

VINCE HOLDING CORP.
Form 10-K
April 14, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended January 30, 2016

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

Commission File Number: 001-36212

VINCE HOLDING CORP.

(Exact name of registrant as specified in its charter)

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

500 5 th Avenue—20th Floor

New York, New York 10110

(Address of principal executive offices) (Zip code)

(212) 515-2600

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(Registrant's telephone number, including area code)

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

Title of Each Class	Name of Exchange on Which Registered
Common Stock, \$0.01 par value per share	New York Stock Exchange

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation of S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

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

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

The aggregate market value of the registrant's Common Stock held by non-affiliates as of August 1, 2015, the last day of the registrant's most recently completed second quarter, was approximately \$164.1 million based on a closing price per share of \$9.81 as reported on the New York Stock Exchange on July 31, 2015. As of March 31, 2016, there were 37,108,682 shares of the registrant's Common Stock outstanding.

Portions of the registrant's definitive proxy statement to be filed with the Securities and Exchange Commission in connection with the registrant's 2016 annual meeting of stockholders are incorporated by reference into Part III of this annual report on Form 10-K.

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INTRODUCTORY NOTE

On November 27, 2013, Vince Holding Corp. (“VHC” or the “Company”), previously known as Apparel Holding Corp., closed an initial public offering (“IPO”) of its common stock and completed a series of restructuring transactions (the “Restructuring Transactions”) through which (i) Kellwood Holding, LLC acquired the non-Vince businesses, which include Kellwood Company, LLC (“Kellwood Company” or “Kellwood”), from the Company and (ii) the Company continues to own and operate the Vince business, which includes Vince, LLC.

Prior to the IPO and the Restructuring Transactions, VHC was a diversified apparel company operating a broad portfolio of fashion brands, which included the Vince business. As a result of the IPO and Restructuring Transactions, the non-Vince businesses were separated from the Vince business, and the stockholders immediately prior to the consummation of the Restructuring Transactions (the “Pre-IPO Stockholders”) (through their ownership of Kellwood Holding, LLC) retained the full ownership and control of the non-Vince businesses. The Vince business is now the sole operating business of Vince Holding Corp. Historical financial information for the non-Vince businesses has been presented as a component of discontinued operations, until the businesses were separated on November 27, 2013, in this annual report on Form 10-K and our Consolidated Financial Statements and related notes included herein.

DISCLOSURES REGARDING FORWARD-LOOKING STATEMENTS

This annual report on Form 10-K, and any statements incorporated by reference herein, contains forward-looking statements under the Private Securities Litigation Reform Act of 1995. Forward-looking statements are indicated by words or phrases such as “may,” “will,” “should,” “believe,” “expect,” “seek,” “anticipate,” “intend,” “estimate,” “plan,” “target,” “forecast,” “envision” and other similar phrases. Although we believe the assumptions and expectations reflected in these forward-looking statements are reasonable, these assumptions and expectations may not prove to be correct and we may not achieve the results or benefits anticipated. These forward-looking statements are not guarantees of actual results, and our actual results may differ materially from those suggested in the forward-looking statements. These forward-looking statements involve a number of risks and uncertainties, some of which are beyond our control, including, without limitation: our ability to maintain adequate cash flow from operations or availability under our revolving credit facility to meet our liquidity needs (including our obligations under the Tax Receivable Agreement with the Pre-IPO Stockholders); our ability to successfully complete the migration of our systems and processes from Kellwood Company; our ability to successfully transition our distribution system from Kellwood Company to a third party logistics provider; our ability to remain competitive in the areas of merchandise quality, price, breadth of selection, and customer service; our ability to anticipate and/or react to changes in customer demand and attract new customers, including in connection with making inventory commitments; our ability to control the level of sales in the off-price channels; our ability to manage current excess inventory in a way that will promote the long-term health of the brand; changes in consumer confidence and spending; our ability to maintain projected profit margins; unusual, unpredictable and/or severe weather conditions; the execution and management of our retail store growth, including the availability and cost of acceptable real estate locations for new store openings; the execution and management of our international expansion, including our ability to promote our brand and merchandise outside the U.S. and find suitable partners in certain geographies; our ability to expand our product offerings into new product categories, including the ability to find suitable licensing partners; our ability to successfully implement our marketing initiatives; our ability to protect our trademarks in the U.S. and internationally; our ability to maintain the security of electronic and other confidential information; serious disruptions and catastrophic events; changes in global economies and credit and financial markets; competition; the impact of recent turnover in the senior management team; the fact that a number of members of the management team have less than one year of tenure with the Company, and the current senior management team has not had a long period of time working together; our ability to attract and retain key personnel; commodity, raw material and other cost increases; compliance with domestic and international laws, regulations and orders; changes in laws and regulations; outcomes of litigation and proceedings and the availability of insurance, indemnification and other third-party coverage of any losses suffered in connection therewith; tax matters; our ability to complete the proposed rights offering and related backstop commitment; and other factors as set forth from time to time in our Securities and Exchange Commission filings, including those described in this annual report

