Francesca's Holdings CORP
Form 10-Q
December 10, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended November 1, 2014

OR

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

For the Transition Period From to

Commission File Number: 001-35239

FRANCESCA’S HOLDINGS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**20-8874704**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
8760 Clay Road Houston, TX	**77080**
(Address of principal executive offices)	**(Zip Code)**

(713) 864-1358

(Registrant’s telephone number, including area code)

None

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 x No ¨

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

Large accelerated filer x	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 x

The registrant had 42,297,833 shares (excluding 3,179,581 of treasury stock) of its common stock outstanding as of November 30, 2014.

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ITEM 1. FINANCIAL STATEMENTS

Francesca's Holdings Corporation

Unaudited Consolidated Balance Sheets

(In thousands, except share amounts)

	November 1, 2014	February 1, 2014	November 2, 2013
ASSETS			
Current assets:			
Cash and cash equivalents	$ 22,830	$ 37,498	$ 31,842
Accounts receivable	9,214	8,984	9,850
Inventories	35,428	24,614	30,638
Deferred income taxes	4,797	4,565	3,688
Prepaid expenses and other current assets	5,699	6,764	6,222
Total current assets	77,968	82,425	82,240
Property and equipment, net	70,646	64,131	57,359
Deferred income taxes	6,573	2,335	4,046
Other assets, net	2,776	1,654	2,555
TOTAL ASSETS	$ 157,963	$ 150,545	$ 146,200
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	$ 13,074	$ 10,207	$ 8,570
Accrued liabilities	8,610	9,823	10,365
Total current liabilities	21,684	20,030	18,935
Landlord incentives and deferred rent	33,299	27,448	27,554
Long-term debt	—	25,000	25,000
Total liabilities	54,983	72,478	71,489
Commitments and contingencies			
Stockholders' equity:			
Common stock - $.01 par value, 80.0 million shares authorized; 45.5 million, 45.2 million and 44.2 million shares issued at November 1, 2014, February 1, 2014 and November 2, 2013, respectively.	455	452	442
Additional paid-in capital	105,235	101,192	90,511
Retained earnings	57,433	31,296	20,684
Treasury stock, at cost – 3.2 million, 2.9 million and 1.9 million shares held at November 1, 2014, February 1, 2014 and November 2, 2013,	(60,143)	(54,873)	(36,926)

respectively.			
Total stockholders’ equity	102,980	78,067	74,711
TOTAL LIABILITIES AND STOCKHOLDERS’ EQUITY	$ 157,963	$ 150,545	$ 146,200

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

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Francesca’s Holdings Corporation

Unaudited Consolidated Statements of Operations

(In thousands, except per share data)

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net sales	$ 87,110	$ 79,632	$ 269,853	$ 248,185
Cost of goods sold and occupancy costs	45,925	39,275	141,521	118,700
Gross profit	41,185	40,357	128,332	129,485
Selling, general and administrative expenses	29,810	25,766	86,275	72,800
Income from operations	11,375	14,591	42,057	56,685
Interest expense	(117)	(129)	(507)	(362)
Other income (expense)	42	(77)	201	127
Income before income tax expense	11,300	14,385	41,751	56,450
Income tax expense	4,030	5,714	15,614	22,223
Net income	$ 7,270	$ 8,671	$ 26,137	$ 34,227
Basic earnings per common share	$ 0.17	$ 0.20	$ 0.62	$ 0.78
Diluted earnings per common share	$ 0.17	$ 0.20	$ 0.62	$ 0.77
Weighted average shares outstanding:				
Basic shares	42,298	43,281	42,246	43,759
Diluted shares	42,389	43,993	42,373	44,600

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Francesca’s Holdings Corporation

Unaudited Consolidated Statement of Changes in Stockholders’ Equity

(In thousands)

	Common Stock Shares Outstanding	Par Value	Additional Paid-in Capital	Retained Earnings	Treasury Stock, at cost	Total Stockholders’ Equity
Balance, February 1, 2014	42,349	$ 452	$ 101,192	$ 31,296	$ (54,873)	$ 78,067
Net income	—	—	—	26,137	—	26,137
Stock-based compensation	—	—	2,488	—	—	2,488
Restricted stocks vested	2	—	—	—	—	—
Stock options exercised and related tax benefit	232	3	1,555	—	—	1,558
Repurchases of common stock	(285)	—	—	—	(5,270)	(5,270)
Balance, November 1, 2014	42,298	$ 455	$ 105,235	$ 57,433	$ (60,143)	$ 102,980

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Francesca’s Holdings Corporation

Unaudited Consolidated Statements of Cash Flows

(In thousands)

	Thirty Nine Weeks Ended November 1, 2014			November 2, 2013		
Cash Flows Provided By Operating Activities:						
Net income	$	26,137		$	34,227	
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation expense		9,664			7,421	
Stock-based compensation expense		2,488			2,955	
Excess tax benefit from stock-based compensation		(226	)		(3,522	)
Inventory write-off		2,743			—	
Loss on sale of assets		191			343	
Amortization of debt issuance costs		184			216	
Deferred income taxes		(4,470	)		(1,871	)
Changes in operating assets and liabilities:						
Accounts receivable		(4	)		(3,824	)
Inventories		(13,557	)		(11,589	)
Prepaid expenses and other assets		(240	)		(2,295	)
Accounts payable		3,268			(597	)
Accrued liabilities		(1,213	)		(302	)
Landlord incentive and deferred rent		5,851			5,462	
Net cash provided by operating activities		30,816			26,624	
Cash Flows Used in Investing Activities:						

Purchase of property and equipment		(16,785	)		(15,646	)
Proceeds from sale of assets		13			82	
Net cash used in investing activities		(16,772	)		(15,564	)
Cash Flows Used in Financing Activities:						
Repayments of borrowings under the revolving credit facility		(25,000	)		—	
Proceeds from borrowings under the revolving credit facility		—			25,000	
Payments of debt issuance costs		—			(376	)
Repurchases of common stock		(5,270	)		(36,117	)
Proceeds from the exercise of stock options		1,332			1,156	
Taxes paid related to net settlement of equity awards		—			(2,280	)
Excess tax benefit from stock-based compensation		226			3,522	
Net cash used in financing activities		(28,712	)		(9,095	)
Net increase (decrease) in cash and cash equivalents		(14,668	)		1,965	
Cash and cash equivalents, beginning of year		37,498			29,877	
Cash and cash equivalents, end of period	$	22,830		$	31,842	
Supplemental Disclosures of Cash Flow Information:						
Cash paid for income taxes	$	17,716		$	28,352	
Interest paid	$	340		$	125	

The accompanying notes are an integral part of these Unaudited Consolidated Financial Statements.

