  | 18                   |                  |
| Changes in assets and liabilities:  |                      |                  |
| Accounts receivable   | 1,509                | 407              |
| Inventories   | (1,388)              | (1,174)          |
| Prepaid expenses and other current assets   | (592)                | (485)            |
| Other assets  | 5                    |                  |
| Merchandise accounts payable  | 243                  | 2,188            |
| Accrued expenses and other current liabilities                                    | (3,262)              | (1,383)          |
| Income taxes  | 709                  | 1,226            |
| Other liabilities   | (409)                | 1,681            |
| Net cash provided by operating activities   | 4,287                | 8,529            |
| <b>Cash flows from investing activities</b>                                       |                      |                  |
| Purchases of property and equipment   | (2,429)              | (1,538)          |
| Purchases of short-term investments   | (19,871)             |                  |
| Net cash used in investing activities   | (22,300)             | (1,538)          |
| <b>Cash flows from financing activities</b>                                       |                      |                  |
| Proceeds from common stock offering, net of issuance costs                        |                      | 1,074            |
| Proceeds from exercise of stock options   | 238                  | 7                |
| Tax benefits from stock-based compensation  | 390                  | 834              |
| Net cash provided by (used in) financing activities                               | 628                  | 1,915            |
| Net increase (decrease) in cash and cash equivalents                              | (17,385)             | 8,906            |
| <b>Cash and cash equivalents</b>  |                      |                  |
| Beginning of year   | 41,993               | 16,202           |
| End of period   | \$ 24,608            | \$ 25,108        |

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

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**1. Nature of Business and Summary of Significant Accounting Policies**

**Nature of Business and Organization**

Body Central Corp. (the Company) is a specialty retailer of young women's apparel and accessories operating retail stores in the South, Mid-Atlantic and Midwest regions of the United States. The Company operates specialty apparel stores under the Body Central and Body Shop banners as well as a direct business comprised of our Body Central catalog and our e-commerce website at *www.bodyc.com*.

**Principles of Consolidation**

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting primarily of normal and recurring adjustments, necessary for the fair presentation of consolidated financial position, results of operations, and cash flows for the interim periods presented. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, these unaudited consolidated financial statements and related notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K, filed with the SEC.

**Fiscal Year**

The Company's fiscal year ends on the Saturday closest to December 31. As used herein, the interim periods presented are the thirteen week periods ended March 31, 2012 and April 2, 2011.

**Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventory valuation, property and equipment, recoverability of long-lived assets, including intangible assets, income taxes and stock-based compensation.

**Segment Reporting**

GAAP has established guidance for reporting information about a company's operating segments, including disclosures related to a company's products and services, geographic

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areas and major customers. The Company has aggregated its net revenues generated from its retail stores and its direct business into one reportable segment. The Company aggregates its operating segments because they have a similar class of customer, nature of products, nature of production process and distribution methods as well as similar economic characteristics. The Company has no international sales. All of the Company's identifiable assets are in the United States.

**Revenue Recognition**

The Company recognizes revenue, and the related cost of goods sold is expensed, at point-of-sale or upon shipment to customers. Shipping and handling fees billed to customers for online and catalog sales are included in net revenues, and the related shipping and handling costs are included in cost of goods sold. Based on historical sales returns, an allowance for sales returns is recorded as a reduction of net revenues in the periods in which the sales are recognized. Sales tax collected from customers is excluded from net revenues and is included as part of accrued expenses and other current liabilities on the Consolidated Balance Sheets.

Beginning in March 2011, we began selling gift cards in our stores, which do not expire or lose value over periods of inactivity. We account for gift cards by recognizing a liability at the time a gift card is sold. We recognize income from gift cards and gift certificates when they are redeemed by the customer.

Revenue from unredeemed gift certificates is recognized when it is determined that the likelihood of the gift certificate being redeemed is remote and that there is no legal obligation to remit unredeemed gift certificates to relevant jurisdictions. No revenue from gift certificate breakage was recognized in the thirteen week periods ended March 31, 2012 and April 2, 2011.

**Cash and Cash Equivalents**

The Company considers all short-term investments with an initial maturity of three months or less when purchased to be cash equivalents.

**Inventories**

Inventories are comprised principally of women's apparel and accessories and are stated at the lower of cost or market, on a first-in-first-out basis, using the retail inventory method. Included in the carrying value of merchandise inventory, and reflected in cost of goods sold, is a reserve for shrinkage which is accrued between physical inventory dates as a percentage of sales based on historical inventory results.

The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear this merchandise. The Company records a markdown reserve based on estimated future markdowns related to current inventory to clear slow-moving inventory. These markdowns may have an adverse impact on earnings, depending on the extent and amount of inventory affected. The markdown reserve is

recorded as an increase to cost of goods sold in the Consolidated Statements of Comprehensive Income.

### **New Accounting Standards**

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820)*. The amended guidance requires most entities to change wording that describes the requirements for measuring fair value and for disclosing information about fair value measurements. The objective of this amendment is to develop a single, converged fair value framework between the FASB and International Accounting Standards Board (IFRS). The adoption of this guidance will not have a material impact on the Company's consolidated financial statements or disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which amends Accounting Standards Codification (ASC) 220, *Comprehensive Income*. The amended guidance requires most entities to present changes in net income and other comprehensive income in either a single statement of comprehensive income or two separate, but consecutive, statements. The objective of these amendments is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. This guidance is effective for fiscal years beginning after December 15, 2011. The Company's adoption of this guidance did not have a material impact on the Company's consolidated financial statements or disclosures.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210)*. The amended guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of this amendment is to facilitate comparability between entities that prepare their financial statements on the basis of GAAP and those that prepare it on the basis of IFRS. This guidance is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance will not have a material impact on the Company's consolidated financial statements or disclosures.

