

CHICOS FAS INC
Form 10-Q
May 27, 2016
Table of Contents

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

FORM 10-Q

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

For the Quarter Ended: Commission File Number:
April 30, 2016 001-16435

Chico's FAS, Inc.
(Exact name of registrant as specified in charter)

Florida 59-2389435
(State of Incorporation) (I.R.S. Employer
Identification No.)
11215 Metro Parkway, Fort Myers, Florida 33966
(Address of principal executive offices)
239-277-6200
(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 No

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

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

At May 16, 2016, the registrant had 132,609,279 shares of Common Stock, \$0.01 par value per share, outstanding.

Table of Contents

CHICO'S FAS, INC. AND SUBSIDIARIES
TABLE OF CONTENTS

PART I – Financial Information

Item 1. Financial Statements:

Condensed Consolidated Statements of Income for the Thirteen Weeks Ended April 30, 2016 (Unaudited) and May 2, 2015 (Unaudited) 3

Condensed Consolidated Statements of Comprehensive Income for the Thirteen Weeks Ended April 30, 2016 (Unaudited) and May 2, 2015 (Unaudited) 4

Condensed Consolidated Balance Sheets – April 30, 2016 (Unaudited), January 30, 2016 (Unaudited) and May 2, 2015 (Unaudited) 5

Condensed Consolidated Statements of Cash Flows for the Thirteen Weeks Ended April 30, 2016 (Unaudited) and May 2, 2015 (Unaudited) 6

Notes to Condensed Consolidated Financial Statements (Unaudited) 7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 15

Item 3. Quantitative and Qualitative Disclosures About Market Risk 21

Item 4. Controls and Procedures 21

PART II – Other Information

Item 1. Legal Proceedings 22

Item 1A. Risk Factors 22

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 23

Item 6. Exhibits 24

Signatures 25

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CHICO'S FAS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(In thousands, except per share amounts)

	Thirteen Weeks Ended			
	April 30, 2016		May 2, 2015 (as adjusted)	
	Amount	% of Sales	Amount	% of Sales
Net sales	\$642,977	100.0	\$697,766	100.0
Cost of goods sold	380,642	59.2	402,148	57.6
Gross margin	262,335	40.8	295,618	42.4
Selling, general and administrative expenses	208,141	32.4	228,065	32.7
Restructuring and strategic charges	3,651	0.5	14,875	2.1
Income from operations	50,543	7.9	52,678	7.6
Interest expense, net	(459)	(0.1)	(453)	(0.1)
Income before income taxes	50,084	7.8	52,225	7.5
Income tax provision	19,000	3.0	19,700	2.8
Net income	\$31,084	4.8	\$32,525	4.7
Per share data:				
Net income per common share-basic	\$0.23		\$0.22	
Net income per common and common equivalent share–diluted	\$0.23		\$0.22	
Weighted average common shares outstanding–basic	131,594		143,378	
Weighted average common and common equivalent shares outstanding–diluted	131,689		143,771	
Dividends declared per share	\$0.160		\$0.155	

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

Table of Contents

CHICO'S FAS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (Unaudited)
 (In thousands)

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
Net income	\$31,084	\$32,525
Other comprehensive income (loss):		
Unrealized gains (losses) on marketable securities, net of taxes	33	(12)
Foreign currency translation losses, net of taxes	(31)	(210)
Comprehensive income	\$31,086	\$32,303

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

Table of Contents

CHICO'S FAS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (Unaudited)
 (In thousands)

	April 30, 2016	January 30, 2016	May 2, 2015
ASSETS			
Current Assets:			
Cash and cash equivalents	\$56,502	\$89,951	\$97,651
Marketable securities, at fair value	50,479	50,194	48,447
Inventories	267,988	233,834	270,313
Prepaid expenses and other current assets	48,105	45,660	48,812
Income tax receivable	10,928	29,157	447
Assets held for sale	16,525	16,525	24,042
Total Current Assets	450,527	465,321	489,712
Property and Equipment, net	535,470	550,953	584,616
Other Assets:			
Goodwill	96,774	96,774	145,627
Other intangible assets, net	38,930	38,930	108,449
Other assets, net	14,415	14,074	17,953
Total Other Assets	150,119	149,778	272,029
	\$1,136,116	\$1,166,052	\$1,346,357
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities:			
Accounts payable	\$144,767	\$129,343	\$147,323
Current debt	10,000	10,000	34,000
Other current and deferred liabilities	142,091	158,788	171,161
Total Current Liabilities	296,858	298,131	352,484
Noncurrent Liabilities:			
Long-term debt	79,735	82,219	90,000
Deferred liabilities	129,306	130,743	142,185
Deferred taxes	16,740	15,171	49,273
Total Noncurrent Liabilities	225,781	228,133	281,458
Commitments and Contingencies			
Stockholders' Equity:			
Preferred stock	—	—	—
Common stock	1,336	1,355	1,434
Additional paid-in capital	436,581	435,881	353,523
Treasury stock, at cost	(326,418)	(289,813)	(187,393)
Retained earnings	501,936	492,325	544,511
Accumulated other comprehensive income	42	40	340
Total Stockholders' Equity	613,477	639,788	712,415
	\$1,136,116	\$1,166,052	\$1,346,357

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

Table of Contents

CHICO'S FAS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited)
 (In thousands)

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
Cash Flows From Operating Activities:		
Net income	\$31,084	\$32,525
Adjustments to reconcile net income to net cash provided by operating activities —		
Depreciation and amortization	27,957	30,743
Loss on disposal and impairment of property and equipment	597	6,277
Deferred tax expense (benefit)	307	(425)
Stock-based compensation expense	5,546	7,631
Excess tax benefit from stock-based compensation	(96)	(2,012)
Deferred rent and lease credits	(5,007)	(4,283)
Changes in assets and liabilities:		
Inventories	(34,154)	(35,154)
Prepaid expenses and other assets	14,617	(3,468)
Accounts payable	4,814	(8,979)
Accrued and other liabilities	(13,029)	18,884
Net cash provided by operating activities	32,636	41,739
Cash Flows From Investing Activities:		
Purchases of marketable securities	(11,403)	(18,252)
Proceeds from sale of marketable securities	11,156	96,351
Purchases of property and equipment, net	(13,056)	(19,839)
Net cash (used in) provided by investing activities	(13,303)	58,260
Cash Flows From Financing Activities:		
Proceeds from borrowings	—	124,000
Payments on borrowings	(2,500)	—
Proceeds from issuance of common stock	1,177	8,025
Excess tax benefit from stock-based compensation	96	2,012
Dividends paid	(10,864)	(11,076)
Repurchase of common stock	(40,660)	(258,450)
Net cash used in financing activities	(52,751)	(135,489)
Effects of exchange rate changes on cash and cash equivalents	(31)	(210)
Net decrease in cash and cash equivalents	(33,449)	(35,700)
Cash and Cash Equivalents, Beginning of period	89,951	133,351
Cash and Cash Equivalents, End of period	\$56,502	\$97,651
Supplemental Disclosures of Cash Flow Information:		
Cash paid for interest	\$532	\$466
Cash paid for income taxes, net	\$377	\$6,546

