

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

FORM 10-Q

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

For the Quarterly Period Ended May 4, 2019

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
(State or other jurisdiction of
incorporation or organization)

20-8874704
(I.R.S. Employer
Identification No.)

8760 Clay Road Houston, TX
(Address of principal executive offices)

77080
(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)

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Trading Symbol(s) | Name of each exchange on which registered |
|---|-------------------|---|
| Common Stock, par value \$.01 per share | FRAN | The Nasdaq Stock Market LLC |

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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

| | | | |
|-------------------------|--------------------------|---------------------------|-------------------------------------|
| Large accelerated filer | <input type="checkbox"/> | Accelerated filer | <input checked="" type="checkbox"/> |
| Non-accelerated filer | <input type="checkbox"/> | Smaller reporting company | <input checked="" type="checkbox"/> |
| | | Emerging growth company | <input type="checkbox"/> |

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The registrant had 35,401,640 shares (excluding 11,079,448 shares of treasury stock) of its common stock outstanding as of June 5, 2019.

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

Francesca's Holdings Corporation
Unaudited Consolidated Balance Sheets
(In thousands, except share amounts)

| | <u>May 4, 2019</u> | <u>February 2, 2019</u> | <u>May 5, 2018</u> |
|--|--------------------|-------------------------|--------------------|
| ASSETS | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 17,462 | \$ 20,103 | \$ 21,833 |
| Accounts receivable | 7,581 | 16,309 | 20,488 |
| Inventories | 32,201 | 30,478 | 32,728 |
| Prepaid expenses and other current assets | 11,137 | 10,357 | 10,326 |
| Total current assets | 68,381 | 77,247 | 85,375 |
| Operating lease right-of-use assets, net | 230,881 | - | - |
| Property and equipment, net | 66,881 | 71,207 | 89,321 |
| Deferred income taxes, net | - | - | 7,726 |
| Other assets, net | 4,201 | 4,588 | 4,222 |
| TOTAL ASSETS | <u>\$ 370,344</u> | <u>\$ 153,042</u> | <u>\$ 186,644</u> |
| LIABILITIES AND STOCKHOLDERS' EQUITY | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 20,428 | \$ 24,330 | \$ 24,827 |
| Accrued liabilities | 13,290 | 11,333 | 14,634 |
| Operating lease liabilities | 50,097 | - | - |
| Total current liabilities | 83,815 | 35,663 | 39,461 |
| Operating lease liabilities | 215,335 | - | - |
| Landlord incentives and deferred rent | - | 33,989 | 37,616 |
| Long-term debt | 10,000 | 10,000 | - |
| Other liabilities | 49 | - | - |
| Total liabilities | 309,199 | 79,652 | 77,077 |
| Commitments and contingencies | | | |
| Stockholders' equity: | | | |
| Common stock - \$0.01 par value, 80.0 million shares authorized; 46.6 million, 46.7 million and 47.1 million shares issued at May 4, 2019, February 2, 2019 and May 5, 2018, respectively. | 466 | 467 | 471 |
| Additional paid-in capital | 112,423 | 112,693 | 111,823 |
| Retained earnings | 108,277 | 120,251 | 157,294 |
| Treasury stock, at cost - 11.1 million shares at each of May 4, 2019, February 2, 2019 and May 5, 2018. | (160,021) | (160,021) | (160,021) |
| Total stockholders' equity | 61,145 | 73,390 | 109,567 |
| TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY | <u>\$ 370,344</u> | <u>\$ 153,042</u> | <u>\$ 186,644</u> |

