

CHICOS FAS INC  
Form 10-Q  
May 31, 2013  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

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

**For the Quarter Ended:**  
May 4, 2013

**Commission File Number:**  
001-16435

**Chico s FAS, Inc.**

(Exact name of registrant as specified in charter)

**Florida**  
(State of Incorporation)

**59-2389435**  
(I.R.S. Employer)

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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 24, 2013, the registrant had 162,231,851 shares of Common Stock, \$0.01 par value per share, outstanding.

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**CHICOS FAS, INC. AND SUBSIDIARIES**

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**Table of Contents****PART I FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****CHICO S FAS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(In thousands, except per share amounts)**

	Thirteen Weeks Ended			
	May 4, 2013		April 28, 2012	
	Amount	% of Sales	Amount	% of Sales
<b>Net sales:</b>				
Chico s/Soma Intimates	\$ 424,661	63.3%	\$ 425,342	65.3%
White House   Black Market	220,398	32.9%	191,727	29.5%
Boston Proper	25,663	3.8%	33,748	5.2%
<b>Total net sales</b>	<b>670,722</b>	<b>100.0%</b>	<b>650,817</b>	<b>100.0%</b>
Cost of goods sold	283,878	42.3%	272,221	41.8%
<b>Gross margin</b>	<b>386,844</b>	<b>57.7%</b>	<b>378,596</b>	<b>58.2%</b>
Selling, general and administrative expenses	304,899	45.5%	291,676	44.8%
Acquisition and integration costs	914	0.1%	558	0.1%
<b>Income from operations</b>	<b>81,031</b>	<b>12.1%</b>	<b>86,362</b>	<b>13.3%</b>
Interest income, net	191	0.0%	183	0.0%
<b>Income before income taxes</b>	<b>81,222</b>	<b>12.1%</b>	<b>86,545</b>	<b>13.3%</b>
Income tax provision	30,100	4.5%	32,900	5.1%
<b>Net income</b>	<b>\$ 51,122</b>	<b>7.6%</b>	<b>\$ 53,645</b>	<b>8.2%</b>
<b>Per share data:</b>				
Net income per common share-basic	\$ 0.31		\$ 0.32	
Net income per common and common equivalent share diluted	\$ 0.31		\$ 0.32	
Weighted average common shares outstanding basic	158,584		163,974	
Weighted average common and common equivalent shares outstanding diluted	159,536		164,876	
Dividends declared per share	\$ 0.110		\$ 0.105	

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

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**CHICOS FAS, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(In thousands)

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
<b>Net income</b>	\$ 51,122	\$ 53,645
Other comprehensive loss:		
Unrealized losses on marketable securities, net of taxes	(63)	(122)
<b>Comprehensive Income</b>	\$ 51,059	\$ 53,523

The accompanying notes are an integral part of these consolidated statements

**Table of Contents****CHICOS FAS, INC. AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(In thousands)

	May 4, 2013 (Unaudited)	February 2, 2013	April 28, 2012 (Unaudited)
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 85,616	\$ 56,859	\$ 147,077
Marketable securities, at fair value	202,769	272,499	193,446
Inventories	243,472	206,849	213,676
Prepaid expenses and other current assets	55,280	61,786	50,973
<b>Total Current Assets</b>	<b>587,137</b>	<b>597,993</b>	<b>605,172</b>
<b>Property and Equipment, net</b>	<b>614,423</b>	<b>608,120</b>	<b>564,904</b>
<b>Other Assets:</b>			
Goodwill	238,693	238,693	238,693
Other intangible assets, net	126,665	127,754	131,022
Other assets, net	8,206	8,068	6,821
<b>Total Other Assets</b>	<b>373,564</b>	<b>374,515</b>	<b>376,536</b>
	\$ 1,575,124	\$ 1,580,628	\$ 1,546,612
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$ 152,123	\$ 129,387	\$ 147,925
Other current liabilities	160,004	173,024	164,746
<b>Total Current Liabilities</b>	<b>312,127</b>	<b>302,411</b>	<b>312,671</b>
<b>Noncurrent Liabilities:</b>			
Deferred liabilities	137,929	132,374	128,054
Deferred taxes	52,221	52,644	49,528
<b>Total Noncurrent Liabilities</b>	<b>190,150</b>	<b>185,018</b>	<b>177,582</b>
<b>Stockholders Equity:</b>			
Preferred stock			
Common stock	1,621	1,628	1,677
Additional paid-in capital	355,162	348,775	313,756
Retained earnings	715,911	742,580	740,720
Accumulated other comprehensive income	153	216	206
<b>Total Stockholders Equity</b>	<b>1,072,847</b>	<b>1,093,199</b>	<b>1,056,359</b>
	\$ 1,575,124	\$ 1,580,628	\$ 1,546,612

