
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 or 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of Earliest Event Reported) August 27, 2014

TILLY'S, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State of Incorporation)

1-35535
(Commission
File Number)

45-2164791
(IRS Employer
Identification Number)

10 Whatney
Irvine, California 92618
(Address of Principal Executive Offices) (Zip Code)

(949) 609-5599
(Registrant's Telephone Number, Including Area Code)

N/A
(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.02 Results of Operations and Financial Condition.

On August 27, 2014, Tilly's, Inc. (the "Company") issued an earnings press release for the second quarter ended August 2, 2014. The press release is furnished as Exhibit 99.1 and is incorporated herein by reference. Exhibit 99.1 shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, regardless of any general incorporation language in such filing.

Item 9.01 Financial Statements and Exhibits**(d) Exhibits**

The following exhibit is being furnished herewith:

| Exhibit No. | Exhibit Title or Description |
|----------------|--|
| 99.1 | Press Release of Tilly's, Inc. dated August 27, 2014 |

SIGNATURES

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 hereunto duly authorized.

Date: August 27, 2014

TILLY'S, INC.

By: /s/ Christopher M. Lal

Name: Christopher M. Lal

Title: Vice President, General Counsel and Secretary



**Tilly's, Inc. Announces Second Quarter Fiscal 2014 Results
Introduces Third Quarter Fiscal 2014 Outlook**

- **Second Quarter Net Sales of \$123.1 million; Comp Store Sales Decreased 7.1%**
- **Second Quarter EPS of \$0.05**

Irvine, CA – August 27, 2014 – Tilly's, Inc. (NYSE: TLYS) today announced financial results for the second quarter of fiscal 2014 ended August 2, 2014.

"Our second quarter financial results were in line with our expectations, reflecting the continuation of challenging market conditions and the planned reduction in our clearance inventory. We continued to deliver healthy product margins and began the third quarter with a merchandise offering that was well positioned for the back-to-school selling period," commented Daniel Griesemer, President and Chief Executive Officer. "I am proud of our team's ability to remain focused on the long-term health and growth opportunities of our business, and am encouraged by improvements in sales trends so far in the third quarter."

For the second quarter ended August 2, 2014:

- Total net sales were \$123.1 million compared to \$123.0 million in the second quarter of 2013.
- Comparable store sales, which include e-commerce sales, decreased 7.1% compared to the same 13-week period in 2013.
- Gross profit was \$34.7 million compared to \$37.9 million in the second quarter of 2013. Gross margin was 28.2% compared to 30.8% in the second quarter of 2013, declining primarily due to deleverage of occupancy costs and a 40 basis point decrease in product margins.
- Operating income was \$2.3 million and compares to operating income of \$7.2 million in the second quarter of 2013.
- Net income was \$1.3 million, or \$0.05 per diluted share, based on a weighted average diluted share count of 28.0 million shares and an effective tax rate of approximately 46%, reflecting a higher rate than expected due to certain stock option forfeitures. This compares to net income in the second quarter of 2013 of \$4.3 million, or \$0.15 per diluted share, based on a weighted average diluted share count of 28.1 million shares and an effective tax rate of 40%.

For the twenty-six weeks ended August 2, 2014:

- Total net sales were \$234.2 million compared to \$232.2 million for the first two quarters of the prior year.
- Comparable store sales, which include e-commerce sales, decreased 6.9% compared to the first two quarters of 2013.
- Gross profit decreased 5.3% to \$66.0 million compared to \$69.7 million in the first two quarters of 2013. Gross margin was 28.2%, compared to 30.0% in the prior year period. Product margins increased 10 basis points, offset primarily by deleverage in occupancy costs as a result of the negative comparable store sales.
- Operating income was \$3.4 million compared to \$11.1 million in the first two quarters of 2013.

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- Net income was \$1.9 million, or \$0.07 per diluted share, based on a weighted average diluted share count of 28.1 million shares. This compares to net income in the first two quarters of 2013 of \$6.6 million, or \$0.23 per diluted share, based on a weighted average diluted share count of 28.1 million shares.

Balance Sheet and Liquidity

As of August 2, 2014, the Company had \$57.4 million of cash and marketable securities and no borrowings or debt outstanding on its revolving credit facility.

Third Quarter 2014 Outlook

We expect third quarter comparable store sales to decline in the mid single digits, and net income per diluted share to be in the range of \$0.09 to \$0.13. This assumes an anticipated effective tax rate of approximately 41% and a weighted average diluted share count of 28.1 million shares. Third quarter 2013 net income was \$6.1 million, or \$0.22 per diluted share, based on a weighted average diluted share count of 28.2 million shares.

Conference Call Information

A conference call to discuss the financial results is scheduled for today, August 27, 2014, at 4:30 p.m. ET (1:30 p.m. PT). Investors and analysts interested in participating in the call are invited to dial (888) 505-4347 at 4:25 p.m. ET (1:25 p.m. PT). The conference call will also be available to interested parties through a live webcast at www.tillys.com. Please visit the website and select the "Investor Relations" link at least 15 minutes prior to the start of the call to register and download any necessary software.