Table of Contents**2. Financial Instruments**

The FASB-issued guidance establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The guidance under this statement describes a hierarchy of three levels of input that may be used to measure fair value:

- **Level 1** Inputs based on quoted prices in active markets for identical assets and liabilities.
- **Level 2** Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- **Level 3** Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.

The Company's material financial instruments consist primarily of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and accrued expenses. The fair values of cash, accounts receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity.

Considerable judgment is required in interpreting market data to develop estimates of fair value. The fair value estimate presented herein is not necessarily indicative of the amount that the Company or the debt holders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The Company has determined the estimated fair value amounts of its financial instruments using available market information. The assets that are measured at fair value on a recurring basis include the following:

| Description                                       | March 31,<br>2012 | <u>Quoted<br/>Prices in<br/>Active<br/>Markets<br/>(Level 1)</u> | <u>Significant<br/>Other<br/>Observable<br/>Inputs<br/>(Level 2)</u> | <u>Significant<br/>Unobservable<br/>Inputs<br/>(Level 3)</u> |
|---|-------------------|--|--|--|
|   |                   | (in thousands)   |  |  |
| Municipal Bonds                                   | \$ 10,259         | \$   | \$ 10,259  | \$   |
| Short-term, high-quality, fixed-income securities | 7,655             |  | 7,655  |  |

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|                         |    |        |    |       |    |           |
|-------------------------|----|--------|----|-------|----|-----------|
| Certificates of Deposit |    | 1,957  |    | 1,957 |    |           |
| Total                   | \$ | 19,871 | \$ | 1,957 | \$ | 17,914 \$ |

| Description             | April 2,<br>2011 | Quoted<br>Prices in<br>Active<br>Markets<br>(Level 1) | (in thousands) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |    |
|-------------------------|------------------|---|----------------|---|--|----|
|                         |                  |   |                |   |  |    |
| Money Market Securities | \$               | 20,153  | \$             | 20,153  | \$   | \$ |
| Total                   | \$               | 20,153  | \$             | 20,153  | \$   | \$ |

As of March 31, 2012, the Company's investment portfolio primarily consisted of \$10.3 million in state and municipal bonds, \$7.7 million in mutual funds and \$1.9 million in certificates of deposit. These securities are held in managed funds with underlying ratings of A or better. As of April 2, 2011, the Company had \$20.2 million in money market securities.



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Money market securities, which are short-term investments of excess cash, are classified as cash and cash equivalents on the accompanying unaudited Consolidated Balance Sheets.

### 3. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective income tax rate was 38.0% and 39.0% for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively. The decrease in the effective tax rate for the thirteen-week period ended March 31, 2012 was primarily due to discrete items.

The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*, guidance related to uncertain tax positions, and adjusts these liabilities when its judgment changes as the result of the evaluation of new information. The Company does not anticipate any significant changes to the unrecognized tax benefits recorded at the balance sheet date within the next twelve months.

### 4. Related Parties

The Company leases office and warehouse space under a lease agreement dated October 1, 2006 with a company that is owned by certain members of management who are also stockholders of the Company. The lease expires on October 1, 2016. The Company incurred rent expense of \$119,000 and \$117,000 for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively, related to this lease.

### 5. Leases

The Company's retail stores and corporate offices are in leased facilities. Lease terms for retail stores generally range up to ten years and provide for escalations in base rents. The Company does not have obligations to renew the leases. Certain leases provide for contingent rentals based upon sales. Most leases also require additional payments covering real estate taxes, common area costs and insurance.

Future minimum rental commitments, by year and in the aggregate, under non-cancelable operating leases as of March 31, 2012, are as follows:

| Fiscal Year    | (in thousands) |
|----------------|----------------|
| 2012 Remaining | \$ 15,504      |
| 2013           | 18,969         |
| 2014           | 17,608         |
| 2015           | 15,989         |
| 2016           | 13,443         |

|            |    |        |
|------------|----|--------|
| Thereafter |    | 17,798 |
| Total      | \$ | 99,311 |

**6. Debt**

On January 20, 2012, we entered into a Line of Credit Agreement with Branch Banking and Trust Company that provides for a revolving line of credit facility in the amount of \$5.0 million with an accordion feature that allows Branch Banking and Trust Company to increase the facility up to \$20 million at its sole discretion. The facility has maturity date of May 5, 2013 and bears interest at the one month LIBOR rate plus 1.35% per annum, as adjusted monthly on the first

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day of each month, with an all-in floor rate of 2.0%. The facility is secured by all the assets of the Company. The Line of Credit Agreement includes a financial covenant requiring the Company to have a Tangible Net Worth (as defined in the Line of Credit Agreement) of \$30.0 million quarterly, and other customary covenants. As of March 31, 2012, the Company was in compliance with all covenants and had no outstanding borrowings under this line of credit facility.