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

Francesca's Holdings Corporation
Unaudited Consolidated Statements of Operations
(In thousands, except per share data)

| | Thirteen Weeks Ended | |
|--|-----------------------------|--------------------|
| | May 4, 2019 | May 5, 2018 |
| Net sales | \$ 87,125 | \$ 100,405 |
| Cost of goods sold and occupancy costs | 56,798 | 62,042 |
| Gross profit | 30,327 | 38,363 |
| Selling, general and administrative expenses | 39,994 | 42,883 |
| Loss from operations | (9,667) | (4,520) |
| Interest expense | 173 | 117 |
| Other income | 113 | 150 |
| Loss before income tax expense (benefit) | (9,727) | (4,487) |
| Income tax expense (benefit) | 422 | (602) |
| Net loss | \$ (10,149) | \$ (3,885) |
| Basic loss per common share | \$ (0.29) | \$ (0.11) |
| Diluted loss per common share | \$ (0.29) | \$ (0.11) |
| Weighted average shares outstanding: | | |
| Basic shares | 34,809 | 34,836 |
| Diluted shares | 34,809 | 34,836 |

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 | | Additional Paid-in Capital | Retained Earnings | Treasury Stock, at cost | Total Stockholders' Equity |
|--|-----------------------|--------------|----------------------------------|----------------------|-------------------------------|----------------------------------|
| | Shares Outstanding | Par Value | | | | |
| Balance, February 2, 2019 | 35,605 | \$ 467 | \$ 112,693 | \$ 120,251 | \$ (160,021) | \$ 73,390 |
| Cumulative effect adjustment on adoption of new accounting standard | | | | (1,825) | | (1,825) |
| Net loss | | | | (10,149) | | (10,149) |
| Stock-based compensation | | | (271) | | | (271) |
| Restricted stocks forfeited | (114) | (1) | 1 | | | - |
| Balance, May 4, 2019 | <u>35,491</u> | <u>466</u> | <u>112,423</u> | <u>108,277</u> | <u>(160,021)</u> | <u>61,145</u> |
| Balance, February 3, 2018 | 35,875 | \$ 463 | \$ 111,439 | \$ 159,045 | \$ (156,499) | \$ 114,448 |
| Cumulative effect adjustment on adoption of new accounting standards, net of tax | - | - | - | 2,134 | - | 2,134 |
| Net loss | - | - | - | (3,885) | - | (3,885) |
| Stock-based compensation | - | - | 418 | - | - | 418 |
| Restricted stocks issued, net of forfeitures | 856 | 8 | (8) | - | - | - |
| Shares withheld related to net settlement of equity awards | (5) | - | (26) | - | - | (26) |
| Repurchases of common stock | (659) | - | - | - | (3,522) | (3,522) |
| Balance, May 5, 2018 | <u>36,067</u> | <u>471</u> | <u>111,823</u> | <u>157,294</u> | <u>(160,021)</u> | <u>109,567</u> |

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)

| | Thirteen Weeks Ended | |
|--|-----------------------------|--------------------|
| | May 4, 2019 | May 5, 2018 |
| Cash Flows Provided by Operating Activities: | | |
| Net loss | \$ (10,149) | \$ (3,885) |
| Adjustments to reconcile net loss to net cash (used in) provided by operating activities: | | |
| Depreciation and amortization | 5,785 | 5,912 |
| Stock-based compensation expense | (222) | 418 |
| Loss on sale of assets | 102 | 61 |
| Deferred income taxes | - | 980 |
| Impairment charges | - | 27 |
| Changes in operating assets and liabilities: | | |
| Accounts receivable | 8,728 | (3,846) |
| Inventories | (1,723) | (5,912) |
| Prepaid expenses and other assets | (818) | (1,276) |
| Accounts payable | (2,423) | 8,721 |
| Accrued liabilities | 1,957 | 2,728 |
| Operating lease right-of-use assets and lease liabilities, net | (1,262) | - |
| Landlord incentives and deferred rent | - | (721) |
| Net cash (used in) provided by operating activities | (25) | 3,207 |
| Cash Flows Used in Investing Activities: | | |
| Purchases of property and equipment | (2,616) | (8,725) |
| Net cash used in investing activities | (2,616) | (8,725) |
| Cash Flows Used in Financing Activities: | | |
| Proceeds from borrowings under the revolving credit facility | 5,000 | - |
| Repayment of borrowings under the revolving credit facility | (5,000) | - |
| Repurchases of common stock | - | (3,980) |
| Net cash used in financing activities | - | (3,980) |
| Net decrease in cash and cash equivalents | (2,641) | (9,498) |
| Cash and cash equivalents, beginning of year | 20,103 | 31,331 |
| Cash and cash equivalents, end of period | \$ 17,462 | \$ 21,833 |
| Supplemental Disclosures of Cash Flow Information: | | |
| Cash (received) paid for income taxes | \$ (8,669) | \$ 24 |
| Interest paid | \$ 111 | \$ 47 |