A telephone replay of the call will be available until September 10, 2014, by dialing (877) 870-5176 (domestic) or (858) 384-5517 (international) and entering the conference identification number: 9735137. Please note participants must enter the conference identification number in order to access the replay.

About Tilly's

Tilly's is a fast-growing destination specialty retailer of West Coast inspired apparel, footwear and accessories with an extensive assortment of the most relevant and sought-after brands rooted in action sports, music, art and fashion. Tilly's is headquartered in Southern California and, as of August 27, 2014, operated 206 stores and through its website, www.tillys.com.

Forward Looking Statements

Certain statements in this press release and oral statements made from time to time by our representatives are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, statements regarding our future financial and operating results, including but not limited to future comparable store sales, future net income, future gross, operating or product margins, anticipated tax rate, and market share and our business and strategy, including but not limited to store expansion, expansion of brands and exclusive relationships, development and growth of our ecommerce platform and business, and any other statements about our future expectations, plans, intentions, beliefs or prospects expressed by management are forward-looking statements. These forward-looking statements are based on management's current expectations and beliefs, but they

involve a number of risks and uncertainties that could cause actual results or events to differ materially from those indicated by such forward-looking statements, including, but not limited to, our ability to respond to changing customer preferences and trends, attract customer traffic at our stores and online, execute our growth and long-term strategies, expand into new markets, grow our ecommerce business, effectively manage our inventory and costs, effectively compete with other retailers, enhance awareness of our brand and brand image, general consumer spending patterns and levels, the effect of weather, and other factors that are detailed in our Annual Report on Form 10-K, filed with the Securities and Exchange Commission (“SEC”) on April 1, 2014, including those detailed in the section titled “Risk Factors” and in our other filings with the SEC, which are available from the SEC’s website at www.sec.gov and from our website at www.tillys.com under the heading “Investor Relations”. Readers are urged not to place undue reliance on these forward-looking statements, which speak only as of the date of this press release. We do not undertake any obligation to update or alter any forward-looking statements, whether as a result of new information, future events or otherwise. This release should be read in conjunction with our financial statements and notes thereto contained in our Form 10-K.

Tilly's, Inc.
Consolidated Balance Sheets
(In thousands, except per share data)
(Unaudited)

| | <u>August 2, 2014</u> | <u>February 1, 2014</u> |
|---|---------------------------|-----------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 32,408 | \$ 25,412 |
| Marketable securities | 24,961 | 34,943 |
| Receivables | 10,295 | 8,545 |
| Merchandise inventories | 70,387 | 46,266 |
| Prepaid expenses and other current assets | 12,133 | 11,772 |
| Total current assets | 150,184 | 126,938 |
| Property and equipment, net | 105,937 | 100,936 |
| Other assets | 4,989 | 4,533 |
| Total assets | <u>\$ 261,110</u> | <u>\$ 232,407</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 38,055 | \$ 19,645 |
| Deferred revenue | 4,777 | 6,214 |
| Accrued compensation and benefits | 5,757 | 4,975 |
| Accrued expenses | 16,778 | 9,241 |
| Current portion of deferred rent | 5,905 | 5,395 |
| Current portion of capital lease obligation/Related party | 782 | 758 |
| Total current liabilities | 72,054 | 46,228 |
| Long-term portion of deferred rent | 42,242 | 42,756 |
| Long-term portion of capital lease obligation/Related party | 2,103 | 2,500 |
| Total long-term liabilities | 44,345 | 45,256 |
| Total liabilities | 116,399 | 91,484 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Common stock (Class A), \$0.001 par value; August 2, 2014 -100,000 shares authorized, 11,497 shares issued and outstanding; February 1, 2014 -100,000 shares authorized, 11,361 shares issued and outstanding | 11 | 11 |
| Common stock (Class B), \$0.001 par value; August 2, 2014 - 35,000 shares authorized, 16,574 shares issued and outstanding; February 1, 2014 -35,000 shares authorized, 16,642 shares issued and outstanding | 17 | 17 |
| Preferred stock, \$0.001 par value; August 2, 2014 and February 1, 2014 -10,000 shares authorized, no shares issued or outstanding | — | — |
| Additional paid-in capital | 124,829 | 122,886 |
| Retained earnings | 19,854 | 17,997 |
| Accumulated other comprehensive income | — | 12 |
| Total stockholders' equity | <u>144,711</u> | <u>140,923</u> |
| Total liabilities and stockholders' equity | <u>\$ 261,110</u> | <u>\$ 232,407</u> |