**7. Stockholders Equity**

**Common Stock**

On February 16, 2011, the Company completed a secondary offering of 5,703,764 shares of common stock priced at \$16.50 per share. The Company sold 100,000 new shares of its common stock in the offering, and selling shareholders sold 5,603,764 shares of common stock in the offering which included all of the 743,969 shares sold pursuant to the underwriters' over-allotment option. The offering raised net proceeds of \$1.1 million for the Company, after deducting the underwriting discount and offering expenses paid by the Company. The Company did not receive any proceeds from the sale of the shares by the selling stockholders.

On May 25, 2011, the Company amended and restated the Company's Third Amended and Restated Certificate of Incorporation to reduce its total number of authorized shares of common stock to 45 million shares, par value \$0.001 per share.

**Stock-Based Compensation Plan**

On May 25, 2011, the Company's stockholders approved an amendment and restatement to the Plan. The amended and restated Plan permits up to 250,000 of the remaining 1,051,509 shares of common stock reserved for future issuance as of March 31, 2012 under the Plan to be issued in the form of restricted stock awards and will allow certain awards under the Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, if the compensation committee of the Company's board of directors chooses to qualify the awards in other respects.

Stock-based compensation expense of \$392,000 and \$240,000 for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively, is included in selling, general and administrative expenses and cost of goods sold on the Company's Consolidated Statements of Comprehensive Income. The Company did not capitalize any expense related to stock-based compensation.

*Option Awards*

The fair value of each option grant for the thirteen weeks ended March 31, 2012 was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:



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|                                |            |
|--------------------------------|------------|
| Expected option term (1)       | 6.25 years |
| Expected volatility factor (2) | 66.2%      |
| Risk-free interest rate (3)    | 1.1%       |
| Expected annual dividend yield | 0%         |

(1) Since there was not sufficient historical information for grants with similar terms, the simplified or plain-vanilla method of estimating option life was utilized.

(2) The stock volatility for each grant is measured using the weighted average of historical weekly price changes of certain peer companies common stock over the most recent period equal to the expected option life of the grant.

(3) The risk-free interest rate for periods equal to the expected term of the share option is based on the rate of U.S. Treasury securities with the same term as the option as of the grant date.

A summary of stock option information for the thirteen weeks ended March 31, 2012 is as follows:

|  | Shares   | Weighted-Average Exercise Price | Weighted-Average Remaining Contractual Term |
|--|----------|---------------------------------|---|
| <b>Outstanding as of December 31, 2011</b> | 634,056  | \$ 9.72                         |   |
| Granted                                    | 5,000    | 28.84                           |   |
| Exercised                                  | (58,866) | 4.04                            |   |
| Forfeited                                  |          |                                 |   |
| <b>Outstanding as of March 31, 2012</b>    | 580,190  | \$ 10.46                        |   |
| <b>Exercisable as of March 31, 2012</b>    | 100,609  | \$ 5.51                         | 7.4 years                                   |

A summary of the status of nonvested options awards as of March 31, 2012 and changes during the thirteen weeks ended March 21, 2012, are presented below:

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|  | Shares   |    | Weighted-Average Grant-Date Fair Value |
|--|----------|----|--|
| <b>Nonvested as of December 31, 2011</b> | 527,717  | \$ | 5.96                                   |
| Granted                                  | 5,000    |    | 11.50                                  |
| Vested                                   | (53,136) |    | 2.18                                   |
| Forfeited                                |          |    |  |
| <b>Nonvested as of March 31, 2012.</b>   | 479,581  | \$ | 6.50                                   |

Total compensation cost related to nonvested stock option awards not yet recognized was \$1.8 million as of March 31, 2012, and is expected to be recognized over a weighted average remaining period of 1.5 years.

*Restricted Stock Awards*

|   | Number of Shares |    | Weighted Average Grant Date Fair Value Per Share |
|---|------------------|----|--|
| <b>Restricted stock awards at December 31, 2011</b> | 30,704           | \$ | 20.68  |
| Granted   |                  |    |  |
| Vested  |                  |    |  |
| Forfeited   |                  |    |  |
| <b>Restricted stock awards at March 31, 2012</b>    | 30,704           | \$ | 20.68  |

As of March 31, 2012, unrecognized compensation expense of \$365,000 related to non-vested restricted stock awards is expected to be recognized over the next 1.5 years.

**8. Earnings Per Share**

Net income per common share-basic is calculated by dividing net income available to common stockholders by the weighted average number of common shares outstanding for the period. Net income per common share-dilutive includes the determinants of basic income per common share plus the additional dilution for all potentially dilutive stock options and convertible preferred stock utilizing the treasury stock method and if-converted method, respectively.

