

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

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**FORM 10-K**

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

For the fiscal year ended February 1, 2020

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

Commission file number: 001-16435

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**Chico's FAS, Inc.**

(Exact name of registrant as specified in charter)

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

**59-2389435**  
(I.R.S. Employer  
Identification No.)

**11215 Metro Parkway, Fort Myers, Florida**  
(Address of principal executive offices)

**33966**  
(Zip code)

**(239) 277-6200**  
(Registrant's telephone number, including area code)

**Securities registered pursuant to Section 12(b) of the Act:**

<u>Title of Class</u>	<u>Trading Symbol(s)</u>	<u>Name of Exchange on Which Registered</u>
Common Stock, Par Value \$0.01 Per Share	CHS	New York Stock Exchange

**Securities registered pursuant to Section 12(g) of the Act: None**

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 every Interactive Data File required to be submitted 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 such files). Yes  No

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

of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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

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

State the aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant:

Approximately \$340,000,000 as of August 3, 2019, based upon the closing stock price on August 3, 2019 as reported by the NYSE.

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

Common Stock, par value \$0.01 per share – 120,282,961 shares as of March 10, 2020.

Documents incorporated by reference:

Portions of the Definitive Proxy Statement for the Company's Annual Meeting of Shareholders presently scheduled for June 25, 2020 are incorporated by reference into Part III of this Annual Report on Form 10-K.

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CHICO'S FAS, INC.

ANNUAL REPORT ON FORM 10-K  
FOR THE  
FISCAL YEAR ENDED FEBRUARY 1, 2020

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**PART I**

**This Annual Report on Form 10-K contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, and are subject to risks, uncertainties, and other factors which could cause actual results to differ materially from those expressed or implied by such forward-looking statements. See “Item 1A. Risk Factors.”**

**ITEM 1. BUSINESS**

**Overview**

Founded in 1983, Chico’s FAS, Inc.<sup>1</sup>, is a leading omnichannel specialty retailer of women's private branded, sophisticated, casual-to-dressy apparel, intimates and complementary accessories. We operate under the Chico's®, White House Black Market® (“WHBM”), Soma® and TellTale™ brand names. As of February 1, 2020, we operated 1,341 stores across 46 states, Puerto Rico, the United States (“U.S.”) Virgin Islands and Canada, and sold merchandise through 70 international franchise locations in Mexico and 2 domestic airport locations. We refer to our Chico's and WHBM brands collectively as our “Apparel Group” and refer to our Soma and TellTale brands collectively as our “Intimates Group.” Our distinct lifestyle brands serve the needs of fashion-savvy women 35 years and older. We earn revenue and generate cash through the sale of merchandise in our domestic and international retail stores, our various Company-operated e-commerce websites, our call center (which takes orders for all of our brands), through unaffiliated franchise partners and through third-party channels.

We utilize an integrated, omnichannel approach to managing our business. We want our customers to experience our brands holistically and to view the various retail channels we operate as a single, integrated experience 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.

We offer high quality and unique merchandise, supported by outstanding personalized customer service. While each of our brands has a distinct customer base, the overall portfolio caters to a broad age and economic demographic, with household incomes in the moderate to high income level.

Our fiscal years end on the Saturday closest to January 31 and are designated by the calendar year in which the fiscal year commences. The periods presented in this Annual Report on Form 10-K are the fiscal years ended February 1, 2020 (“fiscal 2019”, “2019” or “current period”), February 2, 2019 (“fiscal 2018”, “2018” or “prior period”), February 3, 2018 (“fiscal 2017” or “2017”), January 28, 2017 (“fiscal 2016” or “2016”) and January 30, 2016 (“fiscal 2015” or “2015”). Each of these periods had 52 weeks, except for fiscal 2017, which consisted of 53 weeks.

**Our Brands**

The Company's brands, described in more detail below, are organized into three operating segments and aggregated into one reportable segment due to the similarities of the economic and operating characteristics of the brands.

*Chico’s*

Our Chico’s brand began operations in 1983 and primarily sells exclusively designed, private branded clothing focusing on women 45 and older. The style sensibility is unique with an individual expression created to illuminate the women wearing the brand. Chico's apparel, including the Black Label, Zenergy and Travelers collections, emphasizes problem solving styles, comfort and relaxed fit. Accessories and jewelry are original and designed to elevate the clothing assortment, allowing our customer to individualize her personal style.

The distinctive nature of Chico’s clothing is also reflected in its sizing, which is comprised of sizes 000, 00 (size 0-2), 0 (size 4-6), 1 (size 8-10), 2 (size 12-14), 3 (size 16-18) and 4 (size 20-22). Chico’s will occasionally offer half-sizes (up to 3.5), one-size-fits-all, petite sizes, short and tall inseams, and small, medium and large sizing for some items. The relaxed fit allows us to utilize this kind of sizing and thus offer a wide selection of clothing without investing in a large number of sizes within a single style.

<sup>1</sup> As used in this report, all references to “we,” “us,” “our” and “the Company,” refer to Chico’s FAS, Inc., a Florida corporation, and all of its wholly-owned subsidiaries.

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Chico's is vertically integrated, controlling almost all aspects of the apparel design process, including choices of pattern, print, construction, design specifications, fabric, finishes and color through in-house designers, purchased designs and independent suppliers.

### *White House Black Market*

The WHBM brand began operations in 1985 and was acquired by the Company in September 2003. WHBM is dedicated to being a go-to style destination and authority on wardrobe building. WHBM primarily sells exclusively designed, private branded clothing focusing on women 35 and older. WHBM offers a modern collection to support her every lifestyle moment, selling stylish and versatile clothing and accessory items, including everyday basics, polished casual apparel, relaxed workwear, black and white pieces, and feminine all-occasion dresses. The accessories at WHBM, such as shoes, belts, scarves, handbags and jewelry, are specifically designed to coordinate with each collection, allowing customers to easily individualize their wardrobe selections.

WHBM uses American sizes in the 00-14 range (with online sizes up to 16), including petite sizing, as well as short and long inseams, and small, medium and large sizing for some items. The fit of the WHBM clothing is tailored to complement the figure of a body-conscious woman, while still remaining comfortable.

WHBM is vertically integrated, controlling almost all aspects of the apparel design process, including choices of patterns, prints, construction, design specifications, fabric, finishes and color through in-house designers, purchased designs and independent suppliers.

### *Intimates Group*

The Soma brand, which began operations in 2004, primarily sells exclusively designed, private branded lingerie, sleepwear and loungewear products focusing on women who want solutions that are as comfortable as they are beautiful. The Soma brand's core franchises emphasize innovative styles that focus on fit and uncompromising comfort, including Vanishing Back bras, Vanishing Edge panties, slimming leggings and Cool Nights sleepwear.

Bras range in size from 32A-46H. The sleepwear and loungewear offerings range in size from extra small to extra-extra-large.

The Soma team develops product offerings by working closely with a small number of independent suppliers to design proprietary products in-house and, in some cases, designs provided by its independent suppliers under labels other than the Soma brand.

The TellTale brand, which began operations in 2019, primarily sells exclusively designed, private branded lingerie products focusing on women who know that their sensuality is their own, their comfort is a right, and their story is always unfolding. TellTale offers flattering fashion and quality intimate apparel choices at an attainable price. The TellTale core franchises focus on lounge bras, every-day and special occasion bras, and their matching panties. Bras range in size from 32A-40DD.

## **Our Business Strategy**

Our overall business strategy is focused on building a collection of distinct high-performing retail brands serving the fashion needs of women 35 and older. The primary function of the Company is the production and procurement of beautiful merchandise that delivers the brand promise and brand positioning of each of our brands and resonates with customers. To that end, we are further strengthening our merchandise and design capabilities and enhancing our sourcing and supply chain to deliver product in a timely manner to our customers while also concentrating on improvements to the quality and aesthetic of our merchandise. 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 improving the performance of our brands by building our omnichannel capabilities, managing our store base, growing our online presence, executing marketing plans, effectively leveraging expenses, considering additional sales channels and markets, and optimizing the merchandise offerings of each of our brands. We continue to invest heavily in our omnichannel capabilities so our customers can fully experience our brands in the manner they choose.

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We view our stores and Company-operated e-commerce websites as a single, integrated sales function rather than as separate, independently operated sales channels. As a result, we maintain a shared inventory platform for our primary operations, allowing us to fulfill orders for all channels from our distribution center ("DC") in Winder, Georgia. Our domestic customers can return merchandise to a store or to our DC, regardless of the original purchase location. Using our enhanced "Locate" tool, we ship in-store orders from other locations directly to the customer, expediting delivery times while reducing our shipping costs. In addition, our shared inventory system, Endless Aisle, enables customers to make purchases online and ship from store. In fiscal 2019, we completed the implementation of our Buy On-Line, Pick-up In-Store (BOPIS) capability across all our brands, further enhancing our omnichannel capabilities.

We seek to acquire new customers and retain existing customers by leveraging existing customer-specific data and through targeted marketing, including digital marketing, social media, television, catalogs and mailers. We seek to optimize the potential of our brands with improved product offerings, potential new merchandise opportunities, and brand extensions that enhance the current offerings, as well as through our continued emphasis on our trademark "Most Amazing Personal Service" standard. We also will continue to consider potential alternative sales channels for our brands, including international franchise, wholesale, licensing and other opportunities.

In fiscal 2018, we launched multiple initiatives that utilize technology and new platforms to drive growth such as Endless Aisle and STYLECONNECT™ (which enables store associates to personalize the customer experience). As a result of these multi-year initiatives, we have the technology and tools in place to leverage our omnichannel capabilities, which should allow us to capture and stay connected with our customers, whether in-store or online.

In the fourth quarter of fiscal 2018, the Company announced a three-year retail fleet optimization plan to rebalance the mix between our physical store presence and our digital network. This initiative is part of the Company's efforts to better capitalize on its omnichannel platform, reduce costs, and improve our profitability and return on invested capital. We closed 94 underperforming stores since the announcement of our plan, with anticipated closures of approximately 60 to 70 stores in fiscal 2020. We will continue to re-evaluate each prospective store closure in fiscal years 2020 and 2021 against anticipated improvements in our sales trends and modify our closure plan as appropriate.

On April 24, 2019, the Company announced a Chief Executive Officer ("CEO") transition plan and appointed Bonnie Brooks, former Vice Chair, President and CEO of Hudson's Bay Company and a member of the Company's Board, as Interim CEO of the Company. Ms. Brooks made significant changes to leadership and reset the Company's priorities for growth and value creation in fiscal 2019. Actions are underway across the brands with a focus on three distinct areas that we believe will positively impact results. These operating priorities are:

- Driving stronger sales through improved product and marketing;
- Optimizing the customer journey by simplifying, digitizing and extending our unique and personalized service; and
- Transforming our sourcing and supply chain operations to increase product speed to market and improve quality.

On July 18, 2019, the Company announced the appointment of Ms. Brooks as CEO and President of Chico's FAS, Inc. and a new leadership structure to drive a simpler, nimbler organization. The responsibility of our apparel brands, Chico's and WHBM, was consolidated under one leader, Molly Langenstein, President, Apparel Group, to create clear lines of responsibility and accelerate sales driving priorities. The Company's intimates brands, Soma and TellTale, are led by Mary van Praag, President, Intimates Group.

During the third and fourth quarter of fiscal 2019, Ms. Brooks continued her consolidation and transformation efforts at the Company. As a result of these efforts, the Company took action to reduce costs and reposition its organizational structure. The Company also reported its first quarter of positive comparable sales for all three brands in the fourth quarter of fiscal 2019 since the fourth quarter of fiscal 2014, as it continued to deliver on each of its strategic priorities as discussed above.

## **Our Customer Service Model**

We strive to deliver outstanding and personalized customer service to our customers through our trademark “Most Amazing Personal Service” standard. We believe this service model is one of our competitive advantages and a key to our continued success. An important aspect to the successful implementation of this model includes specialized training provided to our sales associates to help them better meet their customers’ fashion and wardrobe needs. Such needs may include clothing and accessory style, color selection, coordination of complete outfits and suggestions on different ways to wear the clothing and accessories. Our sales associates are encouraged to develop long-term relationships with their customers, to know their customers’ preferences and to assist our customers in selecting merchandise best suited to their tastes and wardrobe needs. Our brands utilize STYLECONNECT to access customer purchase history and style preferences as a clienteling tool that enhances the shopping experience in a personalized and efficient manner.

We also serve our customers’ needs and build customer loyalty through our customer rewards programs. Our programs are designed to reward our loyal customers by leveraging the rich data our customers share with us to deliver a relevant and engaging experience with our brands. The benefits provided are routinely evaluated in conjunction with our overall customer relationship management and marketing activities to ensure they remain a compelling reason for customers to shop at our brands.

- Chico’s. A Chico’s customer can join the “Passport” program at no cost and receive additional benefits after spending a fixed amount. Features of the program include a 5% discount, exclusive offers, special promotions, free shipping, invitations to private sale events and advance notice regarding new arrivals.
- WHBM. With “WHBM Rewards”, a customer can join at no cost for tier-based discounts, a 5% discount after spending a specified amount, free shipping, special promotions and invitations to private sales based on annual spend.
- Soma. A Soma customer can join “Love Soma Rewards” at no cost and earns points based on purchases. Features of the program include reward coupons at specified loyalty point levels, exclusive promotions and free shipping.

## **Our Boutiques and Outlet Stores**

Our boutiques are located in upscale indoor shopping malls, outdoor shopping areas and standalone street-front locations in the U.S., Puerto Rico, the U.S. Virgin Islands and Canada. Boutique locations are determined based on various factors, including, but not limited to: market and demographic characteristics, nearby competitors, our own network of existing boutiques, the location of the shopping venue, including the site within the shopping center, proposed lease terms, anchor or other co-tenants, parking accommodations and convenience. Our merchandise is also sold through international franchise locations in Mexico, including boutique locations as well as shop-in-shop formats within a department store environment.

Our outlet stores are primarily located in quality outlet centers. The Chico’s and WHBM brand outlets contain a mixture of made-for-outlet and clearance merchandise. The made-for-outlet product carries a higher margin than the clearance items from our boutique stores. Soma outlets contain a mix of boutique and clearance merchandise. We also sell clearance merchandise on our websites. We regularly review the appropriate ratio of made-for-outlet and clearance merchandise sold at our outlets and adjust that ratio as appropriate.

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As of February 1, 2020, we operated 1,341 retail stores in 46 states, Puerto Rico, the U.S. Virgin Islands and Canada, and sold merchandise through 70 international franchise locations in Mexico and 2 domestic airport locations. The following tables set forth information concerning our retail stores during the past five fiscal years:

Stores	Fiscal Year				
	2019	2018	2017	2016	2015
Stores at beginning of year	1,418	1,460	1,501	1,518	1,547
Opened	6	5	7	17	40
Closed	(83)	(47)	(48)	(34)	(69)
<b>Total Stores</b>	<b>1,341</b>	<b>1,418</b>	<b>1,460</b>	<b>1,501</b>	<b>1,518</b>
	Fiscal Year End				
Stores by Brand	2019	2018	2017	2016	2015
Chico's frontline boutiques	525	551	568	587	604
Chico's outlets	123	125	120	116	117
Chico's Canada	4	4	4	4	4
Chico's total	652	680	692	707	725
WHBM frontline boutiques	362	390	404	423	429
WHBM outlets	59	65	69	71	71
WHBM Canada	6	6	6	6	6
WHBM total	427	461	479	500	506
Soma frontline boutiques	244	258	270	275	269
Soma outlets	18	19	19	19	18
Soma total	262	277	289	294	287
<b>Total Stores</b>	<b>1,341</b>	<b>1,418</b>	<b>1,460</b>	<b>1,501</b>	<b>1,518</b>

As part of our retail fleet optimization plan, we closed 94 underperforming stores since the announcement of our plan, with anticipated closures of approximately 60 to 70 stores in fiscal 2020. We also plan to invest in opening approximately 10 Soma stores in fiscal 2020. We continuously evaluate the appropriate store base in light of economic conditions and our business strategy and may adjust the openings and closures as conditions require or as opportunities arise.

### Information Technology/Data Analytics

We are committed to having information systems that enable us to obtain, analyze and act upon information on a timely basis and to maintain effective financial and operational controls. We periodically test new technologies and platforms to support and enhance our processes across all areas of our business. We use a proprietary customer database, together with data analytics, to customize our communications and make targeted offers to customers in an effort to increase traffic in-store and online and to increase conversion.

### Digital Commerce

Each of our brands has a digital flagship: [www.chicos.com](http://www.chicos.com), [www.whbm.com](http://www.whbm.com), [www.soma.com](http://www.soma.com) and [www.mytelltale.com](http://www.mytelltale.com), which provide customers the ability to browse and order merchandise, locate our stores and engage with content to enhance the shopping experience. We also offer [www.chicosofftherack.com](http://www.chicosofftherack.com), our e-commerce website that gives customers 24/7 access to the same exclusive styles available at our Chico's Outlet locations.

Our websites are designed to complement the in-store experience and play a vital role in both our omnichannel strategy and the customer experience. Some products are available exclusively online including extended sizes, additional style and color choices, premier partner brands and clearance items. Online merchandise is also available for order through our call center, through clienteling applications in our stores and through third parties. We also utilize ecommerce solutions, such as ShopRunner, and are exploring new digital opportunities to expand our customer base and drive sales.

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We remain focused on our omnichannel approach by ongoing enhancements to all brand websites through new features, functionality, search engine optimization and content designed to improve and evolve the customer's experience.

### **Marketing and Advertising**

Our brands use industry-leading transactional data to develop targeted and effective marketing strategies. To optimize our marketing efforts and to attract new customers, we continue to shift our advertising from traditional media, instead placing more emphasis on digital media. We also use predictive modeling and advanced segmentation methodologies to drive customer retention and reactivation.

We use the following marketing and media-mix programs to engage current customers and attract prospective customers:

- Loyalty and rewards programs;
- Direct marketing: catalogs, postcards, email and calling campaigns;
- Digital marketing: mobile paid search, product listing ads, display banner advertising and remarketing, affiliate programs;
- Social marketing: organic and paid efforts across social platforms;
- National and local print and broadcast advertising;
- Editorial content;
- Public relations; and
- Charitable giving and outreach programs.

In 2020, our marketing efforts will focus on retaining existing, reactivating lapsed customers and attracting new customers to our iconic brands' differentiated positioning by leveraging retail science and introducing alternative sales channels.

### **Product Sourcing**

Our product sourcing activities are performed by a centralized shared service team that is focused on maintaining our quality standards and identifying cost-effective opportunities to improve production speed and flexibility. During fiscal 2019, China sourced product accounted for approximately 46% of our merchandise cost. We take ownership of merchandise either in the foreign country, at a designated point of entry into the U.S., or at our DC, depending on the specific terms of sale.

To support our supply chain strategy, we continue to reduce our exposure in China by diversifying into other countries of origin. We expect to continue reducing our exposure to tariffs in 2020, with tactics such as diversifying country of origin, and managing and adjusting our forward buys and product pricing. We are monitoring the development of the coronavirus (COVID-19) outbreak and may adjust our product sourcing activities accordingly.

The majority of our merchandise is purchased through core suppliers with whom we have established strategic collaborations; these core suppliers represented 72% of our purchases in fiscal 2019 with our largest supplier accounting for 19% of the total.

Substantial work was done to reduce the supply base starting in fiscal 2017. As of February 1, 2020, the supply base count was reduced by approximately 47%. Throughout 2020, we expect to focus on developing and perfecting relationships with those core suppliers. As we reach scale, we believe we will have stronger partnerships, greater control over product quality, and the ability to achieve better terms and lower costs. We intend to supplement the remaining volume with a subset of market suppliers to meet any unique needs of the brands.

### **Merchandise Distribution**

The distribution function for our brands is primarily handled from our DC in Winder, Georgia. New merchandise is generally received daily at the DC. Imported merchandise is shipped from the country-of-export either by sea, air, truck or rail, as circumstances require. Domestic merchandise is primarily shipped by truck or rail. Upon arrival at our DC, merchandise is sorted and packaged for shipment to individual stores or is held for future store replenishment and direct shipment to customers. Merchandise is generally pre-ticketed with price and related informational tags at the point of manufacture.

Our DC has been granted Foreign Trade Zone status from both the U.S. Department of Commerce and U.S. Customs and Border Protection. This status facilitates international expansion and allows us to move certain merchandise into the DC without paying U.S. Customs duty until the merchandise is subsequently shipped to domestic stores or online customers.

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### **Competition**

The women's retail apparel and intimate apparel business is highly competitive and includes local, national and international department stores, specialty stores, boutique stores, catalog companies and online retailers. We believe that our distinctively designed merchandise offerings and emphasis on customer service distinguish us from our competitors.

### **Trademarks and Service Marks**

We are the owner of certain registered and common law trademarks and service marks (collectively referred to as "Marks").

Our Marks include, but are not limited to: CHICO'S, CHICO'S PASSPORT, ZENERGY, SO SLIMMING, WHITE HOUSE BLACK MARKET, WHBM, WHBM REWARDS, SOMA, SOMA INTIMATES, ENTICING, COOL NIGHTS, EMBRACEABLE, ENBLISS, VANISHING, VANISHING BACK, VANISHING EDGE, LOVE SOMA REWARDS, STYLECONNECT, CHICO'S OFF THE RACK, WHITE HOUSE BLACK MARKET OFF THE RACK AND TELLTALE. We have registered or are seeking to register a number of these Marks in the U.S, Canada, Mexico and other foreign countries.

In the opinion of management, our rights in the Marks are important to our business. Accordingly, we intend to maintain our Marks and the related registrations and applications. We are not aware of any material claims of infringement or other challenges to our rights to use any registered Marks in the U.S.

### **Available Information**

Through our investor relations website, [www.chicosfas.com](http://www.chicosfas.com), we make available free of charge our Securities and Exchange Commission ("SEC") filings, including our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports, as soon as reasonably practicable after those reports are electronically filed with the SEC and are available at [www.sec.gov](http://www.sec.gov). This website also includes recent press releases, corporate governance information, beneficial ownership reports, institutional presentations, quarterly and institutional conference calls and other financial data, including historical store square footage.

Our Code of Ethics, which is applicable to all of our employees, including the principal executive officer, the principal financial officer and the Board of Directors ("Board"), is posted on our investor relations website. Any amendments to or waivers from our Code of Ethics are also available on this website. Charters of each of the Audit Committee, Human Resources, Compensation and Benefits Committee, Corporate Governance and Nominating Committee and Executive Committee as well as the Corporate Governance Guidelines, Insider Trading Policy, Complaint Procedures for Accounting Matters (our Whistleblower Policy), Terms of Commitment to Ethical Sourcing and Stock Ownership Guidelines are available on this website or upon written request by any shareholder.

### **Employees**

As of February 1, 2020, we employed approximately 17,100 people, 28% of whom were full-time employees and the balance of whom were part-time employees. The number of part-time employees fluctuates during peak selling periods. As of the above date, approximately 90% of our employees worked in our boutique and outlet stores. We have no collective bargaining agreements covering any of our employees, have never experienced any material labor disruption and are unaware of any efforts or plans to organize our employees. We consider the overall relations with our employees to be good.

**ITEM 1A. RISK FACTORS**

An investment in our common stock involves certain risks. The risks and uncertainties described below are not the only risks that may have a material adverse effect on the Company, and the risks described herein are *not* listed in order of the potential occurrence or severity. There is no assurance that we have identified, assessed and appropriately addressed all risks affecting our business operations. Additional risks and uncertainties could adversely affect our business and our results. If any of the following risks actually occur, our business, consolidated financial condition or results of operations could be negatively affected, and the market price for our shares could decline. Further, to the extent that any of the information contained in this Annual Report on Form 10-K constitutes forward-looking statements, the risk factors set forth below are cautionary statements, identifying important factors that could cause the Company's actual results to differ materially from those expressed in or implied by any forward-looking statements made by or on behalf of the Company. There can also be no assurance that the actual future results, performance, benefits or achievements that we expect from our strategies, systems, initiatives or products will occur.