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



**Table of Contents****CHICOS FAS, INC. AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In thousands)**

	<b>Thirteen Weeks Ended</b>	
	<b>May 4, 2013</b>	<b>April 28, 2012</b>
<b>Cash Flows From Operating Activities:</b>		
Net income	\$ 51,122	\$ 53,645
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	29,124	26,092
Deferred tax expense (benefit)	4,169	(2,014)
Stock-based compensation expense	7,492	5,318
Excess tax benefit from stock-based compensation	(1,028)	(3,136)
Deferred rent and lease credits	(4,263)	(4,027)
Loss on disposal and impairment of property and equipment	281	1,285
Changes in assets and liabilities, net of effects of acquisition:		
Inventories	(36,623)	(19,206)
Prepaid expenses and other assets	1,545	3,284
Accounts payable	13,823	38,726
Accrued and other liabilities	(2,193)	36,845
Net cash provided by operating activities	63,449	136,812
<b>Cash Flows From Investing Activities:</b>		
Decrease (increase) in marketable securities	69,666	(4,633)
Purchases of property and equipment, net	(34,599)	(40,942)
Net cash provided by (used in) investing activities	35,067	(45,575)
<b>Cash Flows From Financing Activities:</b>		
Proceeds from issuance of common stock	3,067	5,815
Excess tax benefit from stock-based compensation	1,028	3,136
Dividends paid	(8,939)	(8,753)
Repurchase of common stock	(64,915)	(3,277)
Net cash used in financing activities	(69,759)	(3,079)
Net increase in cash and cash equivalents	28,757	88,158
<b>Cash and Cash Equivalents, Beginning of period</b>	<b>56,859</b>	<b>58,919</b>
<b>Cash and Cash Equivalents, End of period</b>	<b>\$ 85,616</b>	<b>\$ 147,077</b>
<b>Supplemental Disclosures of Cash Flow Information:</b>		
Cash paid for interest	\$ 85	\$ 86
Cash paid for income taxes, net	\$ 648	\$ 890

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





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**Chico s FAS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**May 4, 2013**

**(Unaudited)**

**Note 1. Basis of Presentation**

The accompanying unaudited 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 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 February 2, 2013, included in the Company s Annual Report on Form 10-K filed with the Securities and Exchange Commission ( SEC ) on March 20, 2013. The February 2, 2013 consolidated balance sheet amounts were derived from audited financial statements included in the Company s Annual Report.

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 May 4, 2013 are not necessarily indicative of the results that may be expected for the entire year.

**Note 2. New Accounting Pronouncements**

In February 2013, the Financial Accounting Standards Board ( FASB ) issued new disclosure guidance related to the reporting of amounts reclassified out of accumulated other comprehensive income ( AOCI ). This guidance requires an entity to disclose significant items reclassified out of AOCI to net income and the effect of these reclassifications on the respective line items in net income. This guidance is effective for reporting periods beginning after December 15, 2012. We adopted this guidance effective February 3, 2013 and its adoption did not have an impact on our consolidated results of operations, financial position or cash flows.