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

Table of Contents

Chico's FAS, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
April 30, 2016
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Chico's FAS, Inc. and its wholly-owned subsidiaries (collectively, the "Company") have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and notes required by accounting principles generally accepted in the U.S. ("U.S. GAAP") for complete financial statements. In the opinion of management, such interim financial statements reflect all normal, recurring adjustments considered necessary to present fairly the condensed consolidated financial position, the results of operations and cash flows for the interim periods presented. All significant intercompany balances and transactions have been eliminated in consolidation. For further information, refer to the consolidated financial statements and notes thereto for the fiscal year ended January 30, 2016, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission ("SEC") on March 8, 2016.

As used in this report, all references to "we," "us," "our," and "the Company," refer to Chico's FAS, Inc. and all of its wholly-owned subsidiaries.

Our fiscal years end on the Saturday closest to January 31 and are designated by the calendar year in which the fiscal year commences. Operating results for the thirteen weeks ended April 30, 2016 are not necessarily indicative of the results that may be expected for the entire year.

Change in Accounting Policy

Effective January 31, 2016, the Company made a voluntary change in accounting principle related to our classification of shipping expenses. Historically, we have presented shipping expenses within selling, general and administrative expenses ("SG&A"). Under the new policy, the Company is presenting these expenses within cost of good sold ("COGS") in the unaudited Condensed Consolidated Statements of Income. The Company believes that this change is preferable as the shipping expenses represent direct costs associated with the sale of our merchandise and improves comparability with the Company's peers. The accounting policy change was applied retrospectively to all periods presented. There was no change to consolidated net income, however, cost of sales increased by \$9.3 million and SG&A decreased by the same amount for the thirteen weeks ended May 2, 2015. The Company recorded \$8.3 million in shipping expenses as a component of COGS during the thirteen weeks ended April 30, 2016.

Reclassification of Occupancy Expenses and Correction of Immaterial Accounting Error

The Company has changed its classification of store occupancy expenses. Historically, we have presented store occupancy expenses within SG&A. As now reclassified, the Company is presenting these expenses within COGS in the unaudited Condensed Consolidated Statements of Income. The Company believes that the store occupancy expenses represent direct costs associated with the sale of our merchandise and improves comparability with the Company's peers. This reclassification was applied retrospectively to all periods presented. The Company recorded \$95.8 million in store occupancy expenses as a component of COGS during the thirteen weeks ended April 30, 2016. The Company has also elected to correct the historical classification of shipping revenue within SG&A. To correct the immaterial error, we are classifying shipping revenue as a component of net sales within the unaudited Condensed Consolidated Statements of Income for all periods presented. The Company recorded \$3.0 million in shipping revenue as a component of net sales during the thirteen weeks ended April 30, 2016.

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

Adjustments to Presentation

The above mentioned changes had no cumulative effect on the presentation of the unaudited Condensed Consolidated Statements of Income, Condensed Consolidated Balance Sheets, or Condensed Consolidated Statements of Cash Flows. The effects of the aforementioned accounting policy change, change in classification and error correction to the May 2, 2015 unaudited Condensed Consolidated Statement of Income are as follows:

	As Previously Reported	% of Sales	Change in Accounting Policy	Effect of Change in Occupancy Classification	Effect of Error Correction	As Adjusted	% of Sales
Thirteen weeks ended May 2, 2015:							
Net sales	\$ 693,339	100.0	\$ —	\$ —	\$ 4,427	\$697,766	100.0
Cost of goods sold	297,569	42.9	9,341	95,238	—	402,148	57.6
Gross Margin	395,770	57.1	(9,341)	(95,238)	4,427	295,618	42.4
Selling, general and administrative expenses	328,217	47.4	(9,341)	(95,238)	4,427	228,065	32.7

Footnotes to the unaudited Condensed Consolidated Financial Statements herein have been adjusted to reflect the impact of these changes accordingly.

Note 2. New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued ASU No. 2016-09, Compensation - Stock Compensation. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016. ASU 2016-09 requires entities to recognize the income tax effects of awards in the income statement when the awards vest or are settled. The standard also permits an employer to repurchase more of an employee's shares for tax withholding purposes without triggering liability accounting and to make a policy election to account for forfeitures as they occur. This standard will be effective and adopted for our first quarter 2017. We are currently assessing the new standard and its impact to our consolidated results of operations, financial position and cash flows.

In February 2016, the FASB issued ASU No. 2016-02, Leases, which replaces the existing guidance in Accounting Standard Codification 840, Leases. ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018. ASU 2016-02 requires a dual approach for lessee accounting under which a lessee would account for leases as finance leases or operating leases. Both finance leases and operating leases will result in the lessee recognizing a right-of-use asset and corresponding lease liability. For finance leases the lessee would recognize interest expense and amortization of the right-of-use asset and for operating leases the lessee would recognize straight-line total rent expense. We are currently assessing the new standard and its impact to our consolidated results of operations, financial position and cash flows.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities, under which entities will no longer be able to recognize unrealized holding gains and losses on equity securities they classify as available for sale in other comprehensive income but instead recognize the change in fair value in net income. The standard is effective for interim and annual reporting periods beginning after December 15, 2017. We are currently assessing the new standard, but do not, at this time, anticipate a material impact to our consolidated results of operations, financial position or cash flows.

In July 2015, the Financial Accounting Standards Board ("FASB") issued ASU No. 2015-11, Simplifying the Measurement of Inventory (Topic 330). The amendments, which apply to inventory that is measured using any

method other than the last-in, first-out (LIFO) or retail inventory method, require that entities measure inventory at the lower of cost or net realizable value. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and should be applied on a prospective basis. We are currently assessing the potential impact of adopting this ASU, but do not, at this time, anticipate a material impact to our consolidated results of operations, financial position or cash flows.