Francesca’s Holdings Corporation

Notes to Unaudited Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Business

Francesca’s Holdings Corporation is a holding company incorporated in 2007 under the laws of the State of Delaware whose business operations are conducted through its subsidiaries. Unless the context otherwise requires, the “Company,” refers to Francesca’s Holdings Corporation and its consolidated subsidiaries. The Company operates a national chain of retail boutiques designed and merchandised to feel like independently owned, upscale boutiques and provide its customers with an inviting, intimate and fun shopping experience. The Company offers a diverse and balanced mix of apparel, jewelry, accessories and gifts at attractive prices. At November 1, 2014, the Company operated 538 boutiques, which are located in 47 states throughout the United States and the District of Columbia, and its direct-to-consumer website.

Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States of America (“GAAP”) for interim financial statements and are in the form prescribed by the Securities and Exchange Commission (“SEC”). Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, these unaudited financial statements include all adjustments, consisting of normal recurring adjustments, considered necessary for a fair presentation of the Company’s financial position, results of operations, changes in equity, and cash flows at the dates and for the periods presented. The financial information as of February 1, 2014 was derived from the Company’s audited consolidated financial statements and notes thereto as of and for the fiscal year ended February 1, 2014 included in the Company’s Annual Report on Form 10-K filed with the SEC on March 28, 2014.

These unaudited interim consolidated financial statements should be read in conjunction with the Company’s audited consolidated financial statements and related notes as of and for the fiscal year ended February 1, 2014 included in the Company’s Annual Report on Form 10-K.

Due to seasonal variations in the retail industry, interim results are not necessarily indicative of results that may be expected for any other interim period or for a full year.

Principles of Consolidation

The accompanying unaudited consolidated financial statements include the accounts of the Company and all its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

Fiscal Year

The Company maintains its accounts on a 52- or 53-week year ending on the Saturday closest to January 31st. Fiscal years 2014 and 2013 each include 52 weeks of operations. The fiscal quarters ended November 1, 2014 and November 2, 2013 refer to the thirteen-week periods ended on those dates. The year-to-date periods ended November 1, 2014 and November 2, 2013 refer to the thirty-nine week periods ended on those dates.

Management Estimates and Assumptions

The preparation of financial statements in conformity with GAAP 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, net of estimated sales return, and expenses during the reporting periods. Actual results could differ materially from those estimates.

Recent Accounting Pronouncements

In August 2014, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2014-15, “Presentation of Financial Statements – Going Concern: Disclosure of Uncertainties about an Entity’s Ability to Continue as a Going Concern,” which requires management to evaluate, at each annual and interim reporting period, whether there are conditions or events that raise substantial doubt about the entity’s ability to continue as a going concern within one year after the date the financial statements are issued and provide related disclosures. This guidance is effective for annual periods ending after December 15, 2016 and for annual and interim periods thereafter. The adoption of this guidance is not expected to have a material effect on the Company’s consolidated financial statements or disclosures.

Francesca's Holdings Corporation

Notes to Unaudited Consolidated Financial Statements

In May 2014 the FASB issued ASU No. 2014-09, "Revenue from Contracts with Customers." This pronouncement was issued to improve the financial reporting of revenue and improves comparability of the top line in financial statements globally and is effective for reporting periods beginning on or after December 15, 2016. The Company is in the process of assessing the provisions of this new guidance and has not determined whether the adoption will have a material impact on our consolidated financial statements.

2. Earnings Per Share

Basic earnings per common share amounts are calculated using the weighted-average number of common shares outstanding for the period. Diluted earnings per common share amounts are calculated using the weighted-average number of common shares outstanding for the period and include the dilutive impact of stock options and restricted stock grants using the more dilutive of the treasury stock method or the two-class method.

The following table summarizes the potential dilution that could occur if options to acquire common stock were exercised or if restricted stock grants were fully vested and reconciles the weighted-average common shares outstanding used in the computation of basic and diluted earnings per share.

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
	(in thousands, except per share data)			
Numerator:				
Net income	$7,270	$ 8,671	$ 26,137	$ 34,227
Denominator:				
Weighted-average common shares outstanding - basic	42,298	43,281	42,246	43,759
Options and other dilutive securities	91	712	127	841
Weighted-average common shares outstanding - diluted	42,389	43,993	42,373	44,600
Per common share:				
Basic earnings per common share	$0.17	$ 0.20	$ 0.62	$ 0.78
Diluted earnings per common share	$0.17	$ 0.20	$ 0.62	$ 0.77

Potentially issuable shares under the Company’s stock-based compensation plans amounting to 0.9 million shares in each of the thirteen and thirty nine weeks ended November 1, 2014 and 0.8 million shares in each of the thirteen and thirty nine weeks ended November 2, 2013 were excluded in the computation of diluted earnings per share due to their anti-dilutive effect.

3. Inventory

To accelerate the flow of new merchandise into its boutiques, the Company disposed of certain slow-moving inventory during the second quarter of fiscal year 2014 at a net cost of $3.0 million.