In June 2011, the FASB issued new disclosure guidance related to the presentation of the statement of comprehensive income. This guidance provides an entity the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. The option to report other comprehensive income and its components in the statement of changes in stockholders equity was eliminated. This guidance is effective for periods beginning after December 15, 2011 and must be retroactively applied to all reporting periods presented. We adopted this guidance effective January 29, 2012. Other than the change in presentation, this guidance did not have an impact on our consolidated results of operations, financial position or cash flows.

**Note 3. Stock-Based Compensation**

For the thirteen weeks ended May 4, 2013 and April 28, 2012, stock-based compensation expense was \$7.5 million and \$5.3 million, respectively. As of May 4, 2013, approximately 7.7 million shares remain available for future grants of equity awards under our 2012 Omnibus Stock and Incentive Plan.

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****May 4, 2013****(Unaudited)****Restricted Stock Awards**

Restricted stock activity for the thirteen weeks ended May 4, 2013 was as follows:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested, beginning of period	3,066,264	\$ 13.27
Granted	2,033,770	16.96
Vested	(645,942)	14.54
Canceled	(34,845)	15.33
Unvested, end of period	4,419,247	14.77

Performance-based restricted stock activity for the thirteen weeks ended May 4, 2013 was as follows:

	<b>Number of Shares</b>	<b>Weighted Average Grant Date Fair Value</b>
Unvested, beginning of period	34,444	\$ 13.69
Granted		
Vested	(17,222)	13.69
Canceled		
Unvested, end of period	17,222	13.69

**Performance-based Restricted Stock Units**

For the thirteen weeks ended May 4, 2013, we granted performance-based restricted stock units ( PSUs ), contingent upon the achievement of a Company-specific performance goal during fiscal 2013. 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 May 4, 2013 was as follows:

<b>Number of Shares</b>	<b>Weighted Average</b>
-----------------------------	-----------------------------

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		<b>Grant Date Fair Value</b>
Unvested, beginning of period	657,316	\$ 15.01
Granted	612,670	16.96
Vested	(119,110)	15.01
Canceled	(18,972)	15.28
Unvested, end of period	1,131,904	16.07

**Stock Option Awards**

For the thirteen weeks ended May 4, 2013 and April 28, 2012, we did not grant any stock options. In the years that we granted options, we used the Black-Scholes option-pricing model to value our stock options.

**Table of Contents****Chico s FAS, Inc. and Subsidiaries****Notes to Consolidated Financial Statements****May 4, 2013****(Unaudited)**

Stock option activity for the thirteen weeks ended May 4, 2013 was as follows:

	<b>Number of Shares</b>	<b>Weighted Average Exercise Price</b>
Outstanding, beginning of period	3,851,830	\$ 15.91
Granted		
Exercised	(173,006)	10.34
Canceled or expired	(43,469)	21.38
Outstanding, end of period	3,635,355	16.11
Exercisable at May 4, 2013	3,020,772	\$ 16.77

**Note 4. Earnings Per Share**

In accordance with 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 basic earnings per common share pursuant to the two-class method. For us, participating securities are comprised of unvested restricted stock awards.

Earnings per share ( EPS ) is determined using the two-class method, as it is more dilutive than the treasury stock method. Basic EPS is computed by dividing net income available to common stockholders by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the dilutive effect of potential common shares from 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 consolidated statements of income:

	<b>May 4, 2013</b>	<b>April 28, 2012</b>
	<b>(dollars in thousands)</b>	
<b>Numerator</b>		
Net income	\$ 51,122	\$ 53,645
Net income and dividends declared allocated to unvested restricted stock	(1,187)	(933)
Net income available to common shareholders	\$ 49,935	\$ 52,712
<b>Denominator</b>		
Weighted average common shares outstanding - basic	158,584,066	163,973,850
Dilutive effect of stock options and PSUs outstanding	951,763	902,397
Weighted average common and common equivalent shares outstanding diluted	159,535,829	164,876,247

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Net income per common share:			
Basic	\$	0.31	\$ 0.32
Diluted	\$	0.31	\$ 0.32

For the thirteen weeks ended May 4, 2013 and April 28, 2012, stock options and performance-based restricted stock units representing, 1,622,263 and 1,619,363 shares of common stock, respectively, were excluded from the computation of diluted EPS because they were antidilutive.