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**Business Strategy**

If we cannot successfully execute our business strategy, our consolidated financial condition and results of operations could be materially adversely impacted. There are numerous risks associated with this strategy including, but not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
1. Failure to identify and respond to fashion trends that appeal to our customer and implement and manage our business strategy may adversely impact sales and profitability	<p>Our future success depends, in part, upon our ability to identify and respond to fashion trends in a timely manner and develop innovative, high-quality merchandise in styles that appeal to our consumers and in ways that favorably distinguish us from our competitors. The specialty retail apparel business fluctuates according to changes in the economy and customer preferences, influenced by fashion and season. These fluctuations affect the inventory sourced by our brands as merchandise typically must be ordered well in advance of the selling season. There can be no assurance that we will appropriately anticipate consumer demands and accurately plan brand-right inventory in the future.</p> <p>Our long-term omnichannel business strategy is dependent upon a number of other factors, including, but not limited to, customer shopping habits (such as online versus in-store) and discretionary income, identifying and developing new brand extensions, markets and channels of distribution, effectively using and evolving our marketing resources and programs to communicate with existing and potential customers, maintaining favorable brand recognition, effectively managing our store base, including management of store productivity and negotiating acceptable lease terms, effectively managing our franchise, wholesale and licensing relationships to optimize sales and margin and to protect our brands, having the appropriate corporate resources to support our business strategies, sourcing appropriate levels of inventory in line with sales expectations and then managing its disposition, hiring, training and retention of qualified employees, generating sufficient operating cash flows to fund our business strategies, maintaining brand-specific websites that offer the system functionality, service and security customers expect, and correctly identifying, implementing and maintaining appropriate technology to support our business strategies.</p>

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2. Competition	<p>The women's specialty retail industry is highly competitive. We compete with local, national and international department stores, specialty and discount stores, catalogs and internet businesses offering similar categories of merchandise. Many of our competitors have advantages over us, including substantially greater financial, marketing, distribution and other resources. Increased levels of promotional activity by our competitors, some of whom may be able to adopt more aggressive pricing policies than we can, both online and in stores, may negatively impact our sales and profitability. There is no assurance that we can compete successfully with these companies in the future. In addition to competing for sales, we compete for store and online traffic, for favorable store locations and lease terms and for qualified associates. The growth of fast fashion, value fashion retailers and expansion of off-price retailers has shifted shopper expectations to more affordable pricing of well-known brands and has contributed to continued promotional pressure as well as a shift in customers' expectations with regard to the timing and costs of product deliveries and returns. If we do not identify and respond to these emerging trends in consumer spending as well as the growing preference of many customers for online e-commerce options, we may harm our ability to retain our existing customers or attract new customers. Increased competition in any of these areas may result in higher costs or otherwise reduce our sales or operating margins.</p>
3. Risks of expanding internationally	<p>Our current strategy includes potential expansion of our operations and presence internationally. As part of that strategy, we may face unanticipated and significant costs and challenges in setting up foreign offices, hiring experienced management or franchising partners, negotiating profitable licensing or franchising agreements, obtaining prime locations for stores, introducing and marketing our brands, and others.</p> <p>We may be unable to successfully grow our international business, or we may face operational issues or resource constraints that delay our intended pace of international growth, such as an inability to identify suitable franchising partners, to identify profitable markets for our brands and sites for store locations, to anticipate and address the different operational or cultural challenges presented in a new country, to find vendors that can meet our international merchandise needs, to provide adequate resource and system support through our shared service model, to achieve acceptable operating margins, compete with local competitors or adapt to different consumer demand and behavior. Any challenges that we encounter may divert financial, operational and managerial resources from our existing operations.</p> <p>In addition, we are subject to certain U.S. laws that may impact our international operations or expansion, including the Foreign Corrupt Practices Act, as well as the laws of the foreign countries in which we operate. Violations of these laws could subject us to sanctions or other penalties that could negatively affect our reputation, business and operating results.</p>

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## **General Economic Conditions**

Numerous economic conditions, all of which are outside of our control, could negatively affect the level of our customers' spending or our costs of operations. If these economic conditions persist for a sustained period, our consolidated financial condition and results of operations could be materially adversely impacted. These economic conditions include, but are not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
4. Declines in consumer spending	<p>Consumer spending in our sector may decline as a result of: threatened or actual government shut downs, higher unemployment levels, low levels of consumer credit, declines in consumer confidence, inflation, changes in interest rates, recessionary pressures, increasing gas and other energy costs, increased taxes, changes in housing prices, higher durable goods or other consumer spending, volatility in the financial markets, uncertainty regarding the political environment and concerns regarding public health crises.</p>

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5. Fluctuating costs      Fluctuations in the price, availability and quality of fabrics and other raw materials used to manufacture our products, as well as the price for labor and transportation, may contribute to ongoing pricing pressures throughout our supply chain. The price and availability of such inputs to the manufacturing process may fluctuate significantly, depending on several factors, including commodity costs (such as higher cotton prices), energy costs (such as fuel), shipping costs, inflationary pressures from emerging markets, increased labor costs, weather conditions and currency fluctuations.
6. Impairment charges      Significant negative industry or general economic trends, changes in customer demand for our product, disruptions to our business and unexpected significant changes or planned changes in our operating results or use of long-lived assets (such as boutique relocations or discontinuing use of certain boutique fixtures) may result in impairments to goodwill, intangible assets and other long-lived assets.
7. Fluctuating comparable sales and operating results      Our comparable sales and overall operating results have fluctuated in the past and are expected to continue to fluctuate in the future. In addition to other factors discussed in this Item 1A., a variety of factors affect comparable sales and operating results, including changes in fashion trends, changes in our merchandise mix, customer acceptance of merchandise offerings, the timing of marketing activities, calendar shifts of holiday periods, the periodic impact of a fifty-three-week fiscal year, weather conditions and general economic conditions. In addition, our ability to address the current challenges of sustained declining store traffic combined with a highly promotional retail environment and our execution of our retail fleet optimization plan and related store closings may impact our comparable sales, operating results and ability to maintain or gain market share. Past comparable sales or operating results are not an indicator of future results.
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## **Omnichannel Operations**

Our omnichannel operations (including our websites and catalogs) are a critical part of our customers' overall experience with our brands and will be a significant contributor to our future business growth and profitability. Our inability or failure to successfully manage and maintain those operations could materially and adversely impact our results of operations. Specific risks include, but are not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
8. Reliance on technology	Our brands' websites and select systems, including our integrated inventory management system, are heavily dependent on technology, which creates numerous risks including unanticipated operating problems, system failures, rapid technological change, failure of technology to operate the websites and systems as anticipated, reliance on third-party computer hardware and software providers, computer viruses, telecommunication failures, liability for online content, systems and data breaches, denial of service attacks, spamming, phishing attacks, computer hackers and other similar disruptions. Our failure to successfully assess and respond to these risks could negatively impact sales, increase costs, inhibit our ability to acquire new customers and damage the reputation of our brands.
9. Reliance on the U.S. Postal Service and other shipping vendors	<p>We utilize shipping vendors to support our operations. Any significant and unanticipated increase in shipping costs, reduction in service, or slow-down in delivery could impair our ability to deliver merchandise in a timely or economically efficient manner.</p> <p>Postal rate increases or a reduction or delay in service could affect the cost of our order fulfillment and catalog and promotional mailings. We use the Postal Service to mail millions of catalogs each year to educate our customers about our products, acquire new customers, drive customers to our boutiques and websites and promote catalog sales. We rely on discounts from the basic postal rate structure, such as discounts for bulk mailings and sorting.</p>

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10. Inability to successfully launch other channels of sales, marketing and distribution	Our strategic plans include additional channels for the marketing and sale of our product and brands, including through franchise, wholesale, licensing and alternative distribution models. Each of these methods presents new operational, reputational and financial challenges for us. Our inability to find the right markets, partners or business models, our inability to negotiate agreements that protect our profit and brand quality and reputation, or our inability to accurately anticipate the resources, systems and operational needs that go along with these new ventures could result in lower than expected returns and adversely impact other areas of our business.
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## **Information Technology Systems**

In addition to the dependence of our retail websites and other systems on technology as discussed above, we also rely on various information technology systems to manage our overall operations, and failure of those systems to operate as expected or a significant interruption in service could materially adversely impact our consolidated financial condition and results of operations. Risks include, but are not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
11. Disruptions while maintaining current systems or difficulties in integrating new systems	We and third-party providers on whom we rely regularly maintain, upgrade, enhance or replace our websites and information technology systems to support our business strategies and provide business continuity. Replacing legacy systems with successor systems, making changes to existing systems or acquiring new systems with new functionality have inherent risks including disruptions, delays, gaps in functionality, user acceptance, adequate user training or other difficulties that may impair the effectiveness of our information technology systems.

12. Cybersecurity/ Data Privacy Our business involves the storage and/or transmission of customers’ personal information, shipping preferences and credit card information, as well as confidential information regarding our business, employees and third parties. In addition, as part of our acceptance of customers’ debit and credit cards as forms of payment, we are required to comply with the Payment Card Industry Data Security Standards (“PCI”).

Because we have access to, collect or maintain information about our customers, the protection of that data is critical to our business. The regulatory environment surrounding information security and privacy continues to evolve, and new laws increasingly are giving customers the right to control how their personal data is used. One such law is the European Union's General Data Protection Regulation (“GDPR”). Our failure to comply with the obligations of GDPR could in the future result in significant penalties which could have a material adverse effect on our business and results of operations. In addition, the State of California adopted the California Consumer Protection Act of 2018 (“CCPA”), which became effective in 2020 and regulates the collection and use of consumers' data. Complying with GDPR, CCPA and similar U.S. federal and state laws, including a potential federal privacy law and state privacy laws, could also cause us to incur substantial costs, forego a substantial amount of revenue or be subject to business risk associated with system changes and new business processes.

We are also subject to cybersecurity risks. Cybersecurity refers to the combination of technologies, processes and procedures established to protect information technology systems and data from unauthorized access, attack, exfiltration, loss or damage. We may not be able to anticipate or prevent rapidly evolving types of cyber-attacks. Actual or anticipated attacks may cause us to incur increased costs including costs to deploy additional personnel and protection technologies, train employees and engage third-party experts and consultants.

While we have implemented measures reasonably designed to prevent security breaches, cyber incidents and privacy violations, and while we have taken steps to comply with PCI, GDPR, CCPA and other laws, those measures may not be effective and we may experience security breaches, cyber incidents and privacy violations in the future.

A cyber breach or incident or privacy violation through any means, including indirectly through third-party service providers and vendors, could result in the loss or misuse of data and could result in significant fines, penalties, damages, loss of business, legal expenses, remediation costs, reputational damage or loss of our ability to accept debit and credit cards as forms for payment. In addition, changes in laws or regulations, the PCI standards or technology, could result in increased expenses due to system or administrative costs.

## Sourcing and Distribution Strategies

Our sourcing and distribution strategies are subject to numerous risks that could materially adversely impact our consolidated financial condition and results of operations. These risks include, but are not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
13. Reliance on foreign sources of production	<p>The majority of the merchandise we sell is produced outside the United States. As a result, our business remains subject to the various risks of doing business in foreign markets and importing merchandise from abroad, such as: geo-political instability, non-compliance with the Foreign Corrupt Practices Act and other anti-corruption laws and regulations, potential changes to the North American Free Trade Agreement and other international trade agreements, imposition of new legislation relating to import quotas, imposition of new or increased duties, taxes, or other charges on imports, foreign exchange rate challenges and pressures presented by implementation of monetary policy by the Federal Reserve and other international central banks, challenges from local business practices or political issues, manufacturing and transportation disruptions, our shift to a predominantly FOB (free on board) shipping structure rather than predominantly DDP (delivered duty paid), natural disasters, public health crises, delays in the delivery of cargo due to port security considerations or government funding; seizure or detention of goods by U.S. Customs authorities, or a reduction in the availability of shipping sources caused by industry consolidation or other reasons. We source a substantial portion of our merchandise from Asia, including China. A reduction in the number of foreign suppliers, through bankruptcy or otherwise, or any change in exchange rates, labor laws or policies affecting the costs of goods in Asia could negatively impact our merchandise costs and the timely availability of the desired amount of merchandise. Furthermore, delays in production or shipping product, whether due to work slow-downs, work stoppages, strikes, port congestion, labor disputes, product regulations and customs inspections, public health crises or other factors, could also have a negative impact.</p> <p>For example, the recent outbreak of the coronavirus (COVID-19) first identified in Wuhan, China has led to work and travel restrictions in and out of China as well as temporary closures or production and logistics constraints due to workforce availability of certain factories in China. These travel restrictions, factory closures, production and logistics constraints may result in delayed shipments and increased shipping costs for some of our fiscal 2020 merchandise.</p> <p>During fiscal 2019, China sourced product accounted for approximately 46% of our merchandise cost. If the coronavirus outbreak continues and results in a prolonged period of travel, commercial and other similar restrictions, or a delay in production or distribution operations at any or all of our suppliers' facilities in China, we could experience significant supply chain disruptions. We are monitoring the situation on a daily basis, but it is currently unknown whether the outbreak will meaningfully disrupt our merchandise shipments or meaningfully impact manufacturing at any of our suppliers' plants in China or elsewhere. If we experience significant supply chain disruptions in China or other countries, we may not be able to develop alternate sourcing quickly on favorable terms, if at all, which could result in increased costs, loss of sales and a loss of customers, and adversely impact our margins and results of operation.</p> <p>Further, there have been ongoing discussions, commentary and governmental actions regarding potentially significant changes to the United States trade policies, treaties, tariffs and taxes, including trade policies and tariffs regarding China. During fiscal 2018, the U.S. began to impose duties on certain Chinese-made imported products. In May 2019, the current administration announced an increase to the tariffs currently being imposed on certain imports from 10% to 25%, effective May 10, 2019, which was further increased to 30% beginning on October 1, 2019. In August 2019, the administration announced plans to implement a tariff of 15% on approximately \$300 billion of products imported into the U.S. from China (referred to as List 4). On February 14, 2020, the tariffs leveraged on List 4 were reduced in half to 7.5%.</p>

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These tariffs, as well as any additional tariffs, may result in lower gross margins on affected products. Our ability to mitigate the negative effect of tariffs on our cost of goods is limited and our efforts to do so may not be successful. We may be able to shift a greater portion of our sourcing away from China to avoid tariffs, but executing such a shift could take time and could result in an increase in non-tariff related manufacturing costs and/or negatively affect the quality of our products. Our ability to pass increases in our cost of goods through to our customers via increased prices is also limited. Any such increase in pricing could reduce the competitiveness of our products. We can offer no assurances that price increases would be accepted by our customers, or that price increases would be sufficient to offset the effect of future cost increases.

While the USTR and the Ministry of Commerce of China signed a “phase one” trade deal on January 15, 2020, which, among other things, officially agreed to the rollback of tariffs and expansion of trade purchases, there is significant uncertainty about the future relationship between the United States and China and other countries with respect to the trade policies, treaties, taxes, government regulations and tariffs that would be applicable. It is unclear what changes might be considered or implemented and what response to any such changes may be by the governments of other countries. Significant tariffs or other restrictions placed on Chinese imports and any related counter-measures that are taken by China could have an adverse effect on our financial condition or results of operations. Even in the absence of further tariffs, the related uncertainty and the market's fear of an escalating trade war might create forecasting difficulties for us and cause our customers and business partners to place fewer orders for our products, which could have a material adverse effect on our business, liquidity, financial condition, and/or results of operations. These developments, or the perception that any of them could occur, may have a material adverse effect on global economic conditions and the stability of global financial markets, and may significantly reduce global trade and, in particular, trade between these nations and the United States. Any of these factors could depress economic activity and restrict our access to suppliers or customers and have a material adverse effect on our business, financial condition and results of operations and affect our strategy around the world.

Given the relatively fluid regulatory environment in China and the United States and relative uncertainty with respect to tariffs, international trade agreements and policies, a trade war, further governmental action related to tariffs or international trade policies, or additional tax or other regulatory changes in the future could directly and adversely impact our financial results and results of operations.

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| 14. Our suppliers' inability to provide quality goods in a timely manner | We are subject to risk because we do not own or operate any manufacturing facilities and depend on independent third parties to manufacture our merchandise. A key supplier may become unable to address our manufacturing needs for a variety of reasons. If we were unexpectedly required to change suppliers or if a key supplier were unable to supply quality merchandise in sufficient quantities on acceptable terms, we could experience a significant impact to the supply or cost of merchandise.   |
| 15. Reliance upon one supplier   | Approximately 19% of total purchases in fiscal 2019 and 23% of total purchases in fiscal 2018 were made from one supplier, and we cannot guarantee that this relationship will be maintained in the future or that the supplier will continue to be available to supply merchandise. However, we have no material long-term or exclusive contract with any apparel or accessory manufacturer or supplier. Our business depends on our network of suppliers and our continued good relations with them.  |
| 16. Our suppliers' failure to implement acceptable labor practices       | Although we have adopted our Terms of Commitment to Ethical Sourcing and use the services of third-party audit firms to monitor compliance with these terms, some of our independent suppliers may not be in complete compliance with our guidelines at all times. The violation of labor or other laws by any of our key independent suppliers or the divergence of an independent supplier's labor practices from those generally accepted by us as ethical could interrupt or otherwise disrupt the shipment of finished merchandise or damage our reputation. |

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17. Reliance on one location to distribute goods for our brands With minor exceptions, the distribution functions for all of our brands are handled from our DC in Winder, Georgia and a significant interruption in the operation of that facility due to changes to existing systems, use of other facilities, natural disasters, severe weather, accidents, system failures, capacity constraints or other unforeseen causes could delay or impair our ability to distribute merchandise to our stores and/or fulfill online or catalog orders.
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## **Other Risks Factors**

Our business is subject to numerous other risks that could materially adversely impact our consolidated financial condition and results of operations. These risks include, but are not limited to, the following:

<b><u>Risk</u></b>	<b><u>Description</u></b>
18. Failure to comply with applicable laws and regulations	Our policies, procedures and internal controls are designed to help us comply with all applicable foreign and domestic laws, accounting and reporting requirements, regulations and tax requirements, including those imposed by the Sarbanes-Oxley Act of 2002, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the Foreign Corrupt Practices Act, The Patient Protection and Affordable Care Act, the SEC and the New York Stock Exchange (“NYSE”), as well as applicable employment and data security laws and various applicable laws in foreign jurisdictions. We could be subject to legal or regulatory action in the event of our failure to comply, which could be expensive to defend and resolve and be disruptive to our business. Any changes in regulations, the imposition of additional regulations or the enactment of any new legislation that affects us may increase the complexity of the legal and regulatory environment in which we operate and the related costs of compliance.
19. Adverse outcomes of litigation matters	We are involved in litigation and other claims against our business. These matters arise primarily in the ordinary course of business but could raise complex factual and legal issues, presenting multiple risks and uncertainties and requiring significant management time. Our assessment could change in light of the discovery of facts with respect to pending or potential legal actions against us, not presently known to us, or determinations by judges, juries or other finders of fact which are inconsistent with our evaluation of the possible liability or outcome of such litigation. In addition, we may be subject to litigation which has not yet been filed.
20. Our inability to retain or recruit key personnel	Our success and ability to properly manage our business depends to a significant extent upon our ability to attract, develop and retain qualified employees, including executive and senior management and talented merchants. Competition for talented employees within our industry is intense. Failure to recruit and retain such personnel and implement appropriate succession planning, including the transition of new executives, particularly at the senior executive level, could jeopardize our future success.
21. Our inability to achieve the results of our strategic initiatives	We have launched significant initiatives designed to reposition our brands, drive sales, acquire new customers, establish new channels of distribution, achieve organization efficiency and further align the organizational structure for long-term growth. These initiatives require substantial internal change and effort, including reductions and changes in vendors and personnel, reductions in store locations and significant adjustments in how we design and source product and how we ultimately present and sell it to our customers. These initiatives may not deliver all of the results we expect. Moreover, the process of implementing them places significant stress on the Company and could result in unexpected short-term interruptions or negative impacts to our business, such as disruptions to our current business processes as we migrate to the new processes, or failure to successfully migrate to those new processes, which could negatively impact product flow, product quality or inventory levels, or result in impairment of long-lived assets.  In addition, there is no assurance that we can complete the implementation of all of these initiatives in the manner or in the time-frame planned, or that, once implemented, they will result in the expected increases in the efficiency or productivity of our business.

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22. The terms of our Credit Agreement may restrict our current and future operations, which could adversely affect our ability to respond to changes in our business, manage our operations, and it may be difficult to replace our credit facility
- Our credit agreement (the “Agreement”) contains customary representations, warranties, and affirmative covenants, as well as customary negative covenants, that, among other things restrict, subject to certain exceptions, the ability of the Company and certain of its domestic subsidiaries to: (i) incur liens, (ii) make investments, (iii) issue or incur additional indebtedness, (iv) undergo significant corporate changes, including mergers and acquisitions, (v) make dispositions, (vi) make restricted payments, (vii) prepay other indebtedness and (viii) enter into certain other restrictive agreements. The Company may pay cash dividends and repurchase shares under its share buyback program, subject to certain thresholds of available borrowings based upon the lesser of the aggregate amount of commitments under the Agreement and the borrowing base (the “Loan Cap”), determined after giving effect to any such transaction or payment, on a pro forma basis. The ability of the Company to comply with these provisions may be affected by events beyond our control. Failure to comply with these covenants could result in an event of default which, if not cured or waived, could accelerate the Company's repayment obligations. Also, the inability to obtain credit on commercially reasonable terms in the future when this facility expires could adversely impact our liquidity and results of operations. In addition, market conditions could potentially impact the size and terms of a replacement facility or facilities.
- Our Credit Agreement bears interest based on the London Interbank Offered Rate (“LIBOR”). Any changes in regulatory standards or industry practices, such as the transition away from LIBOR as a benchmark reference for short-term interests, may result in the usage of a higher reference rate for our variable rate debt.
23. War, terrorism, public health crises or other catastrophes
- In the event of war, acts of terrorism or the threat of terrorist attacks, public health crises, weather catastrophes or other events outside of our control, consumer spending could significantly decrease for a sustained period. In addition, local authorities or shopping center management could close stores in response to any immediate security concern, public health concern or weather catastrophe such as hurricanes, earthquakes or tornadoes. Any of these disruptions or other events outside of our control could affect our business negatively, harming our operating results.
- Similarly, war, acts of terrorism, threats of terrorist attacks, public health crises or a weather catastrophe could severely and adversely affect our National Store Support Center (“NSSC”) campus, our DC, or our entire supply chain. If any of our facilities, including our DC, our company-operated or franchised stores or the facilities of our suppliers or third-party service providers is affected by a natural disaster, public health crisis (such as a pandemic and epidemic), terrorism, war, political instability or other conflict, or other events outside of our control, our business and operating results could be negatively impacted.
- For example, as noted above in “Reliance on foreign sources of production,” the recent outbreak of the coronavirus (COVID-19) has already modestly affected our supply chain. In recent days, this outbreak has resulted in reduced customer traffic and the temporary reduction of operating hours for our stores as well as temporary store closures where government mandated. These recent developments are expected to result in lower sales and gross margin than provided in our previous outlook.
24. Our inability to protect our brands’ reputation
- Our ability to protect our brands’ reputations is an integral part of our general success strategy and is critical to the overall value of the brands. If we fail to maintain high standards for merchandise quality and integrity in our business conduct or fail to address other risk factors, including threats to data and privacy and cybersecurity, such failures could jeopardize our brands' reputations. Consumers value readily available information from social media and other sources concerning retailers and their goods and services and many times act on such information without further investigation in regards to its accuracy. Any negative publicity, whether true or not, may affect our reputation and brand and, consequently, reduce demand for our merchandise, decrease customer and investor loyalty and affect our vendor relationships.

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25. Our inability to protect our intellectual property      Although we devote resources to protect our intellectual property, others may still attempt to imitate our products or infringe upon our intellectual property rights. Other parties may also claim that some of our products infringe on their trademarks, copyrights or other intellectual property rights.
- In addition, the intellectual property laws and enforcement practices in many foreign countries can be substantially different from those in the U.S. There are also inherent challenges with enforcing intellectual property rights on third party e-commerce websites, especially those based in foreign jurisdictions. We cannot guarantee that such rights are not infringed.
26. Stock price volatility      The market price of our common stock has fluctuated substantially in the past and may continue to do so in the future. Future announcements or management discussions concerning us or our competitors, sales and profitability results, quarterly variations in operating results or comparable sales, updates on our strategic initiatives, changes in earnings estimates by analysts or the failure of investors or analysts to understand our business strategies or fundamental changes in our business or sector, among other factors, could cause the market price of our common stock to fluctuate substantially. In addition, stock markets have experienced periods of significant price or volume volatility in recent years. This volatility has had a substantial effect on the market prices of securities of many public companies for reasons frequently unrelated to the operating performance of the specific companies.
27. Our business could be impacted as a result of actions by activist shareholders or others      From time to time, we may be subject to legal and business challenges in the operation of our Company due to proxy contests, consent solicitations, shareholder proposals, media campaigns and other such actions instituted by activist shareholders or others. In the event of shareholder activism, particularly with respect to matters which our Board of Directors, in exercising their fiduciary duties, disagree with or have determined not to pursue, our business could be adversely affected because responding to such actions is costly and time-consuming, disruptive to our operations, may not align with our business strategies and may divert the attention of our Board of Directors and management from the pursuit of current business strategies. Perceived uncertainties as to our future direction or changes to the composition of our Board of Directors as a result of shareholder activism may lead to the perception of instability in the organization and its future and may make it more difficult to attract and retain qualified personnel, business partners and customers.
28. Disadvantageous lease obligations and commercial retail consolidation      We have, and will continue to have, significant lease obligations. If an existing or future store is not profitable, and we decide to close it, we may nonetheless be committed to fulfill our obligations under the applicable lease including paying the base rent for the balance of the lease term. Additionally, continued consolidation in the commercial retail real estate market could affect our ability to successfully negotiate favorable rental terms for our stores in the future and could concentrate our leases with fewer landlords who may then be in a position to dictate unfavorable terms to us due to their significant negotiating leverage. If we are unable to enter into new leases or renew existing leases on terms acceptable to us or be released from our obligations under leases for stores that we close, this could affect our ability to profitably operate our stores.
29. Changes to accounting rules and regulations may adversely affect our financial results, financial position and cash flows      Generally accepted accounting principles and related accounting pronouncements, implementation guidelines and interpretations that are relevant to our business, including but not limited to revenue recognition, leases, impairment of goodwill and intangible assets, inventory, income taxes and litigation, are highly complex and involve many subjective assumptions, estimates and judgments. Changes in these rules or their interpretation or changes in underlying assumptions, estimates or judgments could significantly change or increase volatility of our reported or expected financial performance or financial condition. See Note 1, to our consolidated financial statements under the heading “Recently Issued Accounting Pronouncements” for a description of recently issued accounting pronouncements, and “Critical Accounting Policies,” included in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations” for a discussion of accounting policies considered to be important to our operational results and financial condition. These and other future changes to accounting rules or regulations could have an adverse impact on our business, operational results, financial position and cash flow presentation.

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30. Fluctuations in our tax obligations and effective tax rate may result in volatility in our results of operations	We are subject to income and other taxes in local, national and international jurisdictions. Our tax returns and other tax matters are also subject to examination by the Internal Revenue Service and other tax authorities and governmental bodies. These examinations may challenge certain of our tax positions, such as the timing and amount of deductions and allocations of taxable income to various jurisdictions. The results of any tax audits could adversely affect our financial results. Furthermore, our effective tax rate in a given period may be materially impacted by changes in the mix and level of earnings by taxing jurisdiction and deductibility of excess share-based compensation.
31. The Company cannot provide any assurance that in the future the Company will continue to pay dividends or continue to repurchase stock pursuant to its share repurchase program	All decisions regarding authorization to pay a dividend on the Company's common stock or approve a share repurchase program will be made by the Company's Board of Directors (the "Board") from time to time based on the Board's evaluation of the best interests of the Company and its shareholders. The Board will complete each evaluation based on a review of the Company's stock price, future earnings, financial condition and other factors deemed relevant. There is no assurance that the Board will continue to declare dividends on the Company's common stock in the future. The Company's current share repurchase program authorizes \$300 million in share repurchases of the Company's common stock, of which \$55.2 million remained authorized for repurchase under the program as of February 1, 2020. However, the Company is not obligated to make any purchases under the share repurchase program and the program may be discontinued at any time.