The following table shows the amounts used in computing earnings per share and the effect on net income and the weighted average number of shares potentially dilutive to common stock:



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|  | <b>Thirteen Weeks Ended</b>                                |                          |
|--|--|--------------------------|
|  | <b>March 31,<br/>2012</b>                                  | <b>April 2,<br/>2011</b> |
|  | <b>(in thousands, except share<br/>and per share data)</b> |                          |
| Net income as reported                         | \$ 5,939   | \$ 5,415                 |
| Net income attributable to common shareholders | \$ 5,939   | \$ 5,415                 |
| Weighted average basic common shares           | 16,123,255   | 15,550,193               |
| Impact of dilutive securities:                 |  |                          |
| Stock options                                  | 228,340  | 520,410                  |
| Restricted Stock                               | 14,388   |                          |
| Weighted average dilutive common shares        | 16,365,933   | 16,070,603               |
| Per common share:                              |  |                          |
| Net income per common share - basic            | \$ 0.37  | \$ 0.35                  |
| Net income per common share - dilutive         | \$ 0.36  | \$ 0.34                  |

Equity awards to purchase 122,266 and 138,500 shares of common stock for the thirteen weeks March 31, 2012 and April 2, 2011, respectively were outstanding, but were not included in the computation of weighted average diluted common share amounts as the effect of doing so would have been anti-dilutive.



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

*The following discussion summarizes the significant factors affecting the consolidated operating results, financial condition, liquidity, and cash flows of our Company as of and for the periods presented below. The following discussion and analysis should be read in conjunction with our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the SEC, and our unaudited consolidated financial statements and the related notes included herein. This discussion contains forward-looking statements that are based on the beliefs of our management, as well as assumptions made by, and information currently available to, our management. Actual results could differ materially from those discussed in or implied by forward-looking statements as a result of various factors. See Forward-Looking Statements.*

**Overview**

Founded in 1972, Body Central Corp. is a multi-channel specialty retailer offering on-trend, quality apparel and accessories at value prices. We operate specialty apparel stores under the Body Central and Body Shop banners, as well as a direct business comprised of our Body Central catalog and our e-commerce website at [www.bodyc.com](http://www.bodyc.com). We target women in their late teens and twenties from diverse cultural backgrounds, who seek the latest fashions and a flattering fit. Our stores feature an assortment of tops, dresses, bottoms, jewelry, accessories and shoes sold primarily under our exclusive Body Central® and Lipstick® labels. We continually update our merchandise and floor sets with an emphasis on coordinated outfits presented by lifestyle to give our customers a reason to shop

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our stores frequently. We believe our multi-channel strategy supports our brand building efforts and provides us with synergistic growth opportunities across all of our sales channels.

As of March 31, 2012, we had 243 stores with an average size of approximately 4,300 square feet. Our stores are located in fashion retail venues in the South, Mid-Atlantic and Midwest. In the thirteen weeks ended March 31, 2012, we opened four stores and closed two.

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

In assessing the performance of our business, we consider a variety of operational and financial measures. The key measures for determining how our business is performing are net revenues, comparable store and non-comparable store sales, direct sales through our catalog and e-commerce channels, gross profit margin, store contribution, selling, general and administrative expenses, earnings before interest taxes depreciation and amortization, and net income.

***Net Revenues***

Net revenues consist of sales of our merchandise from comparable stores and non-comparable stores and direct sales through our catalog and e-commerce channels, including shipping and handling fees charged to our customers. Net revenues from our stores and direct business reflect sales of our merchandise less estimated returns and merchandise discounts.

***Store Sales***

There may be variation in the way in which other retailers calculate comparable or same store sales. We include a store in comparable store sales on the first day of the fourteenth month after a store opens. Non-comparable store sales include sales not included in comparable store sales (for example, the first two months of a new store's sales) and sales from closed stores. Measuring the change in year-over-year comparable store sales allows us to evaluate how our store base is performing. Various factors affect comparable store sales, including:

- consumer preferences, buying trends and overall economic trends;
  
- our ability to identify and respond effectively to fashion trends and customer preferences;
  
- changes in competition;

- changes in our merchandise mix;
- changes in pricing levels and average unit price;
- the timing of our releases of new merchandise;
- the level of customer service that we provide in our stores;
- our ability to source and distribute products efficiently; and
- the number of stores we open and close in any period.

Opening new stores is an important part of our growth strategy. We expect a significant percentage of our net revenues to come from non-comparable store sales. Accordingly, comparable store sales is only one element we use to assess the success of our growth strategy. Purchases of apparel and accessories are sensitive to a number of factors that influence the levels of consumer spending,

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including economic conditions and the level of disposable consumer income, consumer debt, interest rates and consumer confidence. Our business is seasonal and as a result, our revenues fluctuate. In addition, our revenues in any given quarter can be affected by timing of holidays, the weather and other factors beyond our control.

*Direct Sales*

We offer direct sales through our catalogs and through our e-commerce website, *www.bodyc.com*, which accepts orders directly from our customers. We believe the circulation of our catalogs and access to our website increases our reputation and brand recognition with our target customers and helps support the strength of our store operations. Direct sales are not included in our comparable store sales.

*Gross Profit*

Gross profit is equal to our net revenues minus our cost of goods sold. Gross profit margin measures gross profit as a percentage of our net revenues. Cost of goods sold includes the direct cost of purchased merchandise, distribution costs, all freight costs incurred to ship merchandise to our stores and our direct customers, costs incurred to produce and distribute our catalogs, store occupancy costs, buying costs and inventory shrinkage. The components of our cost of goods sold may not be comparable to those of other retailers.

Our cost of goods sold is greater in higher volume periods because cost of goods sold generally increases as net revenues increase. Changes in the mix of our products, such as changes in the proportion of accessories, may also impact our cost of goods sold. We review our inventory levels on an ongoing basis in order to identify slow-moving merchandise and take appropriate markdowns to clear these goods. The timing and level of markdowns are not seasonal in nature, but are driven by customer acceptance of our merchandise. If we misjudge sales levels and/or trends, we may be faced with excess inventories and be required to mark down our prices for those products in order to sell them. The Company records a markdown reserve based on estimated future markdowns related to current inventory to clear slow-moving inventory.