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**Chico s FAS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**May 4, 2013**

**(Unaudited)**

**Note 5. Fair Value Measurements**

Our financial instruments consist of cash and cash equivalents, marketable securities, trade receivables and payables. The carrying values of these assets and liabilities approximate their fair value due to the short-term nature of the instruments.

Marketable securities are classified as available-for-sale and as of May 4, 2013 generally consist of corporate bonds, municipal bonds, and U.S. government and agency securities with \$115.2 million of securities with maturity dates within one year or less and \$87.6 million with maturity dates over one year and less than two years.

We consider all securities available-for-sale, including those with maturity dates beyond 12 months, and therefore classify these securities within current assets on the 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 as a separate component of stockholders' equity 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.

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

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or; Unadjusted quoted prices for 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 consolidated balance sheets.

From time to time, we measure certain assets at fair value on a non-recurring basis, specifically long-lived assets evaluated for impairment. We estimate the fair value of our long-lived assets using company-specific assumptions which would fall within Level 3 of the fair value hierarchy.

During the quarter ended May 4, 2013, we did not make any transfers between Level 1 and Level 2 financial assets. Furthermore, as of May 4, 2013, February 2, 2013 and April 28, 2012, we did not have any Level 3 financial assets. 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.





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

	Balance as of May 4, 2013	Fair Value Measurements at Reporting Date Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
<b>Current Assets</b>				
<i>Cash equivalents:</i>				
Money market accounts	\$ 11,376	\$ 11,376	\$	\$
<i>Marketable securities:</i>				
Municipal securities	79,973		79,973	
U.S. government securities	33,659	33,659		
U.S. government agencies	8,008		8,008	
Corporate bonds	76,131		76,131	
Commercial paper	4,998		4,998	
<b>Non Current Assets</b>				
Deferred compensation plan	4,878	4,878		
<b>Total</b>	\$ 219,023	\$ 49,913	\$ 169,110	\$
<b>Balance as of February 2, 2013</b>				
<b>Current Assets</b>				
<i>Cash equivalents:</i>				
Money market accounts	\$ 25,366	\$ 25,366	\$	\$
<i>Marketable securities:</i>				
Municipal securities	92,448		92,448	
U.S. government securities	44,714	44,714		
U.S. government agencies	28,064		28,064	
Corporate bonds	100,255		100,255	
Commercial paper	4,996		4,996	
Certificates of deposit	2,022		2,022	
<b>Non Current Assets</b>				
Deferred compensation plan	4,629	4,629		
<b>Total</b>	\$ 302,494	\$ 74,709	\$ 227,785	\$

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	Balance as of April 28, 2012			
<b>Current Assets</b>				
<i>Cash equivalents:</i>				
Money market accounts	\$ 29,430	\$ 29,430	\$	\$
<i>Marketable securities:</i>				
Municipal securities	52,425			52,425
U.S. government securities	17,700	17,700		
U.S. government agencies	31,608			31,608
Corporate bonds	86,171			86,171
Commercial paper	1,990			1,990
Certificates of deposit	3,552			3,552
<b>Non Current Assets</b>				
Deferred compensation plan	4,316	4,316		
<b>Total</b>	<b>\$ 227,192</b>	<b>\$ 51,446</b>	<b>\$ 175,746</b>	<b>\$</b>

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**Chico s FAS, Inc. and Subsidiaries**

**Notes to Consolidated Financial Statements**

**May 4, 2013**

**(Unaudited)**

**Note 6. Subsequent Events**

None.

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**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 consolidated financial statements and notes thereto and our 2012 Annual Report to Stockholders.