4. Fair Value of Financial Instruments

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The carrying amount reflected in the consolidated balance sheets of financial assets and liabilities, which includes cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities, approximated their fair values due to the short term nature of these financial assets and liabilities.

Francesca’s Holdings Corporation

Notes to Unaudited Consolidated Financial Statements

5. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate. The effective income tax rates for the thirteen and thirty nine weeks ended November 1, 2014 were 35.7% and 37.4%, respectively. The effective tax rates for the thirteen and thirty nine weeks ended November 2, 2013 were 39.7% and 39.4%, respectively. The difference between our effective tax rate and federal statutory rate primarily relates to state income taxes.

6. Revolving Credit Facility

On August 30, 2013, Francesca’s Collections, Inc. (“Francesca’s Collections” or the “Borrower”), as borrower, and its parent company, Francesca’s LLC, a wholly owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement with Royal Bank of Canada, as Administrative Agent and Collateral Agent, and the lenders party thereto. The credit facility provides capacity of $75.0 million (including up to $10.0 million for letters of credit) and matures on August 30, 2018. The facility also contains an option permitting the Borrower, subject to certain requirements and conditions, to arrange with the lenders for additional incremental commitments up to an aggregate of $25.0 million, subject to reductions in the event the Borrower has certain indebtedness outstanding. At November 1, 2014, there was no amount outstanding under the credit facility.

The credit facility contains customary events of default and requires the Borrower to comply with certain financial covenants. As of November 1, 2014, the Borrower was in compliance with all covenants under the credit facility. The credit facility restricts the amount of dividends the Borrower can pay; provided that the Borrower is permitted to pay dividends to the extent it has available capacity in its available investment basket (as defined in the Second Amended and Restated Credit Agreement), no default or event of default is continuing, certain procedural requirements have been satisfied and the Borrower is in pro forma compliance with a maximum secured leverage ratio. At November 1, 2014, the Borrower would have met the conditions for paying dividends out of the available investment basket. All obligations under the credit facility are secured by substantially all the assets of the Borrower and any subsidiary guarantor, if any. All obligations under the facility are unconditionally guaranteed by, subject to certain exceptions, Francesca’s LLC and each of the Borrower’s existing and future direct and indirect wholly-owned domestic subsidiaries.

7. Stock-based Compensation

The Company’s employees participate in various stock-based compensation plans, including stock options and restricted stock awards.

Stock-based compensation cost is measured at the grant date fair value and is recognized as an expense on a straight-line basis over the employee’s requisite service period (generally the vesting period of the equity grant). The Company estimates forfeitures for grants that are not expected to vest. The stock-based compensation cost recognized in the thirteen and thirty nine weeks ended November 1, 2014 totaled $0.9 million and $2.5 million, respectively. The stock-based compensation cost recognized in the thirteen and thirty nine weeks ended November 2, 2013 totaled $1.0 million and $3.0 million, respectively.

Stock Options

During the thirty nine weeks ended November 1, 2014 and November 2, 2013, the intrinsic value of stock options exercised totaled $2.8 million and $9.9 million, respectively, while stock options were granted at a weighted average grant date fair value of $8.03 and $13.82, respectively.

As of November 1, 2014 there was approximately $4.8 million of unrecognized compensation cost related to non-vested stock options that is expected to be recognized over a weighted-average period of 2 years.

Restricted Stock Awards

On April 11, 2014, the Company awarded a total of 158,450 service and performance-based restricted stock awards to certain executives and other key employees. These awards entitle the grantee to receive up to a maximum of 1.5 shares of the Company’s common stock per service-based and performance-based restricted stock award if the Company achieves specified annual performance goals set at the beginning of each of the fiscal years 2014, 2015 and 2016. The grantee may earn a portion of the award based on the annual performance during each individual year but must remain continuously employed with the Company for the entire three year vesting period to receive such awards. The specified performance goals include the achievement of certain levels of earnings per share and net sales growth. The fair value of the restricted stock awards is based on the closing price of the Company’s common stock on the award date, which was $17.04 per share for those awards related to the fiscal 2014 performance period. Compensation expense is recognized when it is probable that specified performance goals will be achieved. Such compensation is recognized from the award date over the remaining vesting period. As of November 1, 2014, no compensation expense has been recognized related to these awards.

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Notes to Unaudited Consolidated Financial Statements

8. Share Repurchases

On September 3, 2013, the Company's Board of Directors authorized a $100.0 million share repurchase program commencing on the same date. This authorization has no expiration date. Under the repurchase program, purchases can be made from time to time in the open market, in privately negotiated transactions, under Rule 10b5-1 plans or through other available means. The specific timing and amount of the repurchases is dependent on market conditions, securities law limitations and other factors. There were no share repurchases during the thirteen weeks ended November 1, 2014. During the thirty nine weeks ended November 1, 2014, the Company repurchased 285,000 shares of its common stock at a cost of approximately $5.3 million or an average price (including brokers' commission) of $18.49 per share. During the thirteen and thirty nine weeks ended November 2, 2013, the Company repurchased 1,942,081 shares of its common stock at a cost of approximately $36.9 million or an average price (including brokers' commission) of $19.00 per share. The cost of repurchased shares is presented as treasury stock in the unaudited consolidated balance sheets. As of November 1, 2014, the remaining balance available for future share repurchase was approximately $39.9 million.

9. Commitments and Contingencies

Operating Leases

The Company leases boutique space and office space under operating leases expiring in various years through the fiscal year ending 2025. Certain of the leases provide that the Company may cancel the lease, with penalties as defined in the lease, if the Company's boutique sales at that location fall below an established level. Certain leases provide for additional rent payments to be made when sales exceed a base amount. Certain operating leases provide for renewal options for periods from three to five years at their fair rental value at the time of renewal.

