

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Williams-Sonoma, Inc.
Consolidated Statements of Earnings

	Fiscal 2018 (53 weeks)	Fiscal 2017 (52 weeks)	Fiscal 2016 (52 weeks)
<i>In thousands, except per share amounts</i>			
E-commerce net revenues	\$ 3,082,064	\$ 2,778,457	\$ 2,633,602
Retail net revenues	2,589,529	2,513,902	2,450,210
Net revenues	5,671,593	5,292,359	5,083,812
Cost of goods sold	3,570,580	3,360,648	3,200,502
Gross profit	2,101,013	1,931,711	1,883,310
Selling, general and administrative expenses	1,665,060	1,477,900	1,410,711
Operating income	435,953	453,811	472,599
Interest (income) expense, net	6,706	1,372	688
Earnings before income taxes	429,247	452,439	471,911
Income taxes	95,563	192,894	166,524
Net earnings	\$ 333,684	\$ 259,545	\$ 305,387
Basic earnings per share	\$ 4.10	\$ 3.03	\$ 3.45
Diluted earnings per share	\$ 4.05	\$ 3.02	\$ 3.41
Shares used in calculation of earnings per share:			
Basic	81,420	85,592	88,594
Diluted	82,340	86,080	89,462

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Comprehensive Income

	Fiscal 2018 (53 weeks)	Fiscal 2017 (52 weeks)	Fiscal 2016 (52 weeks)
<i>In thousands</i>			
Net earnings	\$ 333,684	\$ 259,545	\$ 305,387
Other comprehensive income (loss):			
Foreign currency translation adjustments	(5,032)	3,730	1,523
Change in fair value of derivative financial instruments, net of tax (tax benefit) of \$390, \$(259) and \$(327)	1,098	(715)	(916)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax (tax benefit) of \$122, \$(38) and \$(41)	(357)	106	106
Comprehensive income	\$ 329,393	\$ 262,666	\$ 306,100

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Balance Sheets

<i>In thousands, except per share amounts</i>	Feb. 3, 2019	Jan. 28, 2018
ASSETS		
Current assets		
Cash and cash equivalents	\$ 338,954	\$ 390,136
Accounts receivable, net	107,102	90,119
Merchandise inventories, net	1,124,992	1,061,593
Prepaid catalog expenses	—	20,517
Prepaid expenses	101,356	62,204
Other current assets	21,939	11,876
Total current assets	1,694,343	1,636,445
Property and equipment, net	929,635	932,283
Deferred income taxes, net	44,055	67,306
Goodwill	85,382	18,838
Other long-term assets, net	59,429	130,877
Total assets	\$ 2,812,844	\$ 2,785,749
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 526,702	\$ 457,144
Accrued expenses	163,559	134,207
Gift card and other deferred revenue	290,445	300,607
Income taxes payable	21,461	56,783
Other current liabilities	72,645	59,082
Total current liabilities	1,074,812	1,007,823
Deferred rent and lease incentives	201,374	202,134
Long-term debt	299,620	299,422
Other long-term liabilities	81,324	72,804
Total liabilities	1,657,130	1,582,183
Commitments and contingencies – See Note I		
Stockholders' equity		
Preferred stock: \$.01 par value; 7,500 shares authorized; none issued	—	—
Common stock: \$.01 par value; 253,125 shares authorized; 78,813 and 83,726 shares issued and outstanding at February 3, 2019 and January 28, 2018, respectively	789	837
Additional paid-in capital	581,900	562,814
Retained earnings	584,333	647,422
Accumulated other comprehensive loss	(11,073)	(6,782)
Treasury stock – at cost: 2 and 11 shares as of February 3, 2019 and January 28, 2018, respectively	(235)	(725)
Total stockholders' equity	1,155,714	1,203,566
Total liabilities and stockholders' equity	\$ 2,812,844	\$ 2,785,749

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Cash Flows

<i>In thousands</i>	Fiscal 2018 (53 Weeks)	Fiscal 2017 (52 Weeks)	Fiscal 2016 (52 Weeks)
Cash flows from operating activities:			
Net earnings	\$ 333,684	\$ 259,545	\$ 305,387
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	188,808	183,077	173,195
Loss on disposal/impairment of assets	10,209	1,889	3,806
Amortization of deferred lease incentives	(26,199)	(25,372)	(25,212)
Deferred income taxes	23,639	63,381	7,114
Tax benefit related to stock-based awards	—	—	3,230
Excess tax benefit related to stock-based awards	—	—	(4,894)
Stock-based compensation expense	59,802	42,988	51,116
Other	(579)	(135)	(423)
Changes in:			
Accounts receivable	(15,329)	149	(9,794)
Merchandise inventories	(70,331)	(80,235)	4,493
Prepaid catalog expenses	—	(1,019)	6,448
Prepaid expenses and other assets	(54,691)	(15,475)	(7,521)
Accounts payable	62,377	2,549	4,276
Accrued expenses and other liabilities	45,976	9,597	19,712
Gift card and other deferred revenue	38,899	(3,002)	2,020
Deferred rent and lease incentives	24,929	28,226	35,559
Income taxes payable	(35,208)	33,541	(43,803)
Net cash provided by operating activities	585,986	499,704	524,709
Cash flows from investing activities:			
Purchases of property and equipment	(190,102)	(189,712)	(197,414)
Acquisition of Outward, Inc., net of cash received	—	(80,528)	—
Other	2,203	480	439
Net cash used in investing activities	(187,899)	(269,760)	(196,975)
Cash flows from financing activities:			
Repurchases of common stock	(295,304)	(196,179)	(151,272)
Payment of dividends	(140,325)	(135,010)	(133,539)
Borrowings under revolving line of credit	60,000	170,000	125,000
Repayments of borrowings under revolving line of credit	(60,000)	(170,000)	(125,000)
Tax withholdings related to stock-based awards	(14,437)	(18,130)	(27,062)
Proceeds from issuance of long-term debt	—	300,000	—
Excess tax benefit related to stock-based awards	—	—	4,894
Proceeds related to stock-based awards	—	—	1,532
Debt issuance costs	—	(1,191)	(359)
Other	—	(1,197)	—
Net cash used in financing activities	(450,066)	(51,707)	(305,806)
Effect of exchange rates on cash and cash equivalents	797	(1,814)	(1,862)
Net increase (decrease) in cash and cash equivalents	(51,182)	176,423	20,066
Cash and cash equivalents at beginning of year	390,136	213,713	193,647
Cash and cash equivalents at end of year	\$ 338,954	\$ 390,136	\$ 213,713
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 11,424	\$ 2,915	\$ 2,202
Cash paid during the year for income taxes, net of refunds	\$ 107,951	\$ 99,062	\$ 203,426
Non-cash investing activities:			
Purchases of property and equipment not yet paid for at end of year	\$ 2,773	\$ 1,257	\$ 625

See Notes to Consolidated Financial Statements.