**Executive Overview**

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

We utilize an integrated omni-channel approach to managing our business. We want our customers to experience our brands, not 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 for her. As a result, we track total sales and comparable sales on a combined basis.

Net sales for the first quarter of fiscal 2013 were \$670.7 million, an increase of 3.1% compared to \$650.8 million last year. The increase reflects 114 net new stores for a square footage increase of 9.0%. Comparable sales for the first quarter were flat following a 9.6% increase in last year's first quarter, reflecting higher transaction count offset by a decrease in average dollar sale. The Chico's/Soma Intimates brands' comparable sales decreased 2.8% following an 8.8% increase in last year's first quarter and the WHIBM brand's comparable sales increased 6.4% following an 11.3% increase in last year's first quarter.

Net income for the first quarter of fiscal 2013 was \$51.1 million, a decrease of 4.7% compared to net income of \$53.6 million in 2012 and earnings per diluted share for the first quarter of fiscal 2013 were \$0.31, a decrease of 3.1% compared to \$0.32 per diluted share in last year's first quarter. Net income for first quarter included \$0.6 million of after-tax one-time acquisition and integration costs related to Boston Proper compared to \$0.3 million of after-tax one-time acquisition and integration costs related to Boston Proper in last year's first quarter.

**Long-term Financial Objectives**

The Company's goal remains to establish financial targets that are both sustainable and reflect strong growth metrics. The Company believes that by delivering on its long-term financial objectives to increase sales by a low double-digit percentage and diluted earnings per share by a mid-teen percentage over a meaningful period of time, the Company will provide its shareholders with substantial value.

Consistent with these objectives, the Company announced several strategic investments in 2013 to fuel future growth, including enhanced omni-channel capabilities, expansion into Canada, and opening its first Boston Proper stores.

**Table of Contents****RESULTS OF OPERATIONS**

The following table depicts net sales by Chico s/Soma Intimates, WHIBM and Boston Proper in dollars and as a percentage of total net sales for the thirteen weeks ended May 4, 2013 and April 28, 2012:

	Thirteen Weeks Ended			
	May 4, 2013		April 28, 2012	
	(dollars in thousands)			
Chico s/Soma Intimates	\$ 424,661	63.3%	\$ 425,342	65.3%
WHIBM	220,398	32.9%	191,727	29.5%
Boston Proper	25,663	3.8%	33,748	5.2%
Total net sales	\$ 670,722	100.0%	\$ 650,817	100.0%

Net sales for the quarter increased 3.1% to \$670.7 million from \$650.8 million in last year s first quarter, primarily reflecting 114 net new stores for a square footage increase of 9.0%. Comparable sales for the first quarter were flat following a 9.6% increase in last year s first quarter, reflecting higher transaction count offset by a decrease in average dollar sale. The comparable sales results primarily reflect the impact of an unusually cool spring and the cycling of strong comparable sales last year. The Chico s/Soma Intimates brands comparable sales decreased 2.8% following an 8.8% increase in last year s first quarter and the WHIBM brand s comparable sales increased 6.4% following an 11.3% increase in last year s first quarter. Boston Proper net sales decreased \$8.1 million, reflecting the adverse impact of post-acquisition information systems conversions early in the quarter.

*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 May 4, 2013 and April 28, 2012:

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
	(dollars in thousands)	
Cost of goods sold	\$ 283,878	\$ 272,221
Gross margin	\$ 386,844	\$ 378,596
Gross margin percentage	57.7%	58.2%

For the first quarter of fiscal 2013, gross margin was \$386.8 million compared to \$378.6 billion in last year s first quarter. As a percentage of net sales, gross margin was 57.7% a 50 basis point decrease from fiscal 2012, primarily reflecting higher promotion of seasonal merchandise during an unusually cool spring and investment in our newly implemented distribution automation partially offset by lower incentive compensation.