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 nationwide-chain of boutiques providing its customers with a unique, fun and personalized shopping experience. The merchandise assortment the Company offers is a diverse and balanced mix of apparel, jewelry, accessories and gifts at attractive values. The Company aims to offer a differentiated shopping experience and quality, on-trend merchandise at a compelling value, across a wide variety of geographic markets and shopping venues. At May 4, 2019, the Company operated 722 boutiques, which are located in 47 states throughout the United States and the District of Columbia, and also served its customers through www.francescas.com, its ecommerce 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 2, 2019 was derived from the Company's audited consolidated financial statements and notes thereto as of and for the fiscal year ended February 2, 2019 included in the Company's Annual Report on Form 10-K filed with the SEC on May 3, 2019.

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 2, 2019 included in the Company's Annual Report on Form 10-K.

Due to seasonal variations in the Company's business, 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 2019 and 2018 each include 52 weeks of operations. The fiscal quarters ended May 4, 2019 and May 5, 2018 refer to the thirteen week periods ended as of 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 returns, and expenses during the reporting periods. Actual results could differ materially from those estimates.

Leases

Adoption of Accounting Standards Codification 842

On February 3, 2019, the Company adopted the provisions of Accounting Standards Codification ("ASC") 842, "Leases", using the additional, optional transition method which allows entities to initially apply the new standard by recognizing a cumulative-effect adjustment to the opening balance of retained earnings at the date of adoption. Prior period amounts and disclosures were not adjusted and continue to be reported under ASC 840, "Leases."

Francesca's Holdings Corporation
Notes to Unaudited Consolidated Financial Statements

In applying the new standard, the Company elected the package of practical expedients which allows the Company to carry forward its prior conclusions under ASC 840 about lease identification, lease classification, and initial direct costs. The Company also elected the practical expedient of combining lease and non-lease components as a single lease component as well as the short-term lease recognition exemption for all leases at transition.

As a result of the adoption, the Company recorded an operating lease liability of \$278.9 million and operating lease right-of-use ("ROU") asset of \$242.9 million at February 3, 2019. Additionally, the Company recognized a \$1.8 million cumulative-effect adjustment to the beginning balance of retained earnings related to the impairment of certain operating lease ROU assets subjected to impairment testing under existing accounting guidance for which indicators of impairment existed at the time of the adoption of ASC 842. The adoption of ASC 842 did not have a material impact to the unaudited consolidated statements of operations or cash flows.

Accounting Policy Under ASC 842

The Company leases boutiques, its distribution center and office space and certain boutique and corporate office equipment under operating leases. The Company determines if an arrangement contains a lease at inception and recognizes operating lease ROU assets and operating lease liabilities at commencement date based on the present value of the fixed lease payments over the lease term and, for operating lease ROU assets, include initial direct costs and exclude lease incentives. Variable lease payments are expensed as incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will elect that option. Subsequent to the recognition of its operating lease ROU assets and operating lease liabilities, the Company recognizes lease expense related to its operating lease payments on a straight-line basis over the lease term.

Operating lease liabilities are calculated using the effective interest method and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As the interest rate implicit in the Company's leases is not readily determinable, the Company utilized a collateralized incremental borrowing rate determined through the development of a synthetic credit rating to calculate the present value of its lease payments.

