

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Williams-Sonoma, Inc.
Consolidated Statements of Earnings

<i>In thousands, except per share amounts</i>	Fiscal 2017	Fiscal 2016	Fiscal 2015
E-commerce net revenues	\$ 2,778,457	\$ 2,633,602	\$ 2,522,580
Retail net revenues	2,513,902	2,450,210	2,453,510
Net revenues	5,292,359	5,083,812	4,976,090
Cost of goods sold	3,360,648	3,200,502	3,131,876
Gross profit	1,931,711	1,883,310	1,844,214
Selling, general and administrative expenses	1,477,900	1,410,711	1,355,580
Operating income	453,811	472,599	488,634
Interest (income) expense, net	1,372	688	627
Earnings before income taxes	452,439	471,911	488,007
Income taxes	192,894	166,524	177,939
Net earnings	\$ 259,545	\$ 305,387	\$ 310,068
Basic earnings per share	\$ 3.03	\$ 3.45	\$ 3.42
Diluted earnings per share	\$ 3.02	\$ 3.41	\$ 3.37
Shares used in calculation of earnings per share:			
Basic	85,592	88,594	90,787
Diluted	86,080	89,462	92,102

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Comprehensive Income

<i>In thousands</i>	Fiscal 2017	Fiscal 2016	Fiscal 2015
Net earnings	\$ 259,545	\$ 305,387	\$ 310,068
Other comprehensive income (loss):			
Foreign currency translation adjustments	3,730	1,523	(7,958)
Change in fair value of derivative financial instruments, net of tax (tax benefit) of \$(259), \$(327) and \$380	(715)	(916)	1,074
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax (tax benefit) of \$(38), \$(41) and \$421	106	106	(1,184)
Comprehensive income	\$ 262,666	\$ 306,100	\$ 302,000

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Balance Sheets

<i>In thousands, except per share amounts</i>	Jan. 28, 2018	Jan. 29, 2017
ASSETS		
Current assets		
Cash and cash equivalents	\$ 390,136	\$ 213,713
Accounts receivable, net	90,119	88,803
Merchandise inventories, net	1,061,593	977,505
Prepaid catalog expenses	24,028	23,625
Prepaid expenses	58,693	52,882
Other assets	11,876	10,652
Total current assets	1,636,445	1,367,180
Property and equipment, net	932,283	923,283
Deferred income taxes, net	67,306	135,238
Other assets, net	149,715	51,178
Total assets	\$ 2,785,749	\$ 2,476,879
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Accounts payable	\$ 459,378	\$ 453,710
Accrued salaries, benefits and other liabilities	135,884	130,187
Customer deposits	292,460	294,276
Income taxes payable	56,783	23,245
Other liabilities	63,318	59,838
Total current liabilities	1,007,823	961,256
Deferred rent and lease incentives	202,134	196,188
Long-term debt	299,422	—
Other long-term obligations	72,804	71,215
Total liabilities	1,582,183	1,228,659
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; 83,726 and 87,325 shares issued and outstanding at January 28, 2018 and January 29, 2017, respectively	837	873
Additional paid-in capital	562,814	556,928
Retained earnings	647,422	701,702
Accumulated other comprehensive loss	(6,782)	(9,903)
Treasury stock – at cost: 11 and 20 shares as of January 28, 2018 and January 29, 2017, respectively	(725)	(1,380)
Total stockholders' equity	1,203,566	1,248,220
Total liabilities and stockholders' equity	\$ 2,785,749	\$ 2,476,879

See Notes to Consolidated Financial Statements.

Williams-Sonoma, Inc.
Consolidated Statements of Cash Flows

<i>In thousands</i>	Fiscal 2017	Fiscal 2016	Fiscal 2015
Cash flows from operating activities:			
Net earnings	\$ 259,545	\$ 305,387	\$ 310,068
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	183,077	173,195	167,760
Loss on disposal/impairment of assets	1,889	3,806	4,339
Amortization of deferred lease incentives	(25,372)	(25,212)	(24,721)
Deferred income taxes	63,381	7,114	(7,436)
Tax benefit related to stock-based awards	—	3,230	14,592
Excess tax benefit related to stock-based awards	—	(4,894)	(14,494)
Stock-based compensation expense	42,988	51,116	41,357
Other	(135)	(423)	149
Changes in:			
Accounts receivable	149	(9,794)	(12,849)
Merchandise inventories	(80,235)	4,493	(92,647)
Prepaid catalog expenses	(403)	5,294	5,022
Prepaid expenses and other assets	(16,092)	(6,367)	(9,245)
Accounts payable	2,382	3,169	60,507
Accrued salaries, benefits and other liabilities	9,157	25,876	(135)
Customer deposits	(2,394)	(3,037)	35,877
Deferred rent and lease incentives	28,226	35,559	31,334
Income taxes payable	33,541	(43,803)	34,548
Net cash provided by operating activities	499,704	524,709	544,026
Cash flows from investing activities:			
Purchases of property and equipment	(189,712)	(197,414)	(202,935)
Acquisition of Outward, Inc., net of cash received	(80,528)	—	—
Other	480	439	769
Net cash used in investing activities	(269,760)	(196,975)	(202,166)
Cash flows from financing activities:			
Proceeds from issuance of long-term debt	300,000	—	—
Repurchases of common stock	(196,179)	(151,272)	(224,995)
Borrowings under revolving line of credit	170,000	125,000	200,000
Repayments of borrowings under revolving line of credit	(170,000)	(125,000)	(200,000)
Payment of dividends	(135,010)	(133,539)	(127,636)
Tax withholdings related to stock-based awards	(18,130)	(27,062)	(31,790)
Excess tax benefit related to stock-based awards	—	4,894	14,494
Proceeds related to stock-based awards	—	1,532	2,647
Repayment of long-term obligations	—	—	(1,968)
Debt issuance costs	(1,191)	(359)	(135)
Other	(1,197)	—	—
Net cash used in financing activities	(51,707)	(305,806)	(369,383)
Effect of exchange rates on cash and cash equivalents	(1,814)	(1,862)	(1,757)
Net increase (decrease) in cash and cash equivalents	176,423	20,066	(29,280)
Cash and cash equivalents at beginning of year	213,713	193,647	222,927
Cash and cash equivalents at end of year	\$ 390,136	\$ 213,713	\$ 193,647
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 2,915	\$ 2,202	\$ 1,989
Cash paid during the year for income taxes, net of refunds	\$ 99,062	\$ 203,426	\$ 134,478
Non-cash investing activities:			
Purchases of property and equipment not yet paid for at end of year	\$ 1,257	\$ 625	\$ 2,715

See Notes to Consolidated Financial Statements.