on Form 10-K under “Item 1A—Risk Factors.” We intend these forward-looking statements to speak only as of the time of this annual report on Form 10-K and do not undertake to update or revise them as more information becomes available.

Part I

ITEM 1. BUSINESS.

For purposes of this annual report on Form 10-K, “Vince,” the “Company,” “we,” “us,” and “our,” refer to Vince Holding Corp. (“VHC”) and its wholly owned subsidiaries, including Vince Intermediate Holding, LLC and Vince, LLC. References to “Kellwood” refer, as applicable, to Kellwood Holding, LLC and its consolidated subsidiaries (including Kellwood Company, LLC) or the operations of the non-Vince businesses after giving effect to the Restructuring Transactions.

Overview

Vince is a leading contemporary fashion brand best known for modern effortless style and everyday luxury essentials. Founded in 2002, the brand now offers a wide range of women’s and men’s apparel, women’s and men’s footwear, and handbags. Vince products are sold in prestige distribution worldwide, including approximately 2,500 distribution points across 38 countries. While we have recently experienced a slowdown in sales growth, we believe that we can generate growth by improving our product offering, expanding our selling into international markets, and growing our own branded retail and our e-commerce direct-to-consumer businesses. We have a small number of wholesale partners who account for a significant portion of our net sales. Net sales to the full-price, off-price and e-commerce operations of our three largest wholesale partners were 43%, 49% and 46% of our total revenue for fiscal 2015, fiscal 2014 and fiscal 2013, respectively. These partners include Nordstrom, Saks Fifth Avenue and Neiman Marcus, each accounting for more than 10% of our total revenue for fiscal 2015, fiscal 2014 and fiscal 2013. We design our products in the U.S. and source the vast majority of our products from contract manufacturers outside the U.S., primarily in Asia and South America.

We serve our customers through a variety of channels that reinforce the Vince brand image. Our diversified channel strategy allows us to introduce our products to customers through multiple distribution points that are reported in two segments: wholesale and direct-to-consumer. Our wholesale segment is comprised of sales to major department stores and specialty stores in the U.S. and in select international markets, with U.S. wholesale representing 56%, 67% and 71% of our fiscal 2015, fiscal 2014 and fiscal 2013 sales, respectively, and the total wholesale segment representing 67%, 76% and 79% of our sales in those same periods. We believe that our success in the U.S. wholesale channel and our strong relationships with premier wholesale partners provide opportunities for further growth. These growth initiatives include creating enhanced product assortments and brand extensions through both in-house development activities and licensing arrangements, as well as continuing the build-out of branded shop-in-shops in select wholesale partner locations. We also believe international wholesale, which represented 10%, 9% and 8% of net sales for fiscal 2015, fiscal 2014 and fiscal 2013, respectively, presents a significant growth opportunity as we strengthen our presence in existing geographies and introduce Vince in new markets globally. Our wholesale segment also includes our licensing business related to our licensing arrangements for our women’s and men’s footwear.