The Company accounts for lease and non-lease components as a single component. Accordingly, the Company's fixed lease payments mainly consists of base rent, common area maintenance and landlord advertising. Additionally, the Company also elected the short-term lease recognition exemption for all leases.

Impairment of Long-Lived Assets, Including Operating Lease ROU Assets

The Company evaluates long-lived assets held for use, including operating lease ROU assets, and held for sale whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows, which is generally at a boutique level. In determining whether an impairment has occurred, the Company considers both qualitative and quantitative factors.

The quantitative analysis involves estimating the undiscounted future cash flows directly related to that asset and comparing it against its carrying value. If the carrying value of the asset is greater than the sum of the undiscounted future cash flows, an impairment loss is recognized for the difference between the carrying value of the asset and its fair value. The fair value of the asset group is generally determined using discounted future cash flows or a market participant's ability to generate economic benefits using the asset in its highest and best use, whichever is appropriate. The determination of fair value takes into account the asset's historical performance, current sales trends, market conditions and other relevant factors deemed material, and discounted using a rate commensurate with the risk. The inputs used in the determination of the fair value are considered as Level 3 inputs in the fair value hierarchy, which require a significant degree of judgment and are based on the Company's own assumptions.

New Accounting Pronouncements

Recently Adopted Accounting Pronouncements

In February 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-02, "Leases (Topic 842)." The new guidance, among other things, requires lessees to recognize the following for all leases (with the exception of short-term leases) at the commencement date: (i) a lease liability, which is a lessee's obligation to make lease payments arising from a lease, measured on a discounted basis and (ii) a ROU asset, which is an asset that represents the lessee's right to use, or control the use of, a specified asset for the lease term. Under the new guidance, lessor accounting is largely unchanged. Since the original issuance of ASU 2016-02, the FASB has issued several amendments and updates to this guidance (collectively, "ASC 842, Leases"). This new guidance was effective for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. The Company adopted ASC 842, Leases, on February 3, 2019 using the optional transition method. Please refer to "Leases" above in this Note 1 and below in Note 8 to the Unaudited Consolidated Financial Statements.

Francesca's Holdings Corporation
Notes to Unaudited Consolidated Financial Statements

Recent Accounting Pronouncements Not Yet Adopted

In August 2018, the FASB issued ASU 2018-15, "Intangibles-Goodwill and Other-Internal-Use-Software (Subtopic 350-40): Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract." ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. This new guidance will be effective for fiscal years beginning after December 15, 2019 and interim periods within those fiscal years. Early adoption is permitted. The Company is currently evaluating the effect that the new guidance will have on its consolidated financial statements and related disclosures.

2. Revenues

The Company disaggregates net sales into the following major merchandise departments.

| | Thirteen Weeks Ended | |
|-----------------------|-----------------------------|--------------------|
| | May 4, 2019 | May 5, 2018 |
| | (in thousands) | |
| Apparel | \$ 41,824 | \$ 49,534 |
| Jewelry | 23,878 | 23,858 |
| Accessories | 13,640 | 15,484 |
| Gifts | 7,843 | 11,105 |
| Others ⁽¹⁾ | (60) | 424 |
| | <u>\$ 87,125</u> | <u>\$ 100,405</u> |

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

Contract liability

The Company recognizes a contract liability related to its gift cards. The Company accounts for the sale of gift cards as a liability at the time a gift card is sold. The liability is relieved and revenue is recognized upon redemption of the gift card. The Company's gift cards do not have an expiration date. Income from gift card breakage is estimated based on historical redemption patterns and recognized over the historical redemption period. Unredeemed gift cards at the end of the prior fiscal year recognized in revenues during the thirteen weeks ended May 4, 2019 and May 5, 2018 totaled \$1.8 million and \$1.9 million, respectively.