Minimum future rental payments under non-cancellable operating leases as of November 1, 2014, are as follows:

Fiscal year	Amount (In thousands)
Remainder of 2014	$ 8,240
2015	34,235
2016	33,662

2017	32,389
2018	30,493
Thereafter	88,619
	$ 227,638

Legal Proceedings

On September 27, 2013 and November 4, 2013, two purported class action lawsuits entitled Ortuzar v. Francesca's Holdings Corp., et al. and West Palm Beach Police Pension Fund v. Francesca's Holdings Corp., et al. were filed in the United States District Court for the Southern District of New York against the Company and certain of its current and former directors and officers for alleged violations of the federal securities laws arising from statements in certain public disclosures regarding the Company's current and future business and financial condition. On December 19, 2013, the Court consolidated the actions and appointed Arkansas Teacher Retirement System as lead plaintiff. On March 14, 2014, lead plaintiff filed a consolidated class action complaint purportedly on behalf of shareholders that purchased or acquired the Company's publicly traded common stock between July 22, 2011 and September 3, 2013 against the Company and certain of its current and former directors and officers. The consolidated complaint asserts claims under Sections 10(b) and 20(a) of the Securities Exchange Act of 1934 and Sections 11, 12(a) (2), and 15 of the Securities Act of 1933 for allegedly false and misleading statements in the Company's public disclosures concerning, among other things, the Company's relationship with certain vendors. The lawsuit seeks damages in an unspecified amount. On May 13, 2014 defendants moved to dismiss the consolidated complaint. That motion was fully briefed as of August 13, 2014. The Company believes that the allegations contained in the consolidated complaint are without merit and intends to vigorously defend itself against all claims asserted therein. A reasonable estimate of the amount of any possible loss or range of loss cannot be made at this time and, as such, the Company has not recorded an accrual for any possible loss.

Francesca’s Holdings Corporation

Notes to Unaudited Consolidated Financial Statements

On each of May 28, 2014 and July 8, 2014, a purported shareholder derivative action entitled Daniell v. De Merritt, et al. and Murphy v. Davis, et al., respectively, purportedly on behalf of the Company, was filed in the Delaware Court of Chancery, naming certain of the Company’s current and former officers, directors, and shareholders as defendants and naming the Company as a nominal defendant. On September 3, 2014, the Court of Chancery consolidated the Daniell and Murphy cases. Plaintiffs filed a consolidated amended complaint on September 23, 2014 alleging claims of breach of fiduciary duty and unjust enrichment. The consolidated amended complaint seeks damages in an unspecified amount, an order directing the Company “to reform and improve” corporate governance and internal controls, equitable and/or injunctive relief, restitution and disgorgement from the defendants, and costs and attorneys’ fees. On October 23, 2014, defendants filed a motion to dismiss the consolidated amended complaint, which is not yet fully briefed. The Company believes that any loss that may arise from this litigation will not have a material adverse effect on the Company’s results of operations or financial condition.

The Company, from time to time, is also subject to various claims and legal proceedings arising in the ordinary course of business. While the outcome of any such claim cannot be predicted with certainty, in the opinion of management, the outcome of these matters is unlikely to have a material adverse effect on the Company’s business, results of operations or financial condition.

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

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition, which are subject to risks and uncertainties. All statements other than statements of historical fact included in this report are forward-looking statements. These statements may include words such as "aim", "anticipate", "assume", "believe", "can have", "could", "due", "estimate", "expect", "goal", "intend", "likely", "may", "objective", "plan", "potential", "should", "target", "will", "would" and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events or trends. For example, all statements we make relating to our estimated and projected earnings, sales, costs, expenditures, cash flows, growth rates, market share and financial results, our plans and objectives for future operations, growth or initiatives, strategies or the expected outcome or impact of pending or threatened litigation are forward-looking statements.

These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management's beliefs and assumptions. These statements are not guarantees of future performance or development and involve known and unknown risks, uncertainties and other factors that are in many cases beyond our control. All of our forward-looking statements are subject to risks and uncertainties that may cause our actual results to differ materially from our expectations. These risks and uncertainties include, but are not limited to, the following: the risk that we cannot anticipate, identify and respond quickly to changing fashion trends and customer preferences; our ability to attract a sufficient number of customers to our boutiques or sell sufficient quantities of our merchandise through our direct-to-consumer business; our ability to successfully open and operate new boutiques each year; and our ability to efficiently source and distribute additional merchandise quantities necessary to support our growth. For additional information regarding these and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward looking statements, please refer to "Item 1A. Risk Factors," in our Annual Report on Form 10-K for the fiscal year ended February 1, 2014 and filed with the Securities and Exchange Commission ("SEC") on March 28, 2014 and any risk factors contained in subsequent Quarterly Reports on Form 10-Q we file with the SEC.

We derive many of our forward-looking statements from our own operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. All written and oral forward-looking statements attributable to us, or persons acting on our behalf, are expressly qualified in their entirety by the cautionary statements contained in this report as well as other cautionary statements that are made from time to time in our other SEC filings and public communications. You should evaluate all forward-looking statements made in this report in the context of these risks and uncertainties.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on the forward-looking statements. These forward-looking statements speak only as of the date of this report. Except as required by law, we undertake no obligation to update or revise any forward-looking statements publicly after the date of this report whether as a result of new information, future developments or otherwise.

Overview

Unless the context otherwise requires, the “Company,” “we,” “our,” “ours,” “us” and “francesca’s®” refer to Francesca’s Holdings Corporation and its consolidated subsidiaries.

francesca’s® is a growing specialty retailer with retail locations designed and merchandised to feel like independently owned, upscale boutiques providing customers a fun and differentiated shopping experience. The merchandise assortment is a diverse and balanced mix of apparel, jewelry, accessories and gifts. As of November 1, 2014, francesca’s® operated 538 boutiques in 47 states and the District of Columbia and also served its customers through www.francescas.com, its direct-to-consumer website. The information contained on our website is not incorporated by reference into this Quarterly Report on Form 10-Q and you should not consider information contained on our website to be part of this Quarterly Report on Form 10-Q.