*Selling, General and Administrative Expenses*

The following table depicts SG&A, which includes store and direct operating expenses, marketing expenses and NSSC expenses, in dollars and as a percentage of total net sales for the thirteen weeks ended May 4, 2013 and April 28, 2012:

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
	(dollars in thousands)	
Selling, general and administrative expenses	\$ 304,899	\$ 291,676
Percentage of total net sales	45.5%	44.8%

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For the first quarter of fiscal 2013, SG&A was \$304.9 million compared to \$291.7 million in last year's first quarter. As a percentage of net sales, SG&A was 45.5%, a 70 basis point increase from last year's first quarter, primarily reflecting higher occupancy and marketing expenses as a percent of net sales partially offset by lower incentive compensation.

### *Provision for Income Taxes*

Our effective tax rate for the current quarter was 37.1% compared to an effective tax rate of 38.0% in last year's first quarter. The effective rate for the current quarter reflects favorable tax settlements.

### *Net Income and Earnings Per Diluted Share*

Net income for the first quarter was \$51.1 million, a decrease of 4.7%, compared to \$53.6 million in last year's first quarter. Earnings per diluted share for the first quarter were \$0.31, a decrease of 3.1%, compared to \$0.32 per diluted share in last year's first quarter, reflecting approximately 9.8 million shares repurchased since last year's first quarter. Net income for the first quarter included \$0.6 million of after-tax one-time acquisition and integration costs related to Boston Proper compared to \$0.3 million of after-tax one-time acquisition and integration costs related to Boston Proper in last year's first quarter.

## **Liquidity and Capital Resources**

We believe that our existing cash and marketable securities balances and cash generated from operations will be sufficient to fund capital expenditures, working capital needs, dividend payments, potential share repurchases, commitments, and other liquidity requirements associated with our operations through at least the next 12 months. Furthermore, while it is our intention to repurchase our stock and pay a quarterly cash dividend in the future, any determination to repurchase 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 established by the Board.

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

### *Operating Activities*

Net cash provided by operating activities for the first quarter of fiscal 2013 was \$63.4 million, a decrease of approximately \$73.4 million from last year's first quarter. This decrease primarily reflects the impact of the calendar shift from last fiscal year's 53<sup>rd</sup> week and lower accrued incentive compensation.

### *Investing Activities*

Net cash provided by investing activities in the first quarter of fiscal 2013 was \$35.1 million compared to \$45.6 million used in investing activities in last year's first quarter. The net change of \$80.6 million primarily reflects the use of marketable securities during the quarter to facilitate share repurchase activity partially offset by lower capital expenditures compared to the same period last year.

### *Financing Activities*

Net cash used in financing activities for the first quarter of fiscal 2013 was \$69.8 million compared to \$3.1 million in last year's first quarter. The increase is primarily attributable to higher share repurchase activity compared to last year.

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### **Credit Facility**

In fiscal 2011, we entered into a \$70 million senior five-year unsecured revolving credit facility (the Credit Facility ) with a syndicate led by JPMorgan Chase Bank, N.A., as administrative agent and HSBC Bank USA, National Association, as syndication agent.

The Credit Facility provides a \$70 million revolving credit facility that matures on July 27, 2016. The Credit Facility provides for swing advances of up to \$5 million and issuance of letters of credit up to \$40 million. The Credit Facility also contains a feature that provides us the ability, subject to satisfaction of certain conditions, to expand the commitments available under the Credit Facility from \$70 million up to \$125 million. As of May 4, 2013, no borrowings are outstanding under the Credit Facility.

### **New Store Openings**

During the first quarter of fiscal 2013, we had 40 net openings, consisting of 8 Chico s, 14 WHIBM, 16 Soma and 2 Boston Proper stores. Currently, we expect our new stores in fiscal 2013 to increase approximately 8%, reflecting net openings of approximately 24 Chico s, 52 WHIBM, 37 Soma stores and 4 Boston Proper 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.

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

The discussion and analysis of our financial condition and results of operations are based upon the consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of 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 February 2, 2013, are significant to reporting our results of operations and financial position. 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 February 2, 2013.