### **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

### **ITEM 2. PROPERTIES**

#### **Stores**

At fiscal year-end for 2019, 2018 and 2017 our total consolidated selling square feet was 3.2 million, 3.4 million and 3.5 million, respectively. For a general description of our leases, see Note 1 to our consolidated financial statements under the heading "Operating Leases." As of February 1, 2020, our 1,341 stores were located in 46 states, Puerto Rico, the U.S. Virgin Islands and Canada, as follows:

Alabama	18	Maryland	37	Oregon	14
Arizona	32	Massachusetts	28	Pennsylvania	65
Arkansas	11	Michigan	35	Rhode Island	4
California	131	Minnesota	26	South Carolina	31
Colorado	24	Mississippi	11	South Dakota	3
Connecticut	21	Missouri	24	Tennessee	30
Delaware	8	Montana	3	Texas	127
Florida	123	Nebraska	8	Utah	8
Georgia	55	Nevada	17	Virginia	43
Idaho	4	New Hampshire	6	Washington	22
Illinois	54	New Jersey	46	West Virginia	4
Indiana	23	New Mexico	7	Wisconsin	13
Iowa	7	New York	47	U.S. Virgin Islands	1
Kansas	13	North Carolina	44	Puerto Rico	5
Kentucky	16	North Dakota	4	Ontario, Canada	10
Louisiana	19	Ohio	43		
Maine	3	Oklahoma	13		

**NSSC and Distribution Centers**

Our NSSC is located on approximately 63 acres in Fort Myers, Florida and consists of approximately 504,000 square feet of office space. Our distribution center is located on approximately 110 acres in Winder, Georgia and consists of approximately 550,000 square feet of distribution, fulfillment, call center and office space.

**ITEM 3. LEGAL PROCEEDINGS**

Information regarding legal proceedings is incorporated by reference from Note 12 to the accompanying consolidated financial statements under the heading “Commitments and Contingencies.”

**ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

**PART II**

**ITEM 5. MARKET FOR REGISTRANT’S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

Our common stock trades on the NYSE under the symbol “CHS.” On March 10, 2020, the last reported sale price of the common stock on the NYSE was \$2.78 per share. The number of holders of record of common stock on March 10, 2020 was 1,040.

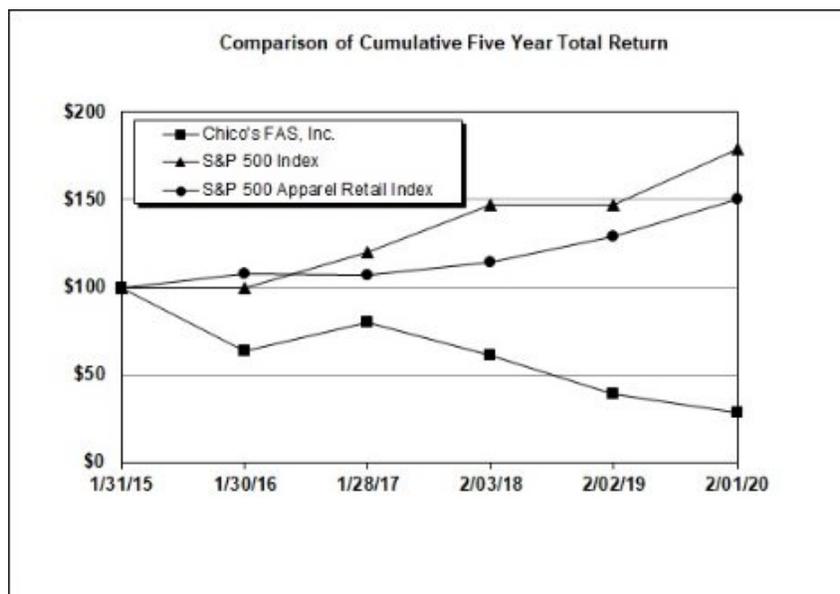
In November 2015, we announced a \$300 million share repurchase authorization for the Company's common stock. In fiscal 2018, we repurchased 12.2 million shares of the Company's common stock at approximately \$81.1 million. We did not repurchase any of the Company's common stock during fiscal 2019. As of February 1, 2020, \$55.2 million remains authorized for repurchase under the share repurchase program. 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 ("Board").

In fiscal 2019, we repurchased 457,365 restricted shares in connection with employee tax withholding obligations under employee compensation plans. No repurchases associated with employee tax withholding obligations under employee compensation plans were made during the fourth quarter of fiscal 2019.

While the Company currently expects that quarterly cash dividends will continue to be paid in the future at levels comparable to recent historical levels, any determination to pay future dividends will be made by the Board of Directors based on an evaluation of our stock price, future earnings, financial condition and other factors deemed relevant by the Board.

**Five Year Performance Graph**

The following graph compares the cumulative total return on our common stock with the cumulative total return of the companies in the Standard & Poor’s (“S&P”) 500 Index and the S&P 500 Apparel Retail Index. Cumulative total return for each of the periods shown in the Performance Graph is measured assuming an initial investment of \$100 on January 31, 2015 and the reinvestment of dividends.



	01/31/15	01/30/16	01/28/17	02/03/18	02/02/19	02/01/20
Chico's FAS, Inc.	\$ 100	\$ 64	\$ 80	\$ 61	\$ 39	\$ 29
S&P 500 Index	100	99	120	147	147	179
S&P 500 Apparel Retail Index	100	108	107	114	129	151

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**ITEM 6. SELECTED FINANCIAL DATA**

Selected Financial Data at the dates and for the periods indicated should be read in conjunction with, and is qualified in its entirety by reference to the consolidated financial statements and the notes thereto referenced in this Annual Report on Form 10-K.

	Fiscal Year				
	2019 (52 weeks)	2018 (52 weeks)	2017 (53 weeks)	2016 (52 weeks)	2015 (52 weeks)
(dollars in thousands, except per share amounts and number of stores data)					
<b>Summary of Operations: <sup>(1) (2)</sup></b>					
Net sales	\$ 2,037,875	\$ 2,131,140	\$ 2,282,379	\$ 2,476,410	\$ 2,660,635
Gross margin	701,878	763,414	864,777	946,836	1,026,871
Gross margin as a percent of net sales	34.4 %	35.8 %	37.9 %	38.2 %	38.6 %
(Loss) income from operations	(12,073)	43,666	145,170	140,702	(13,084)
(Loss) income from operations as a percent of net sales	(0.6)%	2.0 %	6.4 %	5.7 %	(0.5)%
Net (loss) income	(12,754)	35,613	101,000	91,229	1,946
Net (loss) income as a percent of net sales	(0.6)%	1.6 %	4.4 %	3.7 %	0.1 %
<b>Per Share Data:</b>					
Net (loss) income per common share-basic	\$ (0.11)	\$ 0.28	\$ 0.79	\$ 0.69	\$ 0.01
Net (loss) income per common and common equivalent share-diluted	\$ (0.11)	\$ 0.28	\$ 0.79	\$ 0.69	\$ 0.01
Weighted average common shares outstanding-basic	114,859	122,662	125,341	128,995	138,366
Weighted average common and common equivalent shares outstanding-diluted	114,859	122,729	125,403	129,237	138,741
Cash dividends per share	\$ 0.35	\$ 0.34	\$ 0.33	\$ 0.32	\$ 0.31
<b>Balance Sheet Data (at year-end):</b>					
Cash and marketable securities	\$ 127,865	\$ 186,115	\$ 220,131	\$ 192,505	\$ 140,145
Total assets <sup>(2)</sup>	1,542,659	1,007,034	1,087,605	1,108,994	1,166,052
Working capital <sup>(2)</sup>	17,057	209,954	247,557	174,766	167,190
Long-term debt	42,500	57,500	53,601	68,535	82,219
Shareholders' equity	530,092	579,964	656,382	609,173	639,788
<b>Other Selected Operating Data:</b>					
Percentage decrease in comparable sales	(3.4)%	(4.9)%	(7.7)%	(3.7)%	(1.5)%
Purchases of property and equipment	\$ 33,939	\$ 54,187	\$ 48,530	\$ 47,836	\$ 84,841
Investment in capitalized cloud computing arrangement service contracts	\$ 10,821	\$ 1,064	\$ —	\$ —	\$ —
Total depreciation and amortization	\$ 88,411	\$ 91,333	\$ 96,310	\$ 109,251	\$ 118,800
Goodwill and trade name impairment, pre-tax charges	\$ —	\$ —	\$ —	\$ —	\$ 112,455
Restructuring and strategic charges, pre-tax	\$ —	\$ —	\$ —	\$ 31,027	\$ 48,801
Total stores at year end	1,341	1,418	1,460	1,501	1,518
Total selling square feet (in thousands)	3,232	3,413	3,513	3,612	3,652

<sup>1</sup> Five-year table includes the operating results of Boston Proper in fiscal 2015, when the Company exited the business.

<sup>2</sup> In August 2018, the Financial Accounting Standards Board (the "FASB") issued ASU 2018-11, Targeted Improvements to ASC 842, Leases ("ASC 842"), which included a provision to apply ASC 842 at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use the initial application date as the effective date of ASC 842. Consequently, the comparative periods are presented in accordance with ASC 840, Leases, and are not restated in accordance with ASC 842.



**ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

The following discussion and analysis should be read in conjunction with the consolidated financial statements and notes thereto. References herein to "Notes" refer to the Notes to our consolidated financial statements. Each of the periods presented had fifty-two weeks, except for fiscal 2017, which consisted of fifty-three weeks.

**EXECUTIVE OVERVIEW**

We are a leading omnichannel specialty retailer of women's private branded, sophisticated, casual-to-dressy apparel, intimates and complementary accessories, operating under the Chico's, White House Black Market ("WHBM"), Soma and TellTale brand names in the United States ("U.S."), Puerto Rico, the U.S. Virgin Islands and Canada. We refer to our Chico's and WHBM brands collectively as our "Apparel Group" and refer to our Soma and TellTale brands collectively as our "Intimates Group." Our distinct lifestyle brands serve the needs of fashion-savvy women 35 years and older. We earn revenue and generate cash through the sale of merchandise in our domestic and international retail stores, our various Company-operated e-commerce websites, our call center (which takes orders for all of our brands), through unaffiliated franchise partners and through third-party channels.

We utilize an integrated, omnichannel approach to managing our business. We want our customers to experience our brands holistically and to view the various retail channels we operate as a single, integrated experience 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.

**Select Financial Results**

The following table depicts select financial results for fiscal 2019, 2018 and 2017:

	<b>Fiscal 2019</b>		<b>Fiscal 2018</b>		<b>Fiscal 2017</b>
	<b>(dollars in thousands, except per share amounts)</b>				
Net sales	\$ 2,037,875	\$	2,131,140	\$	2,282,379
Percentage decrease in comparable sales	(3.4)%		(4.9)%		(7.7)%
(Loss) income from operations	\$ (12,073)	\$	43,666	\$	145,170
Net (loss) income	\$ (12,754)	\$	35,613	\$	101,000
Net (loss) income per common and common equivalent share-diluted	\$ (0.11)	\$	0.28	\$	0.79

Loss per diluted share for fiscal 2019 was \$0.11 compared to earnings per diluted share of \$0.28 in fiscal 2018. The change in loss per share reflects a decrease in net income. Fiscal 2019 net loss includes the unfavorable impact of accelerated depreciation charges of approximately \$8 million, after-tax, related to our retail fleet optimization plan and severance and other related net charges (collectively, "Severance Charges") of approximately \$2 million, after-tax, in connection with actions taken to reposition our organizational structure. Fiscal 2018 net income includes the unfavorable impact of accelerated depreciation and impairment charges of approximately \$8 million, after-tax, related to our retail fleet optimization plan, partially offset by the favorable tax benefit of approximately \$5 million related to the Tax Cuts and Jobs Act of 2017 (the "Tax Act").

## Key Initiatives

Fiscal 2019 key initiatives included:

- ⑩ initiated new organizational structure and merchant leadership appointments that are designed to strengthen the organization, create clear lines of responsibility and accelerate sales driving priorities
- ⑩ made significant progress on executing new fiscal 2019 operating priorities which include: (i) driving stronger sales through improved product and marketing; (ii) optimizing the customer journey by simplifying, digitizing and extending the Company's unique and personalized service; and (iii) transforming sourcing and supply chain operations to increase product speed to market and improve quality
  - completed rollout of STYLECONNECT™, an enhanced platform that provides digitized clienteling tools to all stores
  - implemented Buy On-Line, Pick-up In-Store (BOPIS) capability across all brands
  - expanded focus on reducing China penetration to diversify country of origin mix and securing partnerships with key vendors to create a leaner, more efficient supply chain

## Future Outlook

The Company's outlook included in our fourth quarter Earnings Release filed on Form 8-K on February 27, 2020 does not reflect the developing impact of the coronavirus (COVID-19). In recent days, this outbreak has resulted in reduced customer traffic and the temporary reduction of operating hours for our stores as well as temporary store closures where government mandated. These recent developments are expected to result in lower sales and gross margin than provided in our previous outlook.

## Key Performance Indicators

In assessing the performance of our business, we consider a variety of key performance and financial measures to evaluate our business, develop financial forecasts and make strategic decisions. These key measures include comparable sales, gross margin as a percent of sales, diluted earnings per share and return on net assets ("RONA"). The following describes these measures.

### *Comparable Sales*

Comparable sales is an omnichannel measure of the amount of sales generated from products the Company sells directly to the consumer relative to the amount of sales generated in the comparable prior-year period. Comparable sales is defined as sales from stores open for the preceding twelve months, including stores that have been expanded, remodeled or relocated within the same general market and includes online and catalog sales, and beginning in the third quarter of fiscal 2019, includes international sales. The comparable sales calculation excludes the negative impact of stores closed four or more days and sales attributable to the fifty-third week in fiscal 2017. We believe comparable sales is a primary metric to measure the performance of our business as an increase in comparable sales can indicate improved operations at existing stores. Furthermore, comparable sales often is used as an operational tool to help manage store count.

### *Gross Margin as a Percentage of Net Sales*

Gross margin as a percentage of net sales is computed as gross margin divided by net sales. We believe gross margin as a percentage of net sales is a primary metric to measure the performance of our business as it is used to determine the value of incremental sales, and to guide pricing and promotion decisions.

### *Diluted Earnings per Share*

Earnings per share is determined using the two-class method when it is more dilutive than the treasury stock method. Basic earnings per share is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period, including participating securities. Diluted earnings per share reflects the dilutive effect of potential common shares from non-participating securities such as stock options, performance stock units and restricted stock units. Whereas basic earnings per share serves as an indicator of the Company's profitability, we believe diluted earnings per share is a primary metric provided it gauges the Company's quality of earnings per share assuming all potential common shares from non-participating securities are exercised.

### *Return on Net Assets*

RONA is defined as (a) net income divided by (b) the "five-point average" (based on balances at the beginning of the first quarter plus the final balances for each quarter of the fiscal year) of net working capital less cash and marketable securities plus fixed assets. We believe RONA is a primary metric as it helps to determine how well the Company is utilizing its assets. As such, a higher RONA could indicate that the Company is using its assets and working capital efficiently and effectively.

**Current Trends**

*Macroeconomic Impacts*

The Company has exposure to volatility of the macroeconomic environment due to political uncertainty and potential changes to international trade agreements, such as new tariffs imposed on certain Chinese-made products imported to the U.S. During fiscal 2018, the U.S. began to impose duties on certain Chinese-made imported products. In May 2019, the current administration announced an increase to the tariffs currently being imposed on certain imports from 10% to 25%, effective May 10, 2019, which was further increased to 30% beginning on October 1, 2019. In August 2019, the administration announced plans to implement a tariff of 15% on approximately \$300 billion of products imported into the U.S. from China. On August 13, 2019, the list of goods subject to the tariff, referred to as List 4, was divided into two parts. The tariffs for products on List 4a became effective as of September 1, 2019 and the tariffs for imported goods on List 4b became effective December 15, 2019. On February 14, 2020, the tariffs leveraged on items in List 4 and List 4a were reduced in half to 7.5%. To minimize these increased tariffs, the Company is actively engaging with its vendors on cost-sharing agreements, and managing and adjusting our forward buys and product pricing. The Company also anticipates its sourcing initiatives will largely offset any incremental tariff impacts.

*Other Developments*

In recent days, the COVID-19 outbreak in the United States has resulted in reduced customer traffic and the temporary reduction of operating hours for our stores as well as temporary store closures where government mandated. These recent developments are expected to result in lower sales and gross margin than provided in our previous outlook.

**RESULTS OF OPERATIONS**

*Net Sales*

The following table depicts net sales by Chico's, WHBM and Soma in dollars and as a percentage of total net sales for fiscal 2019, 2018 and 2017:

	<b>Fiscal 2019</b>	<b>%</b>	<b>Fiscal 2018</b>	<b>%</b>	<b>Fiscal 2017</b>	<b>%</b>
<b>(dollars in millions) <sup>(1)</sup></b>						
Chico's	\$ 1,045	51.3%	\$ 1,099	51.6%	\$ 1,188	52.0%
WHBM	627	30.8	695	32.6	751	32.9
Soma <sup>(2)</sup>	365	17.9	338	15.8	344	15.1
Total net sales	\$ 2,038	100.0%	\$ 2,131	100.0%	\$ 2,282	100.0%

<sup>(1)</sup> May not foot due to rounding.

<sup>(2)</sup> Includes TellTale net sales, which is not a significant component of Soma revenue.

For fiscal 2019, net sales were \$2.0 billion compared to \$2.1 billion in fiscal 2018. This decrease of 4.4% reflects a comparable sales decline of 3.4% as well as the impact of 77 net store closures since fiscal 2018. The comparable sales decline was driven by lower average dollar sale and a decrease in transaction count.

For fiscal 2018, net sales were \$2.1 billion compared to \$2.3 billion in fiscal 2017. This decrease of 6.6% reflects a comparable sales decline of 4.9%, the \$29 million benefit of the fifty-third week in fiscal 2017 and the impact of a 2.9% net decrease in selling square footage in 2018. The comparable sales decline was driven by a decrease in transaction count and lower average dollar sale.

The following table depicts comparable sales percentages for Chico's, WHBM and Soma for fiscal 2019, 2018 and 2017:

	<b>Fiscal 2019</b>	<b>Fiscal 2018 <sup>(1)</sup></b>	<b>Fiscal 2017 <sup>(2)</sup></b>
Chico's	(4.3)%	(6.8)%	(7.2)%
WHBM	(7.9)	(4.6)	(10.9)
Soma	8.8	0.6	(1.5)
Total Company	<b>(3.4)%</b>	<b>(4.9)%</b>	<b>(7.7)%</b>

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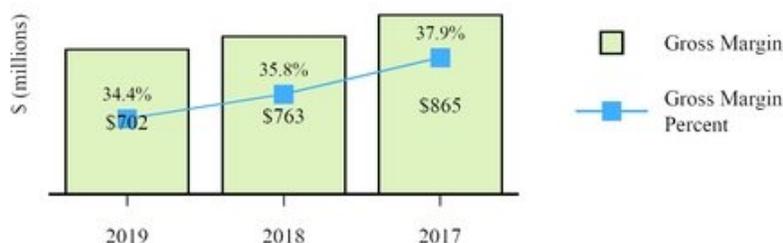
<sup>(1)</sup> Fiscal 2018 comparable sales represent sales for the fifty-two weeks ended February 2, 2019 compared to sales for the fifty-two weeks ended February 3, 2018.

<sup>(2)</sup> The fifty-third week of fiscal 2017 is excluded from the comparable sales calculation.

### **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 fiscal 2019, 2018 and 2017:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	(dollars in millions)		
Cost of goods sold	\$ 1,336	\$ 1,368	\$ 1,418
Gross margin	\$ 702	\$ 763	\$ 865
Gross margin percentage	34.4%	35.8%	37.9%



For fiscal 2019, gross margin was \$702 million, or 34.4%, compared to \$763 million, or 35.8%, in fiscal 2018. This 140-basis point decrease primarily reflects charges related to our omnichannel programs, the clearance of merchandise and the impact of incremental tariffs on maintained margin incurred in the second half of fiscal 2019.

For fiscal 2018, gross margin was \$763 million, or 35.8%, compared to \$865 million, or 37.9%, in fiscal 2017. The decline in gross margin primarily reflects the continued expansion of our omnichannel programs and deleverage of occupancy costs as well as a 50-basis point charge due to our retail fleet optimization plan, partially offset by an improvement in merchandise margin.

### **Selling, General and Administrative Expenses**

The following table depicts selling, general and administrative expenses ("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 fiscal 2019, 2018 and 2017:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	(dollars in millions)		
Selling, general and administrative expenses	\$ 714	\$ 720	\$ 720
Percentage of total net sales	35.0%	33.8%	31.5%



For fiscal 2019, SG&A was \$714 million, or 35.0%, compared to \$720 million, or 33.8%, in fiscal 2018. This \$6 million decrease primarily reflects a reduction in employee-related costs, partially offset by investments in marketing.

For fiscal 2018, SG&A was \$720 million, or 33.8%, compared to \$720 million, or 31.5%, in fiscal 2017. This 230-basis point increase primarily reflects investments in marketing and technology as well as deleverage of store-operating costs.

#### ***Retail Fleet Optimization Plan***

In the fourth quarter of fiscal 2018, the Company announced a three-year retail fleet optimization plan to rebalance the mix between our physical store presence and our digital network. This initiative is part of the Company's efforts to better capitalize on its omnichannel platform, reduce costs, and improve our profitability and return on invested capital. In fiscal 2019, the Company recorded pre-tax accelerated depreciation charges within cost of goods sold of approximately \$11 million associated with this retail fleet optimization plan. The fiscal 2019 after-tax impact of these charges was approximately \$8 million. In fiscal 2018, the Company recorded pre-tax accelerated depreciation and impairment charges within cost of goods sold of approximately \$1 million and \$9 million, respectively. The fiscal 2018 after-tax impact of these charges was approximately \$8 million.

#### ***Income Taxes***

The effective tax rate for fiscal 2019, 2018 and 2017 was provisions of (6.7)%, 17.8% and 29.7%, respectively. The fiscal 2019 effective tax rate primarily reflects an income tax benefit on an annual operating loss, offset by an unfavorable fiscal 2018 provision-to-return adjustment, a valuation allowance on certain deferred tax assets for charitable contributions with limitations and employee share-based compensation expense. The fiscal 2018 effective tax rate reflects benefits from the Tax Act which include the lower federal statutory rate of 21% compared to a fiscal 2017 blended federal tax rate of 33.8% due to the timing of the effective date of the Tax Act. The fiscal 2018 effective tax rate also reflects approximately \$5 million of transitional tax reform benefits related to fiscal 2017, partially offset by an approximate \$1 million increase in tax expense related to the accounting for employee share-based compensation expense. Excluding the aforementioned favorable and unfavorable impacts to the effective tax rates, the fiscal 2019, 2018 and 2017 effective tax rate provisions would have been 26.4%, 25.8% and 36.4%, respectively.

#### ***Net (Loss) Income and Earnings Per Diluted Share***

Net loss for fiscal 2019 was \$13 million, or \$0.11 loss per diluted share, compared to net income for fiscal 2018 of \$36 million, or \$0.28 earnings per diluted share. Fiscal 2019 net loss includes the unfavorable impact of accelerated depreciation charges of approximately \$8 million, after-tax, related to our retail fleet optimization plan and Severance Charges of approximately \$2 million, after-tax, in connection with actions take to reposition our organizational structure. The change in earnings per share reflects a decrease in net income.

Net income for fiscal 2018 was \$36 million, or \$0.28 earnings per diluted share, compared to net income for fiscal 2017 of \$101 million, or \$0.79 earnings per diluted share. Fiscal 2018 net income includes the unfavorable impact of impairment and accelerated depreciation charges of approximately \$8 million, after-tax, related to our retail fleet optimization plan, partially offset by the favorable tax benefit of approximately \$5 million related to the Tax Act. The change in earnings per share reflects a decrease in net income partially offset by the impact of share repurchases in fiscal 2018.

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### Cash, Marketable Securities and Debt

At the end of fiscal 2019, cash and marketable securities totaled \$128 million while debt totaled \$43 million.

### Inventories

At the end of fiscal 2019, inventories totaled \$247 million compared to \$235 million at the end of fiscal 2018. This \$12 million increase, or 4.9%, primarily reflects the ongoing investment in Soma inventory to fund growth.

### Liquidity and Capital Resources

#### Overview

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 omnichannel capabilities, including expanded, relocated and remodeled stores; information technology; and supply chain.

The following table summarizes cash flows for fiscal 2019, 2018 and 2017:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	(dollars in millions) <sup>(1)</sup>		
Net cash provided by operating activities	\$ 33	\$ 158	\$ 167
Net cash used in investing activities	(36)	(56)	(58)
Net cash used in financing activities	(58)	(138)	(91)
Net (decrease) increase in cash and cash equivalents	\$ (60)	\$ (36)	\$ 18

<sup>(1)</sup> May not foot due to rounding.

#### Operating Activities

Net cash provided by operating activities in fiscal 2019 was \$33 million compared to \$158 million for fiscal 2018. This \$125 million decrease primarily reflects lower fiscal 2019 net income, a decline in share-based compensation and investments in cloud computing arrangement ("CCA") service contracts and Soma inventory to fund growth.

Net cash provided by operating activities in fiscal 2018 was \$158 million compared to \$167 million for fiscal 2017. This \$9 million decrease primarily reflects a decline in fiscal 2018 net income and an increase in income tax receivables which was partially offset by the timing of vendor payments and payroll accruals, payments made in fiscal 2017 for outside services, the clearing of seasonal merchandise and the impact of lower incentive compensation payments.

#### Investing Activities

Net cash used in investing activities for fiscal 2019 was \$36 million compared to \$56 million for fiscal 2018, primarily reflecting a \$20 million decrease in purchases of property and equipment as we continue to invest in CCA service contracts.

Net cash used in investing activities for fiscal 2018 was \$56 million compared to \$58 million for fiscal 2017. The change in net cash used in investing activities reflects an \$8 million net decrease in marketable securities activity as a result of the timing of securities purchases and sales, partially offset by an increase in purchases of property and equipment.

