VINCE HOLDING CORP.
Form 10-Q
September 08, 2015

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 August 1, 2015

Or

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

Commission File Number: 001-36212

VINCE HOLDING CORP.

(Exact name of registrant as specified in its charter)

Delaware	75-3264870
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

500 5th Avenue—20th Floor

New York, New York 10110

(Address of principal executive offices) (Zip code)

(212) 515-2600

(Registrant's telephone number, including area code)

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 x 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). Yes x 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	x
Non-Accelerated Filer	¨	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 x

Common Stock	Outstanding at September 1, 2015
Common Stock, $0.01 par value per share	36,775,443 shares

VINCE HOLDING CORP. AND SUBSIDIARIES

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DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This report on Form 10-Q, and any statements incorporated by reference herein, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Such statements often include words such as “may,” “will,” “should,” “believe,” “expect,” “seek,” “anticipate,” “intend,” “estimate,” “plan,” “target,” “project,” “forecast,” “envision” and phrases. Although we believe the assumptions and expectations reflected in these forward-looking statements are reasonable, these assumptions and expectations may not prove to be correct and we may not achieve the financial results or benefits anticipated. These forward-looking statements are not guarantees of actual results. Our actual results may differ materially from those suggested in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control, including, without limitation: our ability to remain competitive in the areas of merchandise quality, price, breadth of selection, and customer service; our ability to anticipate and/or react to changes in customer demand and attract new customers; including in connection with making inventory commitments; our ability to control the level of sales in the off-price channels; our ability to manage current excess inventory in a way that will promote the long-term health of the brand; our ability to maintain adequate cash flow from operations or availability under our revolving credit facility to meet our liquidity needs including our obligations under the Tax Receivable Agreement; changes in consumer confidence and spending; our ability to maintain projected profit margins; unusual, unpredictable and/or severe weather conditions; the execution and management of our retail store growth, including the availability and cost of acceptable real estate locations for new store openings; the execution and management of our international expansion, including our ability to promote our brand and merchandise outside the U.S. and find suitable partners in certain geographies; our ability to expand our product offerings into new product categories including the ability to find suitable licensing partners; our ability to successfully implement our marketing initiatives; our ability to protect our trademarks in the U.S. and internationally; our ability to maintain the security of electronic and other confidential information; serious disruptions and catastrophic events; changes in global economies and credit and financial markets; competition; the impact of recent turnover in the senior management team, including the departures of our former CEO and former CFO, the appointment on an interim basis of a CEO and a CFO who are both serving on a leave of absence from Sun Capital Partners, Inc; the fact that a number of members of the management team have less than one year of tenure with the Company, and the current senior management team has not had a long period of time working together; our ability to attract and retain a qualified permanent CEO and a qualified permanent CFO, as well other key personnel; commodity, raw material and other cost increases; compliance with laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this report on Form 10-Q and our 2014 annual report on Form 10-K filed with the Securities and Exchange Commission on March 27, 2015 (our “2014 Annual Report on Form 10-K”) under “Item 1A—Risk Factors.” We intend these forward-looking statements to speak only as of the time of this report on Form 10-Q and do not undertake to update or revise them as more information becomes available.

PART I. FINANCIAL INFORMATION

ITEM 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share and per share data, unaudited)

	August 1, 2015	January 31, 2015
Assets		
Current assets:		
Cash and cash equivalents	$88	$112
Trade receivables, net	22,679	33,797
Inventories, net	45,566	37,419
Prepaid expenses and other current assets	11,112	9,812
Total current assets	79,445	81,140
Property, plant and equipment, net	35,188	28,349
Intangible assets, net	109,345	109,644
Goodwill	63,746	63,746
Deferred income taxes and other assets	96,110	95,769
Total assets	$383,834	$378,648
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$38,063	$29,118
Accrued salaries and employee benefits	2,158	7,380
Other accrued expenses	8,216	27,992
Total current liabilities	48,437	64,490
Long-term debt	81,877	84,450
Deferred rent	14,183	11,676
Other liabilities	168,964	146,063
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Common stock at $0.01 par value (100,000,000 shares authorized, 36,775,443 and 36,748,245 shares issued and outstanding at August 1, 2015 and January 31, 2015, respectively)	368	367
Additional paid-in capital	1,012,219	1,011,244
Accumulated deficit	(942,149)	(939,577)
Accumulated other comprehensive loss	(65)	(65)
Total stockholders' equity	70,373	71,969

Total liabilities and stockholders' equity	$383,834	$378,648

See notes to unaudited condensed consolidated financial statements.

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VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Operations

(in thousands, except share and per share data, unaudited)

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net sales	$79,993	$89,326	$139,835	$142,778
Cost of products sold	59,204	45,312	88,305	72,353
Gross profit	20,789	44,014	51,530	70,425
Selling, general and administrative expenses	27,331	24,070	52,971	45,274
(Loss) Income from operations	(6,542)	19,944	(1,441)	25,151
Interest expense, net	1,623	2,485	2,939	5,335
Other expense, net	350	435	491	485
(Loss) Income before income taxes	(8,515)	17,024	(4,871)	19,331
(Benefit) Provision for income taxes	(3,489)	6,523	(2,299)	7,446
Net (Loss) Income	$(5,026)	$10,501	(2,572)	11,885
(Loss) Earnings per share:				
Basic (loss) earnings per share	$(0.14)	$0.29	$(0.07)	$0.32
Diluted (loss) earnings per share	$(0.14)	$0.27	$(0.07)	0.31
Weighted average shares outstanding:				
Basic	36,774,752	36,726,319	36,763,933	36,725,023
Diluted	36,774,752	38,262,958	36,763,933	38,192,955

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Comprehensive Income

(in thousands, unaudited)

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net (loss) income	$(5,026)	$10,501	$(2,572)	$11,885
Comprehensive (loss) income	$(5,026)	$10,501	$(2,572)	$11,885

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(in thousands, unaudited)