During the thirteen weeks ended November 1, 2014, our net sales increased 9% to $87.1 million from $79.6 million, income from operations decreased by 22% to $11.4 million from $14.6 million and net income decreased 16% to $7.3 million, or $0.17 per diluted share, from $8.7 million, or $0.20 per diluted share, over the comparable prior year period. During the thirty nine weeks ended November 1, 2014, our net sales increased 9% to $269.9 million from $248.2 million, income from operations decreased by 26% to $42.1 million from $56.7 million and net income decreased 24% to $26.1 million, or $0.62 per diluted share, from $34.2 million, or $0.77 per diluted share, over the comparable prior year period.

The Company expects the continuation of a challenging retail environment and aggressive promotional activity throughout the holiday season, in addition to the expectation that our apparel business will remain challenged. As a result, the Company may take more aggressive markdowns in order to clear excess inventory which is expected to lead to a decrease in gross profit margin in the fourth quarter compared to the same period of the prior year.

We have increased our boutique count to 538 boutiques as of November 1, 2014 from 446 boutiques as of November 2, 2013. To complete our planned boutique openings for the fiscal year 2014, we plan to open one boutique in the fourth quarter.

Results of Operations

The following represents operating data for the thirteen and thirty nine weeks ended November 1, 2014 and November 2, 2013.

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Total net sales growth for period	9 %	11 %	9 %	18 %
Comparable sales change for period[1]	(6)%	(3)%	(7)%	(1)%
Number of boutiques open at end of period	538	446	538	446
Net sales per average square foot for period (not in thousands) [2]	$ 122	$ 133	$ 395	$ 438
Average square feet per boutique (not in thousands) [3]	1,350	1,361	1,350	1,361
Total gross square feet at end of period (in thousands)	726	607	726	607

[1] A boutique is included in comparable sales on the first day of the fifteenth full month following the boutique’s opening. When a boutique that is included in comparable sales is relocated, we continue to consider sales from that boutique to be comparable sales. If a boutique is closed for thirty days or longer for a remodel or as a result of

weather damage, fire or the like, we no longer consider sales from that boutique to be comparable sales. Comparable sales results include our direct-to-consumer sales.

(2) Net sales per average square foot is calculated by dividing net sales for the period by the average square feet during the period. Because of our rapid growth, for purposes of providing net sales per square foot measure, we use average square feet during the period as opposed to total gross square feet at the end of the period. For individual quarterly periods, average square feet is calculated as (a) the sum of total gross square feet at the beginning and end of the period, divided by (b) two. There may be variations in the way in which some of our competitors and other retailers calculate sales per square foot or similarly titled measures. As a result, average square feet and net sales per average square foot for the period may not be comparable to similar data made available by other retailers.

(3) Average square feet per boutique is calculated by dividing total gross square feet at the end of the period by the number of boutiques open at the end of the period.

Boutique Count

The following table summarizes the number of boutiques open at the beginning and end of the periods indicated.

	Thirteen Weeks Ended		Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Number of boutiques open at beginning of period	526	436	451	360
Boutiques added	12	10	87	86
Number of boutiques open at the end of period	538	446	538	446

Thirteen Weeks Ended November 1, 2014 Compared to Thirteen Weeks Ended November 2, 2013

	Thirteen Weeks Ended November 1, 2014		November 2, 2013		Variance		
	In USD	**As a % of Net Sales (1)**	In USD	**As a % of Net Sales (1)**	In USD	%	Basis Points
	(In thousands, except percentages)						
Net sales	$87,110	100.0 %	$79,632	100.0 %	$7,478	9 %	-
Cost of goods sold and occupancy costs	45,925	52.7 %	39,275	49.3 %	6,650	17 %	340
Gross profit	41,185	47.3 %	40,357	50.7 %	828	2 %	(340)
Selling, general and administrative expenses	29,810	34.2 %	25,766	32.4 %	4,044	16 %	180
Income from operations	11,375	13.1 %	14,591	18.3 %	(3,216)	(22)%	(520)
Interest expense	(117)	(0.1)%	(129)	(0.2)%	12	(9)%	10
Other income (expense)	42	0.0 %	(77)	(0.1)%	119	(155)%	10
Income before income tax expense	11,300	13.0 %	14,385	18.1 %	(3,085)	(21)%	(510)
Income tax expense	4,030	4.6 %	5,714	7.2 %	(1,684)	(29)%	(260)
Net income	$7,270	8.3 %	$8,671	10.9 %	$(1,401)	(16)%	(260)

(1) Percentage totals or differences in the above table may not equal the sum or difference of the components due to rounding.

Net Sales

Net sales increased 9% to $87.1 million in the thirteen weeks ended November 1, 2014 from $79.6 million in the thirteen weeks ended November 2, 2013. This increase is primarily attributable to the increase in non-comparable sales, which in turn is due to the increase in the number of boutiques in operation since the third quarter of the prior year period. This change was partially offset by a 6% decrease in comparable sales driven by a 6% decrease in transactions. Our direct-to-consumer sales increased 53% to $3.4 million from $2.2 million during the prior year quarter primarily due to increased traffic. There were 436 comparable boutiques and 102 non-comparable boutiques open at November 1, 2014 compared to 347 and 99, respectively, at November 2, 2013.

Cost of Goods Sold and Occupancy Costs

Cost of goods sold and occupancy costs increased 17% to $45.9 million in the thirteen weeks ended November 1, 2014 from $39.3 million in the thirteen weeks ended November 2, 2013. Cost of merchandise and freight expenses increased by $3.8 million due to increased sales volume. Occupancy costs increased by $2.8 million due to the increase in the number of boutiques in operation during the thirteen weeks ended November 1, 2014 compared to the same period of the prior year.