**Financing Activities**

Net cash used in financing activities for fiscal 2019 was \$58 million compared to \$138 million in fiscal 2018, primarily reflecting an \$81 million decrease in share repurchases. In fiscal 2019, we paid four cash dividends at \$0.0875 per share on our common stock, totaling \$41 million, and received approximately \$1 million in proceeds from issuing approximately 2 million shares related to employee stock ownership plans.

Net cash used in financing activities for fiscal 2018 was \$138 million compared to \$91 million in fiscal 2017. This \$47 million increase in net cash used in financing activities primarily reflects a \$54 million increase in share repurchases in fiscal 2018 compared to fiscal 2017, partially offset by a decrease in payments on net borrowings under our credit agreement in fiscal 2018. In fiscal 2018, we paid four cash dividends at \$0.085 per share on our common stock, totaling \$43 million, and received approximately \$1 million in proceeds from issuing approximately 2 million shares related to employee stock ownership plans and stock option exercises.

**Store and Franchise Activity**

During fiscal 2019, we had 77 net store closures, consisting of 28 Chico's stores, 34 WHBM stores and 15 Soma stores. As part of our retail fleet optimization plan, we closed 94 underperforming stores since the announcement of our plan, with anticipated closures of approximately 60 to 70 stores in fiscal 2020. We also plan to invest in opening approximately 10 Soma stores in fiscal 2020. We continuously evaluate the appropriate store base in light of economic conditions and our business strategy and may adjust the openings and closures as conditions require or as opportunities arise. As of February 1, 2020, the Company's franchise operations consisted of 70 international retail locations in Mexico and 2 domestic airport locations.

**Contractual Obligations**

The following table summarizes our contractual obligations at February 1, 2020:

	<u>Total</u>	<u>One year or less</u>	<u>2-3 years</u>	<u>4-5 years</u>	<u>After 5 years</u>
	(in millions)				
Operating leases <sup>(1)</sup>	\$ 819	\$ 195	\$ 341	\$ 180	\$ 104
Purchase orders	335	331	2	2	—
Capital expenditures	8	8	—	—	—
Long-term debt obligations	43	—	—	43	—
Interest payments on long-term debt	4	1	2	1	—
Total	<u>\$ 1,210</u>	<u>\$ 535</u>	<u>\$ 345</u>	<u>\$ 226</u>	<u>\$ 104</u>

<sup>(1)</sup> May not cross-foot due to rounding.

As of February 1, 2020, our contractual obligations consisted of: 1) amounts outstanding under operating leases, 2) open purchase orders for inventory and other operating expenses, in the normal course of business, 3) contractual commitments for fiscal 2020 capital expenditures, 4) long-term debt obligations and 5) interest payments on long-term debt.

Until formal resolutions are reached between us and the relevant taxing authorities, we are unable to estimate a final determination related to our uncertain tax positions and therefore, we have excluded the uncertain tax positions, totaling approximately \$1 million at February 1, 2020 from the above table.

**Credit Facility**

On August 2, 2018, the Company and certain of its domestic subsidiaries entered into a credit agreement (the "Agreement") as borrowers and guarantors, with Wells Fargo Bank, National Association, as Agent, letter of credit issuer and swing line lender, and certain lenders party thereto. Our obligations under the Agreement are guaranteed by the subsidiary guarantors and secured by a lien on certain assets of the Company and the subsidiary borrowers and guarantors, including inventory, accounts receivable, cash deposits, and certain insurance proceeds.

The Agreement provides for a five-year asset-based senior secured revolving loan and letter of credit facility of up to \$200 million, maturing August 2, 2023. In addition, during the term of the Agreement, the Company may increase the commitments under the Agreement by up to an additional \$100 million, subject to customary conditions, including obtaining the agreements from the lenders to provide such commitment increase. The interest rate applicable to the loans under the

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Agreement will be equal to, at the Company's option, either a base rate, determined by reference to the federal funds rate, plus an interest rate margin, or LIBOR, plus an interest rate margin, in each case, depending on availability under the Agreement. The Company expects borrowings to be at LIBOR, plus an interest rate margin. In addition, the Company will pay a commitment fee per annum on the unused portion of the commitments under the Agreement.

As of February 1, 2020, approximately \$43 million in net borrowings were outstanding under the Agreement and is reflected as long-term debt in the accompanying consolidated balance sheet in this Form 10-K.

The Company is currently evaluating the impact that the pending discontinuation of, or transition away from, LIBOR will have on the Agreement. We have been in discussions with Wells Fargo Bank, National Association regarding this and do not expect the move to have a significant impact on our consolidated financial statements.

### ***Off-Balance Sheet Arrangements***

At February 1, 2020 and February 2, 2019, we did not have any relationship with unconsolidated entities or financial partnerships for the purpose of facilitating off-balance sheet arrangements or for other contractually narrow or limited purposes.

### **Critical Accounting Policies**

The discussion and analysis of our consolidated 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 U.S. The preparation of consolidated financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and 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 following assumptions and estimates are significant to reporting our consolidated results of operations and financial position.

#### ***Inventory Valuation and Shrinkage***

We identify potentially excess and slow-moving inventories by evaluating inventory aging, turn rates and inventory levels in conjunction with our overall sales trend. Further, inventory realization exposure is identified through analysis of gross margins and markdowns in combination with changes in current business trends. We record excess and slow-moving inventories at net realizable value and may liquidate certain slow-moving inventory through third parties. Historically, the variation of those estimates to actual results is immaterial and material variation is not expected in the future.

We estimate our expected shrinkage of inventories between our physical inventory counts by using average store shrinkage experience rates, which are updated on a regular basis. Historically, the variation of those estimates to actual results is immaterial and material variation is not expected in the future.

#### ***Revenue Recognition***

Retail sales by our stores are recorded at the point of sale and are net of estimated customer returns, sales discounts under rewards programs and company issued coupons, promotional discounts and employee discounts. For sales from our websites and catalogs, revenue is recognized at the point of shipment. Amounts related to shipping and handling costs billed to customers are recorded in net sales and the related shipping and handling costs are recorded in cost of goods sold in the accompanying consolidated statements of (loss) income. Amounts paid by customers to cover shipping and handling costs are immaterial.

We sell gift cards in stores, on our Company-operated e-commerce websites and through third parties. Our gift cards do not have expiration dates. We account for gift cards by recognizing a liability at the time the gift card is sold. The liability is relieved and revenue is recognized for gift cards upon redemption. In addition, we recognize revenue for the amount of gift cards expected to go unredeemed (commonly referred to as gift card breakage) under the redemption recognition method. This method records gift card breakage as revenue on a proportional basis over the redemption period based on our historical gift card breakage rate. We determine the gift card breakage rate based on our historical redemption patterns. We recognize revenue on the remaining unredeemed gift cards based on determining that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions.

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Soma offers a points-based loyalty program in which customers earn points based on purchases. Attaining specified loyalty point levels results in the issuance of reward coupons to discount future purchases. As program members accumulate points, we accrue the estimated future liability, adjusted for expected redemption rates and expirations. The liability is relieved and revenue is recognized for loyalty point reward coupons upon redemption. In addition, we recognize revenue on unredeemed points when it can be determined that the likelihood of the point being redeemed is remote and there is no legal obligation to remit the point value. We determined the loyalty point breakage rate based on historical and redemption patterns.

As part of the normal sales cycle, we receive customer merchandise returns related to store, website and catalog sales. To account for the financial impact of potential customer merchandise returns, we estimate future returns on previously sold merchandise. Reductions in sales and gross margin are recorded for estimated merchandise returns based on return history, current sales levels and projected future return levels.

Our policy towards taxes assessed by a government authority directly imposed on revenue producing transactions between a seller and a customer is, and has been, to exclude all such taxes from net sales.

### ***Evaluation of Long-Lived Assets, Goodwill and Indefinite-Lived Intangible Assets***

Long-lived assets are reviewed periodically for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If future undiscounted cash flows expected to be generated by the asset are less than its carrying amount, an asset is determined to be impaired, and a loss is recorded for the amount by which the carrying value of the asset exceeds its fair value. The Company uses market participant rents to calculate the fair value of right of use assets ("ROU") and discounted future cash flows of the asset or asset group using a discount rate that approximates the cost of capital of a market participant to quantify fair value for other long-lived assets. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores, is primarily at the store level. The estimate of future cash flows requires management to make certain assumptions and to apply judgment, including forecasting future sales and the useful lives of the assets. We exercise our best judgment based on the most current facts and circumstances surrounding our business when applying these impairment rules. We establish our assumptions and arrive at the estimates used in these calculations based upon our historical experience, knowledge of the retail industry and by incorporating third-party data, which we believe results in a reasonably accurate approximation of fair value. Nevertheless, changes in the assumptions used could have an impact on our assessment of recoverability.

We review our goodwill for impairment at the reporting unit level on an annual basis, or when circumstances indicate its carrying value may not be recoverable. We evaluate the appropriateness of performing a qualitative assessment, on a reporting unit level, based on current circumstances. If we do not perform a qualitative assessment, or if we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we will calculate the estimated fair value of the reporting unit. Fair value is determined based on both an income approach and market approach. The income approach is based on estimated future cash flows, discounted at a rate that approximates the cost of capital of a market participant, while the market approach is based on sales and EBITDA multiples of similar companies and/or transactions, or other available indications of value. These approaches use significant estimates and assumptions, including projected future cash flows and the timing of those cash flows, discount rates reflecting risks inherent in future cash flows, perpetual growth rates and determination of appropriate market comparables. Estimating the fair value is judgmental in nature, which could have a significant impact on whether or not an impairment charge is recognized and the magnitude of any such charges. Upon adoption of Accounting Standards Update ("ASU") 2017-04 as further discussed in Note 1 to our consolidated financial statements under the heading "Business Organization and Summary of Significant Accounting Policies," goodwill impairment charges are calculated as the amount by which a reporting unit's carrying amount exceeds its fair value up to the amount of reported goodwill.

We review our other indefinite-lived intangible assets for impairment on an annual basis, or when circumstances indicate its carrying value may not be recoverable. We evaluate the appropriateness of performing a qualitative assessment based on current circumstances. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we calculate the fair value of the indefinite-lived intangible assets using a discounted cash flow method, based on the relief from royalty concept.

### *Operating Leases*

Rent expense under store operating leases is recognized on a straight-line basis over the term of the leases. Landlord incentives, “rent-free” periods, rent escalation clauses and other fixed rental expenses are also amortized on a straight-line basis over the term of the leases, including the construction period. This is generally 60–90 days prior to the store opening date, when we generally begin improvements in preparation for our intended use. Variable rental expenses are recognized as incurred. Tenant improvement allowances are amortized as a reduction of rent expense over the term of the lease and are recorded as a deferred lease credit within deferred liabilities in fiscal 2018 and recorded within right of use assets in fiscal 2019 upon adoption of ASC 842.

### *Income Taxes*

Income taxes are accounted for in accordance with authoritative guidance, which requires the use of the asset and liability method. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Inherent in the measurement of deferred balances are certain judgments and interpretations of existing tax law and published guidance as applicable to our operations. Deferred tax assets are reduced, if necessary, by a valuation allowance to the extent future realization of those tax benefits are uncertain. Our effective tax rate considers management’s judgment of expected tax liabilities within the various taxing jurisdictions in which we are subject to tax.

We record amounts for uncertain tax positions that management believes are supportable, but are potentially subject to successful challenge by the applicable taxing authority. Consequently, changes in our assumptions and judgments could affect amounts recognized related to income tax uncertainties and may affect our consolidated results of operations or financial position. We believe our assumptions for estimates continue to be reasonable, although actual results may have a positive or negative material impact on the balances of such tax positions. Historically, the variation of estimates to actual results is immaterial and material variation is not expected in the future.

### **Adoption of New Accounting Pronouncements**

As discussed in Note 1 and Note 8 to the accompanying consolidated financial statements under the headings "Business Organization and Summary of Significant Accounting Policies" and "Leases," respectively, we adopted ASC 842 as of February 3, 2019. As of February 1, 2020, we had \$648 million, \$157 million, and \$556 million of operating lease right of use assets, current portion of operating lease liabilities and noncurrent portion of operating lease liabilities, respectively, as a result of the adoption of this accounting standard.

### **Recently Issued Accounting Pronouncements**

See Note 1 to the accompanying consolidated financial statements under the heading "Business Organization and Summary of Significant Accounting Policies" for a description of certain newly issued accounting pronouncements which may impact our financial statements in future reporting periods.

### **Forward-Looking Statements**

This Form 10-K 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 the future success of our store concepts and business initiatives. These statements may address items such as future sales and sales initiatives, business strategies and strategic initiatives, customer traffic, gross margin expectations, SG&A expectations, including expected savings, operating margin expectations, earnings per share expectations, planned store openings, closings and expansions, proposed business ventures, new channels of sales or distribution, expected impact of ongoing litigation, future stock repurchase plans, future plans to pay dividends, future comparable sales, future product sourcing plans, future inventory levels, including the ability to leverage inventory management and targeted promotions, planned marketing expenditures, planned capital expenditures and future cash needs.

These statements relate to expectations concerning matters that are not historical fact and may include the words or phrases such as “will,” “should,” “expects,” “believes,” “anticipates,” “plans,” “intends,” “estimates,” “approximately,” “our planning assumptions,” “future outlook” and similar expressions. Except for historical information, matters discussed in this Form 10-K 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

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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 this Annual Report on Form 10-K and the following:

The financial strength of retailing in particular and the economy in general; the extent of financial difficulties or economic uncertainty that may be experienced by customers; changes in the general or specialty or apparel industries; significant shifts in consumer behavior; our ability to secure and maintain customer acceptance of styles and in-store and online concepts; the ability to leverage inventory management and targeted promotions; the ability to effectively manage our inventory and allocation processes; the extent and nature of competition in the markets in which we operate; the ability to remain competitive with customer shipping terms and costs pertaining to product deliveries and returns; 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 strategies, awareness and marketing programs; the ability to coordinate product development with buying and planning; the quality and timeliness of merchandise received from suppliers; changes in the costs of manufacturing, raw materials, transportation, distribution, labor and advertising; the availability of quality store sites; our ability to manage our store fleet and the risk that our investments in merchandise or marketing initiatives may not deliver the results we anticipate; our ability to successfully navigate the increasing use of on-line retailers for fashion purchases and the pressure that puts on traffic and transactions in our physical stores; the ability to operate our own retail websites in a manner that produces profitable sales; the ability to successfully identify and implement additional sales and distribution channels; the ability to successfully execute our business strategies and particular strategic initiatives (including, but not limited to, the Company's revised organizational cost structure, retail fleet optimization plan and three operating priorities which are driving stronger sales through improved product and marketing; optimizing the customer journey by simplifying, digitizing and extending the Company's unique and personalized service; and transforming sourcing and supply chain operations to increase product speed to market and improve quality), sales initiatives and multi-channel strategies, customer traffic; and to achieve the expected results from them; the continuing performance, implementation and integration of management information systems; the impact of any systems failures, cyber security or other data 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 domestic and foreign information security and privacy laws and regulations in the event of such an incident; the ability to hire, train, motivate and retain qualified sales associates, managerial employees and other employees; the successful recruitment of leadership and the successful integration of new members of our senior management team; uncertainties regarding future unsolicited offers to buy the Company and our ability to respond effectively to them as well as to actions of activist shareholders and others; changes in the political environment that create consumer uncertainty; significant changes to product import and distribution costs (such as unexpected consolidation in the freight carrier industry); the ability to utilize our distribution center and other support facilities in an efficient and effective manner; the ability to secure and protect trademarks and other intellectual property rights and to protect our reputation and brand images; the risk that natural disasters, public health crises, political uprisings, uncertainty or unrest, or other catastrophic events could adversely affect our operations and financial results, including the impact of the coronavirus outbreak on manufacturing operations in China and our supply chain, customer traffic and our operations in general; the impact of unanticipated changes in legal, regulatory or tax laws; the risks and uncertainties that are related to our reliance on sourcing from foreign suppliers, including significant economic (including the impact of changes in tariffs, taxes or other import regulations, particularly with respect to China), labor, political or other shifts; and changes in governmental policies in or towards foreign countries; currency exchange rates and other similar factors.

All 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-K. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

**ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The market risk of our financial instruments as of February 1, 2020 has not significantly changed since February 2, 2019. 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 August 2, 2018, we entered into a new credit agreement, as further discussed in Note 10 to the accompanying consolidated financial statements under the heading "Debt." The Agreement, which matures on August 2, 2023, has borrowing options which accrue interest, at our election, at either a base rate, determined by reference to the federal funds rate, plus an interest rate margin, or LIBOR, plus an interest rate margin, as defined in the Agreement. As of February 1, 2020, \$42.5 million in net borrowings were outstanding under the Agreement and is reflected as long-term debt in the accompanying consolidated balance sheet. An increase or decrease in market interest rates of 100 basis points would not have a material effect on annual interest expense. This hypothetical analysis may differ from the actual experience or market developments that could result in a change in interest rates under the Agreement.

The Company is currently evaluating the impact that the pending discontinuation of, or transition away from, LIBOR will have on the Agreement. We have been in discussions with Wells Fargo Bank, National Association regarding this and do not expect the move to have a significant impact on the accompanying consolidated financial statements.

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 corporate bonds and commercial paper. The marketable securities portfolio as of February 1, 2020, consisted of \$34.0 million of securities with maturity dates within one year or less and \$29.9 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 February 1, 2020, 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 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Chico's FAS, Inc.

**Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Chico's FAS, Inc. and subsidiaries (the Company) as of February 1, 2020 and February 2, 2019, the related consolidated statements of (loss) income, comprehensive (loss) income, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 1, 2020, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at February 1, 2020 and February 2, 2019, and the results of its operations and its cash flows for each of the three fiscal years in the period ended February 1, 2020 in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) ("PCAOB"), the Company's internal control over financial reporting as of February 1, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 16, 2020 expressed an unqualified opinion thereon.

**Adoption of New Accounting Standard**

As discussed in Note 1 and Note 8 to the consolidated financial statements, the Company changed its method of accounting for leases in fiscal 2019 due to the adoption of Accounting Standards Update (ASU) No. 2016-02 (Topic 842), *Leases*, as amended.

**Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ ERNST & YOUNG LLP

We have served as the Company's auditor since 2002.  
Tampa, Florida  
March 16, 2020

## CHICO'S FAS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF (LOSS) INCOME  
(In thousands, except per share amounts)

	FISCAL YEAR ENDED					
	February 1, 2020		February 2, 2019		February 3, 2018	
	(52 weeks)		(52 weeks)		(53 weeks)	
	Amount	% of Sales	Amount	% of Sales	Amount	% of Sales
<b>Net Sales</b>	\$ 2,037,875	100.0 %	\$ 2,131,140	100.0 %	\$ 2,282,379	100.0 %
Cost of goods sold	1,335,997	65.6	1,367,726	64.2	1,417,602	62.1
<b>Gross Margin</b>	701,878	34.4	763,414	35.8	864,777	37.9
Selling, general and administrative expenses	713,951	35.0	719,748	33.8	719,607	31.5
<b>(Loss) Income from Operations</b>	(12,073)	(0.6)	43,666	2.0	145,170	6.4
Interest income (expense), net	119	0.0	(353)	0.0	(1,570)	(0.1)
<b>(Loss) Income before Income Taxes</b>	(11,954)	(0.6)	43,313	2.0	143,600	6.3
Income tax provision	800	0.0	7,700	0.4	42,600	1.9
<b>Net (Loss) Income</b>	\$ (12,754)	(0.6)%	\$ 35,613	1.6 %	\$ 101,000	4.4 %
<b>Per Share Data:</b>						
Net (loss) income per common share-basic	\$ (0.11)		\$ 0.28		\$ 0.79	
Net (loss) income per common and common equivalent share-diluted	\$ (0.11)		\$ 0.28		\$ 0.79	
Weighted average common shares outstanding-basic	114,859		122,662		125,341	
Weighted average common and common equivalent shares outstanding-diluted	114,859		122,729		125,403	

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

## CHICO'S FAS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE (LOSS) INCOME  
(In thousands)

	FISCAL YEAR ENDED		
	February 1, 2020 (52 weeks)	February 2, 2019 (52 weeks)	February 3, 2018 (53 weeks)
<b>Net (Loss) Income</b>	\$ (12,754)	\$ 35,613	\$ 101,000
Other comprehensive income:			
Unrealized gains (losses) on marketable securities, net of taxes	200	189	(135)
Foreign currency translation (losses) gains	(267)	(467)	119
<b>Comprehensive (Loss) Income</b>	\$ (12,821)	\$ 35,335	\$ 100,984

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

## CHICO'S FAS, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS  
(In thousands)

	February 1, 2020	February 2, 2019
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 63,972	\$ 124,128
Marketable securities, at fair value	63,893	61,987
Inventories	246,737	235,218
Prepaid expenses and other current assets	48,200	63,845
<b>Total Current Assets</b>	<b>422,802</b>	<b>485,178</b>
<b>Property and Equipment, net</b>	<b>315,382</b>	<b>370,932</b>
<b>Right of Use Assets</b>	<b>648,397</b>	<b>—</b>
<b>Other Assets:</b>		
Goodwill	96,774	96,774
Other intangible assets, net	38,930	38,930
Other assets, net	20,374	15,220
<b>Total Other Assets</b>	<b>156,078</b>	<b>150,924</b>
	<b>\$ 1,542,659</b>	<b>\$ 1,007,034</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current Liabilities:</b>		
Accounts payable	\$ 134,204	\$ 143,404
Current lease liabilities	157,043	—
Other current and deferred liabilities	114,498	131,820
<b>Total Current Liabilities</b>	<b>405,745</b>	<b>275,224</b>
<b>Noncurrent Liabilities:</b>		
Long-term debt	42,500	57,500
Long-term lease liabilities	555,922	—
Other noncurrent and deferred liabilities	8,188	89,109
Deferred taxes	212	5,237
<b>Total Noncurrent Liabilities</b>	<b>606,822</b>	<b>151,846</b>
<b>Commitments and Contingencies: (see Note 12)</b>		
<b>Shareholders' Equity:</b>		
Preferred stock, \$.01 par value; 2,500 shares authorized; no shares issued and outstanding	—	—
Common stock, \$.01 par value; 400,000 shares authorized; 159,715 and 158,246 shares issued; and 118,418 and 116,949 shares outstanding, respectively	1,184	1,169
Additional paid-in capital	492,129	486,406
Treasury stock, at cost, 41,297 shares and 41,297 shares, respectively	(494,395)	(494,395)
Retained earnings	531,602	587,145
Accumulated other comprehensive loss	(428)	(361)
<b>Total Shareholders' Equity</b>	<b>530,092</b>	<b>579,964</b>
	<b>\$ 1,542,659</b>	<b>\$ 1,007,034</b>

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

**CHICO'S FAS, INC. AND SUBSIDIARIES**
**CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**  
(In thousands, except per share amounts)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Shares	Par Value		Shares	Amount			
<b>BALANCE, January 28, 2017</b>	128,753	\$ 1,288	\$ 452,756	26,417	\$ (386,094)	\$ 541,251	\$ (28)	\$ 609,173
Net income	—	—	—	—	—	101,000	—	101,000
Unrealized loss on marketable securities, net of taxes	—	—	—	—	—	—	(135)	(135)
Foreign currency translation adjustment	—	—	—	—	—	—	119	119
Issuance of common stock	1,931	19	2,108	—	—	—	—	2,127
Dividends on common stock (\$0.33 per share)	—	—	—	—	—	(42,441)	—	(42,441)
Repurchase of common stock	(3,213)	(32)	(6,735)	2,697	(27,371)	—	—	(34,138)
Share-based compensation	—	—	20,677	—	—	—	—	20,677
<b>BALANCE, February 3, 2018</b>	127,471	1,275	468,806	29,114	(413,465)	599,810	(44)	656,382
Cumulative effect of adoption of ASU 2018-02, ASU 2016-16 and ASU 2014-09	—	—	—	—	—	(5,015)	(39)	(5,054)
<b>BALANCE, February 3, 2018, as adjusted</b>	127,471	1,275	468,806	29,114	(413,465)	594,795	(83)	651,328
Net income	—	—	—	—	—	35,613	—	35,613
Unrealized gain on marketable securities, net of taxes	—	—	—	—	—	—	189	189
Foreign currency translation adjustment	—	—	—	—	—	—	(467)	(467)
Issuance of common stock	2,073	21	1,527	—	—	—	—	1,548
Dividends on common stock (\$0.34 per share)	—	—	—	—	—	(43,263)	—	(43,263)
Repurchase of common stock	(12,595)	(127)	(3,710)	12,183	(80,930)	—	—	(84,767)
Share-based compensation	—	—	19,783	—	—	—	—	19,783
<b>BALANCE, February 2, 2019</b>	116,949	1,169	486,406	41,297	(494,395)	587,145	(361)	579,964
Cumulative effect of adoption of ASU 2016-02 (see Note 1)	—	—	—	—	—	(1,287)	—	(1,287)
<b>BALANCE, February 2, 2019, as adjusted</b>	116,949	1,169	486,406	41,297	(494,395)	585,858	(361)	578,677
Net loss	—	—	—	—	—	(12,754)	—	(12,754)
Unrealized gain on marketable securities, net of taxes	—	—	—	—	—	—	200	200
Foreign currency translation adjustment	—	—	—	—	—	—	(267)	(267)
Issuance of common stock	1,926	19	1,124	—	—	—	—	1,143
Dividends on common stock (\$0.35 per share)	—	—	—	—	—	(41,502)	—	(41,502)
Repurchase of common stock	(457)	(4)	(2,546)	—	—	—	—	(2,550)
Share-based compensation	—	—	7,145	—	—	—	—	7,145
<b>BALANCE, February 1, 2020</b>	118,418	\$ 1,184	\$ 492,129	41,297	\$ (494,395)	\$ 531,602	\$ (428)	\$ 530,992

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

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

	<b>FISCAL YEAR ENDED</b>		
	<b>February 1, 2020</b> <b>(52 weeks)</b>	<b>February 2, 2019</b> <b>(52 weeks)</b>	<b>February 3, 2018</b> <b>(53 weeks)</b>
<b>Cash Flows from Operating Activities:</b>			
Net (loss) income	\$ (12,754)	\$ 35,613	\$ 101,000
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Depreciation and amortization	88,411	91,333	96,310
Non-cash lease expense	212,595	—	—
Loss on disposal and impairment of long-lived assets, net	2,343	13,628	7,042
Deferred tax benefit	(3,326)	(2,100)	(2,070)
Share-based compensation	7,145	19,783	20,677
Deferred rent and lease credits	—	(19,527)	(19,692)
Changes in assets and liabilities:			
Inventories	(11,519)	(2,316)	(1,363)
Prepaid expenses and other assets	(11,302)	1,250	(4,895)
Accounts payable	(9,525)	25,097	1,950
Accrued and other liabilities	(603)	(4,687)	(32,086)
Lease liability	(228,121)	—	—
Net cash provided by operating activities	<u>33,344</u>	<u>158,074</u>	<u>166,873</u>
<b>Cash Flows from Investing Activities:</b>			
Purchases of marketable securities	(49,663)	(38,693)	(39,794)
Proceeds from sale of marketable securities	47,955	37,007	30,045
Purchases of property and equipment	(33,939)	(54,187)	(48,530)
Net cash used in investing activities	<u>(35,647)</u>	<u>(55,873)</u>	<u>(58,279)</u>
<b>Cash Flows from Financing Activities:</b>			
Proceeds from borrowings	—	61,250	—
Payments on borrowings	(15,000)	(72,500)	(16,250)
Proceeds from issuance of common stock	1,143	1,548	2,127
Dividends paid	(41,179)	(43,208)	(42,516)
Repurchase of common stock	—	(81,052)	(27,398)
Payments of tax withholdings related to share-based awards	(2,550)	(3,715)	(6,740)
Net cash used in financing activities	<u>(57,586)</u>	<u>(137,677)</u>	<u>(90,777)</u>
Effects of exchange rate changes on cash and cash equivalents	(267)	(467)	119
Net (decrease) increase in cash and cash equivalents	<u>(60,156)</u>	<u>(35,943)</u>	<u>17,936</u>
<b>Cash and Cash Equivalents, Beginning of period</b>	<u>124,128</u>	<u>160,071</u>	<u>142,135</u>
<b>Cash and Cash Equivalents, End of period</b>	<u>\$ 63,972</u>	<u>\$ 124,128</u>	<u>\$ 160,071</u>
<b>Supplemental Disclosures of Cash Flow Information:</b>			
Cash paid for interest	\$ 2,078	\$ 3,272	\$ 2,546
Cash (received) paid for income taxes, net	\$ (614)	\$ 22,697	\$ 49,758

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

CHICO'S FAS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(In thousands, except share and per share amounts and where otherwise indicated)

**1. BUSINESS ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:**

**Description of Business**

The accompanying consolidated financial statements include the accounts of Chico's FAS, Inc., a Florida corporation, and its wholly-owned subsidiaries ("the Company", "we", "us" and "our"). We operate as an omnichannel specialty retailer of women's private branded, sophisticated, casual-to-dressy clothing, intimates and complementary accessories. We currently sell our products through retail stores, catalogs and via our websites at [www.chicos.com](http://www.chicos.com), [www.chicosofftherack.com](http://www.chicosofftherack.com), [www.whbm.com](http://www.whbm.com), [www.soma.com](http://www.soma.com) and [mytelltale.com](http://mytelltale.com). As of February 1, 2020, we had 1,341 stores located throughout the United States ("U.S."), Puerto Rico, the U.S. Virgin Islands and Canada, and sold merchandise through 70 international franchise locations in Mexico.