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

In May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers. The update outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU 2014-09 requires entities to recognize revenue in a way that depicts the transfer of promised goods or services to customers in an amount that reflects the consideration the entity expects to be entitled to in exchange for those goods or services. In August 2015, the FASB approved a one year deferral of the effective date, to make it effective for annual and interim reporting periods beginning after December 15, 2017. The standard allows for either a full retrospective or a modified retrospective transition method. We are currently assessing the new standard and its impact to our consolidated results of operations, financial position and cash flows.

Note 3. Restructuring and Strategic Charges

During the fourth quarter of fiscal 2014, we initiated a restructuring program, including the acceleration of domestic store closures and an organizational realignment, to ensure that resources align with long-term growth initiatives, including omni-channel. In fiscal 2015, in connection with the restructuring program, we completed an evaluation of the Boston Proper brand, completed the sale of the Boston Proper direct-to-consumer business, and closed its stores. During the first quarter of fiscal 2016, we announced an expansion of our restructuring program to further align the organizational structure with long-term growth initiatives, including transition of executive leadership, and to reduce COGS and SG&A through strategic initiatives. These strategic initiatives include realigning marketing and digital commerce, improving supply chain efficiency, and reducing non-merchandise and marketing expenses. In connection with this program, during the first quarter of fiscal 2016 we recorded pre-tax restructuring and strategic charges of \$3.7 million, primarily related to severance charges, continuing employee-related costs and consulting fees, which are included in restructuring and strategic charges in the accompanying condensed consolidated statements of income. In connection with the restructuring program, we evaluated our domestic store portfolio and identified approximately 175 stores for closure, with 77 stores across our brands, including 20 Boston Proper stores, closed through the first quarter of fiscal 2016. As a result, we expect to incur additional cash charges related to lease termination expenses of approximately \$1.6 million through fiscal 2017 related to these future closures.

A summary of the restructuring and strategic charges is presented in the table below:

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
	(in thousands)	
Impairment charges	\$—	\$5,952
Continuing employee-related costs	1,015	5,625
Severance charges, net	1,184	1,634
Lease termination charges	221	—
Consulting fees and other	1,231	1,664
Total restructuring and strategic charges, pre-tax	\$3,651	\$14,875

As of April 30, 2016, a reserve of \$6.6 million related to restructuring and strategic activities was included in other current and deferred liabilities in the accompanying condensed consolidated balance sheets. A roll-forward of the reserve is presented as follows:

Total

Edgar Filing: CHICOS FAS INC - Form 10-Q

	Continuing employee costs	Severance charges	Lease Termination Charges	Consulting Fees and Other	
	(in thousands)				
Beginning Balance, January 30, 2016	\$2,549	\$ 1,678	\$ 1,101	\$ 9	\$5,337
Charges	1,015	1,184	221	1,231	3,651
Payments	(712)	(1,289)	(265)	(164)	(2,430)
Ending Balance, April 30, 2016	\$2,852	\$ 1,573	\$ 1,057	\$ 1,076	\$6,558

9

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

Note 4. Stock-Based Compensation

For the thirteen weeks ended April 30, 2016 and May 2, 2015, stock-based compensation expense was \$5.5 million and \$7.6 million, respectively. As of April 30, 2016, approximately 5.3 million shares remain available for future grants of equity awards under our 2012 Omnibus Stock and Incentive Plan.

Restricted Stock Awards

Restricted stock award activity for the thirteen weeks ended April 30, 2016 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	2,585,392	\$ 16.60
Granted	1,368,190	12.56
Vested	(779,905)	17.19
Forfeited	(229,038)	15.64
Unvested, end of period	2,944,639	14.64

Performance-based Stock Units

For the thirteen weeks ended April 30, 2016, we granted performance-based restricted stock units ("PSUs"), contingent upon the achievement of a Company-specific performance goal during fiscal 2016. Any units earned as a result of the achievement of this goal will vest over 3 years from the date of grant and will be settled in shares of our common stock.

Performance-based restricted stock unit activity for the thirteen weeks ended April 30, 2016 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	469,898	\$ 18.23
Granted	733,360	12.55
Vested	(214,465)	18.23
Forfeited ⁽¹⁾	(183,608)	16.51
Unvested, end of period	805,185	13.45

⁽¹⁾ The performance goal for the PSUs granted in 2015 was not fully met. Forfeitures for the thirteen weeks ended April 30, 2016 include the portion of the fiscal 2015 PSUs that were not earned.

Stock Option Awards

For the thirteen weeks ended April 30, 2016 and May 2, 2015, we did not grant any stock options.

Stock option activity for the thirteen weeks ended April 30, 2016 was as follows:

	Number of Shares	Weighted Average Exercise Price
Outstanding, beginning of period	1,060,774	\$ 15.17
Granted	—	—
Exercised	(6,600)	8.24
Forfeited or expired	(59,000)	27.78
Outstanding and exercisable at April 30, 2016	995,174	14.47

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

Note 5. Earnings Per Share

In accordance with relevant accounting guidance, unvested share-based payment awards that include non-forfeitable rights to dividends, whether paid or unpaid, are considered participating securities. As a result, such awards are required to be included in the calculation of earnings per common share pursuant to the "two-class" method. For us, participating securities are composed entirely of unvested restricted stock awards and PSUs that have met their relevant performance criteria.

Earnings per share ("EPS") is determined using the two-class method when it is more dilutive than the treasury stock method. Basic EPS excludes dilution and is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period, including participating securities. Diluted EPS reflects the dilutive effect of potential common shares from non-participating securities such as stock options and PSUs.

The following table sets forth the computation of basic and diluted EPS shown on the face of the accompanying condensed consolidated statements of operations (in thousands, except per share amounts):

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
Numerator		
Net income	\$31,084	\$32,525
Net income and dividends declared allocated to participating securities	(646)	(786)
Net income available to common shareholders	\$30,438	\$31,739
Denominator		
Weighted average common shares outstanding – basic	131,594	143,378
Dilutive effect of non-participating securities	95	393
Weighted average common and common equivalent shares outstanding – diluted	131,689	143,771
Net income per common share:		
Basic	\$0.23	\$0.22
Diluted	\$0.23	\$0.22

For the thirteen weeks ended April 30, 2016 and May 2, 2015, 0.9 million and 0.7 million potential shares of common stock, respectively, were excluded from the diluted per share calculation relating to non-participating securities, because the effect of including these potential shares was antidilutive.