	Six Months Ended	
	August 1, 2015	August 2, 2014
Operating activities		
Net (loss) income	$(2,572)	$11,885
Add (deduct) items not affecting operating cash flows:		
Depreciation	3,803	1,849
Amortization of intangible assets	299	299
Amortization of deferred financing costs	664	597
Amortization of deferred rent	1,301	1,246
Deferred income taxes	(441)	7,415
Share-based compensation expense	801	792
Loss on disposal of property, plant and equipment	309	—
Changes in assets and liabilities:		
Receivables, net	11,118	1,894
Inventories, net	(8,147)	(24,676)
Prepaid expenses and other current assets	(88)	2,318
Accounts payable and accrued expenses	6,997	12,596
Other assets and liabilities	37	194
Net cash provided by operating activities	14,081	16,409
Investing activities		
Payments for capital expenditures	(11,043)	(7,351)
Net cash used in investing activities	(11,043)	(7,351)
Financing activities		
Proceeds from borrowings under the Revolving Credit Facility	54,402	27,100
Payments for Revolving Credit Facility	(42,554)	(4,500)
Payments for Term Loan Facility	(15,000)	(53,000)
Fees paid for Term Loan Facility and Revolving Credit Facility	(85)	(114)
Stock option exercise	175	34
Net cash used in financing activities	(3,062)	(30,480)
(Decrease) in cash and cash equivalents	(24)	(21,422)
Cash and cash equivalents, beginning of period	112	21,484
Cash and cash equivalents, end of period	$88	$62
Supplemental Disclosures of Cash Flow Information		
Cash payments for interest	$2,112	$5,064
Cash payments for income taxes, net of refunds	1,139	65
Supplemental Disclosures of Non-Cash Investing and Financing Activities		
Capital expenditures in accounts payable	$220	$1,057

See notes to unaudited condensed consolidated financial statements.

VINCE HOLDING CORP. AND SUBSIDIARIES

Notes to the Unaudited Condensed Consolidated Financial Statements

(in thousands except share and per share data)

Note 1. Description of Business and Basis of Presentation

On November 27, 2013, Vince Holding Corp. (“VHC” or the “Company”), previously known as Apparel Holding Corp., closed an initial public offering (“IPO”) of its common stock and completed a series of restructuring transactions (the “Restructuring Transactions”) through which (i) Kellwood Holding, LLC acquired the non-Vince businesses, which include Kellwood Company, LLC (“Kellwood Company” or “Kellwood”), from the Company and (ii) the Company continues to own and operate the Vince business, which includes Vince, LLC. Prior to the IPO and the Restructuring Transactions, VHC was a diversified apparel company operating a broad portfolio of fashion brands, which included the Vince business and other businesses. As a result of the IPO and Restructuring Transactions, the non-Vince businesses were separated from the Vince business, and the stockholders immediately prior to the consummation of the Restructuring Transactions (the “Pre-IPO Stockholders”) retained full ownership and control of the non-Vince businesses through their ownership of Kellwood Holding, LLC. The Vince business is now the sole operating business of Vince Holding Corp.

In this interim report on Form 10-Q, “Kellwood” refers, as applicable and unless otherwise defined, to any of (i) Kellwood Company, (ii) Kellwood Company, LLC (a limited liability company to which Kellwood Company converted at the time of the Restructuring Transactions related to our IPO) or (iii) the operations of the non-Vince businesses after giving effect to our IPO and the related Restructuring Transactions.

(A) Description of Business: Vince is a leading contemporary fashion brand best known for modern effortless style and everyday luxury essentials. Established in 2002, the brand now offers a wide range of women’s and men’s apparel, women’s and men’s footwear and handbags. We reach our customers through a variety of channels, specifically through premier wholesale department stores and specialty stores in the United States (“U.S.”) and select international markets, as well as through our branded retail locations and our website. We design our products in the U.S. and source the vast majority of our products from contract manufacturers outside the U.S., primarily in Asia and South America. Products are manufactured to meet our product specifications and labor standards.

(B) Basis of Presentation: The accompanying condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“GAAP”) and the rules and regulations of the U.S. Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in financial statements prepared in accordance with GAAP have been condensed or omitted. Therefore, these financial statements should be read in conjunction with VHC’s audited financial statements for the fiscal year ended January 31, 2015, as set forth in the 2014 Annual Report on Form 10-K.

The condensed consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiaries as of August 1, 2015. All intercompany accounts and transactions have been eliminated. The amounts and disclosures included in the notes to the condensed consolidated financial statements, unless otherwise indicated, are presented on a continuing operations basis. In the opinion of management, the financial statements contain all adjustments (consisting solely of normal recurring adjustments) and disclosures necessary to make the information presented therein not misleading. The results of operations for these periods are not necessarily comparable to, or indicative of, results of any other interim period or the fiscal year as a whole. As used in this report, unless the context requires otherwise, “our,” “us,” “we” and the “Company” refer to VHC and its consolidated subsidiaries.

Note 2. Goodwill and Intangible Assets

Goodwill balances and changes therein subsequent to the January 31, 2015 condensed consolidated balance sheet are as follows (in thousands):

	Gross Goodwill	Accumulated Impairment	Net Goodwill
Balance as of January 31, 2015	$ 110,688	$ (46,942)	$ 63,746
Balance as of August 1, 2015	$ 110,688	$ (46,942)	$ 63,746

Identifiable intangible assets summary (in thousands):

	Gross Amount	Accumulated Amortization	Net Book Value
Balance as of January 31, 2015:			
Amortizable intangible assets:			
Customer relationships	$11,970	$ (4,176)	$7,794
Indefinite-lived intangible assets:			
Trademarks	101,850	—	101,850
Total intangible assets	$113,820	$ (4,176)	$109,644

	Gross Amount	Accumulated Amortization	Net Book Value
Balance as of August 1, 2015			
Amortizable intangible assets:			
Customer relationships	$11,970	$ (4,475)	$7,495
Indefinite-lived intangible assets:			
Trademarks	101,850	—	101,850
Total intangible assets	$113,820	$ (4,475)	$109,345

Amortization of identifiable intangible assets was $149 and $149 for the three months ended August 1, 2015 and August 2, 2014, respectively, and $299 and $299 for the six months ended August 1, 2015 and August 2, 2014, respectively. The estimated amortization expense for identifiable intangible assets is expected to be $598 for each fiscal year for the next five fiscal years.