### **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, and future growth rates 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 plan, assumptions, future outlook, and similar expressions. Except 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

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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 20, 2013 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 maintain an appropriate level of inventory, the quality of merchandise received from suppliers, 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 coordinate product development with buying and planning, 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 rate of new store openings, our ability to grow through new store openings and the buying public's acceptance of any of our new store concepts, 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 and other employees, the availability of quality store sites, the ability to expand our distribution center and other support facilities in an efficient and effective manner, the ability to hire and train qualified managerial employees, 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, the ability to effectively and efficiently operate our brands, risks associated with terrorist activities, risks associated with natural disasters such as hurricanes and other risks. 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.

## **Litigation**

In the normal course of business, we are subject to proceedings, lawsuits and other claims including proceedings under laws and government regulations relating to labor, product, intellectual property and other matters including the matters described in Item 1 of Part II of this quarterly report on Form 10-Q. Such matters are subject to many uncertainties, and outcomes are not predictable with assurance. Consequently, the ultimate aggregate amount of monetary liability or financial impact with respect to these matters at May 4, 2013, cannot be ascertained. Although these matters could affect the consolidated operating results of any one quarter when resolved in future periods, and although there can be no assurance with respect thereto, management believes that, after final disposition, any monetary liability or financial impact to us would not be material to the annual consolidated financial statements.



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

The market risk of our financial instruments as of May 4, 2013 has not significantly changed since April 28, 2012. We are exposed to market risk from changes in interest rates on any future indebtedness and our marketable securities.

Our exposure to interest rate risk relates in part to our revolving line of credit with our bank. However, as of May 4, 2013, we did not have any outstanding borrowings on our line of credit and, given our current liquidity position, do not expect to utilize our line of credit in the foreseeable future.

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 bonds, corporate bonds, and U.S. government and agency securities. The portfolio as of May 4, 2013, consisted of \$115.2 million of securities with maturity dates within one year or less and \$87.6 million with maturity dates over one year and less than or equal to two years. We consider all 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 consolidated balance sheets as they are available to support current operational liquidity needs. As of May 4, 2013, an increase of 100 basis points in interest rates would reduce the fair value of our marketable securities portfolio by approximately \$1.6 million. Conversely, a reduction of 100 basis points in interest rates would increase the fair value of our marketable securities portfolio by approximately \$0.5 million.

### **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**

We are not currently a party to any legal proceedings, other than various claims and lawsuits arising in the normal course of business, none of which we believe should have a material adverse effect on our consolidated financial condition or results of operations.

**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 2012 Annual Report on Form 10-K filed with the SEC on March 20, 2013 should be considered as they could materially affect our business, financial condition or future results. There have not been any significant changes with respect to the risks described in our 2012 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.

**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 (dollar amounts in thousands, except per share amounts):

<b>Period</b>	<b>Total Number of Shares Purchased (a)</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans (b)</b>	<b>Approximate Dollar Value of Shares that May Yet Be Purchased Under the Publicly Announced Plans</b>
February 3, 2013 - March 2, 2013	1,015,911	\$ 16.96	718,300	\$ 287,764,981
March 3, 2013 - April 6, 2013	2,716,273	\$ 17.57	2,716,273	\$ 240,028,728
April 7, 2013 - May 4, 2013		\$		\$ 240,028,728
Total	3,732,184	\$ 17.41	3,434,573	\$ 240,028,728

- (a) Includes 297,611 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 February 2013, we announced a \$300 million share repurchase program. There was approximately \$240 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.

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**ITEM 6. EXHIBITS**

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

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

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**SIGNATURES**

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

CHICO S FAS, INC.

Date: May 31, 2013

By: /s/ David F. Dyer  
David F. Dyer  
President and Chief Executive Officer  
(Principal Executive Officer)

Date: May 31, 2013

By: /s/ Pamela K Knous  
Pamela K Knous  
Executive Vice President-  
Chief Financial Officer  
(Principal Financial and Accounting Officer)