3. Loss Per Share

Loss per common share amounts are calculated using the weighted-average number of common shares outstanding for the period. Diluted loss per common share amounts are calculated using the weighted-average number of common shares outstanding for the period and include the dilutive impact of restricted stock and stock option grants using the treasury stock method. The following table summarizes the potential dilution that could occur if stock options to acquire common stock were exercised or if the restricted stock grants were fully vested and reconciles the weighted-average common shares outstanding used in the computation of basic and diluted loss per share.

| | Thirteen Weeks Ended | |
|--|--|--------------------|
| | May 4, 2019 | May 5, 2018 |
| | (in thousands, except per share data) | |
| Numerator: | | |
| Net loss | \$ (10,149) | \$ (3,885) |
| Denominator: | | |
| Weighted-average common shares outstanding - basic | 34,809 | 34,836 |
| Restricted stocks and stock options | - | - |
| Weighted-average common shares outstanding - diluted | <u>34,809</u> | <u>34,836</u> |

Francesca's Holdings Corporation
Notes to Unaudited Consolidated Financial Statements

| | Thirteen Weeks Ended | |
|-------------------------------|--|--------------------|
| | May 4, 2019 | May 5, 2018 |
| | (in thousands, except per share data) | |
| Per common share: | | |
| Basic loss per common share | \$ (0.29) | \$ (0.11) |
| Diluted loss per common share | \$ (0.29) | \$ (0.11) |

Potentially issuable shares under the Company's stock-based compensation plans which amounted to 1.1 million and 0.8 million shares in the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively, were excluded in the computation of diluted loss per shares due to the Company being in a net loss position for those periods. The Company also excluded contingently issuable performance-based awards totaling 1.7 million and 0.7 million in the thirteen weeks ended May 4, 2019 and May 5, 2018, respectively, from the computation of diluted earnings per share because the pre-established goals had not been satisfied as of the end of each period.

4. Fair Value Measurements

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. The carrying amount of the Company's debt approximates its fair value due to the proximity of the debt issue date and the balance sheet date and the variable component of interest on debt.

5. Income Taxes

The provision for income tax expense (benefit) is based on the Company's current estimate of the annual effective tax rate. The effective income tax expense (benefit) rates for the thirteen weeks ended May 4, 2019 and May 5, 2018 were 4.3% and (13.4)%, respectively. The change in the effective tax rate in the thirteen weeks ended May 4, 2019 versus the comparable prior year period was due to a \$2.1 million of additional deferred tax asset valuation allowance recorded during the quarter. As of May 4, 2019, the Company has established a full valuation allowance on its net deferred tax assets.

As of May 4, 2019 and May 5, 2018, the Company had \$1.5 million and \$11.4 million of income tax receivable, respectively.

6. Revolving Credit Facility

On May 25, 2018, Francesca's Holdings Corporation (the "Holdings"), as a guarantor, certain of its subsidiaries, as borrowers (the "Borrowers"), and certain of its subsidiaries as guarantors (together with Holdings and the Borrowers, the "Loan Parties"), entered into an asset based revolving credit agreement ("Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. The Credit Agreement provides for revolving commitments of \$50.0 million (including up to \$10.0 million for letters of credit) and matures on May 25, 2023. Availability under the Credit Agreement is subject to a customary borrowing base comprised of: (a) a specified percentage of the Borrower's credit card accounts (as defined in the Credit Agreement); and (b) a specified percentage of the Borrower's eligible inventory (as defined in the Credit Agreement), and reduced by (c) certain customary reserves and adjustments (as defined in the Credit Agreement). The Credit Agreement also contains an option to increase, permitting the Borrowers, subject to certain requirements, to arrange with lenders for additional revolving commitments for up to an aggregate of \$25.0 million. At May 4, 2019, the Company had \$10.0 million of borrowings outstanding and \$15.2 million of borrowing base availability under the Credit Agreement. Of the total borrowing base availability as of May 4, 2019, \$9.2 million is available to be drawn without consideration of the Fixed Charge Coverage Ratio requirement (as defined below). Additionally, there were no letters of credit outstanding as of May 4, 2019.