Tilly's, Inc.
Consolidated Statements of Income
(In thousands, except per share data)
(Unaudited)

| | <u>Thirteen Weeks Ended</u> | | <u>Twenty-Six Weeks Ended</u> | |
|---|-----------------------------|---------------------------|-------------------------------|---------------------------|
| | <u>August 2, 2014</u> | <u>August 3, 2013</u> | <u>August 2, 2014</u> | <u>August 3, 2013</u> |
| Net sales | \$123,060 | \$123,043 | \$ 234,194 | \$ 232,161 |
| Cost of goods sold (includes buying, distribution, and occupancy costs) (1) | <u>88,405</u> | <u>85,155</u> | <u>168,212</u> | <u>162,467</u> |
| Gross profit (1) | 34,655 | 37,888 | 65,982 | 69,694 |
| Selling, general and administrative expenses (1) | <u>32,326</u> | <u>30,689</u> | <u>62,576</u> | <u>58,578</u> |
| Operating income | 2,329 | 7,199 | 3,406 | 11,116 |
| Other income (expense), net | <u>4</u> | <u>(47)</u> | <u>3</u> | <u>(96)</u> |
| Income before income taxes | 2,333 | 7,152 | 3,409 | 11,020 |
| Income tax expense | <u>1,067</u> | <u>2,885</u> | <u>1,552</u> | <u>4,445</u> |
| Net income | <u>\$ 1,266</u> | <u>\$ 4,267</u> | <u>\$ 1,857</u> | <u>\$ 6,575</u> |
| Basic earnings per share of Class A and Class B common stock | \$ 0.05 | \$ 0.15 | \$ 0.07 | \$ 0.24 |
| Diluted earnings per share of Class A and Class B common stock | \$ 0.05 | \$ 0.15 | \$ 0.07 | \$ 0.23 |
| Weighted average basic shares outstanding | 28,014 | 27,727 | 27,999 | 27,710 |
| Weighted average diluted shares outstanding | 28,049 | 28,080 | 28,100 | 28,053 |

(1) Gross profit in the second quarter and the first six months of fiscal 2013 includes a \$0.3 million and a \$0.7 million, respectively, reclassification of stock-based compensation expense from selling, general and administrative expenses to cost of goods sold to correct for an immaterial prior period error.

Tilly's, Inc.
Consolidated Statements of Cash Flows
(In thousands)
(Unaudited)

| | Twenty-Six Weeks Ended | |
|---|-------------------------------|---------------------------|
| | August 2, 2014 | August 3, 2013 |
| Cash flows from operating activities | | |
| Net income | \$ 1,857 | \$ 6,575 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 10,182 | 9,425 |
| Loss on disposal of assets | 39 | 111 |
| Gain on sales and maturities of marketable securities | (77) | (119) |
| Deferred income taxes | 334 | 558 |
| Stock-based compensation expense | 1,903 | 1,655 |
| Excess tax benefit from stock-based compensation | — | (40) |
| Changes in operating assets and liabilities: | | |
| Receivables | (1,750) | (4,979) |
| Merchandise inventories | (24,121) | (16,804) |
| Prepaid expenses and other assets | (1,268) | (1,843) |
| Accounts payable | 18,397 | 16,564 |
| Accrued expenses | 6,906 | 4,378 |
| Accrued compensation and benefits | 782 | (839) |
| Deferred rent | (4) | 3,805 |
| Deferred revenue | (1,437) | (1,289) |
| Net cash provided by operating activities | <u>11,743</u> | <u>17,158</u> |
| Cash flows from investing activities | | |
| Purchase of property and equipment | (14,587) | (23,789) |
| Proceeds from sale of property and equipment | 9 | 19 |
| Purchases of marketable securities | (24,961) | (14,960) |
| Maturities of marketable securities | 35,000 | 25,000 |
| Net cash used in investing activities | <u>(4,539)</u> | <u>(13,730)</u> |
| Cash flows from financing activities | | |
| Payment of capital lease obligation | (373) | (351) |
| Proceeds from exercise of stock options | 165 | 452 |
| Excess tax benefit from stock-based compensation | — | 40 |
| Net cash (used in) provided by financing activities | <u>(208)</u> | <u>141</u> |
| Change in cash and cash equivalents | 6,996 | 3,569 |
| Cash and cash equivalents, beginning of period | 25,412 | 17,314 |
| Cash and cash equivalents, end of period | <u>\$ 32,408</u> | <u>\$ 20,883</u> |

Tilly's, Inc.
Store Count and Square Footage

| | <u>Stores Open at Beg of Qtr</u> | <u>Stores Opened During Qtr</u> | <u>Stores Closed During Qtr</u> | <u>Stores Open at End of Qtr</u> | <u>Total Gross Square Footage End of Qtr (in thousands)</u> |
|----------------|--|---|---|--|---|
| 2013 Q1 | 168 | 7 | 0 | 175 | 1,371 |
| 2013 Q2 | 175 | 7 | 0 | 182 | 1,423 |
| 2013 Q3 | 182 | 7 | 0 | 189 | 1,472 |
| 2013 Q4 | 189 | 7 | 1 | 195 | 1,513 |
| 2014 Q1 | 195 | 3 | 0 | 198 | 1,535 |
| 2014 Q2 | 198 | 6 | 1 | 203 | 1,563 |

Investor Relations Contact:

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