*Selling, General and Administrative Expenses*

Selling, general and administrative expenses include all operating costs not included in cost of goods sold. These expenses include payroll and other expenses related to operations at our corporate headquarters and store operations. These expenses generally do not vary proportionally with net revenues. As a result, selling, general and administrative expenses as a percentage of net revenues are usually higher in lower volume periods and usually lower in higher volume periods. The components of our selling, general and administrative expenses may not be comparable to those of other retailers. We expect that our selling, general and administrative expenses will increase in future periods due to our continuing store growth and continuing growth in our direct business.

**Results of Operations**

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The following tables summarize key components of our results of operations for the periods indicated as a percentage of net revenues as well as selected non-financial operating data:

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|   | Thirteen Weeks Ended |                  |
|---|----------------------|------------------|
|   | March 31,<br>2012    | April 2,<br>2011 |
| <b>Percentage of Net Revenues:</b>                      |                      |                  |
| Net revenues  | 100.0%               | 100.0%           |
| Cost of goods sold                                      | 64.6                 | 63.9             |
| <b>Gross profit</b>                                     | <b>35.4</b>          | <b>36.1</b>      |
| Selling, general and administrative expenses            | 22.1                 | 22.6             |
| Depreciation and amortization                           | 1.8                  | 1.6              |
| <b>Income from operations</b>                           | <b>11.5</b>          | <b>11.9</b>      |
| Interest income, net of interest expense                | (0.0)                | (0.0)            |
| Other income, net of other expense                      | (0.1)                | (0.1)            |
| <b>Income before income taxes</b>                       | <b>11.6</b>          | <b>12.0</b>      |
| Provision for income taxes                              | 4.4                  | 4.7              |
| <b>Net income</b>                                       | <b>7.2%</b>          | <b>7.3%</b>      |
| <b>Operating Data (unaudited):</b>                      |                      |                  |
| Stores:   |                      |                  |
| Comparable store sales change                           | -1.4%                | 16.1%            |
| Number of stores open at end of period                  | 243                  | 214              |
| Sales per gross square foot (in whole dollars)          | \$ 68                | \$ 69            |
| Average square feet per store                           | 4,294                | 4,300            |
| Total gross square feet at end of period (in thousands) | 1,043                | 920              |
| Direct:   |                      |                  |
| Number of catalogs circulated (in thousands)            | 8,125                | 8,165            |
| Revenue per catalog (in whole dollars)                  | \$ 1.44              | \$ 1.31          |

We have determined our operating segments on the same basis that we use internally to evaluate performance. Our operating segments are our stores and our direct business, which have been aggregated into one reportable segment. We aggregate our operating segments because they have a similar class of customer, nature of products, nature of production process and distribution methods, as well as similar economic characteristics.

The following table summarizes the number of stores open at the beginning of the period and at the end of the period:

|                               | Thirteen Weeks Ended |                  |
|-------------------------------|----------------------|------------------|
|                               | March 31,<br>2012    | April 2,<br>2011 |
| Stores at beginning of period | 241                  | 209              |
| Stores opened during period   | 4                    | 5                |
| Stores closed during period   | (2)                  |                  |
| Stores at end of period       | 243                  | 214              |

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|  | Thirteen Weeks Ended |  | Thirteen Weeks Ended |                               | Variance      |             |
|--|----------------------|--|----------------------|-------------------------------|---------------|-------------|
|  | March 31,<br>2012    | Percentage of<br>Net Revenues<br>(Unaudited) | April 2,<br>2011     | Percentage of<br>Net Revenues | Dollars       | Percentages |
|  | Amount               | (Dollars in thousands)                       | Amount               |                               |               |             |
| Net revenues                                 | \$ 82,681            | 100.0%                                       | \$ 73,984            | 100.0%                        | \$ 8,697      | 11.8%       |
| Cost of goods sold                           | 53,419               | 64.6   | 47,251               | 63.9                          | 6,168         | 13.1        |
| <b>Gross profit</b>                          | <b>29,262</b>        | <b>35.4</b>                                  | <b>26,733</b>        | <b>36.1</b>                   | <b>2,529</b>  | <b>9.5</b>  |
| Selling, general and administrative expenses | 18,250               | 22.1   | 16,701               | 22.6                          | 1,549         | 9.3         |
| Depreciation and amortization                | 1,477                | 1.8  | 1,203                | 1.6                           | 274           | 22.8        |
| <b>Income from operations</b>                | <b>9,535</b>         | <b>11.5</b>                                  | <b>8,829</b>         | <b>11.9</b>                   | <b>706</b>    | <b>8.0</b>  |
| Interest income, net of interest expense     | (8)                  |  | (5)                  |                               | (3)           | 60.0        |
| Other income, net of other expense           | (42)                 | (0.1)  | (44)                 | (0.1)                         | 2             | (4.5)       |
| <b>Income before income taxes</b>            | <b>9,585</b>         | <b>11.6</b>                                  | <b>8,878</b>         | <b>12.0</b>                   | <b>707</b>    | <b>8.0</b>  |
| Provision for income taxes                   | 3,646                | 4.4  | 3,463                | 4.7                           | 183           | 5.3         |
| <b>Net income</b>                            | <b>\$ 5,939</b>      | <b>7.2%</b>                                  | <b>\$ 5,415</b>      | <b>7.3%</b>                   | <b>\$ 524</b> | <b>9.7%</b> |

