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**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA**

*Williams-Sonoma, Inc.*  
*Consolidated Statements of Earnings*

<i>In thousands, except per share amounts</i>	Fiscal 2019 (52 weeks)	Fiscal 2018 (53 weeks)	Fiscal 2017 (52 weeks)
Net revenues	\$ 5,898,008	\$ 5,671,593	\$ 5,292,359
Cost of goods sold	3,758,916	3,570,580	3,360,648
Gross profit	2,139,092	2,101,013	1,931,711
Selling, general and administrative expenses	1,673,218	1,665,060	1,477,900
Operating income	465,874	435,953	453,811
Interest (income) expense, net	8,853	6,706	1,372
Earnings before income taxes	457,021	429,247	452,439
Income taxes	100,959	95,563	192,894
Net earnings	\$ 356,062	\$ 333,684	\$ 259,545
Basic earnings per share	\$ 4.56	\$ 4.10	\$ 3.03
Diluted earnings per share	\$ 4.49	\$ 4.05	\$ 3.02
Shares used in calculation of earnings per share:			
Basic	78,108	81,420	85,592
Diluted	79,225	82,340	86,080

See Notes to Consolidated Financial Statements.

*Williams-Sonoma, Inc.*  
*Consolidated Statements of Comprehensive Income*

<i>In thousands</i>	Fiscal 2019 (52 weeks)	Fiscal 2018 (53 weeks)	Fiscal 2017 (52 weeks)
Net earnings	\$ 356,062	\$ 333,684	\$ 259,545
Other comprehensive income (loss):			
Foreign currency translation adjustments	(3,334)	(5,032)	3,730
Change in fair value of derivative financial instruments, net of tax (tax benefit) of \$195, \$390 and \$(259)	163	1,098	(715)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax (tax benefit) of \$261, \$122 and \$(38)	(343)	(357)	106
Comprehensive income	\$ 352,548	\$ 329,393	\$ 262,666

See Notes to Consolidated Financial Statements.

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**Williams-Sonoma, Inc.**  
**Consolidated Balance Sheets**

<i>In thousands, except per share amounts</i>	Feb. 2, 2020	Feb. 3, 2019
<b>ASSETS</b>		
Current assets		
Cash and cash equivalents	\$ 432,162	\$ 338,954
Accounts receivable, net	111,737	107,102
Merchandise inventories, net	1,100,544	1,124,992
Prepaid expenses	90,426	101,356
Other current assets	20,766	21,939
Total current assets	1,755,635	1,694,343
Property and equipment, net	929,038	929,635
Operating lease right-of-use assets	1,166,383	—
Deferred income taxes, net	47,977	44,055
Goodwill	85,343	85,382
Other long-term assets, net	69,666	59,429
Total assets	\$ 4,054,042	\$ 2,812,844
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities		
Accounts payable	\$ 521,235	\$ 526,702
Accrued expenses	175,003	163,559
Gift card and other deferred revenue	289,613	290,445
Income taxes payable	22,501	21,461
Current debt	299,818	—
Operating lease liabilities	227,923	—
Other current liabilities	73,462	72,645
Total current liabilities	1,609,555	1,074,812
Deferred rent and lease incentives	27,659	201,374
Long-term debt	—	299,620
Long-term operating lease liabilities	1,094,579	—
Other long-term liabilities	86,389	81,324
Total liabilities	2,818,182	1,657,130
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; 77,137 and 78,813 shares issued and outstanding at February 2, 2020 and February 3, 2019, respectively	772	789
Additional paid-in capital	605,822	581,900
Retained earnings	644,794	584,333
Accumulated other comprehensive loss	(14,587)	(11,073)
Treasury stock – at cost: 14 and 2 shares as of February 2, 2020 and February 3, 2019, respectively	(941)	(235)
Total stockholders' equity	1,235,860	1,155,714
Total liabilities and stockholders' equity	\$ 4,054,042	\$ 2,812,844