**Fiscal Year**

Our fiscal years end on the Saturday closest to January 31 and are designated by the calendar year in which the fiscal year commences. The periods presented in these consolidated financial statements are the fiscal years ended February 1, 2020 ("fiscal 2019" or "current period"), February 2, 2019 ("fiscal 2018" or "prior period") and February 3, 2018 ("fiscal 2017"). Each of these periods had 52 weeks, except for fiscal 2017, which consisted of 53 weeks.

**Principles of Consolidation**

The consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

**Segment Information**

Our operating segments consist of our Chico's brand, our White House Black Market ("WHBM") brand and our Intimates Group, which includes our Soma and TellTale brands. Our three operating segments are aggregated into one reportable segment due to the similarities of the economic and operating characteristics of the brands.

**Adoption of New Accounting Pronouncements**

Effective February 3, 2019, the Company adopted the Financial Accounting Standards Board ("FASB") Accounting Standards Update ("ASU") 2016-02, *Leases*, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. The Company also adopted the package of practical expedients issued in subsequent ASUs related to ASU 2016-02. The original guidance required application on a modified retrospective basis with the earliest period presented. In August 2018, the FASB issued ASU 2018-11, *Targeted Improvements*, to Accounting Standard Codification ("ASC") 842, *Leases* ("ASC 842"), which included a provision to apply ASC 842 at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use the initial application date as the effective date of ASC 842. Consequently, the comparative periods are presented in accordance with ASC 840, *Leases*, and are not restated in accordance with ASC 842. As a result of the adoption of ASC 842, on February 3, 2019, we recorded operating lease right of use ("ROU") assets of \$764.1 million and lease liabilities of \$845.7 million. On February 3, 2019, the Company recorded a cumulative effect adjustment of \$1.3 million as a decrease to opening retained earnings upon adoption of ASC 842. The adoption of ASC 842 had an immaterial impact on the accompanying consolidated results of operations and statement of cash flows for fiscal 2019. Additional information and disclosures required by this new standard are contained in Note 8, *Leases*.

**Use of Estimates**

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Cash and Cash Equivalents**

Cash and cash equivalents include cash on hand and in banks, short-term highly liquid investments with original maturities of three months or less and payments due from banks for third-party credit card and debit transactions for approximately 3 to 5 days of sales.

### **Marketable Securities**

Marketable securities are classified as available-for-sale and 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 and fair value are determined on a specific identification basis. 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.

### **Fair Value of Financial Instruments**

Our consolidated financial instruments consist of cash, money market accounts, marketable securities, assets held in our non-qualified deferred compensation plan, accounts receivable, accounts 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.

### **Inventories**

We use the moving average cost method to determine the cost of merchandise inventories. We identify potentially excess and slow-moving inventories by evaluating inventory aging, turn rates and inventory levels in conjunction with our overall sales trend. Further, inventory realization exposure is identified through analysis of gross margins and markdowns in combination with changes in current business trends. We record excess and slow-moving inventories at net realizable value and may liquidate certain slow-moving inventory through third parties. We estimate our expected shrinkage of inventories between physical inventory counts by using average store shrinkage experience rates, which are updated on a regular basis. Substantially all of our inventories consist of finished goods.

Costs associated with sourcing are generally capitalized while merchandising, distribution and product development costs are generally expensed as incurred and are included in the accompanying consolidated statements of (loss) income as a component of cost of goods sold ("COGS"). Approximately 19% of total purchases in fiscal 2019 and 2018 were made from one supplier. In fiscal 2019 and 2018, approximately 46% and 48% of our merchandise cost originated in China, respectively.

### **Capitalized Costs in Cloud Computing Arrangements**

We capitalize implementation costs in cloud computing arrangement ("CCA") service contracts. Unamortized capitalized costs were \$10.9 million as of February 1, 2020 and \$1.1 million as of February 2, 2019. Accumulated amortization was \$0.1 million as of February 1, 2020 and \$0.0 million as of February 2, 2019. Expense related to capitalized CCA contracts was \$0.1 million in fiscal 2019 and \$0.0 million in fiscal 2018.

### **Property and Equipment**

Property and equipment is stated at cost, net of accumulated depreciation and amortization. Depreciation of property and equipment is provided on a straight-line basis over the estimated useful lives of the assets. Leasehold improvements are amortized over the shorter of their estimated useful lives (generally 10 years or less) or the related lease term, plus one anticipated renewal when there is an economic cost associated with non-renewal.

Our property and equipment is generally depreciated using the following estimated useful lives:

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	<b>Estimated Useful Lives</b>
Land improvements	15 - 35 years
Building and building improvements	20 - 35 years
Equipment, furniture and fixtures	2 - 20 years
Leasehold improvements	10 years or term of lease, if shorter

Maintenance and repairs of property and equipment are expensed as incurred, and major improvements are capitalized. Upon retirement, sale or other disposition of property and equipment, the cost and accumulated depreciation or amortization are eliminated from the accounts, and any gain or loss is charged to income.

### **Operating Leases**

Beginning on February 3, 2019, the Company accounts for leases pursuant ASC 842 as established by ASU 2016-02. We determine if an arrangement is a lease at inception. Operating leases are included in ROU assets, current lease liabilities and long-term lease liabilities in our condensed consolidated balance sheet. The Company does not have finance leases in the periods presented.

ROU assets represent our right to use an underlying asset for the lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of fixed lease payments over the lease term. The operating lease ROU asset represents the net present value of fixed payments required under the lease, discounted at the Company's incremental borrowing rate, offset by impairments and lease incentives such as tenant improvements and deferred rent balances.

Our leases do not provide an implicit rate. Accordingly, we use the Company's incremental borrowing rate at commencement date in determining the present value of lease payments over the lease term. Furthermore, we elected to apply a portfolio approach, using the same discount rate applied to a portfolio of leases for similar asset types with a similar lease term.

Our lease terms may include options to extend or terminate the lease. When it is reasonably certain that we will exercise an option to extend or terminate a lease, the Company will adjust its ROU asset and lease liability. For leases with no impairment of the ROU asset, lease expense is recognized on a straight-line basis over the lease term. For stores with impairment of the ROU asset, lease expense consists of straight-line amortization of the ROU asset and the implicit interest expense on the lease liability.

We have lease agreements with lease and non-lease components. We have made a policy election to treat both lease and non-lease components as a single component and account for the full consideration as a single lease component. This policy election is applied to all asset classes for which the Company is a lessee.

We lease retail stores and a limited amount of office space under operating leases. The majority of our lease agreements provide for tenant improvement allowances, rent escalation clauses and/or contingent rent provisions. Tenant improvement allowances are amortized as a reduction of rent expense over the term of the lease and are recorded as a deferred lease credit within deferred liabilities in fiscal 2018 and recorded within ROU in fiscal 2019 upon adoption of ASC 842. Rent escalation clauses, "rent-free" periods and other fixed rental expenses are amortized on a straight-line basis over the term of the leases, including the construction period. Variable rental expenses are recognized as incurred.

Certain leases provide for contingent rents based on defined criteria, such as gross sales in excess of a specified level. We record a contingent rent liability in accrued liabilities on the consolidated balance sheets and the corresponding rent expense when the criteria has been achieved or is probable.

Additionally, we have a nominal number of leases that meet the standard's definition of a "short-term lease" (a lease that, at the commencement date, has a lease term of twelve months or less and does not include an option to purchase the underlying asset that the lessee is reasonably certain to exercise). We have made a policy election to recognize these leases as incurred and have not recognized a ROU asset or corresponding lease liability for them. The Company's short-term leases are not material.

### **Goodwill and Other Intangible Assets**

Goodwill and other indefinite-lived intangible assets are assessed for impairment at least annually. We perform our annual impairment test during the fourth quarter, or more frequently should events or circumstances change that would indicate that impairment may have occurred.

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Goodwill represents the excess of the purchase price over the fair value of identifiable tangible and intangible assets acquired and liabilities assumed in a business combination. Impairment testing for goodwill is done at a reporting unit level. Reporting units are defined as an operating segment or one level below an operating segment, called a component. Using these criteria, we identified our reporting units and concluded that the goodwill related to the territorial franchise rights for the state of Minnesota should be allocated to the Chico's reporting unit and the goodwill associated with the WHBM acquisition should be assigned to the WHBM reporting unit.

We evaluate the appropriateness of performing a qualitative assessment, on a reporting unit level, based on current circumstances. If we do not perform a qualitative assessment, or if we determine that it is more likely than not that the fair value of a reporting unit is less than its carrying amount, we calculate the estimated fair value of the reporting unit. Fair value is determined based on both an income approach and market approach. The income approach is based on estimated future cash flows, discounted at a rate that approximates the cost of capital of a market participant, while the market approach is based on sales and EBITDA multiples of similar companies and/or transactions, or other available indications of value.

For fiscal 2017, we performed a qualitative assessment of the goodwill associated with the Chico's and WHBM reporting units and concluded it was more likely than not that the fair value exceeded the carrying amount as of the annual assessment dates. Had the Company elected to bypass the qualitative assessment, or if the results of the qualitative assessment indicated that it was more likely than not that the fair value of a reporting unit was less than its carrying amount, a two-step impairment test would have been performed. The first step of the impairment test compares the fair value of our reporting units with their carrying amounts, including goodwill. If the carrying amount exceeds fair value, then the second step of the impairment test is performed to measure the amount of any impairment loss.

In fiscal 2018, the Company adopted ASU 2017-04, *Simplifying the Test for Goodwill Impairment*, which simplifies the subsequent measurement of goodwill by eliminating the second step from the quantitative goodwill impairment test. Under this guidance, annual or interim goodwill impairment testing will be performed by comparing the fair value of a reporting unit with its carrying amount. An impairment charge will then be recognized for the amount by which the carrying amount exceeds the reporting unit's fair value, not to exceed the carrying value of goodwill. For fiscal 2019 and 2018, we elected to bypass the qualitative assessment and perform impairment testing for each of our reporting units. The estimated fair value of each of our reporting units exceeded the respective carrying value and, as such, we concluded that the goodwill was not impaired.

We test indefinite-lived intangible assets for impairment by first assessing qualitative factors to determine whether it is more likely than not that the fair value of the intangible is less than its carrying amount. If the results of the qualitative assessment indicate that it is more likely than not that the fair value of the intangible is less than its carrying amount, we calculate the value of the indefinite-lived intangible assets using a discounted cash flow method, based on the relief from royalty concept, and compare the fair value to the carrying value to determine if the asset is impaired. We may elect to bypass the qualitative assessment when appropriate based on current circumstances. For fiscal 2017, we performed a qualitative assessment of the WHBM trade name and concluded it was more likely than not that the fair value exceeded the carrying amount as of the annual assessment dates. For fiscal 2019 and 2018, we elected to bypass the qualitative assessment and perform impairment testing on the WHBM trade name. The estimated fair value of the WHBM trade name exceeded the respective carrying value and, as such, we concluded the WHBM trade name was not impaired.

### **Accounting for the Impairment of Long-lived Assets**

Long-lived assets, including definite-lived intangibles, are reviewed periodically for impairment if events or changes in circumstances indicate that the carrying amount may not be recoverable. If future undiscounted cash flows expected to be generated by the asset are less than its carrying amount, an asset is determined to be impaired. The Company uses market participant rents to calculate the fair value of right of use assets ("ROU") and discounted future cash flows of the asset or asset group using a discount rate that approximates the cost of capital of a market participant to quantify fair value for other long-lived assets. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores, is primarily at the store level.

In fiscal 2019, 2018 and 2017, we completed an evaluation of our long-lived assets at certain underperforming stores for indicators of impairment and, as a result, recorded pre-tax impairment charges of approximately \$1.3 million, \$13.3 million and \$6.0 million, respectively, which are primarily included in COGS in the accompanying consolidated statements of (loss) income. Pre-tax impairment charges of long-lived assets in fiscal 2018 included \$9.4 million in connection with our retail fleet optimization plan as further discussed in Note 3, Retail Fleet Optimization Plan, and in fiscal 2017, included \$2.9 million resulting from hurricanes Harvey, Irma and Maria.

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In fiscal 2018, the Company adopted ASU 2018-05, *Intangibles - Goodwill and Other - Internal-Use Software: Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract*, under which entities are able to capitalize implementation costs in a cloud computing arrangement service contract. In fiscal 2019, we completed an evaluation of capitalized implementation costs in our cloud computing arrangements for indicators of impairment and, as a result, recorded pre-tax impairment charges of approximately \$2.0 million, which is included in selling, general and administrative expenses ("SG&A") in the accompanying consolidated statements of (loss) income.

In fiscal 2019, the Company adopted ASC 842, which requires the recognition of lease assets and lease liabilities by lessees for those leases classified as operating leases under previous guidance. As a result, operating lease assets became subject to the same impairment guidance applied to other long-lived assets. On February 3, 2019, the Company recorded a transition day fair value impairment on our ROU asset of \$1.3 million, after-tax, as a decrease to opening retained earnings upon adoption of this accounting standard.

### **Revenue Recognition**

Retail sales by our stores are recorded at the point of sale and are net of estimated customer returns, sales discounts under rewards programs and company issued coupons, promotional discounts and employee discounts. For sales from our websites and catalogs, in fiscal 2019 and 2018, revenue is recognized at the point of shipment whereas in fiscal 2017, revenue was recognized at the time we estimated the customer received the product, which was typically within a few days of shipment. Amounts related to shipping and handling costs billed to customers are recorded in net sales and the related shipping and handling costs are recorded in COGS in the accompanying consolidated statements of (loss) income.

We sell gift cards in stores, on our Company-operated e-commerce websites and through third parties. Our gift cards do not have expiration dates. We account for gift cards by recognizing a liability at the time the gift card is sold. The liability is relieved and revenue is recognized, net of third-party sales commissions, for gift cards upon redemption. In addition, we recognize revenue for the amount of gift cards expected to go unredeemed (commonly referred to as gift card breakage) under the redemption recognition method. This method records gift card breakage as revenue on a proportional basis over the redemption period based on our historical gift card breakage rate. We determine the gift card breakage rate based on our historical redemption patterns. We recognize revenue on the remaining unredeemed gift cards based on determining that the likelihood of the gift card being redeemed is remote and that there is no legal obligation to remit the unredeemed gift cards to relevant jurisdictions.

As part of the normal sales cycle, we receive customer merchandise returns related to store, website and catalog sales. To account for the financial impact of potential customer merchandise returns, we estimate future returns on previously sold merchandise. Reductions in sales and gross margin are recorded for estimated merchandise returns based on return history, current sales levels and projected future return levels.

Our policy towards taxes assessed by a government authority directly imposed on revenue producing transactions between a seller and a customer is, and has been, to exclude all such taxes from net sales.

### **Advertising Costs**

For fiscal 2019, 2018 and 2017, advertising costs associated with the production of non-media advertising are charged to expense as incurred. For fiscal 2019 and 2018, media production costs (such as television, magazine and catalogs) are expensed when the advertising first takes place whereas in 2017, these expenses were amortized over their expected period of future benefit, which was typically less than six weeks. For fiscal 2019, 2018 and 2017, advertising expense was approximately \$103.3 million, \$102.5 million and \$94.5 million, respectively, and is included within SG&A in the accompanying consolidated statements of (loss) income.

### **Treasury Stock**

Treasury stock is accounted for at cost. These shares are not retired and are excluded from the calculation of earnings per share.

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### **Share-Based Compensation**

Share-based compensation for all awards is based on the grant date fair value of the award, net of estimated forfeitures, and is recognized over the requisite service period of the awards. The fair value of restricted stock awards and performance-based awards, except for the grants of special performance-based restricted stock units ("PSUs") made in August and October 2019 as further discussed in Note 13, Share-Based Compensation Plans and Capital Stock Transactions, is determined by using the closing price of the Company's common stock on the date of the grant. A Monte Carlo simulation under the option pricing framework was used to determine the grant-date fair value of the special PSU grants made in August and October 2019. Compensation expense for performance-based awards is recorded based on the amount of the award ultimately expected to vest, depending on the level and likelihood of the performance condition being met.

### **Shipping and Handling Costs**

Shipping and handling costs to transport goods to customers amounted to \$62.8 million, \$58.5 million and \$40.5 million in fiscal 2019, 2018 and 2017, respectively, and are included within COGS in the accompanying consolidated statements of (loss) income.

### **Store Occupancy and Pre-Opening Costs**

Store occupancy and pre-opening costs (including store-related costs and training expenses) incurred prior to the opening of new stores are expensed as incurred and are included within cost of sales in the accompanying consolidated statements of (loss) income.

### **Income Taxes**

Income taxes are accounted for in accordance with authoritative guidance, which requires the use of the asset and liability method. Deferred tax assets and liabilities are recognized based on the difference between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Additionally, we follow a comprehensive model to recognize, measure, present and disclose in our consolidated financial statements the estimated aggregate tax liability of uncertain tax positions that we have taken or expect to take on a tax return. This model states that a tax benefit from an uncertain tax position may be recognized if it is "more likely than not" that the position is sustainable, based upon its technical merits. The tax benefit of a qualifying position is the largest amount of tax benefit that has greater than a 50% likelihood of being realized upon the ultimate settlement with a taxing authority having full knowledge of all relevant information.

### **Foreign Currency**

The functional currency of our foreign operations is generally the applicable local currency. Assets and liabilities are translated into U.S. dollars using the current exchange rates in effect as of the balance sheet date, while revenues and expenses are translated at the current exchange rate in effect as of the date of the transaction. The resulting translation adjustments are recorded as a component of comprehensive income in the consolidated statements of comprehensive (loss) income. Transaction gains and losses that arise from exchange rate fluctuations on transactions denominated in a currency other than the local functional currency are included in the consolidated statements of (loss) income.

### **Self-Insurance**

We are self-insured for certain losses relating to workers' compensation, medical and general liability claims. Self-insurance claims filed and claims incurred but not reported are accrued based upon management's estimates of the aggregate liability for uninsured claims incurred based on historical experience. While we do not expect the amount we will ultimately pay to differ significantly from our estimates, self-insurance accruals could be affected if future claims experience differs significantly from the historical trends and assumptions.

### **Supplier Allowances**

From time to time, we receive allowances and/or credits from certain of our suppliers. The aggregate amount of such allowances and credits, which is included in COGS, is immaterial to our consolidated results of operations.

## 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.

Under the two-class method, net income is reduced by the amount of dividends declared in the period for common stock and participating securities. The remaining undistributed earnings are then allocated to common stock and participating securities as if all of the net income for the period had been distributed. Basic EPS excludes dilution and is computed by dividing net income available to common shareholders by the weighted-average number of common shares outstanding during the period including the participating securities. Diluted EPS reflects the dilutive effect of potential common shares from non-participating securities such as stock options, PSUs and restricted stock units.

## Recently Issued Accounting Pronouncements

In August 2018, the FASB issued ASU 2018-13, Fair Value Measurement (Topic 820): Disclosure Framework-Changes to the Disclosure Requirements for Fair Value Measurement, which modifies the disclosure requirements on fair value measurements. ASU 2018-13 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2019. The amendments related to the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and the narrative description of measurement uncertainty should be applied prospectively. All other amendments should be applied retrospectively. An entity is permitted to early adopt any removed or modified disclosures upon issuance of ASU 2018-13 and delay adoption of the additional disclosures until their effective date. We do not anticipate adoption to have a material impact on the Company's consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments — Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments*. The update and additional changes, modifications, clarifications, or interpretations related to this guidance thereafter, changes the methodology for measuring credit losses on financial instruments and the timing of when such losses are recorded. The guidance is to be applied using the modified-retrospective approach. The standard is effective for public companies for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2019. We are currently evaluating the impact the adoption will have on our consolidated financial statements by assessing the impact of historical collection rates of receivables as well as the credit ratings of the payees and reviewing the materiality of unrealized losses within our available for sale debt securities.

In December 2019, the FASB issued ASU 2019-12, *Simplifying the Accounting for Income Taxes*, which eliminates certain exceptions related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. It also clarifies and simplifies other aspects of the accounting for income taxes. This guidance is effective for fiscal years beginning after December 15, 2020, and interim periods within those fiscal years. The Company's adoption of ASU 2019-12 will not have a material impact on the Company's consolidated results of operations and financial position. The Company is currently evaluating the impact that the adoption of the provisions of this ASU will have on its consolidated financial statements.

## 2. REVENUE RECOGNITION:

### Disaggregated Revenue

The following table disaggregates our operating segment revenue by brand, which we believe provides a meaningful depiction of the nature of our revenue. Amounts shown include licensing and wholesale income, which is not a significant component of total revenue, and is aggregated within the respective brands in the table below.

	Fiscal 2019	%	Fiscal 2018	%	Fiscal 2017	%
	(in thousands)					
Chico's	\$ 1,045,221	51.3%	\$ 1,098,707	51.6%	\$ 1,187,603	52.0%
WHBM	627,315	30.8	694,804	32.6	750,912	32.9
Soma <sup>(1)</sup>	365,339	17.9	337,629	15.8	343,864	15.1
Total net sales	<u>\$ 2,037,875</u>	<u>100.0%</u>	<u>\$ 2,131,140</u>	<u>100.0%</u>	<u>\$ 2,282,379</u>	<u>100.0%</u>

<sup>(1)</sup> Includes TellTale net sales, which is not a significant component of Soma revenue.

**Contract Liability**

Contract liabilities on the accompanying consolidated balance sheets are comprised of obligations associated with our gift card and customer loyalty programs. As of February 1, 2020 and February 2, 2019, contract liabilities primarily consisted of gift cards of \$40.1 million and \$42.6 million, respectively. For fiscal 2019, the Company recognized \$25.3 million of revenue that was previously included in the gift card contract liability as of February 2, 2019. For fiscal 2018, the Company recognized \$28.7 million of revenue that was previously included in the gift card contract liability as of February 3, 2018. The contract liability for our loyalty program was not material as of February 1, 2020 or February 2, 2019.

**Performance Obligation**

For fiscal 2019, revenue recognized from performance obligations to customers related to prior periods was not material. Revenue to be recognized in future periods related to performance obligations is not expected to be material.

**3. RETAIL FLEET OPTIMIZATION PLAN:**

In the fourth quarter of fiscal 2018, the Company announced a three-year retail fleet optimization plan to rebalance the mix between our physical store presence and our digital network. This initiative is part of the Company's efforts to better capitalize on its omnichannel platform, reduce costs, and improve our profitability and return on invested capital. In fiscal 2019, the Company recorded pre-tax accelerated depreciation charges within COGS of \$11.1 million associated with this retail fleet optimization plan. In fiscal 2018, the Company recorded pre-tax accelerated depreciation and impairment charges within COGS of \$1.3 million and \$9.4 million, respectively.