All obligations of each Loan Party under the Credit Agreement are unconditionally guaranteed by the Company and each of the Company's existing and future direct and indirect wholly owned domestic subsidiaries, including the Borrowers. All obligations under the Credit Agreement, and the guarantees of those obligations (as well as banking services obligations and any interest rate hedging or other swap agreements), are secured by substantially all of the assets of the Company and each of the Company's existing and future direct and indirect wholly owned domestic subsidiaries. Additionally, the Credit Agreement contains customary events of default and requires the Loan Parties to comply with certain financial covenants, including a restriction prohibiting the Loan Parties from declaring or making dividend payments, subject to certain exceptions. In addition, Holdings may declare or make dividend payments, subject to the satisfaction of the Payment Conditions (as defined in the Credit Agreement). The Credit Agreement also requires that the auditor's report on the Company's audited financial statements for the previous fiscal year does not contain a "going concern" or like qualification or exception and also requires the Loan Parties to maintain a minimum ratio of (i) EBITDAR (as defined in the Credit Agreement) minus unfinanced capital expenditures (as defined in the Credit Agreement), to (ii) fixed charges of 1.00 to 1.00 during periods when availability (as defined in the Credit Agreement) is less than \$6.0 million (or has recently been less than \$6.0 million as further specified in the Credit Agreement) (such ratio, the "Fixed Charge Coverage Ratio"). As of May 4, 2019, our borrowing availability was more than \$6.0 million, resulting in the elimination of the Fixed Charge Coverage Ratio requirement.

Francesca's Holdings Corporation
Notes to Unaudited Consolidated Financial Statements

7. Stock-based Compensation

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. The Company recognized a \$0.2 million net reversal of previously accrued stock-based compensation during the thirteen weeks ended May 4, 2019 and \$0.4 million of stock-based compensation expense during the thirteen weeks ended May 5, 2018.

Management Awards

In April 2019, the Company granted 2.7 million of restricted stock units ("RSU"), and, in March 2018, granted 0.9 million of restricted stock awards ("RSA") to certain executives and key employees. Of the total award in each period, 50% of the total units or shares awarded were in the form of performance-based ("PSU" or "PSA") while the remaining 50% were in the form of time-based restricted shares. The number of performance-based awards that may ultimately vest will equal 0% to 150% of the target shares awarded subject to the achievement of pre-established performance goals and the employee's continued employment through the third anniversary of the grant date. The RSUs and RSAs vest in one installment on the third anniversary of the award date.

At the end of each reporting period, the Company assessed the probability of achieving the pre-established performance conditions related to the performance-based awards and adjusted stock-based compensation expense based on the results of such assessment.

8. Leases

The Company leases boutiques, its distribution center and office space, and certain boutique and corporate office equipment under operating leases expiring in various years through the fiscal year ending 2029. 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 the market rate at the time of renewal. The Company's lease agreements do not contain any material residual value guarantees or material restrictive covenants. See above under "Leases" in Note 1 for additional information regarding the Company's adoption of ASC 842, Leases on February 3, 2019 and the impact of such adoption.

The following table presents information regarding the Company's leases for the period presented.

| | Thirteen Weeks Ended |
|---|-----------------------------|
| | May 4, 2019 |
| | (in thousands) |
| Components of operating lease costs | |
| Operating lease costs | \$ 15,149 |
| Variable lease cost | 224 |
| | <u>\$ 15,373</u> |
| Supplemental cash flow information related to operating leases | |
| Cash paid for operating leases included in the measurement of lease liabilities | \$ 16,056 |
| Lease term and discount rate | |
| Weighted-average remaining lease term – operating leases | 6 years |
| Weighted-average discount rate – operating leases | 5.6% |
| Maturities of lease liabilities | |
| Remainder of 2019 | \$ 47,973 |
| 2020 | 57,880 |
| 2021 | 49,187 |
| 2022 | 41,842 |
| 2023 | 35,776 |
| Thereafter | 82,820 |
| Total lease payments | <u>315,478</u> |
| Less: Interest | 50,046 |
| Present value of lease liabilities | <u>\$ 265,432</u> |

Francesca's Holdings Corporation
Notes to Unaudited Consolidated Financial Statements

As of May 4, 2019, the minimum rental commitments for additional operating lease contracts that have not yet commenced was \$3.6 million. These operating leases will commence in fiscal year 2019 with lease terms of 5 to 10 years.