Note 3. Fair Value

Accounting Standards Codification ("ASC") Subtopic 820-10 defines fair value 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. This guidance outlines a valuation framework, creates a fair value hierarchy to increase the consistency and comparability of fair value measurements, and details the disclosures that are required for items measured at fair value. Financial assets and liabilities are to be measured using inputs from three levels of the fair value hierarchy as follows:

Level 1 — quoted market prices in active markets for identical

assets or liabilities

Level 2 — observable market-based inputs (quoted prices for similar assets and liabilities in active markets and quoted prices for identical or similar assets or liabilities in markets that are not active) or inputs that are corroborated by observable market data

Level 3 — significant unobservable inputs that reflect our assumptions and are not substantially supported by market data

The Company did not have any non-financial assets or non-financial liabilities recognized at fair value on a recurring basis at August 1, 2015 or January 31, 2015. At August 1, 2015 and January 31, 2015, the Company believes that the carrying value of cash and cash equivalents, receivables and accounts payable approximates fair value, due to the short maturity of these items. As the Company's debt obligations as of August 1, 2015 are at variable rates, there is no significant difference between the fair value and carrying value of the Company's debt.

The Company's non-financial assets, which primarily consist of goodwill, intangible assets, and property and equipment, are not required to be measured at fair value on a recurring basis and are reported at their carrying value. However, on a periodic basis whenever events or changes in circumstances indicate that their carrying value may not be fully recoverable (and at least annually for goodwill and indefinite lived intangible assets), non-financial assets are assessed for impairment and, if applicable, written down to (and recorded at) fair value.

Note 4. Financing Arrangements

Revolving Credit Facility

On November 27, 2013, Vince, LLC entered into a $50,000 senior secured revolving credit facility (the “Revolving Credit Facility”) with Bank of America, N.A. (“BofA”) as administrative agent. Vince, LLC is the borrower and VHC and Vince Intermediate Holding, LLC, a direct subsidiary of VHC and the direct parent company of Vince, LLC (“Vince Intermediate”), are the

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guarantors under the Revolving Credit Facility. On June 3, 2015, Vince LLC entered into a first amendment to the Revolving Credit Facility, that among other things, increased the aggregate commitments under the facility from $50,000 to $80,000, subject to a loan cap of $70,000 until debt obligations under the Company's term loan facility have been paid in full, and extended the maturity date from November 27, 2018 to June 3, 2020. The Revolving Credit Facility also provides for a letter of credit sublimit of $25,000 (plus any increase in aggregate commitments) and an accordion option that allows for an increase in aggregate commitments up to $20,000. Interest is payable on the loans under the Revolving Credit Facility at either the LIBOR or the Base Rate, in each case, with applicable margins subject to a pricing grid based on an excess availability calculation. The "Base Rate" means, for any day, a fluctuating rate per annum equal to the highest of (i) the rate of interest in effect for such day as publicly announced from time to time by BofA as its prime rate; (ii) the Federal Funds Rate for such day, plus 0.50%; and (iii) the LIBOR Rate for a one month interest period as determined on such day, plus 1.0%. During the continuance of an event of default and at the election of the required lender, interest will accrue at a rate of 2% in excess of the applicable non-default rate.

The Revolving Credit Facility contains a maintenance requirement that, at any point when "Excess Availability" is less than the greater of (i) 15% percent of the adjusted loan cap or (ii) $10,000, and continuing until Excess Availability exceeds the greater of such amounts for 30 consecutive days, during which time, Vince, LLC must maintain a consolidated EBITDA (as defined in the Revolving Credit Facility) equal to or greater than $20,000. We have not been subject to this maintenance requirement as Excess Availability was greater than the required minimum.

The Revolving Credit Facility contains representations and warranties, other covenants and events of default that are customary for this type of financing, including limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, and the ability to change the nature of its business or its fiscal year. The Revolving Credit Facility generally permits dividends in the absence of any event of default (including any event of default arising from the contemplated dividend), so long as (i) after giving pro forma effect to the contemplated dividend, for the following six months Excess Availability will be at least the greater of 20% of the aggregate lending commitments and $10,000 and (ii) after giving pro forma effect to the contemplated dividend, the "Consolidated Fixed Charge Coverage Ratio" for the 12 months preceding such dividend shall be greater than or equal to 1.1 to 1.0 (provided that the Consolidated Fixed Charge Coverage Ratio may be less than 1.1 to 1.0 if, after giving pro forma effect to the contemplated dividend, Excess Availability for the six fiscal months following the dividend is at least the greater of 35% of the aggregate lending commitments and $15,000). We are in compliance with applicable financial covenants.

As of August 1, 2015, $27,930 is available under the Revolving Credit Facility and there were $34,848 of borrowings outstanding and $7,222 of letters of credit outstanding under the Revolving Credit Facility. The weighted average interest rate for borrowings outstanding under the Revolving Credit Facility as of August 1, 2015 was 2.1%. As of January 31, 2015, there was $23,000 of borrowings outstanding and $7,647 of letters of credit outstanding under the Revolving Credit Facility.

Note 5. Long-Term Debt

Long-term debt consisted of the following as of August 1, 2015 and January 31, 2015 (in thousands).

	August 1, 2015	January 31, 2015
Term Loan Facility	$50,000	$65,000
Revolving Credit Facility	34,848	23,000
Total long-term debt principal	$84,848	$88,000
Less: Deferred financing costs [(1)]	2,971	3,550
Total long-term debt	$81,877	$84,450

(1) Pursuant to new accounting guidance issued by the Financial Accounting Standards Board (“FASB”) in April 2015, entities are no longer required to present deferred financing costs as a deferred asset. The guidance is effective for our fiscal year beginning in 2016, however, the Company has early adopted this accounting standard update effective as of February 1, 2015 and accordingly adjusted the January 31, 2015 comparative balance sheet to conform to the new classification presentation. There was no other impact on the financial statements related to the adoption other than the reclassification change on the condensed consolidated balance sheet. Refer to Note 10, Recent Accounting Pronouncements, for further information regarding the accounting standard update.