Note 6. Fair Value Measurements

Our financial instruments consist of cash, money market accounts, marketable securities, assets held in our non-qualified deferred compensation plan, accounts receivable and payable, and debt. Cash, accounts receivable and accounts payable are carried at cost, which approximates their fair value due to the short-term nature of the instruments.

Marketable securities are classified as available-for-sale and as of April 30, 2016 generally consist of corporate bonds, U.S. government agencies and commercial paper with \$26.1 million of securities with maturity dates within one year or less and \$24.4 million with maturity dates over one year and less than two years.

We consider all marketable securities available-for-sale, including those with maturity dates beyond 12 months, and therefore classify these securities within current assets on the condensed consolidated balance sheets as they are available to support current operational liquidity needs. Marketable securities are carried at fair value, with the

unrealized holding gains and losses, net of income taxes, reflected in accumulated other comprehensive income until realized. For the purposes of computing realized and unrealized gains and losses, cost is determined on a specific identification basis.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market in an orderly transaction between market participants on the measurement date. Entities are required to use a three-level hierarchy, which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value.

Table of Contents

Chico's FAS, Inc. and Subsidiaries
Notes to Condensed Consolidated Financial Statements
April 30, 2016
(Unaudited)

The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability on the measurement date. The three levels are defined as follows:

Level 1—Unadjusted quoted prices in active markets for identical assets or liabilities

Unadjusted quoted prices in active markets for similar assets or liabilities, or; Unadjusted quoted prices for Level 2—identical or similar assets or liabilities in markets that are not active, or; Inputs other than quoted prices that are observable for the asset or liability

Level 3—Unobservable inputs for the asset or liability

We measure certain financial assets at fair value on a recurring basis, including our marketable securities, which are classified as available-for-sale securities, certain cash equivalents, specifically our money market accounts, and assets held in our non-qualified deferred compensation plan. The money market accounts are valued based on quoted market prices in active markets. Our marketable securities are generally valued based on other observable inputs for those securities (including market corroborated pricing or other models that utilize observable inputs such as interest rates and yield curves) based on information provided by independent third party pricing entities, except for U.S. government securities which are valued based on quoted market prices in active markets. The investments in our non-qualified deferred compensation plan are valued using quoted market prices and are included in other assets on our condensed consolidated balance sheets.

From time to time, we measure certain assets at fair value on a non-recurring basis, including evaluation of long-lived assets, goodwill and other intangible assets for impairment using company-specific assumptions which would fall within Level 3 of the fair value hierarchy. We estimate the fair value of assets held for sale using market values for similar assets which would fall within Level 2 of the fair value hierarchy.

To assess the fair value of long-term debt, we utilize a discounted future cash flow model using current borrowing rates for similar types of debt of comparable maturities.

Fair value calculations contain significant judgments and estimates, which may differ from actual results due to, among other things, economic conditions, changes to the business model or changes in operating performance.

During the quarter ended April 30, 2016, we did not make any transfers between Level 1 and Level 2 financial instruments. Furthermore, as of April 30, 2016, January 30, 2016 and May 2, 2015, we did not have any Level 3 financial instruments. We conduct reviews on a quarterly basis to verify pricing, assess liquidity, and determine if significant inputs have changed that would impact the fair value hierarchy disclosure.

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

In accordance with the provisions of the guidance, we categorized our financial instruments, which are valued on a recurring basis, based on the priority of the inputs to the valuation technique for the instruments, as follows:

	Fair Value Measurements at Reporting Date Using			
	Balance as of April 30, 2016 (in thousands)	Quoted Prices for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Other Significant Unobservable Inputs (Level 3)
Financial Assets:				
Current Assets				
Cash equivalents:				
Money market accounts	\$ 135	\$ 135	\$ —	\$ —
Marketable securities:				
Municipal securities	1,535	—	1,535	—
U.S. government agencies	19,823	—	19,823	—
Corporate bonds	24,892	—	24,892	—
Commercial paper	4,229	—	4,229	—
Non Current Assets				
Deferred compensation plan	7,785	7,785	—	—
Total	\$58,399	\$7,920	\$ 50,479	\$ —
Financial Liabilities:				
Long-term debt ¹	\$89,735	\$—	\$ 90,156	\$ —
	Balance as of January 30, 2016			
Financial Assets:				
Current Assets				
Cash equivalents:				
Money market accounts	\$275	\$275	\$ —	\$ —
Marketable securities:				
U.S. government agencies	21,800	—	21,800	—
Corporate bonds	26,149	—	26,149	—
Commercial paper	2,245	—	2,245	—
Non Current Assets				
Deferred compensation plan	7,023	7,023	—	—
Total	\$57,492	\$7,298	\$ 50,194	\$ —
Financial Liabilities:				
Long-term debt	\$92,219	\$—	\$ 92,647	\$ —

Edgar Filing: CHICOS FAS INC - Form 10-Q

Balance as of
May 2,
2015

Current Assets

Cash equivalents:

Money market accounts	\$1,840	\$1,840	\$ —	\$ —
-----------------------	---------	---------	------	------

Marketable securities:

Municipal securities	3,078	—	3,078	—
----------------------	-------	---	-------	---

U.S. government agencies	14,303	—	14,303	—
--------------------------	--------	---	--------	---

Corporate bonds	29,068	—	29,068	—
-----------------	--------	---	--------	---

Commercial paper	1,998	—	1,998	—
------------------	-------	---	-------	---

Non Current Assets

Deferred compensation plan	9,125	9,125	—	—
----------------------------	-------	-------	---	---

Total	\$59,412	\$10,965	\$ 48,447	\$ —
-------	----------	----------	-----------	------

Financial Liabilities:

Long-term debt	124,000	—	124,000	—
----------------	---------	---	---------	---

¹ The carrying value of long-term debt includes the remaining unamortized discount of \$0.3 million on the issuance of debt.

Table of Contents

Chico's FAS, Inc. and Subsidiaries
 Notes to Condensed Consolidated Financial Statements
 April 30, 2016
 (Unaudited)

Note 7. Debt

In fiscal 2015, we entered into a credit agreement (the "Agreement") providing for a term loan of \$100.0 million and a revolving credit facility of \$100.0 million. The term loan and revolving credit facility mature on May 4, 2020 and accrue interest by reference, at our election, at either an adjusted eurodollar rate tied to LIBOR or an Alternate Base Rate plus an interest rate margin, as defined in the Agreement. The Agreement contains customary representations, warranties, and affirmative covenants, including the requirement to maintain certain financial ratios. The Company was in compliance with the applicable ratio requirements and other covenants at April 30, 2016. As of April 30, 2016, we had total available borrowing capacity of \$100.0 million under our revolving credit facility.