9. Contingencies

On January 27, 2017, a purported collective action lawsuit entitled Meghan Magee, et al. v. Francesca's Holdings Corp., et al. was filed in the United States District Court for the District of New Jersey, Camden Vicinage against the Company for alleged violations of federal and state wage and hour laws. After substitution of a named plaintiff, the lawsuit is now captioned, Danielle Prulello, et al. v. Francesca's Holding Corp., et al. On November 6, 2018, the court conditionally certified the collective action. The Company believes that the allegations contained in the lawsuit 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.

The Company, from time to time, is subject to various claims and legal proceedings, including employment claims, wage and hour claims, intellectual property claims, contractual and commercial disputes and other matters that arise in the ordinary course of business. While the outcome of any such claim cannot be predicted with certainty, the Company does not believe that the outcome of these matters will 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 statements that constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, as amended. These statements concern 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”, “positioned”, “predict”, “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 our exploration of strategic or financial alternatives may not result in any transaction or alternative that enhances value, the risk that we may not be able to successfully integrate our Interim Chief Executive Officer and attract and integrate a new Chief Executive Officer; the risk that we cannot anticipate, identify and respond quickly to changing fashion trends and customer preferences or changes in consumer environment, including changing expectations of service and experience in boutiques and online, and evolve our business model; our ability to attract a sufficient number of customers to our boutiques or sell sufficient quantities of our merchandise through our ecommerce website; our ability to successfully open, close, refresh, and operate new boutiques each year; our ability to efficiently source and distribute additional merchandise quantities necessary to support our growth; risks related to our ability to comply with the continued listing standards of the Nasdaq Global Select Market and the potential delisting of our common stock, including the risk that stockholders do not approve or we otherwise do not complete our proposed reverse stock split; and the impact of potential tariff increases or new tariffs. 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 2, 2019 and filed with the Securities and Exchange Commission (“SEC”) on May 3, 2019 (“Fiscal Year 2018 10-K”) and any risk factors contained in subsequent Quarterly Reports on Form 10-Q or other filings we file with the SEC, as well as our disclosures under “Management's Discussion and Analysis of Financial Condition and Results of Operations” and elsewhere in this report and in our Fiscal Year 2018 10-K.

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 specialty retailer which operates a nationwide-chain of boutiques providing customers a unique, fun and personalized shopping experience. The merchandise assortment we offer is a diverse and balanced mix of apparel, jewelry, accessories and gifts. We aim to offer a differentiated shopping experience and quality, on-trend merchandise at a compelling value, across a wide variety of geographic markets and shopping venues. As of May 4, 2019, francesca's® operated 722 boutiques in 47 states throughout the United States and the District of Columbia and also served its customers through www.francescas.com, our ecommerce website. The information contained on our ecommerce website is not incorporated by reference into this Quarterly Report on Form 10-Q and you should not consider information contained on our ecommerce website to be part of this Quarterly Report on Form 10-Q.

During the thirteen weeks ended May 4, 2019, our net sales decreased 13% to \$87.1 million from \$100.4 million, loss from operations increased by \$5.1 million from \$4.5 million to \$9.7 million, and net loss increased \$6.3 million from \$3.9 million, or \$0.11 loss per diluted share, to a net loss of \$10.1 million, or \$0.29 loss per diluted share, over the comparable prior year period.