Term Loan Facility

On November 27, 2013, in connection with the closing of the IPO and Restructuring Transactions, Vince, LLC and Vince Intermediate entered into a $175,000 senior secured term loan facility (the “Term Loan Facility”) with the lenders party thereto, BofA, as administrative agent, JPMorgan Chase Bank and Merrill Lynch, Pierce, Fenner & Smith Incorporated, as joint lead arrangers, and Cantor Fitzgerald as documentation agent. The Term Loan Facility will mature on November 27, 2019. On November 27, 2013, net proceeds from the Term Loan Facility were used, at closing, to repay a promissory note (the “Kellwood Note Receivable”) issued to Kellwood Company, LLC in connection with the Restructuring Transactions which occurred immediately prior to the consummation of the IPO.

The Term Loan Facility also provides for an incremental facility of up to the greater of $50,000 and an amount that would result in the consolidated net total secured leverage ratio not exceeding 3.00 to 1.00, in addition to certain other rights to refinance or repurchase portions of the term loan. The Term Loan Facility is subject to quarterly amortization of principal equal to 0.25% of the original aggregate principal amount of the Term Loan Facility, with the balance payable at final maturity. Interest is payable on loans under the Term Loan Facility at a rate of either (i) the Eurodollar rate (subject to a 1.00% floor) plus an applicable margin of 4.75% to 5.00% based on a leverage ratio or (ii) the base rate applicable margin of 3.75% to 4.00% based on a leverage ratio. During the continuance of a payment or bankruptcy event of default, interest will accrue (i) on the overdue principal amount of any loan at a rate of 2% in excess of the rate otherwise applicable to such loan and (ii) on any overdue interest or any other outstanding overdue amount at a rate of 2% in excess of the nondefault interest rate then applicable to base rate loans.

The Term Loan Facility contains a requirement that Vince, LLC and Vince Intermediate maintain a “Consolidated Net Total Leverage Ratio” as of the last day of any period of four fiscal quarters not to exceed 3.75 to 1.00 for the fiscal quarters ending February 1, 2014 through November 1, 2014, 3.50 to 1.00 for the fiscal quarters ending January 31, 2015 through October 31, 2015, and 3.25 to 1.00 for the fiscal quarter ending January 30, 2016 and each fiscal quarter thereafter. In addition, the Term Loan Facility contains customary representations and warranties, other covenants, and events of default, including but not limited to, limitations on the incurrence of additional indebtedness, liens, negative pledges, guarantees, investments, loans, asset sales, mergers, acquisitions, prepayment of other debt, the repurchase of capital stock, transactions with affiliates, the ability to change the nature of its business or its fiscal year, and distributions and dividends. The Term Loan Facility generally permits dividends to the extent that no default or event of default is continuing or would result from the contemplated dividend and the pro forma Consolidated Net Total Leverage Ratio after giving effect to such contemplated dividend is at least 0.25 lower than the maximum Consolidated Net Total Leverage Ratio for such quarter. All obligations under the Term Loan Facility are guaranteed by VHC and any future material domestic restricted subsidiaries of Vince, LLC and secured by a lien on substantially all of the assets of VHC, Vince, LLC and Vince Intermediate and any future material domestic restricted subsidiaries. We are in compliance with applicable financial covenants.

Through August 1, 2015, on an inception to date basis, the Company has made voluntary prepayments totaling $125,000 in the aggregate on the original $175,000 Term Loan Facility entered into on November 27, 2013. Of the $125,000 of aggregate voluntary prepayments made to date, $15,000 was paid during the six months ended August 1, 2015. As of August 1, 2015, the Company had $50,000 of debt outstanding under the Term Loan Facility.

Note 6. Inventory

Inventories consist of the following:

	August 1, 2015	January 31, 2015
Finished goods	$45,566	$37,395
Raw materials	—	24
Total inventories, net	45,566	37,419
Net of reserves of:	$25,064	$6,471

Inventories are stated at the lower of cost or market. Cost is determined on the first-in, first-out basis. Inventory values are reduced to net realizable value when there are factors indicating that certain inventories will not be sold on terms sufficient to recover their cost and is reflected in Cost of Goods Sold on the Condensed Consolidated Statements of Operations and Comprehensive Loss. The adjustment to net realizable value is based on management's judgment regarding future demand and market conditions and analysis of historical experience. As of August 1, 2015, the lower of cost or market reserve included a write-down of the carrying value for certain excess inventory and aged product to its estimated net realizable value, as the Company elected to accelerate the disposition of such inventory that no longer supports the Company's prospective brand positioning strategy.

Note 7. Share-Based Compensation

Prior to November 27, 2013, VHC did not have convertible equity or convertible debt securities, any of which could result in share-based compensation expense. In connection with our IPO, which closed on November 27, 2013, and the separation of the Vince and non-Vince businesses, VHC assumed Kellwood Company's remaining obligations under the 2010 Stock Option Plan of Kellwood Company (the "2010 Option Plan") and all Kellwood Company stock options previously issued to Vince employees under such plan became options to acquire shares of VHC common stock. Additionally, VHC assumed Kellwood Company's obligations with respect to the vested Kellwood Company stock options previously issued to Kellwood Company employees, which options were cancelled in exchange for shares of VHC common stock. Accordingly, option information presented below for previously issued Kellwood Company stock options under the 2010 Option Plan has been adjusted to account for the split of the Company's common stock and applicable conversion to options to acquire shares of VHC common stock.