The following table provides details on our debt outstanding as of April 30, 2016, January 30, 2016 and May 2, 2015:

	April 30, 2016	January 30, 2016	May 2, 2015
--	-------------------	---------------------	----------------

(in thousands)

Credit Agreement, net	\$89,735	\$92,219	\$124,000
Less: current portion	(10,000)	(10,000)	(34,000)
Total long-term debt	\$79,735	\$82,219	\$90,000

Note 8. Share Repurchases

During the thirteen weeks ended April 30, 2016, we repurchased 3.2 million shares, under our share repurchase program announced in November 2015 at a total cost of approximately \$36.6 million. As of April 30, 2016, the Company has \$223.4 million remaining under the share repurchase program. However we have no continuing obligation to repurchase shares under this authorization, and the timing, actual number and value of any additional shares to be purchased will depend on the performance of our stock price, market conditions and other considerations.

Note 9. Subsequent Events

The Company is not aware of any material subsequent events which would require recognition or disclosure in the condensed consolidated financial statements.

Table of Contents

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

Management's Discussion and Analysis of Financial Condition and Results of Operations ("MD&A") should be read in conjunction with the accompanying unaudited condensed consolidated financial statements and notes thereto and our 2015 Annual Report to Stockholders.

Executive Overview

We are a leading omni-channel specialty retailer of women's private branded, sophisticated, casual-to-dressy clothing, intimates, complementary accessories, and other non-clothing items operating under the Chico's, White House Black Market ("WHBM") and Soma brand names. We earn revenues and generate cash through the sale of merchandise in our domestic and international retail stores, on our various websites, through our call center which takes orders for all of our brands, and through an unaffiliated franchise partner in Mexico.

We utilize an integrated omni-channel approach to managing our business. We want our customers to experience our brands, not limited to a channel within our brands, and view our various sales channels as a single, integrated process rather than as separate sales channels operating independently. This approach allows our customers to browse, purchase, return, or exchange our merchandise through whatever sales channel and at whatever time is most convenient. As a result, we track total sales and comparable sales on a combined basis.

Net sales for the first quarter of fiscal 2016 were \$643.0 million compared to \$697.8 million in last year's first quarter. This decrease of 7.9% included \$25.3 million related to Boston Proper and reflected a 4.2% decrease in comparable sales and 35 net store closures, or a 1.9% net decrease in selling square footage. Included in the 35 net store closures were 20 Boston Proper stores. The 4.2% decrease in comparable sales for the first quarter was following a 0.1% decrease in last year's first quarter, reflecting a decrease in average dollar sale and transaction count.

We reported net income for the first quarter of fiscal 2016 of \$31.1 million, or \$0.23 per diluted share, compared to net income of \$32.5 million, or \$0.22 per diluted share, in last year's first quarter. Results for the first quarter of fiscal 2016 include the impact of restructuring and strategic charges primarily consisting of executive transition costs and consulting fees of \$2.3 million after-tax, or \$0.02 per diluted share. Results for the first quarter of fiscal 2015 include the impact of restructuring and strategic charges primarily consisting of employee-related costs and property and equipment impairment charges of \$9.3 million after-tax, or \$0.06 per diluted share, and the Boston Proper operating loss of \$2.7 million, or \$0.02 per diluted share.

Our Business Strategy

Our overall business strategy is focused on building and cultivating a portfolio of high-performing retail brands serving the fashion needs of women 35 years and older. We are focused on increasing the sales volume and profitability of our existing brands through our four focus areas: (1) evolving the customer experience, (2) strengthening our brands' positions, (3) leveraging actionable retail science, and (4) sharpening our financial principles. Over the long term, we may build our brand portfolio by organic development or acquisition of other specialty retail concepts if research indicates that the opportunity complements our current brands and is appropriate and in the best interest of the shareholders.

We pursue the growth of the brands in our portfolio by building our omni-channel capabilities, which includes managing our store base and our growing online presence, executing marketing plans, effectively leveraging expenses and optimizing the potential of each of our three brands. We have invested heavily in our omni-channel capabilities in order to allow customers to fully experience our brands, and not just a channel within our brands. In essence, we view our various sales channels as a single, integrated process rather than as separate sales channels operating independently. To that end, we often refer to our brands' respective websites as "our largest store" within the brand. Under this integrated, omni-channel approach, we encourage our customers to take advantage of each of our sales channels in whatever way best fits their needs. Customers may shop our products through one channel and consummate the purchase through a different channel. Our domestic customers have the option of returning merchandise to a store or to our distribution center, regardless of the channel used for purchase. We believe this omni-channel approach meets our customers' expectations, enhances the customer experience, contributes to the overall success of our brands, reflects that our customers do not differentiate between channels, and is consistent with

how we plan and manage our business. As a result, we maintain a shared inventory platform for our operations, allowing us to fulfill orders for all channels from our distribution center in Winder, Georgia. We also fulfill in-store orders directly from other stores or our distribution center and offer domestic online and catalog customers the option of returning items to our stores.

15

Table of Contents

We seek to acquire and retain omni-channel customers by leveraging existing customer-specific data and through targeted marketing, including e-marketing, television, catalogs and mailers. We seek to optimize the potential of our brands with improved product offerings, which includes potential new merchandise opportunities and brand extensions that complement the current offerings, as well as our continued emphasis on our “Most Amazing Personal Service” standard.

In 2016 we announced new initiatives to realign marketing and digital commerce, improve supply chain efficiency, and reduce non-merchandise and marketing expenses. Actions taken as part of these initiatives are expected to reduce expenses and complexity, and standardize processes across the Company. These initiatives are expected to improve the Company's ability to respond in real-time to changes in customer demand for merchandise.