**Operating Data:**

## Revenues:

|                     |                  |               |                  |               |                 |              |
|---------------------|------------------|---------------|------------------|---------------|-----------------|--------------|
| Stores              | \$ 70,946        | 85.8%         | \$ 63,321        | 85.6%         | \$ 7,625        | 12.0%        |
| Direct              | 11,735           | 14.2          | 10,663           | 14.4          | 1,072           | 10.1         |
| <b>Net revenues</b> | <b>\$ 82,681</b> | <b>100.0%</b> | <b>\$ 73,984</b> | <b>100.0%</b> | <b>\$ 8,697</b> | <b>11.8%</b> |

**Net Revenues**

Net revenues increased by \$8.7 million, or 11.8%, for the thirteen weeks ended March 31, 2012, as compared to the thirteen weeks ended April 2, 2011.

Store sales increased \$7.6 million, or 12.0%, for the thirteen weeks ended March 31, 2012, as compared to the thirteen weeks ended April 2, 2011. The increase in store sales resulted from the 29 net store additions since April 2, 2011, partially offset by a slight decrease in comparable store sales. Comparable store sales decreased \$857,000, or 1.4%, for the thirteen weeks ended March 31, 2012, compared to an increase of 16.1% for the thirteen weeks ended April 2, 2011. Non-comparable store sales increased \$8.5 million for the thirteen weeks ended March 31, 2012, compared to the thirteen weeks ended April 2, 2011. There were 206 comparable stores and 37 non-comparable stores open during the thirteen weeks ended March 31, 2012.

Direct sales, including shipping and handling fees, from our direct business increased \$1.1 million, or 10.1%, for the thirteen weeks ended March 31, 2012, as compared to the thirteen weeks ended April 2, 2011. This increase was due to higher average revenue per catalog.

***Gross Profit***

Gross profit increased \$2.5 million, or 9.5%, for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011. As a percentage of net revenues, gross profit margin decreased by 70 basis points for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011. This decrease was attributable to a 60 basis point decrease in merchandise margin from markdowns taken to clear slow-moving inventory and a 10 basis point increase in freight costs, store occupancy, distribution and buying costs as a percentage of net revenues.



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***Selling, General and Administrative Expense***

Selling, general and administrative expenses increased by \$1.5 million, or 9.3%, for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011. This increase resulted in part from a \$1.2 million increase in store operating expenses due primarily to the 29 net store additions since April 2, 2011. As a percentage of net revenues, store operating expenses decreased to 15.6% for the thirteen weeks ended March 31, 2012 as compared to 15.8% for the thirteen weeks ended April 2, 2011, primarily due to the leveraging of store payroll as a percentage of net revenues.

General and administrative expenses increased \$372,000 for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011 due primarily to compensation related expenses for corporate positions. As a percentage of net revenues, general and administrative expenses decreased to 6.5% for the thirteen weeks ended March 31, 2012 from 6.8% for the thirteen weeks ended April 2, 2011. The decrease as a percent of net revenues was primarily due to reduction in information technology expenses offset by an increase in compensation related expenses.

As a percentage of net revenues, selling, general and administrative expenses were 22.1% for the thirteen weeks ended March 31, 2012 and 22.6% for the thirteen weeks ended April 2, 2011 due to reasons discussed above.

***Depreciation and Amortization Expense***

Depreciation and amortization expense increased \$274,000, or 22.8%, for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011. This increase was primarily due to capital expenditures from new store construction and upgrades to our information technology systems. As a percentage of net revenues, depreciation and amortization expense increased 20 basis points for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011.

***Interest Income, Net of Interest Expense***

Interest income, net of interest expense, was \$8,000 for the thirteen weeks ended March 31, 2012 and \$5,000 for the thirteen weeks ended April 2, 2011.

***Provision for Income Taxes***

Provision for income taxes increased \$183,000 for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011, which was attributable to a \$707,000 increase in income before income taxes, which was partially offset by a reduction in the effective tax rate of 100 basis points to 38.0% in the thirteen weeks ended March 31, 2012 from 39.0% in the thirteen weeks ended April 2, 2011. The

decrease in the effective tax rate for the thirteen-week period ended March 31, 2012 was primarily due to discrete items.

*Net Income*

Net income increased \$524,000 for the thirteen weeks ended March 31, 2012 as compared to the thirteen weeks ended April 2, 2011 due to the factors discussed above.

Table of Contents**Liquidity and Capital Resources**

Our primary source of liquidity is currently cash flows from operations. Our primary cash need is for capital expenditures in connection with opening new stores, remodeling or relocating existing stores, distributing our catalogs, operating our website and the additional working capital required for running our operations. Cash is also required for investment in our information technology systems, maintenance of existing facilities and distribution facility enhancements, when required. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, trade payables and other current liabilities. Our working capital position benefits from the fact that we generally collect cash from sales to customers the same day or, in the case of credit or debit card transactions, within several days of the related sale, and we typically have up to 30 days to pay our merchandise vendors, depending on the applicable vendor terms.