A summary of the retail fleet optimization charges is presented in the table below:

	Fiscal 2019	Fiscal 2018
	(in thousands)	
Accelerated Depreciation <sup>(1)(2)</sup>	\$ 11,084	\$ 1,268
Impairment <sup>(1)</sup>	—	9,434
Retail Fleet Optimization charges, pre-tax	\$ 11,084	\$ 10,702

<sup>(1)</sup> Adjustments for accelerated depreciation and impairment charges reflect the impact of incremental store closures included in the Company's retail fleet optimization plan.

<sup>(2)</sup> Reflects the impact of accelerated depreciation on property and equipment due to the change in the useful life of store assets for store closures added as a result of the Company's retail fleet optimization plan.

**4. MARKETABLE SECURITIES:**

Marketable securities are classified as available-for-sale and generally consist of corporate bonds, commercial paper, U.S. government agencies and municipal securities. At February 1, 2020, we had \$34.0 million of securities with maturity dates within one year or less and \$29.9 million with maturity dates over one year and less than two years. As of February 1, 2020, marketable securities consisted of corporate bonds and commercial paper which exceed their amortized cost bases and are not other-than-temporarily impaired.

The following tables summarize our investments in marketable securities at February 1, 2020 and February 2, 2019:

<b>February 1, 2020</b>				
<b>(in thousands)</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Total marketable securities	\$ 63,700	\$ 196	\$ (3)	\$ 63,893

<b>February 2, 2019</b>				
<b>(in thousands)</b>				
	<b>Amortized Cost</b>	<b>Gross Unrealized Gains</b>	<b>Gross Unrealized Losses</b>	<b>Estimated Fair Value</b>
Total marketable securities	\$ 62,048	\$ 38	\$ (99)	\$ 61,987

## 5. FAIR VALUE MEASUREMENTS:

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 other assets, net at fair value on a non-recurring basis. This includes the 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 assess the carrying amount of long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. The Company uses market participant rents to calculate the fair value of ROU assets and discounted future cash flows of the asset or asset group using a discount rate that approximates the cost of capital of a market participant to quantify fair value for other long-lived assets. The asset group is defined as the lowest level for which identifiable cash flows are available and largely independent of the cash flows of other groups of assets, which for our retail stores, is primarily at the store level.

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To assess the fair value of goodwill, we utilize both an income approach and a market approach. Inputs used to calculate the fair value based on the income approach primarily include estimated future cash flows, discounted at a rate that approximates the cost of capital of a market participant. Inputs used to calculate the fair value based on the market approach include identifying sales and EBITDA multiples based on guidelines for similar publicly traded companies and recent transactions when relevant comparable transactions exist.

To assess the fair value of trade names, we utilize a relief from royalty approach. Inputs used to calculate the fair value of the trade names primarily include future sales projections, discounted at a rate that approximates the cost of capital of a market participant and an estimated royalty rate.

The carrying value of goodwill for the Chico's and WHBM reporting units and WHBM trade name as of both February 1, 2020 and February 2, 2019 was \$36.4 million, \$60.4 million and \$34.0 million, respectively. No impairment charges were recognized in fiscal 2019 and fiscal 2018. If profitability trends do not improve as projected for our Chico's and WHBM reporting units, or if market conditions continue to deteriorate, it is possible that a future interim test may result in an impairment of these assets.

In fiscal 2019 and fiscal 2018, the outstanding debt of \$42.5 million and \$57.5 million, respectively, under our revolving loan and letter of credit facility approximates fair value as this instrument has a variable interest rate which approximates current market rates (Level 2 criteria).

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 fiscal 2019, we did not make any transfers between Level 1 and Level 2 financial assets. Furthermore, during fiscal 2019 and fiscal 2018, we did not have any Level 3 financial assets measured on a recurring basis. 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 and liabilities 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 February 1, 2020	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
<b>Financial Assets:</b>				
<b>Current Assets</b>				
<i>Cash equivalents:</i>				
Money market accounts	\$ 621	\$ 621	\$ —	\$ —
<i>Marketable securities:</i>				
Corporate bonds	62,645	—	62,645	—
Commercial paper	1,248	—	1,248	—
<b>Noncurrent Assets</b>				
Deferred compensation plan	7,464	7,464	—	—
<b>Total</b>	<b>\$ 71,978</b>	<b>\$ 8,085</b>	<b>\$ 63,893</b>	<b>\$ —</b>

	Fair Value Measurements at Reporting Date Using			
	Balance as of February 2, 2019	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
(in thousands)				
<b>Financial Assets:</b>				
<b>Current Assets</b>				
<i>Cash equivalents:</i>				
Money market accounts	\$ 711	\$ 711	\$ —	\$ —
<i>Marketable securities:</i>				
Corporate bonds	60,281	—	60,281	—
Commercial paper	1,706	—	1,706	—
<b>Noncurrent Assets</b>				
Deferred compensation plan	6,644	6,644	—	—
<b>Total</b>	<b>\$ 69,342</b>	<b>\$ 7,355</b>	<b>\$ 61,987</b>	<b>\$ —</b>

**6. PREPAID EXPENSES AND OTHER CURRENT ASSETS:**

Prepaid expenses and other current assets consisted of the following:

	February 1, 2020	February 2, 2019
(in thousands)		
Prepaid expenses	\$ 23,022	\$ 37,559
Accounts receivable	19,452	21,394
Other current assets	5,726	4,892
Prepaid expenses and other current assets	<b>\$ 48,200</b>	<b>\$ 63,845</b>

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**7. PROPERTY AND EQUIPMENT, NET:**

Property and equipment, net, consisted of the following:

	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(in thousands)	
Land and land improvements	\$ 30,626	\$ 30,620
Building and building improvements	126,395	125,868
Equipment, furniture and fixtures	653,870	650,391
Leasehold improvements	478,034	496,972
Total property and equipment	<u>1,288,925</u>	<u>1,303,851</u>
Less: accumulated depreciation and amortization	<u>(973,543)</u>	<u>(932,919)</u>
Property and equipment, net	<u>\$ 315,382</u>	<u>\$ 370,932</u>

Total depreciation expense for fiscal 2019, 2018 and 2017 was \$88.0 million, \$91.2 million and \$96.2 million, respectively. Depreciation expense in fiscal 2019 and 2018 included \$11.1 million and \$1.3 million of accelerated depreciation, respectively, in connection with our retail fleet optimization plan as further discussed in Note 3, Retail Fleet Optimization Plan.

**8. LEASES:**

We lease retail stores, a limited amount of office space and certain office equipment under operating leases expiring in various years through the fiscal year ending 2030. All of our leases have been classified as operating leases and are recognized and measured as such.

Certain operating leases provide for renewal options that are at a pre-determined period and rental value. Furthermore, certain leases provide that we may cancel the lease if our retail sales at that location fall below an established level. Within the first few years of the initial lease term, a majority of our store operating leases contain cancellation clauses that allow the leases to be terminated at our discretion, if certain minimum sales levels are not met. In the normal course of business, operating leases are typically renewed or replaced by other leases.

Escalation of operating lease payments of certain leases depend on an existing index or rate, such as the consumer price index or the market interest rate. These are considered variable lease payments and are included in lease payments when the escalation is known.

Operating lease expense was as follows:

	<u>Fiscal 2019 <sup>(1)</sup></u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(in thousands)		
Operating lease cost	\$ 250,767	\$ 261,285	\$ 263,654

<sup>(1)</sup> Includes approximately \$22.6 million in variable lease costs for fiscal 2019.

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Supplemental balance sheet information related to operating leases was as follows:

	<u>Fiscal 2019</u>
	(in thousands)
<b>Right of Use Assets</b>	\$ 648,397
Current lease liabilities	\$ 157,043
Long-term lease liabilities	555,922
<b>Total operating lease liabilities</b>	<u>\$ 712,965</u>
<b>Weighted Average Remaining Lease Term (years)</b>	4.8
<b>Weighted Average Discount Rate <sup>(1)</sup></b>	5.6%

<sup>(1)</sup> The incremental borrowing rate used by the Company is based on the rate at which the Company could borrow funds using its credit rating for a collateralized loan of similar term to the lease. The weighted average discount rate represents a weighted average of the incremental borrowing rate for each lease, weighted based on the remaining fixed lease obligations.

Supplemental cash flow information related to operating leases was as follows:

	<u>Fiscal 2019</u>
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash outflows	\$ 228,121
Right of use assets obtained in exchange for lease obligations, non-cash	51,204

Minimum future rental payments under non-cancelable operating leases (including leases with certain minimum sales cancellation clauses described below and exclusive of variable common area maintenance charges and/or contingent rental payments based on sales) as of February 1, 2020, are approximately as follows:

### **FISCAL YEAR ENDING:**

<b>(in thousands)</b>	
January 30, 2021	\$ 194,655
January 29, 2022	189,148
January 28, 2023	151,548
February 3, 2024	104,366
February 1, 2025	75,409
Thereafter	103,670
<b>Total future minimum lease payments</b>	<u>\$ 818,796</u>
Less imputed interest	(105,831)
<b>Total</b>	<u>\$ 712,965</u>

Certain leases provide that we may cancel the lease if our retail sales at that location fall below an established level. A majority of our store operating leases contain cancellation clauses that allow the leases to be terminated at our discretion, if certain minimum sales levels are not met within the first few years of the lease term. We have not historically met or exercised a significant number of these cancellation clauses and, therefore, have included commitments for the full lease terms of such leases in the above table. For fiscal 2019, 2018 and 2017, total rent expense under operating leases was approximately \$250.8 million, \$261.3 million and \$263.7 million, respectively, including common area maintenance charges of approximately \$45.7 million, \$48.0 million and \$47.9 million, respectively, other rental charges of approximately \$38.4 million, \$40.9 million and \$40.3 million, respectively, and contingent rental expense, based on sales, of approximately \$4.9 million, \$3.6 million and \$4.3 million, respectively.

**9. OTHER CURRENT AND DEFERRED LIABILITIES:**

Other current and deferred liabilities consisted of the following:

	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(in thousands)	
Allowance for customer returns, gift cards and store credits outstanding	\$ 56,150	\$ 57,827
Accrued payroll, benefits, bonuses and severance costs and termination benefits	28,955	24,391
Current portion of deferred rent and lease credits <sup>(1)</sup>	—	19,397
Other	29,393	30,205
Other current and deferred liabilities	<u>\$ 114,498</u>	<u>\$ 131,820</u>

<sup>(1)</sup> In August 2018, the FASB issued ASU 2018-11, Targeted Improvements, to ASC 842, which included a provision to apply ASC 842 at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use the initial application date as the effective date of ASC 842. Consequently, the comparative periods are presented in accordance with ASC 840, Leases, and are not restated in accordance with ASC 842.

**10. DEBT:**

On August 2, 2018, the Company and certain of its domestic subsidiaries entered into a credit agreement (the “Agreement”) as borrowers and guarantors, with Wells Fargo Bank, National Association, as Agent, letter of credit issuer and swing line lender, and certain lenders party thereto. Our obligations under the Agreement are guaranteed by the subsidiary guarantors and secured by a lien on certain assets of the Company and the subsidiary borrowers and guarantors, including inventory, accounts receivable, cash deposits, and certain insurance proceeds. The Agreement provides for a five-year asset-based senior secured revolving loan and letter of credit facility of up to \$200 million, maturing August 2, 2023. In addition, during the term of the Agreement, the Company may increase the commitments under the Agreement by up to an additional \$100 million, subject to customary conditions, including obtaining the agreements from the lenders to provide such commitment increase. The interest rate applicable to the loans under the Agreement will be equal to, at the Company's option, either a base rate, determined by reference to the federal funds rate, plus an interest rate margin, or LIBOR, plus an interest rate margin, in each case, depending on availability under the Agreement. The Company expects borrowings to be at LIBOR, plus an interest rate margin. In addition, the Company will pay a commitment fee per annum on the unused portion of the commitments under the Agreement.

The Agreement contains customary representations, warranties, and affirmative covenants, as well as customary negative covenants, that, among other things restrict, subject to certain exceptions, the ability of the Company and certain of its domestic subsidiaries to: (i) incur liens, (ii) make investments, (iii) issue or incur additional indebtedness, (iv) undergo significant corporate changes, including mergers and acquisitions, (v) make dispositions, (vi) make restricted payments, (vii) prepay other indebtedness and (viii) enter into certain other restrictive agreements. The Company may pay cash dividends and repurchase shares under its share buyback program, subject to certain thresholds of available borrowings based upon the lesser of the aggregate amount of commitments under the Agreement and the borrowing base, determined after giving effect to any such transaction or payment, on a pro forma basis.

As of February 1, 2020, our outstanding debt consisted of \$42.5 million in borrowings under the Agreement, resulting in \$157.5 million available for borrowings under the revolving loan and letter of credit facility. As of February 1, 2020, deferred financing costs of \$0.4 million was outstanding related to the Agreement, and is presented in other current assets in the accompanying consolidated balance sheet.

The following table provides details on our debt outstanding as of February 1, 2020 and February 2, 2019:

	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(in thousands)	
Credit Agreement	\$ 42,500	\$ 57,500

There are no debt payments due through fiscal year 2022 and \$42.5 million is due in fiscal 2023.

**11. OTHER NONCURRENT AND DEFERRED LIABILITIES:**

Other Noncurrent and Deferred liabilities consisted of the following:

	February 1, 2020	February 2, 2019
	(in thousands)	
Deferred rent <sup>(1)</sup>	\$ —	\$ 46,228
Deferred lease credits, net <sup>(1)</sup>	—	50,336
Other noncurrent and deferred liabilities	8,188	10,570
Noncurrent and deferred liabilities	8,188	107,134
Less: current portion of deferred rent and lease credits <sup>(1)</sup>	—	(18,025)
Other noncurrent and deferred liabilities	\$ 8,188	\$ 89,109

<sup>(1)</sup> In August 2018, the FASB issued ASU 2018-11, Targeted Improvements, to ASC 842, which included a provision to apply ASC 842 at the adoption date and recognize a cumulative effect adjustment to the opening balance of retained earnings in the period of adoption. The Company has elected to use the initial application date as the effective date of ASC 842. Consequently, the comparative periods are presented in accordance with ASC 840, Leases, and are not restated in accordance with ASC 842.

Deferred rent represents the difference between operating lease obligations currently due and operating lease expense, which is recorded on a straight-line basis over the appropriate respective terms of the leases. In fiscal 2019, deferred rent is presented within right of use assets.

Deferred lease credits represent construction allowances received from landlords and are amortized as a reduction of rent expense over the appropriate respective terms of the related leases. In fiscal 2019, deferred lease credits are presented within right of use assets.

**12. COMMITMENTS AND CONTINGENCIES:****Leases**

Information regarding our lease commitments and contingencies, including total rent expense under operating leases and minimum future rental payments under non-cancelable operating leases (including leases with certain minimum sales cancellation clauses and exclusive of variable common area maintenance charges and/or contingent rental payments based on sales), as of February 1, 2020, is incorporated by reference from Note 8, Leases.

**Open Purchase Orders**

At February 1, 2020 and February 2, 2019, we had approximately \$325.6 million and \$321.8 million, respectively, of open purchase orders for inventory, in the normal course of business.

**Legal Proceedings**

In July 2015, White House Black Market, Inc. ("WHBM") was named as a defendant in Altman v. White House Black Market, Inc., a putative class action filed in the United States District Court for the Northern District of Georgia ("District Court"). The complaint alleges that WHBM, in violation of federal law, willfully published more than the last five digits of a credit or debit card number on customers' point-of-sale receipts. The plaintiff seeks an award of statutory damages of \$100 to \$1,000 for each alleged willful violation of the law, as well as attorneys' fees, costs and punitive damages. WHBM denies the material allegations of the complaint and believes the case is without merit. On February 12, 2018, the District Court issued an order certifying the class.

On April 9, 2018, the District Court, *sua sponte*, issued an order granting WHBM's earlier 2016 request to appeal, to the Eleventh Circuit Court of Appeals ("Eleventh Circuit"), the District Court's ruling that the plaintiff has standing to maintain the lawsuit. On April 19, 2018, WHBM filed a petition for review in the Eleventh Circuit. In the meantime, the District Court stayed all further proceedings in the case pending the outcome of the appeal in the Eleventh Circuit.

On July 12, 2018, the plaintiff and WHBM notified the Eleventh Circuit that the plaintiff and WHBM had reached a class settlement on all claims and therefore voluntarily dismissed WHBM's appeal to the Eleventh Circuit. On August 2, 2018, the District Court reopened the case for purposes of reviewing/approving the proposed settlement. On October 22, 2018, the plaintiff filed the settlement papers with the District Court, along with a motion to stay the District Court's consideration of the

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settlement pending the Eleventh Circuit's final disposition of *Muransky v. Godiva Chocolatier, Inc.*, in which the Eleventh Circuit held, in an opinion issued October 3, 2018 and supplemented on April 22, 2019, that the display of the first six and last four digits of a credit or debit card number on a customer's receipt given at the point of sale establishes a "concrete injury" sufficient to confer Article III standing, enabling the customer to maintain a lawsuit. The District Court granted the motion to stay on November 15, 2018. A petition for rehearing on the October 2018 opinion was filed in the *Muransky* case on October 24, 2018. In October 2019, the Eleventh Circuit granted rehearing and, on February 25, 2020, heard oral argument in the *en banc* appeal. The *Muransky* opinion, if not altered on the petition for rehearing, would bind the District Court in the Altman case and likely establish that the plaintiff has standing to maintain her lawsuit against WHBM. In such event, the stay will be lifted and the proposed settlement will be reviewed by the District Court. If the Eleventh Circuit holds that there is not standing in the *Muransky* case, the parties have agreed to submit the proposed settlement to the Superior Court for Cobb County, Georgia for approval. The proposed settlement would not have a material adverse effect on the Company's consolidated financial condition or results of operations.

However, no assurance can be given that the proposed settlement will be approved. If the proposed settlement is rejected and the case were to proceed as a class action and WHBM were to be unsuccessful in its defense on the merits, then the ultimate resolution of the case could have a material adverse effect on the Company's consolidated financial condition or results of operations.

In May 2019, the Company was named as a defendant in *Fisher v. Chico's FAS, Inc.*, a putative class action filed in the United States District Court for the Southern District of California. The complaint alleges that the Company advertised fictitious prices and corresponding phantom discounts on its made-for-outlet products in its Chico's outlets in violation of California's Unfair Competition Laws, California's False Advertising Laws and the California Consumer Legal Remedies Act. The plaintiff seeks disgorgement of the Company's profits and alleged unjust enrichment resulting from such advertising practices, injunctive relief, a corrective advertising campaign, as well as attorneys' fees and costs. The Company was served on May 10, 2019. On October 22, 2019, the parties attended a mediation, where they discussed potential settlement terms, subject, to among other things, agreement upon final terms, the execution of definitive documentation and court approval. The settlement agreement terms have been finalized and the settlement agreement will be signed by both parties in the coming weeks, and Plaintiff will move for preliminary approval. The terms of the settlement are not material to our annual consolidated financial statements.

Pursuant to the settlement agreement, Plaintiff voluntarily dismissed the case from federal court on March 5, 2020, and re-filed the complaint in San Diego County Superior Court. There can be no assurances that the settlement agreement will be approved. If the matter were instead to proceed as a class action and the Company were to be unsuccessful in its defense on the merits, then the ultimate resolution of the case could 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 material 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 amounts of monetary liability or financial impact with respect to other matters as of February 1, 2020 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.

### **13. SHARE-BASED COMPENSATION PLANS AND CAPITAL STOCK TRANSACTIONS:**

#### **General**

In April 2017, the Board approved the Amended and Restated 2012 Omnibus Stock and Incentive Plan (the "Amended Omnibus Plan"), which replaced the Chico's FAS, Inc. 2012 Omnibus Stock and Incentive Plan, effective upon shareholder approval on June 22, 2017. The aggregate number of shares of our common stock that may be issued under the Amended Omnibus Plan (since inception) is 15.5 million shares plus any shares represented by awards granted under prior plans that are forfeited, expired or canceled without delivery of shares. Awards under the Amended Omnibus Plan may be in the form of restricted stock, restricted stock units, performance-based restricted stock, performance-based stock units, stock options and stock appreciation rights, in accordance with the terms and conditions of the Amended Omnibus Plan. The terms of each award will be determined by the Human Resources, Compensation and Benefits Committee of the Board of Directors or by the Board of Directors.

We have historically issued restricted stock, including non-vested restricted stock, performance-based stock units and stock options. Shares of non-vested restricted stock have the same voting rights as common stock, are entitled to receive dividends and other distributions thereon, and are considered to be currently issued and outstanding. The Company's

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performance-based stock units are subject to vesting conditions, including meeting specified annual Company performance objectives. Under the annual PSU grants in March 2019, each performance based award recipient could vest 0% to 175% of the target shares granted contingent on the achievement of the Company's financial performance metrics, whereas each performance based award recipient could vest 0% to 150% of the target shares granted under the special PSU grants in August and October 2019. Performance-based stock units are entitled to dividend equivalents only to the extent the specific performance goals are met and are entitled to voting rights only upon the issuance of shares after meeting these specific performance goals. Generally, share-based awards vest evenly over three years or cliff-vest after a three-year period; stock options generally have a 10-year term. As of February 1, 2020, approximately 0.2 million nonqualified stock options are outstanding under a predecessor plan and approximately 4.8 million shares remain available for future grants of share-based awards assuming all awards will vest 100% of the target shares granted.

Share-based compensation expense for all awards is based on the grant date fair value of the award, net of estimated forfeitures, and is recognized over the requisite service period of the awards. Compensation expense for restricted stock awards and stock options with a service condition is recognized on a straight-line basis over the requisite service period. Compensation expense for performance-based awards with a service condition is recognized ratably for each vesting tranche based on our estimate of the level and likelihood of meeting certain Company-specific performance goals. We estimate the expected forfeiture rate for all share-based awards, and only recognize expense for those shares expected to vest. In determining the portion of the share-based payment award that is ultimately expected to be earned, we derive forfeiture rates based on historical data. In accordance with the authoritative guidance, we revise our forfeiture rates, when necessary, in subsequent periods if actual forfeitures differ from those originally estimated. Total compensation expense related to share-based awards in fiscal 2019, 2018 and 2017 was \$7.1 million, \$19.8 million and \$20.7 million, respectively. The total tax benefit associated with share-based compensation for fiscal 2019, 2018 and 2017 was \$1.8 million, \$5.0 million and \$7.6 million, respectively.

### Restricted Stock Awards

Restricted stock awards vest in equal annual installments over a three-year period from the date of grant, except for a restricted stock award granted to our Chief Executive Officer ("CEO") in fiscal 2019, which vests over a four-year period from the date of grant and is described further in the Company's Current Report on Form 8-K/A filed with the SEC on August 20, 2019.

Restricted stock activity for fiscal 2019 was as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	2,715,466	\$ 10.92
Granted	3,563,105	4.22
Vested	(1,266,059)	11.28
Forfeited	(1,832,496)	7.11
Unvested, end of period	<u>3,180,016</u>	5.47

Total fair value of shares of restricted stock that vested during fiscal 2019, 2018 and 2017 was \$6.7 million, \$10.6 million and \$15.6 million, respectively. The weighted average grant date fair value of restricted stock granted during fiscal 2019, 2018 and 2017 was \$4.22, \$9.68 and \$13.23, respectively. As of February 1, 2020, there was \$10.0 million of unrecognized share-based compensation expense related to non-vested restricted stock awards. That cost is expected to be recognized over a weighted average remaining period of approximately 2.1 years.

**Performance-based Stock Units**

For fiscal 2019, we granted PSUs contingent upon the achievement of Company-specific performance goals. The annual PSU grants in March 2019 have a performance period of the three fiscal years 2019 through 2021. Special PSU grants in August and October 2019 have a performance period of part of fiscal year 2019 through the end of fiscal year 2021. Any units earned as a result of the achievement of the performance goals of the PSUs will vest three years from the date of grant for the March 2019 grants and in March 2022 for the August and October 2019 grants and will be settled in shares of our common stock. All PSUs granted during fiscal 2019 were granted under our Amended Omnibus Plan, except for one PSU award granted as an inducement award as permitted under New York Stock Exchange ("NYSE") Rule 303A.08. The inducement award was granted to our CEO outside of the Amended Omnibus Plan and is described further in the Company's Current Report on Form 8-K/A filed with the SEC on August 20, 2019.

Performance-based stock unit activity for fiscal 2019 was as follows:

	Number of Units/Shares	Weighted Average Grant Date Fair Value
Unvested, beginning of period	1,067,338	\$ 11.40
Granted	2,740,650	2.87
Vested	(244,628)	13.19
Forfeited	(1,521,222)	7.26
Unvested, end of period	<u>2,042,138</u>	2.48

Total fair value of performance-based stock units that vested during fiscal 2019, 2018 and 2017 was \$1.4 million, \$1.9 million and \$4.2 million, respectively. There was \$3.0 million of unrecognized share-based compensation expense related to performance-based stock units expected to vest as of February 1, 2020. That cost is expected to be recognized over a weighted average period of approximately 2.1 years.

**Stock Option Awards**

We used the Black-Scholes option-pricing model to value our stock options. No stock options have been issued since fiscal 2011 and all have been fully vested since fiscal 2014. Using this option-pricing model, the fair value of each stock option award was estimated on the date of grant. The fair value of the stock option awards, which are subject to pro-rata vesting generally over three years, was expensed on a straight-line basis over the vesting period of the stock options. For fiscal 2019, 2018 and 2017, we did not grant any stock options.

Stock option activity for fiscal 2019 was as follows:

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term	Aggregate Intrinsic Value (in thousands)
Outstanding, beginning of period	214,277	\$ 13.54		
Granted	—	—		
Exercised	—	—		
Forfeited or expired	(45,942)	13.98		
Outstanding, end of period	<u>168,335</u>	13.42	0.9	\$ —
Vested at February 1, 2020	168,335	13.42	0.9	—
Exercisable at February 1, 2020	168,355	13.42	0.9	—

**Employee Stock Purchase Plan**

We sponsor an employee stock purchase plan ("ESPP") under which substantially all full-time employees are given the right to purchase shares of our common stock during each of the two specified offering periods each fiscal year at a price equal to 85 percent of the value of the stock immediately prior to the beginning of each offering period. During fiscal 2019, 2018 and

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2017, approximately 354,000, 175,000 and 232,000 shares, respectively, were purchased under the ESPP. Cash received from purchases under the ESPP for fiscal 2019 was \$1.1 million.