Table of Contents

RESULTS OF OPERATIONS

Thirteen Weeks Ended April 30, 2016 Compared to the Thirteen Weeks Ended May 2, 2015

The following table depicts net sales by Chico's, WHBM, Soma and Boston Proper in dollars and as a percentage of total net sales for the thirteen weeks ended April 30, 2016 and May 2, 2015:

	Thirteen Weeks Ended			
	April 30, 2016		May 2, 2015	
	(dollars in thousands)			
Chico's	\$348,704	54.2 %	\$369,859	53.0 %
WHBM	214,993	33.5	225,442	32.3
Soma	79,280	12.3	77,167	11.1
Boston Proper	—	—	25,298	3.6
Total net sales	\$642,977	100.0%	\$697,766	100.0%

Net sales for the first quarter decreased to \$643.0 million from \$697.8 million in last year's first quarter. This 7.9% decrease includes \$25.3 million related to Boston Proper in last year's first quarter and primarily reflects a 4.2% decrease in comparable sales. Net sales reflects 35 net store closures, including 20 Boston Proper store closures, or a 1.9% net decrease in selling square footage since last year's first quarter. The 4.2% decrease in comparable sales for the first quarter was following a 0.1% decrease in last year's first quarter, reflecting a decrease in average dollar sale and transaction count.

The following table depicts comparable sales percentages by Chico's, WHBM and Soma for the thirteen weeks ended April 30, 2016 and May 2, 2015:

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
Chico's	(5.4)%	(2.3)%
WHBM	(3.8)	1.7
Soma	0.5	6.5
Total Company	(4.2)%	(0.1)%

Cost of Goods Sold/Gross Margin

The following table depicts cost of goods sold and gross margin in dollars and gross margin as a percentage of total net sales for the thirteen weeks ended April 30, 2016 and May 2, 2015:

	Thirteen Weeks Ended			
	April 30, 2016		May 2, 2015	
	(dollars in thousands)			
Cost of goods sold	\$380,642		\$402,148	
Gross margin	\$262,335		\$295,618	
Gross margin percentage	40.8	%	42.4	%

For the first quarter of fiscal 2016, gross margin was \$262.3 million compared to \$295.6 million in last year's first quarter. Gross margin was 40.8% of net sales, compared to 42.4% in the first quarter of fiscal 2015. The decrease is primarily due to increased promotional activity in response to lower traffic and sales deleverage of store occupancy expenses, partially offset by reduced incentive compensation.

Table of Contents

Selling, General and Administrative Expenses

The following table depicts SG&A, which includes store and direct operating expenses, marketing expenses and National Store Support Center (“NSSC”) expenses, in dollars and as a percentage of total net sales for the thirteen weeks ended April 30, 2016 and May 2, 2015:

	Thirteen Weeks Ended	
	April 30, 2016	May 2, 2015
	(dollars in thousands)	
Selling, general and administrative expenses	\$208,141	\$228,065
Percentage of total net sales	32.4	% 32.7 %

For the first quarter of fiscal 2016, SG&A was \$208.1 million compared to \$228.1 million in last year’s first quarter. SG&A was 32.4% of net sales, a 30 basis point decrease from last year’s first quarter, primarily reflecting \$13.0 million of SG&A related to Boston Proper in the first quarter of fiscal 2015, and lower store labor, marketing expenses and incentive compensation, reflecting a slight decline in SG&A rate.

Restructuring and Strategic Charges

In fiscal 2014, we initiated a restructuring program, including the acceleration of domestic store closures and an organizational realignment, to ensure that resources are aligned with long-term growth initiatives, including omni-channel. During the first quarter of fiscal 2016, we announced an expansion of our restructuring program to further align the organizational structure with long-term growth initiatives, including transition of executive leadership, and to reduce COGS and SG&A through strategic initiatives. These strategic initiatives include realigning marketing and digital commerce, improving supply chain efficiency, and reducing non-merchandise and marketing expenses.

In connection with this effort, in the first quarter of fiscal 2016, we recorded pre-tax restructuring and strategic charges of \$3.7 million, primarily related to severance charges, continuing employee-related costs and consulting fees. The after-tax impact of the restructuring and strategic charges in the first quarter totaled \$2.3 million, or \$0.02 per diluted share.

In connection with the restructuring program, we evaluated our domestic store portfolio and identified approximately 175 stores for closure, with 77 stores across our brands, including 20 Boston Proper stores, closed through the first quarter of fiscal 2016. As a result, we expect to incur additional cash charges related to lease termination expenses of approximately \$1.6 million through fiscal 2017 related to these future closures.

Net Income and Earnings Per Diluted Share

We reported net income for the first quarter of fiscal 2016 of \$31.1 million, or \$0.23 per diluted share, compared to net income of \$32.5 million, or \$0.22 per diluted share in last year’s first quarter. Results for the first quarter of fiscal 2016 include the impact of restructuring and strategic charges primarily related to executive transition costs and consulting fees of \$2.3 million after-tax, or \$0.02 per diluted share. Results for the first quarter of fiscal 2015 include the impact of restructuring and strategic charges primarily related to employee-related costs and property and equipment impairment charges of \$9.3 million after-tax, or \$0.06 per diluted share, and the Boston Proper operating loss of \$2.7 million, or \$0.02 per diluted share. The change in earnings per share also reflects the impact of 3.2 million shares repurchased in the first quarter of fiscal 2016 and 18.3 million shares repurchased in fiscal 2015, of which 10.7 million shares were repurchased in the first quarter of fiscal 2015.

Liquidity and Capital Resources

We believe that our existing cash and marketable securities balances, cash generated from operations, available credit facilities and potential future borrowings will be sufficient to fund capital expenditures, working capital needs, dividend payments, potential share repurchases, commitments, and other liquidity requirements associated with our operations for the foreseeable future. Furthermore, while it is our intention to repurchase our stock and pay a quarterly cash dividend in the future, any determination to repurchase additional shares of our stock or pay future dividends will be made by the Board of Directors and will depend on our stock price, future earnings, financial condition, and other

factors considered by the Board.

Our ongoing capital requirements will continue to be primarily for enhancing and expanding our omni-channel capabilities, including: information technology and relocated, remodeled and new stores.

18

Table of Contents

Operating Activities

Net cash provided by operating activities for the first quarter of fiscal 2016 was \$32.6 million, a decrease of approximately \$9.1 million from last year's first quarter. This decrease is primarily due to property and equipment impairment charges in the prior year and decreases in depreciation and amortization. The changes in working capital primarily reflected the timing of payables and income taxes, partially offset by a decrease in accrued incentive compensation.