We also have availability under a line of credit facility. On January 20, 2012, we entered into a Line of Credit Agreement with Branch Banking and Trust Company that provides for a revolving line of credit facility in the amount of \$5.0 million with an accordion feature that allows Branch Banking and Trust Company to increase the facility up to \$20 million. The facility has a maturity date of May 5, 2013 and bears interest at the one month LIBOR rate plus 1.35% per annum, as adjusted monthly on the first day of each month, with an all-in floor rate of 2.0%. The facility is secured by all the assets of the company. The Line of Credit Agreement includes a financial covenant requiring the Company to have a Tangible Net Worth (as defined in the Line of Credit Agreement) of \$30.0 million quarterly, and other customary covenants. As of March 31, 2012, the Company was in compliance with all covenants and had no outstanding borrowings under this line of credit facility.

Our ability to fund our cash flow needs depends largely on our future operating performance. We assess future operating performance by looking at a number of metrics, primarily our net revenues, comparable store and non-comparable store sales, direct sales through our catalog and e-commerce channels, gross profit margin, and selling, general and administrative expenses. Our liquidity position is directly affected by these performance metrics.

Our cash and cash equivalents balance decreased \$500,000 to \$24.6 million as of March 31, 2012, from \$25.1 million as of April 2, 2011. Components of this change in cash for the thirteen weeks ended March 31, 2012, as well as the change for the thirteen weeks ended April 2, 2011, are shown in the following table:

|   | <b>Thirteen Weeks Ended</b>           |                          |
|---|---------------------------------------|--------------------------|
|   | <b>March 31,<br/>2012</b>             | <b>April 2,<br/>2011</b> |
|   | <b>(in thousands)<br/>(unaudited)</b> |                          |
| Provided by operating activities                        | \$ 4,287                              | \$ 8,529                 |
| Used in investing activities                            | (22,300)                              | (1,538)                  |
| Provided by financing activities                        | 628                                   | 1,915                    |
| <b>Increase (decrease) in cash and cash equivalents</b> | <b>\$ (17,385)</b>                    | <b>\$ 8,906</b>          |

***Operating Activities***

Operating activities consist of net income adjusted for non-cash items, including depreciation and amortization and the effect of other working capital requirements, as summarized in following table:



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|   | <b>Thirteen Weeks Ended</b> |                 |
|---|-----------------------------|-----------------|
|   | <b>March 31,</b>            | <b>April 2,</b> |
|   | <b>2012</b>                 | <b>2011</b>     |
|   | <b>(in thousands)</b>       |                 |
|   | <b>(unaudited)</b>          |                 |
| Net income  | \$ 5,939                    | \$ 5,415        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                             |                 |
| Depreciation and amortization   | 1,477                       | 1,203           |
| Deferred income taxes   | 36                          | 45              |
| Inventories   | (1,388)                     | (1,174)         |
| Merchandise accounts payable  | 243                         | 2,188           |
| Other working capital components, net   | (2,020)                     | 852             |
| Net cash provided by operating activities   | \$ 4,287                    | \$ 8,529        |

Net cash provided by operating activities decreased by \$4.2 million to \$4.3 million during the thirteen weeks ended March 31, 2012 as compared to \$8.5 million for the thirteen weeks ended April 2, 2011. This reduction was primarily attributable to a \$2.9 million unfavorable change in other working capital components, and a \$2.2 million unfavorable change in our requirements for inventory, net of merchandise accounts payable, partially offset by a \$524,000 favorable change in net income and a \$274,000 favorable change in depreciation and amortization.

***Investing Activities***

Investing activities consist primarily of capital expenditures for new and existing stores, as well as our investment in information technology:

|  | <b>Thirteen Weeks Ended</b> |                 |
|--|-----------------------------|-----------------|
|  | <b>March 31,</b>            | <b>April 2,</b> |
|  | <b>2012</b>                 | <b>2011</b>     |
|  | <b>(in thousands)</b>       |                 |
|  | <b>(unaudited)</b>          |                 |
| Purchases of property and equipment (net of tenant allowances) | \$ (2,429)                  | \$ (1,538)      |
| Purchases of short-term investments                            | (19,871)                    |                 |
| Net cash used in investing activities                          | \$ (22,300)                 | \$ (1,538)      |

For the thirteen weeks ended March 31, 2012, net cash used in investing activities increased \$20.8 million as compared to the thirteen weeks ended April 2, 2011. This increase was primarily attributable to \$19.9 million of purchases of short-term investments and an \$891,000 increase in new store construction and capital expenditures related to upgrading our software systems that support our store operations and direct business.

***Financing Activities***

Financing activities consist primarily of proceeds from a common stock offering, exercise of employee stock options and tax benefits from stock-based award activities:



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|  | Thirteen Weeks Ended          |                  |
|--|-------------------------------|------------------|
|  | March 31,<br>2012             | April 2,<br>2011 |
|  | (in thousands)<br>(unaudited) |                  |
| Proceeds from common stock offering, net of issuance costs | \$                            | \$ 1,074         |
| Proceeds from the issuance of stock options                |                               | 7                |
| Tax benefits of stock-based compensation                   |                               | 834              |
| Net cash provided by financing activities                  | \$                            | \$ 1,915         |

On February 16, 2011, we completed a secondary offering of 5,703,764 shares of our common stock priced at \$16.50 per share. We sold 100,000 new shares of common stock in the offering, and the selling shareholders sold 5,603,764 shares in the offering, including 743,969 shares sold pursuant to the underwriters' over-allotment option. The offering raised net proceeds of \$1.1 million for the Company, after deducting the underwriting discount and offering expenses paid by the Company. The Company did not receive any proceeds from the sale of the over-allotment shares by the selling stockholders.