### Share Repurchase Program

In fiscal 2018, we repurchased 12.2 million shares at a total cost of \$81.1 million under the Company's \$300 million share repurchase program announced in November 2015. We did not repurchase any of the Company's common stock during fiscal 2019. As of February 1, 2020, \$55.2 million remains 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.

### 14. RETIREMENT PLANS:

We have a 401(k) defined contribution employee retirement benefit plan (the "Plan") covering all employees upon the completion of six months of service and 500 hours worked. Participants must meet a minimum age requirement of 21. Under the Plan, employees may contribute up to 75 percent of their annual compensation, subject to certain statutory limitations. We have elected to match employee contributions at 50 percent on the first 6 percent of the employees' contributions and can elect to make additional contributions over and above the mandatory match. Employees' rights to Company contributions vest fully upon completing five years of service, with incremental vesting starting in service year two. For fiscal 2019, 2018 and 2017, our costs under the Plan were approximately \$3.5 million, \$3.3 million and \$3.3 million, respectively.

We have also adopted the Chico's FAS, Inc. Deferred Compensation Plan (the "Deferred Plan") to provide supplemental retirement income benefits for highly compensated employees. Eligible participants may elect to defer up to 80 percent of their base salary and 100 percent of their bonus earned under an approved bonus plan pursuant to the terms and conditions of the Deferred Plan. The Deferred Plan generally provides for payments upon retirement, death, disability, termination of employment or a defined period of years. The Company matches employee contributions on 50% of the first 2.5% of base salary deferrals. The amount of the deferred compensation liability payable to the participants is included in other noncurrent and deferred liabilities in the consolidated balance sheets. These obligations are funded through the purchase of corporate owned life insurance (COLI), cash and other securities held within a grantor trust established by the Company to hold assets for the payment of benefits under the Deferred Plan to participants. The trust assets are reflected in other assets, net in the accompanying consolidated balance sheets.

### 15. INCOME TAXES:

The income tax provision consisted of the following:

	Fiscal 2019	Fiscal 2018	Fiscal 2017
	(in thousands)		
Current:			
Federal	\$ 4,593	\$ 5,903	\$ 39,376
State	(261)	3,378	4,877
Foreign	315	282	266
Total	4,647	9,563	44,519
Deferred:			
Federal	(4,392)	(1,949)	(3,669)
State	545	86	1,750
Total	(3,847)	(1,863)	(1,919)
Income tax provision	\$ 800	\$ 7,700	\$ 42,600

The foreign component of pre-tax income (loss), arising principally from operating foreign stores and other management and cost sharing charges we are required to allocate under U.S. tax law, for fiscal 2019, 2018 and 2017 was \$(1.6) million, \$(1.7) million and \$0.1 million, respectively.

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On December 22, 2017, the Tax Act was signed into law making significant changes to the Internal Revenue Code. Changes include, but are not limited to, a corporate tax rate decrease from 35% to 21% effective January 1, 2018. As a result, the Company's fiscal 2019 and 2018 federal tax rate was 21% and blended federal tax rate for fiscal 2017 was 33.8%.

As a result of the Tax Act and in accordance with SEC Staff Accounting Bulletin 118, the Company recorded provisional tax expense in the fourth quarter of fiscal 2017 related to executive compensation and other deferred tax balances. During fiscal 2018, the Company made a \$4.9 million reduction, or 11.2% benefit to the effective tax rate, to the provisional tax expense related to the acceleration of certain tax deductions into fiscal 2017 and the subsequent revaluation of the associated deferred tax liabilities to reflect the new rate. The change was a result of additional analysis, changes in interpretation and assumptions, as well as additional regulatory guidance that was issued.

The Tax Act requires a one-time transition tax that is based on total post-1986 earnings and profits ("E & P") previously deferred from U.S. income taxes. As the Company does not have any post-1986 E & P in its foreign subsidiaries, no one-time transition tax was recorded.

No additional income taxes have been provided for any remaining undistributed foreign earnings not subject to the one-time transition tax, or any additional outside basis difference inherent in these entities, as these amounts continue to be indefinitely reinvested in foreign operations. There were no significant undistributed foreign earnings at February 1, 2020, February 2, 2019 and February 3, 2018.

The Company completed its accounting for the income tax effects of the Tax Act in December 2018.

A reconciliation between the statutory federal income tax rate and the effective income tax rate follows:

	Fiscal 2019 <sup>(1)</sup>	Fiscal 2018	Fiscal 2017
Federal income tax rate (blended rate for fiscal 2017 due to the Tax Act)	21.0 %	21.0 %	33.8 %
State income tax, net of federal tax benefit	(1.4)	5.7	3.2
Impact of the Tax Act	—	(11.2)	(5.6)
Excess share-based compensation	(19.3)	3.2	0.9
Provision-to-tax return adjustments	(8.9)	—	(0.6)
Valuation allowance on charitable carryover expirations	(4.9)	—	—
Enhanced charitable contribution	—	(3.0)	(1.1)
Executive compensation limitations	(3.8)	2.1	0.7
Foreign losses with full valuation allowance	(3.8)	1.1	0.1
Federal tax credits	6.0	(1.1)	(1.2)
Changes in uncertain tax positions	4.2	(0.1)	(0.5)
Other items, net	4.2	0.1	—
Total	(6.7)%	17.8 %	29.7 %

<sup>(1)</sup> Given the low level of pre-tax income in absolute dollars in fiscal 2019, effective tax rate reconciling items that may have been considered de minimis in prior years in terms of absolute dollars and on a percentage basis are amplified on a percentage basis in the current year even though the absolute dollar value of the reconciling items are similar to prior year. As such, comparability of information disclosed for fiscal 2019 in comparison to fiscal 2018 and fiscal 2017 may be difficult as a result of the amplifying effect of the lower level of pre-tax income.

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Deferred tax assets and liabilities are recorded due to different carrying amounts for financial and income tax reporting purposes arising from cumulative temporary differences. These differences consist of the following as of February 1, 2020 and February 2, 2019:

	<u>February 1, 2020</u>	<u>February 2, 2019</u>
	(in thousands)	
Deferred tax assets:		
Operating lease liabilities	\$ 192,392	\$ —
Accrued liabilities and allowances	15,335	10,984
Accrued straight-line rent	—	12,302
Share-based compensation	3,557	5,936
Property related	379	1,881
Charitable contribution limitation carryforwards	1,400	4,400
Tax credits and net operating loss carryforwards	6,227	5,337
Other	1,909	2,681
Total deferred tax assets	221,199	43,521
Valuation allowance	(2,162)	(1,111)
Net deferred tax assets	219,037	42,410
Deferred tax liabilities:		
Operating lease assets	(169,900)	—
Inventories	(2,785)	—
Prepaid and other expenses	(1,603)	(1,760)
Property related	(26,628)	(26,733)
Other intangible assets	(17,827)	(17,416)
Total deferred tax liabilities	(218,743)	(45,909)
Net deferred taxes	\$ 294	\$ (3,499)

As of February 1, 2020, the Company had deferred tax assets for state and local net operating losses and tax credit carryovers in the amounts of \$18.0 million and \$5.1 million, respectively, on a gross basis that could be utilized to reduce future years' tax liabilities. The net operating losses and tax credit carryovers expire, if unused, in the years 2020 - 2039 and 2020 - 2028, respectively. As of February 1, 2020, the Company had deferred tax assets related to foreign net operating loss carryforwards in the amount of \$5.4 million on a gross basis. The foreign carryforwards will begin to expire, if unused, in 2022. Some foreign net operating losses have an indefinite carryforward.

The Company believes it is more likely than not that the net operating losses and credit carryforwards will reduce future years' tax liabilities in various states. The Company has recorded valuation allowances against all foreign net operating loss carryforwards as the Company does not believe it is more likely than not that the foreign net operating losses will be utilized. Valuation allowances have also been provided on certain deferred tax assets for charitable contributions with limitations and other foreign deferred tax assets. No other valuation allowances have been provided for deferred tax assets because management believes that it is more likely than not that the full amount of the net deferred tax assets will be realized in the future. While the Company does not expect material adjustments to the total amount of valuation allowances within the next twelve months, changes in assumptions may occur based on the information then currently available. In such case, the Company will record an adjustment in the period in which a determination is made.

Accumulated other comprehensive loss is shown net of deferred tax assets and deferred tax liabilities. The amount was not significant at February 1, 2020 or February 2, 2019.

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A reconciliation of the beginning and ending amounts of uncertain tax positions for each of fiscal 2019, fiscal 2018 and fiscal 2017 is as follows:

	<u>Fiscal 2019</u>	<u>Fiscal 2018</u>	<u>Fiscal 2017</u>
	(in thousands)		
Balance at beginning of year	\$ 1,505	\$ 1,522	\$ 5,158
Additions for tax positions of prior years	82	117	—
Reductions for tax positions of prior years	(45)	(24)	(105)
(Reductions) additions for tax positions for the current year	—	87	289
Settlements/payments with tax authorities	(538)	(197)	(3,667)
Reductions due to lapse of applicable statutes of limitation	(257)	—	(153)
Balance at end of year	<u>\$ 747</u>	<u>\$ 1,505</u>	<u>\$ 1,522</u>

At February 1, 2020, February 2, 2019 and February 3, 2018, balances included \$0.6 million, \$1.2 million and \$1.2 million respectively, of unrecognized tax benefits that, if recognized, would favorably impact the effective tax rate in future periods. We do not expect any events to occur that would cause a change to our unrecognized tax benefits or income tax expense within the next twelve months.

Our continuing practice is to recognize potential accrued interest and penalties relating to unrecognized tax benefits in the income tax provision. We accrued \$0.1 million for interest and penalties for each of the fiscal years 2019, 2018 and 2017. We had approximately \$0.1 million, \$0.3 million and \$0.3 million, respectively, for the payment of interest and penalties accrued at February 1, 2020, February 2, 2019 and February 3, 2018, respectively. The amounts included in the reconciliation of uncertain tax positions do not include accruals for interest and penalties.

In fiscal 2006, we began participating in the IRS's real time audit program, Compliance Assurance Process ("CAP"). Under the CAP program, material tax issues and initiatives are disclosed to the IRS throughout the year with the objective of reaching an agreement as to the proper reporting treatment when the federal return is filed. Previous years through fiscal 2017 have been accepted. Fiscal 2018 is in the post-filing review process.

We are no longer subject to state and local examinations for years before fiscal 2011. Various state and foreign examinations are currently underway for fiscal periods spanning from 2013 through 2018; however, we do not expect any significant change to our uncertain tax positions within the next year.

[Table of Contents](#)**16. NET (LOSS) INCOME PER SHARE:**

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

	<u>February 1, 2020</u>	<u>February 2, 2019</u>	<u>February 3, 2018</u>
<b>Numerator</b>			
Net (loss) income	\$ (12,754)	\$ 35,613	\$ 101,000
Net (loss) income and dividends declared allocated to participating securities	—	(879)	(2,300)
Net (loss) income available to common shareholders	<u>\$ (12,754)</u>	<u>\$ 34,734</u>	<u>\$ 98,700</u>
<b>Denominator</b>			
Weighted average common shares outstanding – basic	114,859	122,662	125,341
Dilutive effect of non-participating securities	—	67	62
Weighted average common and common equivalent shares outstanding – diluted	<u>114,859</u>	<u>122,729</u>	<u>125,403</u>
Net (loss) income per common share:			
Basic	<u>\$ (0.11)</u>	<u>\$ 0.28</u>	<u>\$ 0.79</u>
Diluted	<u>\$ (0.11)</u>	<u>\$ 0.28</u>	<u>\$ 0.79</u>

In fiscal 2019, 2018 and 2017, 0.3 million, 0.7 million and 0.7 million of potential shares of common stock were excluded from the diluted per share calculation relating to non-participating securities, because the effect of including these potential shares was antidilutive.

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**17. QUARTERLY RESULTS OF OPERATIONS (UNAUDITED):**

	Net Sales	Gross Margin	Net Income (Loss)	Net Income (Loss) Per Common Share - Basic	Net Income (Loss) Per Common and Common Equivalent Share - Diluted
(dollars in thousands, except per share amounts)					
Fiscal year ended February 1, 2020:					
First quarter <sup>(1)</sup>	\$ 517,728	\$ 190,831	\$ 2,025	\$ 0.02	\$ 0.02
Second quarter <sup>(1)</sup>	508,356	168,622	(2,309)	(0.02)	(0.02)
Third quarter <sup>(2)</sup>	484,706	171,038	(8,123)	(0.07)	(0.07)
Fourth quarter <sup>(1)</sup>	527,085	171,387	(4,347)	(0.04)	(0.04)
Fiscal year ended February 2, 2019:					
First quarter	\$ 561,815	\$ 226,868	\$ 29,004	\$ 0.23	\$ 0.23
Second quarter	544,720	196,867	16,768	0.13	0.13
Third quarter <sup>(3)</sup>	499,877	180,978	6,481	0.05	0.05
Fourth quarter <sup>(4)</sup>	524,728	158,701	(16,640)	(0.14)	(0.14)

<sup>(1)</sup> Results for the first quarter, second quarter and fourth quarter of fiscal 2019 include the unfavorable impact of accelerated depreciation charges of \$3.6 million, \$2.2 million, \$0.8 million, after-tax, respectively, related to our retail fleet optimization plan.

<sup>(2)</sup> Results for the third quarter of fiscal 2019 include the unfavorable impact of accelerated depreciation charges of \$1.5 million, after-tax, related to our retail fleet optimization plan and the impact of severance and other related net charges of \$2.1 million, after-tax, in connection with actions taken to reposition our organization structure.

<sup>(3)</sup> Results for the third quarter of fiscal 2018 include the favorable tax benefit of \$5.0 million related to the Tax Act.

<sup>(4)</sup> Results for the fourth quarter of fiscal 2018 include the unfavorable impact of impairment and accelerated depreciation charges of \$8.1 million, after-tax, related to our retail fleet optimization plan.

**18. SUBSEQUENT EVENTS:**

On February 27, 2020, we announced that our Board of Directors declared a quarterly dividend of \$0.09 per share on our common stock. The dividend will be payable on March 30, 2020 to shareholders of record at the close of business on March 16, 2020. Although it is our Company's intention to continue to pay a quarterly cash dividend in the future, any decision to pay future cash dividends will be made by the Board of Directors and will depend on future earnings, financial condition and other factors.

In recent days, the COVID-19 outbreak in the United States has resulted in reduced customer traffic and the temporary reduction of operating hours for our stores as well as temporary store closures where government mandated. These recent developments are expected to result in lower sales and gross margin than provided in our previous outlook.

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

None.

**ITEM 9A. CONTROLS AND PROCEDURES**

**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 Exchange Act of 1934, as amended (the “Exchange Act”), is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed in reports filed under the Exchange Act is accumulated and communicated to management, including the principal executive and principal financial officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

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 Interim Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). Based upon that evaluation, the Chief Executive Officer and Interim 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 Control over Financial Reporting**

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

**Management’s Report on Internal Control over Financial Reporting**

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Rule 13a-15(f) under the Exchange Act. Under the supervision and with the participation of our management, including our Chief Executive Officer and Interim Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of February 1, 2020 as required by Rule 13a-15(c) under the Exchange Act. In making this assessment, we used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework (2013 framework). Based on our evaluation, management concluded that our internal control over financial reporting was effective as of February 1, 2020.

No system of controls, no matter how well designed and operated, can provide absolute assurance that the objectives of the system of controls are met, and no evaluation of controls can provide absolute assurance that the system of controls has operated effectively in all cases. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies and procedures may deteriorate.

The Company’s independent registered public accounting firm, Ernst & Young LLP, that audited the consolidated financial statements included in this Annual Report on Form 10-K, issued an attestation report on the Company’s internal control over financial reporting as of February 1, 2020, which follows.

Report of Independent Registered Public Accounting Firm

To the Shareholders and the Board of Directors of Chico's FAS, Inc.

**Opinion on Internal Control over Financial Reporting**

We have audited Chico's FAS, Inc. and subsidiaries' internal control over financial reporting as of February 1, 2020, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Chico's FAS, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of February 1, 2020, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of Chico's FAS, Inc. and subsidiaries as of February 1, 2020 and February 2, 2019, the related consolidated statements of (loss) income, comprehensive (loss) income, shareholders' equity and cash flows for each of the three fiscal years in the period ended February 1, 2020, and the related notes and our report dated March 16, 2020 expressed an unqualified opinion thereon.

**Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

**Definition and Limitations of Internal Control Over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ ERNST & YOUNG LLP

Tampa, Florida  
March 16, 2020

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**ITEM 9B. OTHER INFORMATION**

None.

**PART III**

**ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

Information about our executive officers, directors and nominees for director, procedures by which security holders may recommend director nominees, the code of ethics, the audit committee, audit committee membership and our audit committee financial expert and Section 16(a) beneficial ownership reporting compliance in our 2020 Annual Meeting proxy statement is incorporated herein by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

Information about executive compensation and the Human Resources, Compensation and Benefits Committee report in our 2020 Annual Meeting proxy statement is incorporated herein by reference.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS**

Except as provided below, the information required by this item is included in our 2020 Annual Meeting proxy statement and is incorporated herein by reference.

**Equity Compensation Plan Information**

The following table shows information concerning our equity compensation plans as of February 1, 2020:

<b>Plan Category</b>	<b>Number of Securities to be Issued upon Exercise of Outstanding Options, Warrants and Rights</b>	<b>Weighted-Average Exercise Price of Outstanding Options, Warrants and Rights</b>	<b>Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))</b>
	(a)	(b) <sup>3</sup>	(c) <sup>4</sup>
Equity compensation plans approved by security holders <sup>1</sup>	2,391,337	\$13.42	4,224,650
Equity compensation plans not approved by security holders <sup>2</sup>	1,050,000	—	—
<b>Total</b>	<b>3,441,337</b>	<b>\$13.42</b>	<b>4,224,650</b>

1. Consists of the Amended and Restated 2012 Omnibus Stock and Incentive Plan, the Amended and Restated 2002 Omnibus Stock and Incentive Plan, and the Second Amended and Restated 2002 Employee Stock Purchase Plan.
2. On August 20, 2019, the Company granted to Bonnie Brooks an award of performance share units with a target of 700,000 units (100% payout) and a maximum of 1,050,000 units (150% payout), with each unit representing one share of the Company's common stock (the "PSU Inducement Award"). The PSU Inducement Award is earned based on achievement of performance objectives relating to comparable sales improvement and the Company's stock price during the performance period beginning with the third quarter of fiscal 2019 and ending on the last day of fiscal 2021. The PSU Inducement Award was granted outside of the Amended and Restated 2012 Omnibus Stock and Incentive Plan in connection with Ms. Brooks' employment as President and CEO of the Company pursuant to Section 4(a)(2) of the Securities Act and the employment inducement award exemption in NYSE Rule 303A.08.
3. The weighted average exercise price is calculated based solely on the outstanding stock options. It does not take into account the shares issuable upon vesting of outstanding restricted stock, restricted stock units or performance stock units, which have no exercise price.

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4. Consists of (i) 4.0 million shares that were available for future issuance under the Amended and Restated 2012 Omnibus Stock and Incentive Plan as of February 1, 2020 and (ii) 0.2 million shares that were available for future issuance under the Second Amended and Restated 2002 Employee Stock Purchase Plan as of February 1, 2020, including shares subject to purchase during the current offering period.

**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE**

The information required by this item is included in our 2020 Annual Meeting proxy statement and is incorporated herein by reference.

**ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES**

The information required by this item is included in our 2020 Annual Meeting proxy statement and is incorporated herein by reference.

**PART IV**

**ITEM 15. EXHIBITS, FINANCIAL STATEMENT SCHEDULES**

(a) Documents filed as part of this Report.

(1) The following consolidated financial statements are contained in Item 8:

<u>Consolidated Financial Statements</u>	<u>Page in this Report</u>
<a href="#">Report of Ernst &amp; Young LLP, independent registered public accounting firm</a>	<a href="#">35</a>
<a href="#">Consolidated Statements of (Loss) Income</a>	<a href="#">36</a>
<a href="#">Consolidated Statements of Comprehensive (Loss) Income</a>	<a href="#">37</a>
<a href="#">Consolidated Balance Sheets</a>	<a href="#">38</a>
<a href="#">Consolidated Statements of Shareholders' Equity</a>	<a href="#">39</a>
<a href="#">Consolidated Statements of Cash Flows</a>	<a href="#">40</a>
<a href="#">Notes to Consolidated Financial Statements</a>	<a href="#">41</a>

(2) The following Financial Statement Schedules are included herein:

Schedules are not submitted because they are not applicable, not required or because the required information is included in the financial statements or the notes thereto.

(3) The following exhibits are filed as part of this report:

3.1	<a href="#">Amended and Restated By-laws of Chico's FAS, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 10-Q, as filed with the Commission on November 22, 2016)</a>
3.1.1	<a href="#">Amendment to Amended and Restated Bylaws of Chico's FAS, Inc. (incorporated by reference to Exhibit 3.1 to the Company's Form 8-K, as filed with the Commission on June 24, 2019)</a>
3.2	<a href="#">Restated Articles of Incorporation of Chico's FAS, Inc. (incorporated by reference to Exhibit 3.2 to the Company's Form 10-Q, as filed with the Commission on November 27, 2019)</a>
4.1	<a href="#">Description of the Company's Common Stock</a>
10.1*	<a href="#">Amended and Restated 2002 Omnibus Stock and Incentive Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on July 2, 2008)</a>
10.2*	<a href="#">Form of 2002 Omnibus Stock and Incentive Plan Non-Qualified Stock Option Certificate for Employees (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on February 3, 2005)</a>
10.3*	<a href="#">Revised Form of 2002 Omnibus Stock and Incentive Plan Non-Qualified Stock Option Certificate for Employees (incorporated by reference to Exhibit 10.22 to the Company's Form 10-K, as filed with the Commission on March 22, 2011)</a>
10.4*	<a href="#">Chico's FAS, Inc. Second Amended and Restated 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, as filed with the Commission on August 24, 2011)</a>
10.5*	<a href="#">Indemnification Agreement with David F. Walker (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, as filed with the Commission on November 29, 2005)</a>
10.6*	<a href="#">Indemnification Agreement with John J. Mahoney (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K as filed with the Commission on July 25, 2008)</a>
10.7*	<a href="#">Indemnification Agreement with Stephen E. Watson (incorporated by reference to Exhibit 10.44 to the Company's Form 10-K, as filed with the Commission on March 22, 2011)</a>
10.8*	<a href="#">Chico's FAS, Inc. Deferred Compensation Plan effective April 1, 2002 (incorporated by reference to Exhibit 10.53 to the Company's Form 10-K, as filed with the Commission on April 24, 2002)</a>
10.9*	<a href="#">Chico's FAS, Inc. Deferred Compensation Plan (as Amended and Restated Effective January 1, 2019) (incorporated by reference to Exhibit 10.10 to the Company's Form 10-K, as filed with the Commission on March 19, 2019)</a>

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10.10	<a href="#"><u>Lease Agreement between Joint Development Authority of Winder-Barrow County and Chico's Real Estate, LLC dated as of March 25, 2002 (incorporated by reference to Exhibit 10.54 to the Company's Form 10-K, as filed with the Commission on April 24, 2002)</u></a>
10.11*	<a href="#"><u>Indemnification Agreement with Janice L. Fields (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on May 7, 2013)</u></a>
10.12*	<a href="#"><u>Participation Agreement between the Company and Todd E. Vogensen (incorporated by reference to Exhibit 10.2 to the Company's Form 8-K, as filed with the Commission on April 1, 2015)</u></a>
10.13*	<a href="#"><u>Chico's FAS, Inc. Cash Bonus Incentive Plan (incorporated by reference to Appendix A to the Company's definitive proxy statement, as filed with the Commission on May 8, 2015)</u></a>
10.14*	<a href="#"><u>Amendment No.1 to Second Amended and Restated 2002 Employee Stock Purchase Plan (incorporated by reference to Exhibit 10.59 to the Company's Form 10-K, as filed with the Commission on March 8, 2016)</u></a>
10.15*	<a href="#"><u>Participation Agreement between the Company and Shelley Broader (incorporated by reference to Exhibit 10.61 to the Company's Form 10-K, as filed with the Commission on March 8, 2016)</u></a>
10.16*	<a href="#"><u>Indemnification Agreement with Bonnie R. Brooks (incorporated by reference to Exhibit 10.46 to the Company's Form 10-K, as filed with the Commission on March 7, 2017)</u></a>
10.17*	<a href="#"><u>Indemnification Agreement with William S. Simon (incorporated by reference to Exhibit 10.47 to the Company's Form 10-K, as filed with the Commission on March 7, 2017)</u></a>
10.18*	<a href="#"><u>Form of 2012 Omnibus Stock and Incentive Plan Restricted Stock Agreement (incorporated by reference to Exhibit 10.50 to the Company's Form 10-K, as filed with the Commission on March 7, 2017)</u></a>
10.19*	<a href="#"><u>Form of 2012 Omnibus Stock and Incentive Plan Performance Award Agreement for Restricted Stock Units (incorporated by reference to Exhibit 10.51 to the Company's Form 10-K, as filed with the Commission on March 7, 2017)</u></a>
10.20*	<a href="#"><u>Incentive Compensation Clawback Policy, effective April 6, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, as filed with the Commission on May 25, 2017)</u></a>
10.21*	<a href="#"><u>Chico's FAS, Inc. Amended and Restated 2012 Omnibus Stock and Incentive Plan (incorporated by reference to Exhibit 10.55 to the Company's Form 8-K as filed with the Commission on June 27, 2017)</u></a>
10.22*	<a href="#"><u>Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Restricted Stock Agreement for Employees (for awards on or after June 22, 2017) (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, as filed with the Commission on August 31, 2017)</u></a>
10.23*	<a href="#"><u>Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Restricted Stock Agreement for Non-Employee Directors (for awards on or after June 22, 2017) (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, as filed with the Commission on August 31, 2017)</u></a>
10.24*	<a href="#"><u>Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Restricted Stock Unit Agreement for Non-Employee Directors (for awards on or after June 22, 2017) (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q, as filed with the Commission on August 31, 2017)</u></a>
10.25*	<a href="#"><u>Amended and Restated Indemnification Agreement with Shelley G. Broader, dated June 19, 2017 (incorporated by reference to Exhibit 10.4 to the Company's Form 10-Q, as filed with the Commission on August 31, 2017)</u></a>
10.26*	<a href="#"><u>Amended and Restated Indemnification Agreement with Todd E. Vogensen, dated July 6, 2017 (incorporated by reference to Exhibit 10.5 to the Company's Form 10-Q, as filed with the Commission on August 31, 2017)</u></a>
10.27*	<a href="#"><u>Employment Letter Agreement between the Company and Mary van Praag, dated August 1, 2017 (incorporated by reference to Exhibit 10.1 to the Company's Form 10-Q, as filed with the Commission on November 22, 2017)</u></a>
10.28*	<a href="#"><u>Restrictive Covenant Agreement between the Company and Mary van Praag, dated August 22, 2017 (incorporated by reference to Exhibit 10.2 to the Company's Form 10-Q, as filed with the Commission on November 22, 2017)</u></a>
10.29*	<a href="#"><u>Indemnification Agreement with Deborah L. Kerr, dated November 15, 2017 (incorporated by reference to Exhibit 10.3 to the Company's Form 10-Q, as filed with the Commission on November 22, 2017)</u></a>