*See Notes to Consolidated Financial Statements.*

**Williams-Sonoma, Inc.**  
**Consolidated Statements of Stockholders' Equity**

	Common Stock		Additional	Retained	Accumulated	Treasury	Total
<i>In thousands</i>	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income (Loss)	Stock	Stockholders' Equity
Balance at January 29, 2017	87,325	\$ 873	\$ 556,928	\$ 701,702	\$ (9,903)	\$ (1,380)	\$ 1,248,220
Net earnings	—	—	—	259,545	—	—	259,545
Foreign currency translation adjustments	—	—	—	—	3,730	—	3,730
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	(715)	—	(715)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	106	—	106
Conversion/release of stock-based awards <sup>1</sup>	452	5	(17,810)	—	—	(325)	(18,130)
Repurchases of common stock	(4,051)	(41)	(18,518)	(177,620)	—	—	(196,179)
Reissuance of treasury stock under stock-based compensation plans <sup>1</sup>	—	—	(554)	(426)	—	980	—
Stock-based compensation expense	—	—	42,768	—	—	—	42,768
Dividends declared	—	—	—	(135,779)	—	—	(135,779)
Balance at January 28, 2018	83,726	837	562,814	647,422	(6,782)	(725)	1,203,566
Net earnings	—	—	—	333,684	—	—	333,684
Foreign currency translation adjustments	—	—	—	—	(5,032)	—	(5,032)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	1,098	—	1,098
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(357)	—	(357)
Conversion/release of stock-based awards <sup>1</sup>	460	5	(14,149)	—	—	(291)	(14,435)
Repurchases of common stock	(5,373)	(53)	(25,775)	(269,476)	—	—	(295,304)
Reissuance of treasury stock under stock-based compensation plans <sup>1</sup>	—	—	(418)	(363)	—	781	—
Stock-based compensation expense	—	—	59,428	—	—	—	59,428
Dividends declared	—	—	—	(144,609)	—	—	(144,609)
Adoption of accounting pronouncements <sup>2</sup>	—	—	—	17,675	—	—	17,675
Balance at February 3, 2019	78,813	789	581,900	584,333	(11,073)	(235)	1,155,714
Net earnings	—	—	—	356,062	—	—	356,062
Foreign currency translation adjustments	—	—	—	—	(3,334)	—	(3,334)
Change in fair value of derivative financial instruments, net of tax	—	—	—	—	163	—	163
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax	—	—	—	—	(343)	—	(343)
Conversion/release of stock-based awards <sup>1</sup>	649	6	(27,624)	—	—	(134)	(27,752)
Repurchases of common stock	(2,325)	(23)	(11,658)	(136,195)	—	(958)	(148,834)
Reissuance of treasury stock under stock-based compensation plans <sup>1</sup>	—	—	(386)	—	—	386	—
Stock-based compensation expense	—	—	63,590	—	—	—	63,590
Dividends declared	—	—	—	(156,103)	—	—	(156,103)
Adoption of accounting pronouncements <sup>3</sup>	—	—	—	(3,303)	—	—	(3,303)
Balance at February 2, 2020	77,137	\$ 772	\$ 605,822	\$ 644,794	\$ (14,587)	\$ (941)	\$ 1,235,860

<sup>1</sup> Amounts are shown net of shares withheld for employee taxes.

<sup>2</sup> Primarily relates to our adoption of ASU 2014-09, Revenue from Contracts with Customers, in fiscal 2018. See Note A.

<sup>3</sup> Relates to our adoption of ASU 2016-02, Leases, in fiscal 2019. See Note A.

See Notes to Consolidated Financial Statements.

**Williams-Sonoma, Inc.**  
**Consolidated Statements of Cash Flows**

<i>In thousands</i>	Fiscal 2019 (52 Weeks)	Fiscal 2018 (53 Weeks)	Fiscal 2017 (52 Weeks)
Cash flows from operating activities:			
Net earnings	\$ 356,062	\$ 333,684	\$ 259,545
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:			
Depreciation and amortization	187,759	188,808	183,077
Loss on disposal/impairment of assets	1,755	10,209	1,889
Amortization of deferred lease incentives	(7,714)	(26,199)	(25,372)
Non-cash lease expense	215,810	—	—
Deferred income taxes	(2,557)	23,639	63,381
Stock-based compensation expense	64,163	59,802	42,988
Other	(26)	(579)	(135)
Changes in:			
Accounts receivable	(5,034)	(15,329)	149
Merchandise inventories	24,219	(70,331)	(80,235)
Prepaid catalog expenses	—	—	(1,019)
Prepaid expenses and other assets	(3,189)	(54,691)	(15,475)
Accounts payable	(11,051)	62,377	2,549
Accrued expenses and other liabilities	13,259	45,976	9,597
Gift card and other deferred revenue	(640)	38,899	(3,002)
Deferred rent and lease incentives	—	24,929	28,226
Operating lease liabilities	(226,257)	—	—
Income taxes payable	735	(35,208)	33,541
Net cash provided by operating activities	607,294	585,986	499,704
Cash flows from investing activities:			
Purchases of property and equipment	(186,276)	(190,102)	(189,712)
Acquisition of Outward, Inc., net of cash received	—	—	(80,528)
Other	728	2,203	480
Net cash used in investing activities	(185,548)	(187,899)	(269,760)
Cash flows from financing activities:			
Payment of dividends	(150,640)	(140,325)	(135,010)
Repurchases of common stock	(148,834)	(295,304)	(196,179)
Borrowings under revolving line of credit	100,000	60,000	170,000
Repayments of borrowings under revolving line of credit	(100,000)	(60,000)	(170,000)
Tax withholdings related to stock-based awards	(27,752)	(14,437)	(18,130)
Proceeds from issuance of long-term debt	—	—	300,000
Debt issuance costs	—	—	(1,191)
Other	—	—	(1,197)
Net cash used in financing activities	(327,226)	(450,066)	(51,707)
Effect of exchange rates on cash and cash equivalents	(1,312)	797	(1,814)
Net increase (decrease) in cash and cash equivalents	93,208	(51,182)	176,423
Cash and cash equivalents at beginning of year	338,954	390,136	213,713
Cash and cash equivalents at end of year	\$ 432,162	\$ 338,954	\$ 390,136
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest	\$ 12,682	\$ 11,424	\$ 2,915
Cash paid during the year for income taxes, net of refunds	\$ 113,344	\$ 107,951	\$ 99,062
Non-cash investing activities:			
Purchases of property and equipment not yet paid for at end of year	\$ 2,386	\$ 2,773	\$ 1,257

See Notes to Consolidated Financial Statements.