Investing Activities

Net cash used in investing activities for the first quarter of fiscal 2016 was \$13.3 million compared to \$58.3 million provided by investing activities in last year's first quarter, primarily reflecting a \$78.3 million decrease in marketable securities related to the partial funding of the accelerated share repurchase agreements in fiscal 2015. Investing activities in the first quarter of fiscal 2016 included net purchases of property and equipment totaling \$13.1 million compared to \$19.8 million in the same period last year, consistent with our overall business strategy.

Financing Activities

Net cash used in financing activities for the first quarter of fiscal 2016 was \$52.8 million compared to \$135.5 million in last year's first quarter. The decrease in net cash used in financing activities primarily reflects a decrease of \$217.8 million in share repurchases in fiscal 2016 compared to fiscal 2015, partially offset by net borrowings of \$124.0 million under our Credit Agreement in fiscal 2015.

Store and Franchise Activity

During the first quarter of fiscal 2016, we had 1 net store closure, consisting of net closures of 4 Chico's and 1 WHBM stores, and openings of 4 Soma stores. Currently, we expect an additional 25 net store closures in fiscal 2016, reflecting approximately 20 net closures of Chico's stores, 10 net closures of WHBM stores and 5 net openings of Soma stores. We continuously evaluate the appropriate new store growth rate in light of economic conditions and may adjust the growth rate as conditions require or as opportunities arise. As of April 30, 2016, we also sold merchandise through 77 international franchise locations.

Critical Accounting Policies and Estimates

The discussion and analysis of our financial condition and results of operations are based upon the condensed consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of condensed consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. We base our estimates on historical experience and on various other assumptions that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. Management has discussed the development and selection of these critical accounting policies and estimates with the Audit Committee of our Board of Directors and believes the assumptions and estimates, as set forth in our Annual Report on Form 10-K for the fiscal year ended January 30, 2016, are significant to reporting our results of operations and financial position.

In fiscal 2016 we implemented changes to our accounting policy for the classification of shipping expense, corrected an immaterial error in the classification of shipping revenue and changed the classification of occupancy expenses. Please see Note 1 in our Notes to Condensed Consolidated Financial Statements for a detailed description and reconciliation of these matters.

Other than discussed above, there have been no material changes to our critical accounting policies as disclosed in our Annual Report on Form 10-K for the fiscal year ended January 30, 2016.

Table of Contents

Forward-Looking Statements

This Form 10-Q may contain certain “forward-looking statements” within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect our current views with respect to certain events that could have an effect on our future financial performance, including but without limitation, statements regarding our plans, objectives, the implementation of our previously announced restructuring program for improved business performance, including our re-balancing of our store fleet and streamlining the headquarter workforce, and the future success of our store concepts. These statements may address items such as future sales, gross margin expectations, SG&A expectations, operating margin expectations, earnings per share expectations, planned store openings, closings and expansions, future comparable sales, future product sourcing plans, inventory levels, planned marketing expenditures, planned capital expenditures and future cash needs. In addition, from time to time, we may issue press releases and other written communications, and our representatives may make oral statements, which contain forward-looking information.

These statements, including those in this Form 10-Q and those in press releases or made orally, relate to expectations concerning matters that are not historical fact and may include the words or phrases such as “expects,” “believes,” “anticipates,” “plans,” “estimates,” “approximately,” “our planning assumptions,” “future outlook,” and similar expressions. E

for historical information, matters discussed in such oral and written statements, including this Form 10-Q, are forward-looking statements. These forward-looking statements are based largely on information currently available to our management and on our current expectations, assumptions, plans, estimates, judgments and projections about our business and our industry, and are subject to various risks and uncertainties that could cause actual results to differ materially from historical results or those currently anticipated. Although we believe our expectations are based on reasonable estimates and assumptions, they are not guarantees of performance and there are a number of known and unknown risks, uncertainties, contingencies, and other factors (many of which are outside our control) that could cause actual results to differ materially from those expressed or implied by such forward-looking statements.

Accordingly, there is no assurance that our expectations will, in fact, occur or that our estimates or assumptions will be correct, and we caution investors and all others not to place undue reliance on such forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, those described in Item 1A, “Risk Factors” in our Annual Report on Form 10-K filed with the SEC on March 8, 2016 and the following:

These potential risks and uncertainties include: the financial strength of retailing in particular and the economy in general; the extent of financial difficulties that may be experienced by customers; our ability to secure and maintain customer acceptance of styles and store concepts; the ability to effectively manage and maintain an appropriate level of inventory; the extent and nature of competition in the markets in which we operate; the extent of the market demand and overall level of spending for women’s private branded clothing and related accessories; the effectiveness of our brand awareness and marketing programs; the adequacy and perception of customer service; the ability to respond to actions of activist shareholders and others; the ability to coordinate product development with buying and planning; the quality of merchandise received from suppliers; the ability to efficiently, timely and successfully execute significant shifts in the countries from which merchandise is supplied; the ability of our suppliers to timely produce and deliver clothing and accessories; the changes in the costs of manufacturing, labor and advertising; the availability of quality store sites; our ability to manage our store fleet and the risk that our investments in shopping initiatives may not deliver the results we anticipate; the risk that comparable sales and margins will experience fluctuations; the ability to successfully execute our business strategies; the continuing performance, implementation and integration of management information systems; the impact of any systems failures, cyber security or security breaches, including any security breaches that result in theft, transfer, or unauthorized disclosure of customer, employee, or company information or our compliance with information security and privacy laws and regulations in the event of such an incident; the ability to hire, train, energize and retain qualified sales associates, managerial employees and other employees; the successful integration of our new management team; the ability to achieve the results of our previously announced restructuring program; the ability to expand our distribution center and other support facilities in an efficient and effective manner; the ability to effectively and efficiently establish our websites; the ability to secure and protect trademarks and other intellectual property rights and to protect our reputation and brand images; and the risk that natural disasters, public health crises, political rises, or other catastrophic events could adversely affect our

operations and financial results. In addition, there are potential risks and uncertainties that are related to our reliance on sourcing from foreign suppliers, including the impact of work stoppages; transportation delays and other interruptions; political or civil instability; imposition of and changes in tariffs and import and export controls such as import quotas; changes in governmental policies in or towards foreign countries; currency exchange rates and other similar factors.

All written or oral forward-looking statements that are made or attributable to us are expressly qualified in their entirety by this cautionary notice. The forward-looking statements included herein are only made as of the date of this Quarterly Report on Form 10-Q. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Table of Contents

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market risk of our financial instruments as of April 30, 2016 has not significantly changed since January 30, 2016. We are exposed to market risk from changes in interest rates on any future indebtedness and our marketable securities and from foreign currency exchange rate fluctuations.