Employee Stock Plans

2010 Option Plan

Kellwood Company had convertible equity securities that result in recognition of share-based compensation expense. On June 30, 2010, the board of directors approved the 2010 Stock Option Plan. As discussed above, in connection with the closing of the IPO, VHC assumed Kellwood Company's remaining obligations under the 2010 Option Plan; provided that none of the issued and outstanding options (after giving effect to such assumption and the stock split effected as part of the Restructuring Transactions) were exercisable until the consummation of the IPO. Additionally, prior to the consummation of the IPO and after giving effect to the assumption described in this paragraph, VHC and the Vince employees to whom options had been previously granted under the 2010 Option Plan amended the related grant agreements to eliminate, effective as of the consummation of the IPO, restrictions on the exercisability of the subject employees vested options.

Prior to the IPO, the 2010 Option Plan, as amended, provided for the grant of options to acquire up to 2,752,155 shares of Kellwood Company common stock. The options granted pursuant to the 2010 Option Plan (i) vest in five equal installments on the first, second, third, fourth and fifth anniversaries of the grant date, subject to the employee's continued employment, and (ii) expire on the earlier of the tenth anniversary of the grant date or upon termination of employment. We will not grant any future awards under the 2010 Option Plan. Future awards will be granted under the Vince 2013 Incentive Plan described further below.

Vince 2013 Incentive Plan

In connection with the IPO, the Company adopted the Vince 2013 Incentive Plan, which provides for grants of stock options, stock appreciation rights, restricted stock and other stock-based awards. The aggregate number of shares of common stock which may be issued or used for reference purposes under the Vince 2013 Incentive Plan or with respect to which awards may be granted may not exceed 3,400,000 shares. The shares available for issuance under the Vince 2013 Incentive Plan may be, in whole or in part, either authorized and unissued shares of our common stock or shares of common stock held in or acquired for our treasury. In general, if awards under the Vince 2013 Incentive Plan are cancelled for any reason, or expire or terminate unexercised, the shares covered by such award may again be

available for the grant of awards under the Vince 2013 Incentive Plan. As of August 1, 2015, there were 2,731,507 shares under the Vince 2013 Incentive Plan available for future grants. Options granted pursuant to the Vince 2013 Incentive Plan (i) vest in equal installments over three or four years or at 33 1/3% per year beginning in year two, over four years, subject to the employees' continued employment, and (ii) expire on the earlier of the tenth anniversary of the grant date or upon termination as outlined in the Vince 2013 Incentive Plan. Please refer to Note 13 for further information regarding our stock option exchange program.

Stock Options

A summary of stock option activity under the plans is as follows:

	Stock Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (years)	Aggregate Intrinsic Value
Outstanding at January 31, 2015	2,726,169	$ 13.18		
Granted	102,553	$ 12.22		
Exercised	(26,209)	$ 6.64		
Forfeited or expired	(637,665)	$ 17.18		
Outstanding at August 1, 2015	2,164,848	$ 12.03	7.1	$ 5,882
Vested and exercisable at August 1, 2015	965,605	$ 6.76	5.8	$ 3,615

Of the above outstanding shares, 1,541,391 are vested or expected to vest.

Restricted Stock Units

The Company also issues restricted stock units to its non-employee directors and directors not affiliated with Sun Capital (our controlling shareholder) under the Vince 2013 Incentive Plan. A summary of restricted stock unit activity during the six months ended August 1, 2015 is as follows:

	Restricted Stock Units	Weighted Average Grant Date Fair Value
Nonvested restricted stock units at January 31, 2015	12,384	$ 26.24
Granted	5,341	$ 15.76
Vested	(989)	$ 25.28
Nonvested restricted stock units at August 1, 2015	16,736	$ 22.95

Share-Based Compensation Expense

Share-based compensation expense is recognized over the requisite service period of each share-based payment award and the expense is included as a component of selling, general and administrative expenses in the condensed consolidated statements of operations. Share-based compensation expense for the three months ended August 1, 2015 was a net reversal of $(35), primarily due to option forfeitures as a result of executive departures. Share-based compensation expense for the three months ended August 2, 2014 was $396. Share-based compensation expense for the six months ended August 1, 2015 and August 2, 2014 was $801 and $792, respectively.

Note 8. Earnings Per Share

Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding for the period. Except when the effect would be anti-dilutive, diluted earnings per share is calculated based on the weighted average number of outstanding shares of common stock plus the dilutive effect of share-based awards calculated under the treasury stock method. The following is a reconciliation of basic shares to diluted shares:

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Weighted-average shares—basic	36,774,752	36,726,319	36,763,933	36,725,023
Effect of dilutive equity securities	-	1,536,639	-	1,467,932
Weighted-average shares—diluted	36,774,752	38,262,958	36,763,933	38,192,955

Because the Company incurred a loss from continuing operations for the three and six months ended August 1, 2015, weighted-average basic shares and weighted average diluted shares outstanding are equal for these periods.

For the three and six months ended August 1, 2015, 715,104 and 770,478 options to purchase shares of the Company's common stock, respectively, were excluded from the computation of diluted earnings per share as their effect would have been anti-dilutive.

For the three and six months ended August 2, 2014, the Company did not include stock options to purchase 64,905 shares of the Company's common stock, respectively, in the calculations of diluted earnings per share due to their anti-dilutive effect.

Note 9. Commitments and Contingencies

In the second quarter of 2015, a number of senior management departures and announced departures occurred. In connection with these departures and announced departures, the Company has certain obligations under existing employment arrangements with respect to severance and employee related benefits. As a result, the Company recognized a charge of $3,717 ($2,861 net of stock forfeitures) for these expected departures within selling, general, and administrative expenses on the condensed consolidated statement of operations for the three months ended August 1, 2015. This charge is reflected within the "unallocated corporate expenses" for segment disclosures. These amounts will be paid over a period of six to eighteen months, starting in the third quarter of fiscal 2015. The remaining accrual of $3,717 is included within total current liabilities on the condensed consolidated balance sheet as of August 1, 2015.

We are currently party to various legal proceedings. While management currently believes that the ultimate outcome of these proceedings, individually and in the aggregate, will not have a material adverse impact on our financial position or results of operations or cash flows, litigation is subject to inherent uncertainties.