As a percentage of net sales, cost of goods sold and occupancy costs increased to 52.7% in the thirteen weeks ended November 1, 2014 from 49.3% in the thirteen weeks ended November 2, 2013, an unfavorable variance of 340 basis points. This unfavorable variance was due to 180 basis points of deleveraging of fixed occupancy costs and 160 basis points of lower merchandise margin resulting from increased markdowns and promotions in the current quarter as compared to the prior year.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 16% to $29.8 million in the thirteen weeks ended November 1, 2014 from $25.8 million in the thirteen weeks ended November 2, 2013. This increase is primarily due to higher boutique and corporate payroll expenses to support the larger boutique base. As a percentage of net sales, selling, general and administrative expense increased to 34.2% in the thirteen weeks ended November 1, 2014 as compared to 32.4% in the thirteen weeks ended November 2, 2013. This increase was due to deleveraging of expenses due to lower sales growth.

Income Tax Expense

The decrease in provision for income taxes of $1.7 million in the thirteen weeks ended November 1, 2014 compared to the thirteen weeks ended November 2, 2013 was primarily due to the decrease in pre-tax income. The effective tax rate was 35.7% and 39.7% in the thirteen weeks ended November 1, 2014 and November 2, 2013, respectively. The decrease in our effective tax rate was due to a true-up of prior year state taxes.

Thirty Nine Weeks Ended November 1, 2014 Compared to Thirty Nine Weeks Ended November 2, 2013

	Thirty Nine Weeks Ended				Variance		
	November 1, 2014		November 2, 2013				
	In USD	**As a % of Net Sales**[1]	In USD	**As a % of Net Sales** [1]	In USD	%	Basis Points
	(In thousands, except percentages)						
Net sales	$269,853	100.0 %	$248,185	100.0 %	$21,668	9 %	-
Cost of goods sold and occupancy costs	141,521	52.4 %	118,700	47.8 %	22,821	19 %	460
Gross profit	128,332	47.6 %	129,485	52.2 %	(1,153)	(1)%	(460)
Selling, general and administrative expenses	86,275	32.0 %	72,800	29.3 %	13,475	19 %	270
Income from operations	42,057	15.6 %	56,685	22.8 %	(14,628)	(26)%	(720)
Interest expense	(507)	(0.2)%	(362)	(0.1)%	(145)	40 %	(10)
Other income	201	0.1 %	127	0.1 %	74	58 %	-
Income before income tax expense	41,751	15.5 %	56,450	22.7 %	(14,699)	(26)%	(720)
Income tax expense	15,614	5.8 %	22,223	9.0 %	(6,609)	(30)%	(320)
Net income	$26,137	9.7 %	$34,227	13.8 %	$(8,090)	(24)%	(410)

[1] Percentage totals or differences in the above table may not equal the sum or difference of the components due to rounding.

Net Sales

Net sales increased 9% to $269.9 million in the thirty nine weeks ended November 1, 2014 from $248.2 million in the thirty nine weeks ended November 2, 2013. This increase is primarily attributable to the increase in non-comparable sales, which in turn is due to the increase in the number of boutiques in operation since the third quarter of the prior year period. This change was partially offset by a 7% decrease in comparable sales driven by a 7% decrease in transactions. Our direct-to-consumer sales increased 76% to $10.0 million from $5.7 million over the same period primarily due to increased traffic. There were 436 comparable boutiques and 102 non-comparable boutiques open at November 1, 2014 compared to 347 and 99, respectively, at November 2, 2013.

Cost of Goods Sold and Occupancy Costs

Cost of goods sold and occupancy costs increased 19% to $141.5 million in the thirty nine weeks ended November 1, 2014 from $118.7 million in the thirty nine weeks ended November 2, 2013. Cost of merchandise and freight expenses increased by $15.0 million due to increased sales volume as well as the disposal of certain slow-moving inventory during the second quarter of fiscal year 2014. Occupancy costs increased by $7.9 million due to the increase in the number of boutiques in operation during the thirty nine weeks ended November 1, 2014 compared to the same period of the prior year.

As a percentage of net sales, cost of goods sold and occupancy costs increased to 52.4% in the thirty nine weeks ended November 1, 2014 from 47.8% in the thirty nine weeks ended November 2, 2013, an unfavorable variance of 460 basis points. During the year-to-date period, the disposal of certain slow-moving inventory accounted for 130 basis points while deleveraging of fixed occupancy costs accounted for 170 basis points of the total unfavorable variance. The remaining unfavorable variance arose from increased markdowns and promotions and a merchandise mix change to the lower margin categories.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased 19% to $86.3 million in the thirty nine weeks ended November 1, 2014 from $72.8 million in the thirty nine weeks ended November 2, 2013. This increase is primarily due to higher boutique and corporate payroll expenses to support the larger boutique. As a percentage of net sales, selling, general and administrative expense increased to 32.0% in the thirty nine weeks ended November 1, 2014 as compared to 29.3% in the thirty nine weeks ended November 2, 2013. This increase was primarily due to deleveraging of expenses due to lower sales growth.

Income Tax Expense

The decrease in provision for income taxes of $6.6 million in the thirty nine weeks ended November 1, 2014 compared to the thirty nine weeks ended November 2, 2013 was primarily due to the decrease in pre-tax income. The effective tax rate was 37.4% and 39.4% in the thirty nine weeks ended November 1, 2014 and November 2, 2013, respectively. The decrease in our effective tax rate was due to a true-up of prior year state taxes.

Sales by Merchandise Category

	Thirteen Weeks Ended				Thirty Nine Weeks Ended			
	November 1, 2014		November 2, 2013		November 1, 2014		November 2, 2013	
	In Dollars	As a % of Net Sales	In Dollars	As a % of Net Sales	In Dollars	As a % of Net Sales	In Dollars	As a % of Net Sales
	(in thousands, except percentages)							
Apparel	$44,274	51.0 %	$41,604	52.5 %	$141,156	52.4 %	$127,064	51.3 %
Jewelry	18,638	21.5 %	17,335	21.9 %	57,555	21.4 %	59,764	24.1 %
Accessories	14,220	16.4 %	13,771	17.4 %	42,896	15.9 %	39,148	15.8 %
Gifts	9,606	11.1 %	6,540	8.2 %	27,895	10.3 %	21,643	8.8 %
Merchandise sales (1)	$86,738	100.0 %	$79,250	100.0 %	$269,502	100.0 %	$247,619	100.0 %

(1) Excludes gift card breakage income, shipping and change in return reserve.