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- 10.30\* [Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Performance Award Agreement for Performance Share Units for Employees \(for awards on or after March 1, 2018\) \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on February 16, 2018\)](#)
- 10.31\* [Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Restricted Stock Agreement for Employees \(for awards on or after March 1, 2018\) \(incorporated by reference to Exhibit 10.44 to the Company's Form 10-K, as filed with the Commission on March 13, 2018\)](#)
- 10.32\* [Restrictive covenant agreement between the Company and David Pastrana, dated as of December 12, 2017 \(incorporated by reference to Exhibit 10.46 to the Company's Form 10-K, as filed with the Commission on March 13, 2018\)](#)
- 10.33\* [Credit Agreement among the Company, certain of its subsidiaries, Wells Fargo Bank, National Association and the Lenders parties thereto dated as of August 2, 2018 \(incorporated by reference to Exhibit 10.49 to the Company's Form 8-K, as filed with the Commission on August 3, 2018\)](#)
- 10.34\* [Indemnification agreement with Kim Roy, dated February 18, 2019 \(incorporated by reference to Exhibit 10.44 to the Company's Form 10-K, as filed with the Commission on March 19, 2019\)](#)
- 10.35\* [Employment letter agreement between the Company and Ann Joyce, dated as of October 8, 2015 \(incorporated by reference to Exhibit 10.47 to the Company's Form 10-Q, as filed with the Commission on June 11, 2019\)](#)
- 10.36\* [Letter agreement, dated April 24, 2019, between the Company and Shelley G. Broader \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on April 24, 2019\)](#)
- 10.37\* [Separation Agreement and Release between the Company and Shelley G. Broader, dated as of May 2, 2019 \(incorporated by reference to Exhibit 10.49 to the Company's Form 10-Q, as filed with the Commission on June 11, 2019\)](#)
- 10.38\* [Amended and Restated 2012 Omnibus Stock and Incentive Plan Restricted Stock Agreement for Bonnie R. Brooks, dated April 24, 2019 \(incorporated by reference to Exhibit 10.51 to the Company's Form 10-Q, as filed with the Commission on June 11, 2019\)](#)
- 10.39\* [Employment Inducement Performance Award Agreement for Performance Share Units between Chico's FAS, Inc. and Bonnie R. Brooks, dated August 20, 2019 \(incorporated by reference to Exhibit 10.1 to the Company's Form 8-K/A, as filed with the Commission on August 20, 2019\)](#)
- 10.40\* [Performance Award Agreement for Performance Share Units between Chico's FAS, Inc. and Bonnie R. Brooks under the Amended and Restated 2012 Omnibus Stock and Incentive Plan, dated August 20, 2019 \(incorporated by reference to Exhibit 10.2 to the Company's Form 8-K/A, as filed with the Commission on August 20, 2019\)](#)
- 10.41\* [Restricted Stock Award Agreement between Chico's FAS, Inc. and Bonnie R. Brooks under the Amended and Restated 2012 Omnibus Stock and Incentive Plan, dated August 20, 2019 \(incorporated by reference to Exhibit 10.3 to the Company's Form 8-K/A, as filed with the Commission on August 20, 2019\)](#)
- 10.42\* [Employment letter agreement between the Company and Molly Langenstein, dated as of July 15, 2019 \(incorporated by reference to Exhibit 10.57 to the Company's Form 10-Q, as filed with the Commission on August 28, 2019\)](#)
- 10.43\* [Restrictive covenant agreement between the Company and Molly Langenstein, dated as of August 1, 2019 \(incorporated by reference to Exhibit 10.58 to the Company's Form 10-Q, as filed with the Commission on August 28, 2019\)](#)
- 10.44\* [Employment letter agreement between the Company and Bonnie R. Brooks, dated as of July 18, 2019 \(incorporated by reference to Exhibit 10.59 to the Company's Form 10-Q, as filed with the Commission on August 28, 2019\)](#)
- 10.45\* [Restrictive covenant agreement between the Company and Bonnie R. Brooks, dated as of August 20, 2019 \(incorporated by reference to Exhibit 10.60 to the Company's Form 10-Q, as filed with the Commission on August 28, 2019\)](#)
- 10.46\* [Compensation adjustment letter agreement between the Company and Molly Langenstein, dated as of September 23, 2019 \(incorporated by reference to Exhibit 10.62 to the Company's Form 10-Q, as filed with the Commission on November 27, 2019\)](#)
- 10.47\* [Compensation adjustment letter agreement between the Company and Ann Joyce, dated as of September 23, 2019 \(incorporated by reference to Exhibit 10.63 to the Company's Form 10-Q, as filed with the Commission on November 27, 2019\)](#)

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10.48*	<a href="#"><u>Compensation adjustment letter agreement between the Company and Mary van Praag, dated as of September 23, 2019 (incorporated by reference to Exhibit 10.64 to the Company's Form 10-Q, as filed with the Commission on November 27, 2019)</u></a>
10.49*	<a href="#"><u>Form of Amended and Restated 2012 Omnibus Stock and Incentive Plan Special Performance Award Agreement for Performance Share Units for Employees (for awards on October 1, 2019) (incorporated by reference to Exhibit 10.65 to the Company's Form 10-Q, as filed with the Commission on November 27, 2019)</u></a>
10.50*	<a href="#"><u>Chico's FAS, Inc. Officer Severance Plan and Summary Plan Description effective January 1, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on November 22, 2019)</u></a>
10.51*	<a href="#"><u>Compensation adjustment letter agreement between the Company and David M. Oliver, dated as of February 13, 2020 (incorporated by reference to Exhibit 10.1 to the Company's Form 8-K, as filed with the Commission on February 13, 2020)</u></a>
10.52*	<a href="#"><u>First Amendment to Chico's FAS, Inc. Deferred Compensation Plan (as amended and restated on January 1, 2019) effective January 1, 2020</u></a>
21	<a href="#"><u>Subsidiaries of the Registrant</u></a>
23	<a href="#"><u>Consent of Ernst &amp; Young LLP</u></a>
31.1	<a href="#"><u>Chico's FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002- Chief Executive Officer</u></a>
31.2	<a href="#"><u>Chico's FAS, Inc. and Subsidiaries Certification Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002- Chief Financial Officer</u></a>
32.1	<a href="#"><u>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</u></a>
32.2	<a href="#"><u>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</u></a>
101	The following financial statements from the Company's Annual Report on Form 10-K for the year ended February 1, 2020, formatted in Inline XBRL: (i) Consolidated Statements of (Loss) Income, (ii) Consolidated Statements of Comprehensive (Loss) Income, (iii) Consolidated Balance Sheets, (iv) Consolidated Statements of Shareholders' Equity, (v) Consolidated Statements of Cash Flows, and (vi) Notes to Consolidated Financial Statements, tagged as blocks of text and including detailed tags.
104	The cover page from the Company's Annual Report on Form 10-K for the year ended February 1, 2020, formatted in Inline XBRL (included within Exhibit 101).

\* Denotes management contract



**DESCRIPTION OF THE COMPANY'S SECURITIES  
REGISTERED PURSUANT TO SECTION 12 OF THE  
SECURITIES EXCHANGE ACT OF 1934**

*The description of the material features of the common stock, \$0.01 par value per share (the "common stock"), of Chico's FAS, Inc. (the "Company") does not purport to be complete and is in all respects subject to, and qualified in its entirety by references to, the applicable provisions of Florida law and by our Restated Articles of Incorporation, effective October 8, 2019 (the "Articles"), and our Amended and Restated Bylaws, amended November 17, 2016 and further amended June 24, 2019 (the "Bylaws"). Our Articles and our Bylaws are included as exhibits to the Annual Report on Form 10-K of which this exhibit is a part.*

**General**

Each share of our common stock has the same relative rights as, and is identical in all respects to, each other share of our common stock. Our common stock is traded on the New York Stock Exchange under the symbol "CHS." All of the outstanding shares of common stock are fully paid and nonassessable.

**Dividends**

Holders of common stock are entitled to receive dividends if, as and when declared by the Board of Directors out of funds legally available therefor, subject to the dividend and liquidation rights of any preferred stock that may be issued and outstanding. No dividend or other distribution (including redemptions or repurchases of shares of capital stock) may be made if after giving effect to such distribution, the Company would not be able to pay its debts as they become due in the usual course of business, or the Company's total assets would be less than the sum of its total liabilities plus the amount that would be needed at the time of a liquidation to satisfy the preferential rights of any holders of preferred stock.

Any determination to pay future dividends will be made by the Board of Directors based on the factors that it deems relevant, which may include, without limitation, an evaluation of our stock price, future earnings, financial condition and any relevant contractual restrictions.

**Liquidation Rights**

In the event of a liquidation, dissolution or winding-up of the Company, the holders of common stock are entitled to share equally and ratably in the assets of the Company, if any, remaining after the payment of all debts and liabilities of the Company and the liquidation preference of any outstanding preferred stock.

**Voting Rights**

The holders of our common stock are entitled to one vote per share on all matters submitted to a vote of such holders. In general, a majority of votes cast with respect to a matter is sufficient to authorize action upon routine matters.

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When a quorum is present at any meeting for the election of directors, the vote required for election of a director by shareholders, other than in a contested election, is the affirmative vote of a majority of votes cast with respect to the director nominee. A majority of votes cast means that the number of votes cast “for” a director must exceed the number of votes cast “against” that director. In a contested election, the nominees receiving the greatest number of votes “for” their election, up to the number of directors to be elected, shall be elected. Abstentions and broker non-votes do not count as votes either “for” or “against” a nominee.

### **Directors and Classes of Directors**

The Company has only one class of directors who serve terms that expire annually.

### **No Preemptive Rights; Redemption, etc.**

Holders of shares of the Company’s common stock will not be entitled to preemptive rights with respect to any additional shares that may be issued. The Company’s common stock is not subject to redemption, conversion or any sinking fund.

### **Certain Anti-Takeover Provisions of our Articles and Bylaws and Florida Law**

*Removal of Directors.* Under our Bylaws, directors may be removed only for cause by the shareholders at an annual or special meeting of shareholders by the affirmative vote of at least 66-2/3% of the outstanding shares of common stock, subject to the rights of any preferred shareholders (if any).

*State Anti-Takeover Statute.* Pursuant to Section 607.0901 of the Florida Business Corporation Act, as amended (the “Florida Act”), a publicly held Florida corporation may not engage in a broad range of business combinations or other extraordinary corporate transactions with an “interested shareholder” without the approval of the holders of two-thirds of the outstanding voting shares of such corporation (excluding shares held by the interested shareholder), unless:

- the transaction is approved by a majority of disinterested directors;
- the interested shareholder has owned at least 80% of the corporation’s outstanding voting shares for at least three years preceding the announcement date;
- the interested shareholder is the beneficial owner of at least 90% of the outstanding voting shares of the corporation, exclusive of shares acquired directly from the corporation in a transaction not approved by a majority of the disinterested directors; or
- the consideration paid to the holders of the corporation’s voting stock is at least equal to certain fair price criteria.

An “interested shareholder” is defined as a person who together with affiliates and associates beneficially owns more than 15% of a corporation’s outstanding voting shares. We have not made an election in our Articles to opt out of Section 607.0901.

This statutory provision may prevent takeover attempts that might result in a premium over the market price for shares of our common stock.

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In our Bylaws, we have opted-out of Section 607.0902 of the Florida Act and, therefore, the provisions of such section do not apply to “control share acquisitions” of our stock, as such term is defined in such section.

*Authorized Preferred Stock.* Our Articles authorize the issuance of preferred stock and our Board of Directors may, subject to application of Florida law, authorize the issuance of preferred stock at such times, for such purposes and for such consideration as the Board of Directors may deem advisable without further shareholder approval. The issuance of preferred stock under certain circumstances may have the effect of discouraging an attempt by a third party to acquire control of the Company by, for example, authorizing the issuance of a series of preferred stock with rights and preferences designed to impede the proposed transaction.

*Liability and Indemnification of Officers and Directors.* The Florida Act, provides that, in general, a business corporation may indemnify any person who is or was a party to any proceeding (other than an action by, or in the right of, the corporation) by reason of the fact that he or she is or was a director or officer of the corporation, against liability incurred in connection with such proceeding, including any appeal thereof, provided certain standards are met, including that such director or officer acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, and provided further that, with respect to any criminal action or proceeding, the director or officer had no reasonable cause to believe his or her conduct was unlawful. In the case of proceedings by or in the right of the corporation, the Florida Act provides that, in general, a corporation may indemnify any person who is or was a party to any such proceeding by reason of the fact that he or she is or was a director or officer of the corporation against expenses and amounts paid in settlement not exceeding, in the judgment of the corporation’s board of directors, the estimated expense of litigating the proceeding to conclusion, actually and reasonably incurred in connection with the defense or settlement, including any appeal thereof, provided that such person acted in good faith and in a manner he or she reasonably believed to be in, or not opposed to, the best interests of the corporation, except that no indemnification shall be made in respect of any claim as to which such person is adjudged to be liable unless the court in which such proceeding was brought, or any other court of competent jurisdiction, determines upon application that such person is fairly and reasonably entitled to indemnity. To the extent that any directors or officers are successful on the merits or otherwise in the defense of any of the proceedings described above, the Florida Act provides that the corporation is required to indemnify such directors or officers against expenses actually and reasonably incurred in connection therewith. Expenses incurred by a director or officer in defending a civil or criminal proceeding may be paid by the corporation in advance of the final disposition of such proceeding upon receipt of an undertaking by or on behalf of such director or officer to repay such amount if he or she is ultimately found not to be entitled to indemnification by the corporation. However, the Florida Act further provides that, in general, indemnification or advancement of expenses shall not be made to or on behalf of any director or officer if a judgment or other final adjudication establishes that his or her actions, or omissions to act, were material to the cause of action so adjudicated and constitute: (i) a violation of the criminal law, unless the director or officer had reasonable cause to believe his or her conduct was lawful or had no reasonable cause to believe it was unlawful; (ii) a transaction from which the director or officer derived an improper personal benefit; (iii) in the case of a director, a circumstance under which the director has voted for or assented to a distribution made in violation of the Florida Act or the corporation’s articles of incorporation; or (iv) willful misconduct or a conscious disregard for the best interests of the corporation in a proceeding by or in the right of the corporation to procure a judgment in its favor or in a proceeding by or in the right of a shareholder. Article VI of our Bylaws provides that the Company shall indemnify any director, officer or employee or any former director, officer or employee to the fullest extent permitted by law.

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As is permitted under the Florida Act, the Company has purchased insurance with respect to, among other things, the liabilities that may arise under the statutory provisions referred to above. The directors and officers of the Company also are insured against certain liabilities, including certain liabilities arising under the Securities Act, which might be incurred by them in such capacities and against which they may or may not be indemnified by the Company.

The Company has entered into indemnification agreements with each of its directors and certain of its executive officers. The agreements create certain indemnification obligations of the Company in favor of the directors and executive officers and, as permitted by applicable law, clarify and expand the circumstances under which a director or executive officer will be indemnified.

*Amendments to our Articles.* Our Articles may only be changed upon the affirmative vote of holders of 66 2/3% of the outstanding common stock.

*Increasing the Number of Directors.* Under Florida law, a board of directors may amend bylaws unless its company's articles of incorporation or other provisions of Florida law reserve such power exclusively in the shareholders or the shareholders, in amending the bylaws generally or a particular bylaw provision, expressly provide that the board may not amend the bylaws generally or that particular bylaw provision. Our Articles do not reserve the power to amend the Bylaws to increase or decrease the number of directors exclusively to the shareholders and no bylaw, and no amendment thereto, expressly provide that the Board of Directors may not amend the bylaws generally or that particular bylaw provision. Any newly created directorships resulting from an increase in the number of authorized directors shall be filled by the affirmative vote of a majority of the directors then in office. As a result, if faced with an attempt to take control of our Board of Directors, the Board of Directors may increase the size of the Board of Directors and install directors opposed to the hostile takeover attempt.

*Advance Notification Requirements.* Notice of director nominations must be submitted by a shareholder of record and must set forth the information required by the Company's Articles. Notice of shareholder proposals and of director nominations (other than proxy access director nominations) must be timely given in writing to the Corporate Secretary of the Company prior to the meeting at which the proposals are to be presented or the directors are to be elected. To be timely, notice must be received at the principal executive offices of the Company not less than 60 days prior to the meeting of shareholders; provided, however, that in the event that less than 70 days' notice or prior public disclosure of the date of the meeting is given or made to the shareholders, notice by the shareholder, to be timely, must be so delivered or received not later than the close of business on the 10<sup>th</sup> day following the day on which notice of the date of the annual meeting was given or public disclosure of the date of the annual meeting was made, whichever first occurs.

A shareholder, or group of up to 20 shareholders, that has owned continuously for at least three years shares of the Company's common stock representing an aggregate of at least 3% of our outstanding shares, may nominate and include in the Company's proxy materials director nominees constituting up to 20% of the Company's Board, provided that the shareholder(s) and nominee(s) satisfy the requirements set forth in the Company's Bylaws. Notice of proxy access director nominees must be received by our Corporate Secretary no earlier than 150 calendar days and no later than 120 calendar days before the first anniversary of the date that the definitive proxy statement was first sent to shareholders by the Company in connection with the preceding year's annual meeting of shareholders (as stated in the Company's proxy materials); provided, however, that in the event the annual meeting is more than 30 days before or more than 60 days after the first anniversary of the previous year's annual meeting, or if no annual

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meeting was held in the preceding year, to be timely, the notice of proxy access director nominees must be delivered not earlier than the close of business on the 150<sup>th</sup> day prior to such annual meeting and not later than the close of business on the later of the 120<sup>th</sup> day prior to such annual meeting or the 10<sup>th</sup> day following the day on which public announcement of the date of such annual meeting is first made by the Company.

**FIRST AMENDMENT TO  
CHICO'S FAS, INC.  
DEFERRED COMPENSATION PLAN**

Pursuant to the authority granted under Section 10.2 of the Chico's FAS, Inc. Deferred Compensation Plan (as amended and restated on January 1, 2019) (the "Plan"), the Plan is hereby amended as set forth below.

**1. Section 2.7 of the Plan is amended in its entirety, effective January 1, 2020, to read as follows:**

2.7 Base Pay Threshold. Base Pay Threshold means \$125,000. If a Participant was eligible and participating in the Plan on December 31, 2019, the Base Pay Threshold does not apply but the Participant's continued participation in the Plan is subject to the Committee determination that the Participant otherwise meets the eligibility requirements. For Plan Years beginning on or after January 1, 2020, the Committee may at any time, in its sole discretion, adjust the Base Pay Threshold without amending the Plan.

**2. Section 2.16 of the Plan is amended in its entirety, effective January 1, 2020, to read as follows:**

2.16 Committee. Committee means the committee appointed to administer the Plan. With regard to any duties, rights, or responsibilities under the Plan related to an Employee who is an "insider" of the Company, the Human Resources, Compensation and Benefits Committee of the Board of Directors of the Company shall serve as the Committee and Plan administrator in accordance with Section 9.1. With regard to any duties, rights, or responsibilities related to an Employee who is not an "insider", including but not limited to, amending the Base Pay Threshold, the Chico's FAS 401(k) Investment Committee shall serve as the Committee and Plan administrator in accordance with Section 9.1. The Board may change or remove the Plan administrator at any time. An employee is an "insider" of the Company, for this purpose, if, on the relevant date, the individual is subject to the reporting requirements of Section 16(a) of the Securities Exchange Act of 1934, as amended.

**3. Section 2.28 of the Plan is amended in its entirety, effective January 1, 2020, to read as follows:**

2.28 Eligible Employee. Eligible Employee means a member of a "select group of management or highly compensated employees" of a Participating Employer within the meaning of Sections 201(2), 301(a)(3) and 401(a)(1) of ERISA, as determined by the Committee, from time to time in its sole discretion, who has a Base Pay rate at the time of election (as specified in Article IV) equal to or in excess of the Base Pay Threshold (as may be adjusted in accordance with Section 2.7).

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**4. Section 9.1 of the Plan is amended in its entirety, effective January 1, 2020, to read as follows:**

- 9.1 Plan Administration. The Plan shall be administered by the Committee, as designated in accordance with Section 2.16, which shall have discretionary authority to make, amend, interpret and enforce all appropriate rules and regulations for the administration of the Plan and to utilize its discretion to decide or resolve any and all questions, including but not limited to eligibility for benefits and interpretations of the Plan and its terms, as may arise in connection with the Plan. Claims for benefits shall be filed with the Committee and resolved in accordance with the claims procedures in Article XII.

**5. All other provisions of the Plan shall remain in effect.**

IN WITNESS WHEREOF, this First Amendment to the Plan is hereby adopted on this 19<sup>th</sup> day of November, 2019.

**CHICO'S FAS, INC.**

By: /s/ Andrew Gottman

Title: VP - Total Rewards, Payroll & HR

Subsidiaries of the Registrant

Chico's Retail Services, Inc., a Florida corporation

Chico's Distribution Services, LLC, a Georgia limited liability company

Soma Intimates, LLC, a Florida limited liability company

White House | Black Market, Inc., a Florida corporation

Chico's Retail Operations, Inc., a Florida corporation

Chico's Brands Investments, Inc., a Florida corporation

Parrot Wings, LLC, a Florida limited liability company

Chico's ATSO Limited, a Hong Kong corporation

Lux Parrot SaRL, a Luxembourg limited liability company

Parrot Holdings, LLC, a Florida limited liability company

Ontario Parrot, LP, a Canadian limited partnership

Swiss Parrot, GmbH, a Swiss limited liability company

Chico's FAS Canada, Co., a Canadian unlimited liability corporation

Chico's FAS Mexico, S. de R.L. de C.V., a Mexican variable capital limited liability company

TellTale, LLC, a Florida limited liability company

FAS BP, LLC, a Florida limited liability company

**Consent of Independent Registered Public Accounting Firm**

We consent to the incorporation by reference in the following Registration Statements:

- (Form S-8 No. 333-83778) pertaining to the Chico's FAS, Inc. Deferred Compensation Plan,
- (Form S-8 No. 333-88052) pertaining to the Chico's FAS, Inc. 2002 Employee Stock Purchase Plan,
- (Form S-8 No. 333-88844) pertaining to the Chico's FAS, Inc. 2002 Omnibus Stock and Incentive Plan,
- (Form S-8 No. 333-152546) pertaining to the Amended and Restated Chico's FAS, Inc. 2002 Omnibus Stock and Incentive Plan,
- (Form S-8 No. 333-182993) pertaining to the Chico's FAS, Inc. 2012 Omnibus Stock and Incentive Plan, and
- (Form S-8 No. 333-220286) pertaining to the Chico's FAS, Inc. Amended and Restated 2012 Omnibus Stock and Incentive Plan;

of our reports dated March 16, 2020, with respect to the consolidated financial statements of Chico's FAS, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Chico's FAS, Inc. and subsidiaries included in this Annual Report (Form 10-K) of Chico's FAS, Inc. for the fiscal year ended February 1, 2020.

/s/ Ernst & Young LLP

Tampa, Florida  
March 16, 2020

CHICO'S FAS, INC. AND SUBSIDIARIES CERTIFICATION PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002

## CERTIFICATION

I, Bonnie R. Brooks, certify that:

1. I have reviewed this annual report on Form 10-K of Chico's FAS, Inc. for the fiscal year ended February 1, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2020

/s/ Bonnie R. Brooks

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Name: Bonnie. R. Brooks  
Title: Chief Executive Officer and President

CHICO'S FAS, INC. AND SUBSIDIARIES CERTIFICATION PURSUANT TO SECTION 302 OF THE  
SARBANES-OXLEY ACT OF 2002**CERTIFICATION**

I, David M. Oliver, certify that:

1. I have reviewed this annual report on Form 10-K of Chico's FAS, Inc. for the fiscal year ended February 1, 2020;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 16, 2020

/s/ David M. Oliver

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Name: David M. Oliver  
Title: Interim Chief Financial Officer and Senior Vice President, Controller

Certification Pursuant To 18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act Of 2002

I, Bonnie R. Brooks, President and Chief Executive Officer of Chico's FAS, Inc. (the "Company") certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Annual Report of the Company on Form 10-K for the fiscal year ended February 1, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ Bonnie R. Brooks

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Bonnie R. Brooks

Chief Executive Officer and President

Date: March 16, 2020

Certification Pursuant To 18 U.S.C. Section 1350,  
As Adopted Pursuant To  
Section 906 Of The Sarbanes-Oxley Act Of 2002

I, David M. Oliver, Interim Chief Financial Officer and Senior Vice President, Controller of Chico's FAS, Inc. (the "Company") certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to the best of my knowledge:

- (1) The Annual Report of the Company on Form 10-K for the fiscal year ended February 1, 2020 as filed with the Securities and Exchange Commission on the date hereof (the "Report") fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/s/ David M. Oliver

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David M. Oliver

Interim Chief Financial Officer and Senior Vice President, Controller

Date: March 16, 2020