Our direct-to-consumer segment includes our company-operated retail and outlet stores and our e-commerce business. In 2008, we initiated a direct-to-consumer strategy with the opening of our first retail store. During fiscal 2015, we opened 11 new stores consisting of six full-price retail stores and five outlet locations. As of January 30, 2016, we operated 48 stores, consisting of 34 company-operated full-price retail stores and 14 company-operated outlet locations. The direct-to-consumer segment also includes our e-commerce website, www.vince.com, which was launched in 2008 and re-launched with enhancements to the website during fiscal 2014. The direct-to-consumer segment accounted for 33%, 24% and 21% of fiscal 2015, fiscal 2014 and fiscal 2013 net sales, respectively. We expect sales from this channel to continue to grow as we drive productivity in existing stores, open new stores and continue to make improvements in our e-commerce business.

Vince operates on a fiscal calendar widely used by the retail industry that results in a given fiscal year consisting of a 52 or 53-week period ending on the Saturday closest to January 31 of the following year.

- References to “fiscal year 2015” or “fiscal 2015” refer to the fiscal year ended January 30, 2016;
 - References to “fiscal year 2014” or “fiscal 2014” refer to the fiscal year ended January 31, 2015;
 - References to “fiscal year 2013” or “fiscal 2013” refer to the fiscal year ended February 1, 2014.
- Each of fiscal years 2015, 2014 and 2013 consisted of a 52-week period.

Vince Holding Corp., previously named Apparel Holding Corp., was incorporated in Delaware in February 2008 in connection with the acquisition of Kellwood Company by affiliates of Sun Capital Partners, Inc. (“Sun Capital”). In September 2012, Kellwood Company formed Vince, LLC and all assets constituting the Vince business were contributed to Vince, LLC at such time (the “Vince Transfer”). On November 27, 2013, Apparel Holding Corp. was renamed Vince Holding Corp. in connection with the consummation of the IPO. Certain restructuring transactions were completed in connection with the consummation of the IPO. These transactions, among other things, included Kellwood Holding, LLC acquiring the non-Vince businesses, which include Kellwood Company, LLC, from the Company; and the Company continues to own and operate the Vince business, which includes Vince, LLC. The restructuring

transactions separated the Vince and non-Vince businesses on November 27, 2013. Any and all debt obligations outstanding at the time of the restructuring transactions either remained with Kellwood Holding, LLC and its subsidiaries (i.e. the non-Vince businesses) and/or were discharged, repurchased or refinanced in connection with the consummation of the IPO. Historical financial information for the non-Vince businesses has been presented as a component of discontinued operations, until the businesses were separated on November 27, 2013, in this annual report on Form 10-K and our Consolidated Financial Statements and related notes included herein. Our principal executive office is located at 500 Fifth Avenue, 20th Floor, New York, New York 10110 and our telephone number is (212) 515-2600. Our corporate website address is www.vince.com.

Brand and Products

Vince is a leading contemporary fashion brand best known for modern effortless style and everyday luxury essentials. The Vince brand was founded in 2002 with a collection of stylish women's knits and cashmere sweaters that rapidly attracted a loyal customer base drawn to the casual sophistication and luxurious feel of our products. Over the last decade, Vince has generated strong sales momentum and has successfully grown to include a men's collection in 2007, expanded our leather and outerwear offerings and launched a women's handbag line in 2014. In addition, through licensing partnerships, we launched women's footwear in 2012 and men's footwear in 2014. The Vince brand is synonymous with a clean, timeless aesthetic, sophisticated design and superior quality. We believe these attributes have generated strong customer loyalty and have enabled us to hold a distinctive position among contemporary fashion brands. We also believe that we will achieve continued success by expanding our product assortment and distributing this expanded product assortment through our premier wholesale partners in the U.S. and select international markets, as well as through our growing number of branded retail locations and on our e-commerce platform.

Since our inception in 2002, we have offered contemporary apparel with a focus on clean and authentic design and superior quality. We believe that our differentiated design aesthetic and strong attention to detail and fit allow us to maintain premium pricing, and that the combination of quality and value positions Vince as an everyday luxury brand that encourages repeat purchases among our customers.

Our net sales by major product category were as follows:

(in thousands)	Fiscal Year		2014		2013	
	2015	% of	Amount	% of	Amount	% of
	Amount	Total	Amount	Total	Amount	Total
Women's collection	\$272,338	90 %	\$301,076	89 %	\$253,647	88 %
Men's collection	22,685	8 %	35,417	10 %	33,612	12 %
Other	7,434					