Liquidity and Capital Resources

Our primary sources of liquidity are cash flows from operations and borrowings under our revolving credit facility. Our primary cash needs are for capital expenditures in connection with opening new boutiques and remodeling existing boutiques, investing in improved technology and distribution facility enhancements, funding normal working capital requirements and payments of interest and principal, if any, under our revolving credit facility. We may use cash or our revolving credit facility to issue letters of credit to support merchandise imports or for other corporate purposes. The most significant components of our working capital are cash and cash equivalents, merchandise inventories, accounts payable and other current liabilities. Our working capital position benefits from the fact that we generally collect cash from sales to customers the day of or, in the case of credit or debit card transactions, within several days of the related sales and we typically have up to 30 days to pay our vendors.

We were in compliance with all covenants under our revolving credit facility as of November 1, 2014. On November 1, 2014, we had $22.8 million of cash and cash equivalents and $75.0 million in borrowing availability under our revolving credit facility. There were no letters of credit outstanding at November 1, 2014.

We expect that our cash flow from operations along with borrowings under our revolving credit facility and tenant allowances for new boutiques will be sufficient to fund capital expenditures and our working capital requirements for at least the next twelve months.

Cash Flow

A summary of our operating, investing and financing activities are shown in the following table:

	Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013
	(In thousands)	
Provided by operating activities	$ 30,816	$ 26,624
Used in investing activities	(16,772)	(15,564)
Used in financing activities	(28,712)	(9,095)
Net increase (decrease) in cash and cash equivalents	$ (14,668)	$ 1,965

Operating Activities

Operating activities consist of net income adjusted for non-cash items, including depreciation and amortization, deferred taxes, the effect of working capital changes and tenant allowances received from landlords. Net cash provided by operating activities was $30.8 million and $26.6 million in each of the thirty nine weeks ended November 1, 2014 and November 2, 2013, respectively. The increase in cash provided by operating activities was primarily due to timing changes with respect to operating assets and liabilities partially offset by a decrease in net income. Our inventory increased from the prior year due to the increase in the number of boutiques in operation since the third quarter of the prior year.

Investing Activities

Investing activities consist primarily of capital expenditures for new boutiques, improvements to existing boutiques, as well as investment in information technology and our distribution facility.

	Thirty Nine Weeks Ended	
	November 1, 2014	November 2, 2013
	(In thousands)	
Capital expenditures for:		
New boutiques	$ 11,746	$ 10,638
Existing boutiques	3,939	2,017
Technology	811	2,242
Corporate and distribution	289	749
Total capital expenditures	$ 16,785	$ 15,646

Our total capital expenditures for the thirty nine weeks ended November 1, 2014 and November 2, 2013 were $16.8 million and $15.6 million, respectively, with new boutiques accounting for most of our spending at $11.7 million and $10.6 million, respectively. $3.9 million was paid during the thirty nine weeks ended November 1, 2014 in connection with existing boutiques. The majority of this amount was spent on remodeling 43 existing boutiques. Spending for new boutiques included amounts associated with boutiques that will open subsequent to the end of each fiscal quarter. We opened 87 boutiques in the thirty nine weeks ended November 1, 2014 compared to 86 boutiques in the thirty nine weeks ended November 2, 2013. The average cost of the leasehold improvements, equipment, furniture and fixtures, excluding tenant allowances which are reflected in operating cash flows, for new boutiques opened in the thirty nine weeks ended November 1, 2014 and November 2, 2013 was $197,000 and $178,000, respectively. The average tenant allowance per new boutique in the thirty nine weeks ended November 1, 2014 and November 2, 2013 was $87,000 and $70,000, respectively. The increase in average boutique build-out costs and average tenant allowances was principally due to opening more boutiques in mall locations in the current year-to-date period as compared to the prior year period. Tenant allowances are amortized as a reduction in rent expense over the term of the lease. The average collection period for these allowances is approximately six months after boutique opening. As a result, we fund the cost of new boutiques with cash flow from operations, build-out allowances from our landlords, or borrowings under our revolving credit facility. The decrease in technology expenses was primarily due to prior year capital expenditures related to the re-launch of our website as well as the implementation of an enterprise planning software which we did not incur in the current year-to-date period. We expect that our cash flows from operations along with borrowings under our revolving credit facility and tenant allowance for new boutiques will be sufficient to fund our capital expenditures for the rest of fiscal year 2014.

Management anticipates that capital expenditures for the remainder of fiscal year 2014 will be approximately $8.7 million to $9.7 million. The majority of this amount will be spent on investments in new and existing boutiques as well as investments in our merchandising and direct-to-consumer information technology systems.

Financing Activities

Financing activities consist of borrowings and payments under our revolving credit facility, repurchases of our common stock, and proceeds from the exercise of stock options and the related tax consequence.

Net cash used in financing activities was $28.7 million during the thirty nine weeks ended November 1, 2014 compared to net cash used in financing activities of $9.1 million during the thirty nine weeks ended November 2, 2013. The increase in net cash used in financing activities is attributable to repayments of borrowings under our revolving credit facility totaling $25.0 million in the current year period. In the prior year period, proceeds from borrowings of $25.0 million under our revolving credit facility were used to repurchase common stock at a total cost of $36.1 million.