Note 10. Recent Accounting Pronouncements

In July 2015, new accounting guidance on accounting for inventory was issued, which requires entities to measure inventory at the lower of cost and net realizable value. This guidance is effective for interim and annual periods beginning on or after December 15, 2016. The Company is currently evaluating the impact of the adoption of the new accounting guidance on its financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest-Imputation of Interest." The standard requires deferred financing costs to be presented on the balance sheet as a direct deduction from the carrying amount of the related debt liability, consistent with debt discounts, instead of being presented as a deferred asset in the balance sheet. ASU 2015-03 does not change the recognition and measurement guidance for deferred financing costs. Once adopted, entities are required to apply the new guidance retrospectively to all prior periods presented. ASU 2015-03 is effective for annual periods beginning after December 15, 2015, and interim periods within those fiscal years and early application is permitted. The Company has elected to early adopt the standard, effective February 1, 2015. Accordingly, the condensed consolidated balance sheets as of May 2, 2015 and January 31, 2015 reflect the deferred financing costs as a direct deduction from the carrying amount of our long-term debt. Refer to Note 5, Long-Term Debt, for further information.

In May 2014, FASB issued revenue recognition guidance (ASU No. 2014-09). The new accounting guidance requires entities to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In August 2015, FASB elected to defer the effective dates (ASU No. 2015-14). The updated guidance is now effective for interim and annual periods beginning on or after December 15, 2017. Early adoption is permitted for annual beginning after December 15, 2016, including interim reporting periods within that reporting period. The Company is currently evaluating the impact of the adoption of the new guidance on its financial statements.

Note 11. Segment Financial Information

We operate and manage our business by distribution channel and have identified two reportable segments, as further described below. We considered both similar and dissimilar economic characteristics, internal reporting and management structures, as well as products, customers, and supply chain logistics to identify the following reportable segments:

Wholesale segment—consists of our operations to distribute products to premier department stores and specialty stores in the United States and select international markets; and

Direct-to-consumer segment—consists of our operations to distribute products directly to the consumer through our branded full-price specialty retail stores, outlet stores, and e-commerce platform.

The accounting policies of our segments are consistent with those described in Note 1 to the audited Consolidated Financial Statements of VHC for the fiscal year ended January 31, 2015 included in our 2014 Annual Report on Form 10K. Unallocated corporate expenses are comprised of selling, general, and administrative expenses attributable to corporate and administrative activities, and other charges that are not directly attributable to our operating segments. Unallocated corporate assets are comprised of the carrying values of our goodwill and unamortized trademark, deferred tax assets, and other assets that will be utilized to generate revenue for both of our reportable segments.

Our wholesale segment sells apparel to our direct-to-consumer segment at cost. The wholesale intercompany sales of $7,878 and $5,871 have been excluded from the net sales totals presented below for the three months ended August 1, 2015 and August 2, 2014, respectively. The wholesale intercompany sales of $13,694 and $7,902 have been excluded from the net sales totals presented below for the six months ended August 1, 2015 and August 2, 2014, respectively. Furthermore, as intercompany sales are sold at cost, no intercompany profit is reflected in operating income presented below.

Summary information for our operating segments is presented below (in thousands).

	Three Months Ended		Six Months Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net Sales:				
Wholesale	$58,312	$74,344	$96,599	$111,666
Direct-to-consumer	21,681	14,982	43,236	31,112
Total net sales	$79,993	$89,326	$139,835	$142,778
Operating Income:				
Wholesale	$7,739	$30,549	$22,016	$43,627
Direct-to-consumer	(1,927)	1,336	444	3,813
Subtotal	5,812	31,885	22,460	47,440
Unallocated expenses	(12,354)	(11,941)	(23,901)	(22,289)
Total operating (loss) income	$(6,542)	$19,944	$(1,441)	$25,151
Capital Expenditures:				
Wholesale	$265	$475	$997	$565
Direct-to-consumer	2,585	1,971	5,486	3,086
Unallocated corporate	1,933	3,567	4,560	3,700
Total capital expenditure	$4,783	$6,013	$11,043	$7,351

	August 1, 2015	January 31, 2015
Total Assets:		
Wholesale	$69,803	$70,635
Direct-to-consumer	35,293	33,793

Unallocated corporate	278,738	274,220
Total assets	$383,834	$378,648

Note 12. Related Party Transactions

Shared Services Agreement

In connection with the consummation of our IPO on November 27, 2013, Vince, LLC entered into a Shared Services Agreement pursuant to which Kellwood provides support services in various operational areas, including, among other things, e-commerce operations, distribution, logistics, information technology, accounts payable, credit and collections and payroll and benefits. Since the IPO, we have been working on transitioning certain back office functions performed by Kellwood under the Shared Services Agreement. Among these functions that have transitioned to Vince are certain accounting related functions as well as benefits administration. We have also been working on developing our own information technology infrastructure and are now in the process

of implementing our own enterprise resource planning ("ERP") system. We have engaged with a new e-commerce platform provider and are still developing that system. The new ERP system is also under development. Until those systems are implemented, we will continue to utilize the Kellwood information technology infrastructure, including e-commerce platform systems, under the Shared Services Agreement.

We are invoiced by Kellwood monthly for the services provided under the Shared Services Agreement and generally are required to pay within 15 business days of receiving such invoice. The payments will be trued-up and can be disputed once each fiscal quarter is completed. As of August 1, 2015, we have recorded $1,428 in other accrued expenses to recognize amounts payable to Kellwood under the Shared Services Agreement.

Tax Receivable Agreement

VHC entered into a Tax Receivable Agreement with the Pre-IPO Stockholders on November 27, 2013. We and our former subsidiaries have generated certain tax benefits (including NOLs and tax credits) prior to the Restructuring Transactions consummated in connection with our IPO and will generate certain section 197 intangible deductions (the "Pre-IPO Tax Benefits"), which would reduce the actual liability for taxes that we might otherwise be required to pay. The Tax Receivable Agreement provides for payments to the Pre-IPO Stockholders in an amount equal to 85% of the aggregate reduction in taxes payable realized by us and our subsidiaries from the utilization of the Pre-IPO Tax Benefits (the "Net Tax Benefit").