**Outlook**

Our short-term and long-term liquidity needs arise primarily from capital expenditures associated with our growth strategy and working capital requirements. We believe that our cash position and net cash provided by operating activities, short-term investments and availability under the Line of Credit Facility will be adequate to finance our working capital needs and planned capital expenditures for at least the next 12 months. Planned capital expenditures for fiscal year 2012 include expenditures for at least 35 new stores, relocation of and maintenance of existing stores, maintenance of corporate facilities, and investments in information technology systems, which includes investing in and upgrading several of our systems to provide improved support of our current operations and position us for future growth.

**Critical Accounting Policies**

Management has determined that our most critical accounting policies are those related to revenue recognition, inventory valuation, property and equipment, impairment of long-lived assets, goodwill, income taxes and stock-based compensation. We continue to monitor our accounting policies to ensure proper application of current rules and regulations. There have been no significant changes to these policies discussed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

**New Accounting Standards**

Refer to page 9 of Notes to the Consolidated Financial Statements

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

There have been no material changes from the quantitative and qualitative disclosures about market risk disclosed in Item 7A. of Part II of our Form 10-K for the year ended December 31, 2011.

**ITEM 4. CONTROLS AND PROCEDURES**

**Evaluation of Disclosure Controls and Procedure**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934) as of the end of the period covered by this report and has concluded that, as of the end of such period, our disclosure controls and procedures were effective.

**Changes in Internal Control over Financial Reporting**

There have been no changes in our internal control over financial reporting that occurred during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting



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**PART II. OTHER INFORMATION**

**ITEM 1. LEGAL PROCEEDINGS**

We are subject to various legal proceedings and claims that arise in the ordinary course of our business. While the outcome of these and other claims cannot be predicted with certainty, we do not believe that the outcome of these matters will have a material adverse effect on our business, financial statements or disclosures.

**ITEM 1A. RISK FACTORS**

Our risk factors have not changed materially from those disclosed in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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

None.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

None.

**ITEM 4. MINE SAFETY DISCLOSURES**

None.

**ITEM 5. OTHER INFORMATION**

None.

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**ITEM 6. EXHIBITS**

*In reviewing the agreements included as exhibits to this report, please remember they are included to provide you with information regarding their terms and are not intended to provide any other factual or disclosure information about the Company, its subsidiaries or other parties to the agreements. The agreements contain representations and warranties by each of the parties to the applicable agreement. These representations and warranties have been made solely for the benefit of the other parties to the applicable agreement and:*

- *should not in all instances be treated as categorical statements of fact, but rather as a way of allocating the risk to one of the parties if those statements prove to be inaccurate;*
- *have been qualified by disclosures that were made to the other party in connection with the negotiation of the applicable agreement, which disclosures are not necessarily reflected in the agreement;*
- *may apply standards of materiality in a way that is different from what may be viewed as material to you or other investors; and*
- *were made only as of the date of the applicable agreement or such other date or dates as may be specified in the agreement and are subject to more recent developments.*

*Accordingly, these representations and warranties may not describe the actual state of affairs as of the date they were made or at any other time. We acknowledge that, notwithstanding the inclusion of the foregoing cautionary statements, we are responsible for considering whether additional specific disclosures of material information regarding material contractual provisions are required to make the statements in this report not misleading. Additional information about the Company may be found elsewhere in this report and the Company's other public files, which are available without charge through the SEC's website at <http://www.sec.gov>.*

The following is an index of the exhibits included in this Quarterly Report on Form 10-Q:

**EXHIBIT INDEX**

| <b>Exhibit Number</b> | <b>Description</b>  |
|-----------------------|---|
| 10.1                  | Line of Credit Agreement with Branch Banking and Trust Company  |
| 31.1                  | Certification of Principal Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2                  | Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |

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- 32.1\* Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2\* Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 101\*\* Interactive data files from Body Central Corp. s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Comprehensive Income, (iii) the Consolidated Statements of Cash Flows, and (iv) the Notes to the Consolidated Financial Statements.

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- \* These certifications are being furnished solely to accompany this report pursuant to 18 U.S.C. §1350, and are not being filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, and are not to be incorporated by reference into any of the Company s filings, whether made before or after the date hereof, regardless of any general incorporation language in such filing.
- \*\* Pursuant to Rule 406T of Regulation S-T, these interactive data files 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 or Section 18 of the Securities Exchange Act of 1934 and otherwise are not subject to liability.

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**SIGNATURES**

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.

Date: May 10, 2012

BODY CENTRAL CORP.

By: */s/ B. Allen Weinstein*  
B. Allen Weinstein  
President, Chief Executive Officer and Director  
(Principal Executive Officer)

By: */s/ Thomas W. Stoltz*  
Thomas W. Stoltz  
Executive Vice President, Chief Financial Officer and  
Treasurer  
(Principal Financial Officer)