Revolving Credit Facility

On August 30, 2013, Francesca’s Collections, Inc. (“Francesca’s Collections” or the “Borrower”), as borrower, and its parent company, Francesca's LLC, a wholly owned subsidiary of the Company, entered into a Second Amended and Restated Credit Agreement with Royal Bank of Canada, as Administrative Agent and Collateral Agent, and the lenders party thereto. The credit facility provides capacity of $75.0 million (including up to $10.0 million for letters of credit) and matures on August 30, 2018. The facility also contains an option permitting the Borrower, subject to certain requirements and conditions, to arrange with the lenders for additional incremental commitments up to an aggregate of $25.0 million, subject to reductions in the event the Borrower has certain indebtedness outstanding. At November 1, 2014, no amount was outstanding under the credit facility.

The credit facility contains customary events of default and requires the Borrower to comply with certain financial covenants. As of November 1, 2014, the Borrower was in compliance with all covenants under the credit facility. The credit facility restricts the amount of dividends the Borrower can pay; provided that the Borrower is permitted to pay dividends to the extent it has available capacity in its available investment basket (as defined in the Second Amended and Restated Credit Agreement), no default or event of default is continuing, certain procedural requirements have been satisfied and the Borrower is in pro forma compliance with a maximum secured leverage ratio. At November 1, 2014, the Borrower would have met the conditions for paying dividends out of the available investment basket. All obligations under the credit facility are secured by substantially all the assets of the Borrower and any subsidiary guarantor, if any. All obligations under the facility are unconditionally guaranteed by, subject to certain exceptions, Francesca's LLC and each of the Borrower's existing and future direct and indirect wholly-owned domestic subsidiaries.

During the thirteen and thirty nine weeks ended November 1, 2014, amounts outstanding under the credit facility accrued interest at an average rate of 2.0%.

Share Repurchase Program

There were no share repurchases in the thirteen weeks ended November 1, 2014. For additional information regarding our share repurchase program, please refer to Note 8 to our unaudited consolidated financial statements included in Part I of this report, which is incorporated herein by reference.

Critical Accounting Policies

The preparation of financial statements in accordance with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, and expenses, as well as the related disclosures of contingent assets and liabilities at the date of the financial statements. A summary of the Company's significant accounting policies is included in Note 1 to the Company's annual consolidated financial statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 1, 2014.

Certain of the Company's accounting policies and estimates are considered critical, as these policies and estimates are the most important to the depiction of the Company's consolidated financial statements and require significant, difficult, or complex judgments, often about the effect of matters that are inherently uncertain. Such policies are summarized in the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section of our Annual Report on Form 10-K for the fiscal year ended February 1, 2014. As of November 1, 2014, there were no significant changes to any of our critical accounting policies and estimates as disclosed in our Annual Report on Form

10-K for the fiscal year ended February 1, 2014.

Recent Accounting Pronouncements

For information regarding recent accounting pronouncements, please refer to Note 1 to our unaudited consolidated financial statements included in Part I of this Report, which is incorporated herein by reference.

Contractual Obligations

There were no significant changes to our contractual obligations and commercial commitments as disclosed in our Annual Report on Form 10-K for the fiscal year ended February 1, 2014, other than those which occur in the normal course of business.

Off Balance Sheet Arrangements

We are not party to any off balance sheet arrangements.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Our principal exposure to market risk relates to changes in interest rates. Our revolving credit facility, if drawn upon, carries floating interest rates that are tied to LIBOR, the federal funds rate and the prime rate, and therefore, our statements of operations and our cash flows could be exposed to changes in interest rates to the extent that we do not have effective hedging arrangements in place. We historically have not used derivative financial instruments for speculative or trading purposes; however, this does not preclude our adoption of specific hedging strategies in the future. At November 1, 2014, there were no borrowings under our revolving credit facility.

ITEM 4. CONTROLS AND PROCEDURES

We maintain disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the “Exchange Act”)) that are designed to ensure that information required to be disclosed in our reports under the Exchange Act is processed, recorded, summarized and reported within the time periods specified in the SEC’s rules and regulations and that such information is accumulated and communicated to management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. In designing and evaluating the disclosure controls and procedures, management recognizes that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives, and management is required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures.

At the end of the period covered by this Quarterly Report on Form 10-Q, we carried out an evaluation, under the supervision and with the participation of our Disclosure Committee and management, including the Chief Executive Officer and the Chief Financial Officer, of the effectiveness of the design and operation of the Company’s disclosure controls and procedures pursuant to Rule 13a-15 of the Exchange Act. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective at the reasonable assurance level as of November 1, 2014.

There were no changes in our internal control over financial reporting during the quarter ended November 1, 2014 that materially affected or are reasonably likely to materially affect our internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

For information regarding legal proceedings involving us, please refer to Note 9 to our unaudited consolidated financial statements included in Part I of this Report, which is incorporated herein by reference.

ITEM 1A. RISK FACTORS

There have been no material changes to our risk factors as previously disclosed in Item 1A contained in Part I of our Annual Report on Form 10-K for the fiscal year ended February 1, 2014 and filed with the SEC on March 28, 2014.

ITEM 6. EXHIBITS

Exhibit No.	Description
31.1*	Certification of Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a)
31.2*	Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a)
32.1**	Certification of Chief Executive Officer and Chief Financial Officer Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101*	Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Unaudited Consolidated Balance Sheets as of November 1, 2014, February 1, 2014 and November 2, 2013, (ii) the Unaudited Consolidated Statements of Operations for the Thirteen and Thirty Nine Weeks Ended November 1, 2014 and November 2, 2013, (iii) Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Thirty Nine Weeks Ended November 1, 2014, (iv) Unaudited Consolidated Statements of Cash Flows for the Thirty Nine Weeks ended November 1, 2014 and November 2, 2013 and (v) the Notes to the Unaudited Consolidated Financial Statements.

* Filed herewith.

** Furnished herewith.

SIGNATURE

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

	Francesca's Holdings Corporation (Registrant)
Date: December 10, 2014	/s/ Mark Vendetti
	Mark Vendetti Chief Financial Officer (duly authorized officer and Principal Financial and Accounting Officer)

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