For purposes of the Tax Receivable Agreement, the Net Tax Benefit equals (i) with respect to a taxable year, the excess, if any, of (A) our liability for taxes using the same methods, elections, conventions and similar practices used on the relevant company return assuming there were no Pre-IPO Tax Benefits over (B) our actual liability for taxes for such taxable year (the "Realized Tax Benefit"), plus (ii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on an amended schedule applicable to such prior taxable year over the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year, minus (iii) for each prior taxable year, the excess, if any, of the Realized Tax Benefit reflected on the original tax benefit schedule for such prior taxable year over the Realized Tax Benefit reflected on the amended schedule for such prior taxable year; provided, however, that to the extent any of the adjustments described in clauses (ii) and (iii) were reflected in the calculation of the tax benefit payment for any subsequent taxable year, such adjustments shall not be taken into account in determining the Net Tax Benefit for any subsequent taxable year.

The Company had expected to make a required payment under the Tax Receivable Agreement in the fourth quarter of 2015. As a result of lower than expected cash from operations due to weaker than projected performance, and the level of projected availability under the Company's Revolving Credit Facility, we concluded that we would not be able to fund the payment when due. Accordingly, on September 1, 2015, we entered into an amendment to the Tax Receivable Agreement with Sun Cardinal, LLC, an affiliate of Sun Capital Partners, Inc., for itself and as a representative of the other stockholders parties thereto. Pursuant to this amendment, Sun Cardinal agreed to postpone payment of the tax benefit with respect to the 2014 taxable year, estimated at approximately $22,818 plus accrued interest, to September 15, 2016. As a result, the $22,818 plus accrued interest was reclassified from other accrued expenses to other liabilities on the condensed consolidated balance sheet. As of August 1, 2015 our obligation under the Tax Receivable Agreement is $168,964 and has a remaining term of nine years and is included as a component of other liabilities on our condensed consolidated balance sheet. The amendment to the Tax Receivable Agreement also waived the application of a default interest rate at LIBOR plus 500 basis points per annum on the postponed payment. The interest rate on the postponed payment will remain at LIBOR plus 200 basis points per annum.

Sun Capital Consulting Agreement

On November 27, 2013, we entered into an agreement with Sun Capital Management to (i) reimburse Sun Capital Management or any of its affiliates providing consulting services under the agreement for out-of-pocket expenses incurred in providing consulting services to us and (ii) provide Sun Capital Management with customary indemnification for any such services.

During the three and six months ended August 1, 2015, we paid Sun Capital Management approximately $7 and $29, respectively, for reimbursement of expenses under the Sun Capital Consulting Agreement.

Executive Officers

On September 1, 2015, the board of directors of the Company appointed Mark E. Brody to serve as the Interim Chief Executive Officer. On the same day, Jill Granoff, our former Chief Executive Officer, departed the Company. Mr. Brody served as the Company’s Interim Chief Financial Officer and Treasurer of the Company since June 2015. Mr. Brody also serves as a member of the Company’s board of directors. Mr. Brody will receive $63 per month and the reimbursement of reasonable cost of transportation and housing on a tax grossed-up basis while he serves as the Interim Chief Executive Officer, and will receive no additional compensation

for serving as a director of the Company. On September 1, 2015, David Stefko was appointed by the board of directors of the Company to serve as the Interim Chief Financial Officer and Treasurer of the Company. Mr. Stefko will receive $43 per month and the reimbursement of reasonable cost of transportation and housing on a tax grossed-up basis while he serves as the Interim Chief Financial Officer and Treasurer of the Company. Both Mr. Brody and Mr. Stefko were employees of Sun Capital Partners, Inc. prior to their appointment to the positions at the Company. Affiliates of Sun Capital Partners, Inc. own approximately 56% of the outstanding shares of our common stock. Mr. Brody and Mr. Stefko are currently on leave of absence from their positions at Sun Capital Partners, Inc. While each of Mr. Brody and Stefko are on a leave of absence from Sun Capital Partners, they continue to be covered by Sun Capital Partner's health and welfare benefit plans and are eligible to receive a bonus under Sun Capital Partner's annual bonus plan related to their work at Sun Capital Partners. In addition, Messrs. Brody and Stefko are partners in one or more investment partnerships that are affiliated with Sun Capital Partners that beneficially own shares of common stock of the Company.

Note 13. Subsequent Events

On September 3, 2015, the Company commenced a tender offer to exchange certain options to purchase shares of its common stock, whether vested or unvested, from eligible employees. None of the executive officers and senior members of the Company who have departed in the recent months, including Jill Granoff, our former Chief Executive Officer, Lisa Klinger, our former Chief Financial Officer, Karin Gregersen, our former President and Chief Creative Officer, our former general counsel and our former senior vice president of retail operations, is eligible to participate in the option exchange. Our Interim Chief Executive Officer and Interim Chief Financial Officer are also not eligible to participate in the option exchange. The exchange ratio for this offer will be one-to-one (one stock option exchanged for every one new stock option granted). This tender offer is expected to expire on October 2, 2015 unless extended and is subject to the terms and conditions set forth in the materials included in the Company's Schedule TO, dated September 3, 2015, which was filed with the Securities and Exchange Commission on September 3, 2015. If all eligible stock options are exchanged, existing options to purchase approximately 445,178 shares as of September 1, 2015, will be cancelled and options to purchase the same amount will be granted. The purpose of this exchange is to foster retention of our valuable employees and better align the interests of our employees and shareholders to maximize shareholder value.

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

This discussion summarizes our consolidated operating results, financial condition and liquidity during each of the three and six month periods ended August 1, 2015 and August 2, 2014, respectively. The following discussion and analysis should be read in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this report on Form 10-Q.