Our exposure to interest rate risk relates in part to our revolving line of credit with our bank. On May 4, 2015, we entered into a credit agreement, as further discussed in Note 7. The Agreement, which matures on May 4, 2020, has borrowing options which accrue interest by reference, at our election, at either an adjusted eurodollar rate tied to LIBOR or an Alternate Base Rate plus an interest rate margin, as defined in the Agreement. An increase or decrease in market interest rates of 100 basis points would not have a material effect on annual interest expense.

Our investment portfolio is maintained in accordance with our investment policy which identifies allowable investments, specifies credit quality standards and limits the credit exposure of any single issuer. Our investment portfolio consists of cash equivalents and marketable securities including municipal securities, corporate bonds, U.S. government agencies and commercial paper. The marketable securities portfolio as of April 30, 2016, consisted of \$26.1 million of securities with maturity dates within one year or less and \$24.4 million with maturity dates over one year and less than or equal to two years. We consider all marketable securities available-for-sale, including those with maturity dates beyond 12 months, and therefore classify these securities as short-term investments within current assets on the condensed consolidated balance sheets as they are available to support current operational liquidity needs. As of April 30, 2016, an increase or decrease of 100 basis points in interest rates would not have a material effect on the fair value of our marketable securities portfolio.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in our reports under the Securities and Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms.

As of the end of the period covered by this report, an evaluation was carried out under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities and Exchange Act of 1934, as amended). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that, as of the end of such period, our disclosure controls and procedures were effective in providing reasonable assurance in timely alerting them to material information relating to us (including our consolidated subsidiaries) and that information required to be disclosed in our reports is recorded, processed, summarized, and reported as required to be included in our periodic SEC filings.

Changes in Internal Controls

There were no significant changes in our internal controls or in other factors that could significantly affect our disclosure controls and procedures subsequent to the date of the above referenced evaluation. Furthermore, there was no change in our internal control over financial reporting or in other factors during the quarterly period covered by this report that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Table of Contents

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In June 2015, the Company was named as a defendant in a putative representative Private Attorney General action filed in the Superior Court of California, County of Los Angeles, Ackerman v. Chico's FAS, Inc. The Complaint attempts to allege numerous violations of California law related to wages, meal periods, rest periods, wage statements, and failure to reimburse business expenses, among other things. The Company denies the material allegations of the Complaint and filed its Answer on July 27, 2015. The Company believes that the case is without merit and intends to vigorously defend. As a result, the Company does not believe that the case should have a material adverse effect on the Company's consolidated financial condition or results of operations.

In July 2015, the Company was named as a defendant in a putative class action filed in July 2015 in the United States District Court for the Northern District of Georgia, Altman v. White House Black Market, Inc. The Complaint alleges that the Company, in violation of federal law, published more than the last five digits of a credit or debit card number or an expiration date on customers' receipts. The Company denies the material allegations of the complaint and filed a motion to dismiss on September 9, 2015, which is pending. The Company believes that the case is without merit and intends to vigorously defend. As a result, the Company does not believe that the case should have a material adverse effect on the Company's consolidated financial condition or results of operations.

Other than as noted above, we are not currently a party to any legal proceedings other than claims and lawsuits arising in the normal course of business. All such matters are subject to uncertainties and outcomes may not be predictable. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters as of April 30, 2016 are not estimable. However, while such matters could affect our consolidated operating results when resolved in future periods, management believes that upon final disposition, any monetary liability or financial impact to us would not be material to our annual consolidated financial statements.

ITEM 1A. RISK FACTORS

In addition to the other information discussed in this report, the factors described in Part I, Item 1A. "Risk Factors" in our 2015 Annual Report on Form 10-K filed with the SEC on March 8, 2016 should be considered as they could materially affect our business, financial condition or future results. Other than as noted below, there have not been any significant changes with respect to the risks described in our 2015 Form 10-K, but these are not the only risks facing our company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may adversely affect our business, financial condition or operating results.

Table of Contents

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

The following table sets forth information concerning our purchases of common stock for the periods indicated (amounts in thousands, except share and per share amounts):

Period	Total Number of Shares Purchased (a)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans (b)	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Publicly Announced Plans
January 31, 2016 - February 27, 2016	1,790,037	\$ 10.42	1,783,250	\$ 241,430
February 28, 2016 - April 2, 2016	562,958	12.81	255,300	238,159
April 3, 2016 - April 30, 2016	1,159,764	12.75	1,159,764	223,367
Total	3,512,759	11.57	3,198,314	223,367

(a) Total number of shares purchased includes 314,445 shares of restricted stock repurchased in connection with employee tax withholding obligations under employee compensation plans, which are not purchases under any publicly announced plan.

(b) In November 2015, we announced a \$300.0 million share repurchase plan. There was approximately \$223.4 million remaining under the program as of the end of the first quarter. The repurchase program has no specific termination date and will expire when we have repurchased all securities authorized for repurchase thereunder, unless terminated earlier by our Board of Directors.

Table of Contents

ITEM 6. EXHIBITS

(a) The following documents are filed as exhibits to this Quarterly Report on Form 10-Q:

Exhibit 18	Preferability Letter from Independent Registered Certified Public Accounting Firm Regarding Change in Accounting Principle
Exhibit 31.1	Chico's FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Executive Officer
Exhibit 31.2	Chico's FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 - Chief Financial Officer
Exhibit 32.1	Certification of Chief Executive Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Chief Financial Officer Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 101.INS	XBRL Instance Document
Exhibit 101.SCH	XBRL Taxonomy Extension Schema Document
Exhibit 101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document
Exhibit 101.DEF	XBRL Taxonomy Definition Linkbase Document
Exhibit 101.LAB	XBRL Taxonomy Extension Label Linkbase Document
Exhibit 101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document

Table of Contents

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.

CHICO'S FAS, INC.

Date: May 27, 2016 By: /s/ Shelley G. Broader
Shelley G. Broader
Chief Executive Officer, President and Director

Date: May 27, 2016 By: /s/ Todd E. Vogensen
Todd E. Vogensen
Executive Vice President, Chief Financial Officer and Assistant Corporate Secretary

Date: May 27, 2016 By: /s/ David M. Oliver
David M. Oliver
Group Vice President Finance - Controller, Chief Accounting Officer and Treasurer