For purposes of this report on Form 10-Q, "Vince," the "Company," "we," and "our," refer to Vince Holding Corp. ("VHC") a our wholly owned subsidiaries, including Vince Intermediate Holding ("Vince Intermediate"), LLC and Vince, LLC. References to "Kellwood" refer, as applicable, to Kellwood Holding, LLC and its consolidated subsidiaries (including Kellwood Company, LLC) or the operations of the non-Vince businesses after giving effect to the restructuring transactions (the "Restructuring Transactions") that were completed in connection with our initial public offering (the "IPO") on November 27, 2013.

This discussion contains forward-looking statements involving risks, uncertainties and assumptions that could cause our results to differ materially from expectations. Factors that might cause such differences include those described under "Item 1A—Risk Factors," "Disclosures Regarding Forward-Looking Statements" and elsewhere in this report on Form 10-Q as well as in our 2014 Annual Report on Form 10-K.

Executive Overview

Vince is a leading contemporary fashion brand best known for modern effortless style and everyday luxury essentials. Founded in 2002, the brand now offers a wide range of women's and men's apparel, women's and men's footwear, and handbags. Vince products are sold in prestige distribution worldwide, including over 2,500 distribution points across 44 countries. While we have recently experienced a slowdown in sales growth, we believe that we can generate growth by expanding our product offering, expanding our selling into international markets, and growing our own branded retail and e-commerce direct-to-consumer businesses.

On September 1, 2015, the board of directors of the Company (the "Board') approved the appointment of Mark E. Brody to serve as the Interim Chief Executive Officer of the Company. On the same date, the Board approved the appointment of David Stefko to serve as the Interim Chief Financial Officer and Treasurer of the Company. The Board is currently working with executive search firms to identify potential Chief Executive Officer and Chief Financial Officer candidates. See "Item 1A—Risk Factors" for more information.

As of August 1, 2015, our products are sold at 2,539 doors through our wholesale partners in the U.S. and international markets and we operated 42 retail stores, including 32 full price stores and 10 outlet stores, throughout the United States.

The following is a summary of highlights during the three months ended August 1, 2015:

- Our net sales totaled $80.0 million, reflecting a 10.4% decrease over prior year net sales of $89.3 million.
- Our wholesale net sales decreased 21.6% to $58.3 million and our direct-to-consumer net sales increased 44.7% to $21.7 million. Comparable store sales including e-commerce grew 13.4% compared to last year.
- Net loss for the quarter was $(5.0) million compared to net income of $10.5 million in the prior year second quarter. The net loss in the current year included pre-tax charges of $16.8 million associated with inventory write-downs of excess and aged product inventory to expected net realizable value and $2.9 million related to net management transition costs associated with employee departures.
- We opened one new retail store during the three months ended August 1, 2015.

We amended our Revolving Credit Facility, increasing the borrowing capacity from $50.0 million to $80.0 million subject to the $70.0 million loan cap and extended the maturity date to June 2020.

As of August 1, 2015 we had $84.8 million of total debt principal outstanding comprised of $50.0 million outstanding on our Term Loan Facility and $34.8 million outstanding on our Revolving Credit Facility.

We continued to invest in new stores, shop-in-shop build-outs and infrastructure related to our IT migration efforts.

We serve our customers through a variety of channels that reinforce the Vince brand image. Our diversified channel strategy allows us to introduce our products to customers through multiple distribution points that are reported in two segments: wholesale and direct-to-consumer. The following is a summary of our wholesale and direct-to-consumer net sales for the three and six months ended August 1, 2015 and August 2, 2014, respectively:

	Three Months Ended		Six Months Ended	
(in thousands)	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
Net Sales by Segment:				
Wholesale	$58,312	$74,344	$96,599	$111,666
Direct-to-consumer	21,681	14,982	43,236	31,112
Total net sales	$79,993	$89,326	$139,835	$142,778

While we believe our growth strategy offers significant opportunities, it also presents risks and challenges, including among others, the risks that we may not be able to match inventory purchases with demand, hire and train qualified associates, that our new product offerings and expanded sales channels may not maintain or enhance our brand image and that our distribution facilities and information systems may not be adequate to support our growth plans. For a more complete discussions of risks facing our business see “Item 1A—Risk Factors” of this report on Form 10-Q as well as in our 2014 Annual Report on Form 10-K.

Results of Operations

The following table presents our operating results as a percentage of net sales as well as earnings per share data (dollars in thousands, except per share data) for the three and six months ended August 1, 2015 and August 2, 2014:

	Three Months Ended				Six Months Ended			
	August 1, 2015		August 2, 2014		August 1, 2015		August 2, 2014	
(In thousands, except share data, store and door counts and percentages)								
Statement of Operations:								
Net sales	$79,993	100.0%	$89,326	100.0%	$139,835	100.0%	$142,778	100.0%
Cost of products sold	59,204	74.0 %	45,312	50.7 %	88,305	63.1 %	72,353	50.7 %
Gross profit	20,789	26.0 %	44,014	49.3 %	51,530	36.9 %	70,425	49.3 %
Selling, general and administrative expenses	27,331	34.2 %	24,070	27.0 %	52,971	37.9 %	45,274	31.7 %
(Loss) Income from operations	(6,542)	(8.2)%	19,944	22.3 %	(1,441)	(1.0)%	25,151	17.6 %
Interest expense, net	1,623	2.0 %	2,485	2.8 %	2,939	2.1 %	5,335	3.7 %
Other expense, net	350	0.4 %	435	0.4 %	491	0.4 %	485	0.4 %
(Loss) Income before income taxes	(8,515)	(10.6)%	17,024	19.1 %	(4,871)	(3.5)%	19,331	13.5 %

(Benefit) Provision for income taxes	(3,489)	(4.3)%	6,523	7.3 %	(2,299)	(1.7)%	7,446	5.2 %
Net (loss) income	$(5,026)	(6.3)%	$10,501	11.8 %	$(2,572)	(1.8)%	$11,885	8.3 %
(Loss) Earnings per share:								
Basic earnings per share	$(0.14)		$0.29		$(0.07)		$0.32	
Diluted (loss) earnings per share	$(0.14)		$0.27		$(0.07)		$0.31	
Other Operating and Financial Data:								