In February 2019, we executed a workforce reduction at both corporate office and field management as part of our cost reduction initiative associated with our turnaround plan that commenced in January 2019. As a result, we expensed \$0.9 million of severance benefits during the thirteen weeks ended May 5, 2019. These severance benefits are included in selling, general and administrative expenses in the unaudited consolidated statements of operations.

Our boutique count decreased to 722 boutiques as of May 4, 2019 from 744 boutiques as of May 5, 2018. As previously disclosed, our current priority is to execute our turnaround plan which is aimed at improving comparable sales and profitability, and, as such, we are only planning to open one new boutique and close at least 22 existing boutiques during the remainder of the fiscal year as we continue to optimize our existing boutique fleet. We plan to resume new boutique openings and remodels in the future, as appropriate, when the desired results are achieved under our turnaround plan.

Results of Operations

The following represents operating data for the thirteen weeks ended May 4, 2019 and May 5, 2018.

| | Thirteen Weeks Ended | |
|---|-----------------------------|--------------------|
| | May 4, 2019 | May 5, 2018 |
| Net sales change for period | (13)% | (7)% |
| Comparable sales results for the period ⁽¹⁾ | (13)% | (16)% |
| Number of boutiques open at end of period | 722 | 744 |
| Net sales per average square foot for period ⁽²⁾ | \$ 83 | \$ 96 |
| Average square feet per boutique ⁽³⁾ | 1,454 | 1,445 |
| Total gross square feet at end of period | 1,050,000 | 1,075,000 |

- (1) A boutique is included in comparable sales on the first day of the fifteenth full month following the boutique's opening. If a boutique is closed for four or more days within a given fiscal week for any reason, we exclude sales from that boutique from comparable sales for that full fiscal week. If a boutique is permanently closed, we exclude sales from that boutique from comparable sales on the first day of the fiscal month that it did not register full month of sales. Comparable sales include our ecommerce sales and exclude gift card breakage income.
- (2) Net sales per average square foot is calculated by dividing net sales for the period by the average square feet during the period. 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. For periods consisting of more than one fiscal quarter, average square feet is calculated as (a) the sum of total gross square feet at the beginning of the period and total gross square feet at the end of each fiscal quarter within the period, divided by (b) the number of fiscal quarters within the period plus one (which, for a fiscal year, is five). 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 | |
|--|-----------------------------|--------------------|
| | May 4, 2019 | May 5, 2018 |
| Number of boutiques open at beginning of period | 727 | 721 |
| Boutiques added | 3 | 27 |
| Boutiques closed | (8) | (4) |
| Number of boutiques open at the end of period | 722 | 744 |

Thirteen Weeks Ended May 4, 2019 Compared to Thirteen Weeks Ended May 5, 2018

| | Thirteen Weeks Ended | | | | Variance | | Basis Points |
|--|---|------------------------------------|-------------|------------------------------------|-------------|-------|--------------|
| | May 4, 2019 | | May 5, 2018 | | In USD | % | |
| | In USD | As a % of Net Sales ⁽¹⁾ | In USD | As a % of Net Sales ⁽¹⁾ | | | |
| | (in thousands, except percentages and basis points) | | | | | | |
| Net sales | \$ 87,125 | 100.0% | \$ 100,405 | 100.0% | \$ (13,280) | (13)% | - |
| Cost of goods sold and occupancy costs | 56,798 | 65.2% | 62,042 | 61.8% | (5,244) | (8)% | 340 |
| Gross profit | 30,327 | 34.8% | 38,363 | 38.2% | (8,036) | (21)% | (340) |
| Selling, general and administrative expenses | 39,994 | 45.9% | 42,883 | 42.7% | (2,889) | (7)% | 320 |
| Loss from operations | (9,667) | (11.1)% | (4,520) | (4.5)% | 5,147 | 114% | 660 |
| Interest expense | 173 | 0.2% | 117 | 0.1% | 56 | 48% | 10 |
| Other income | 113 | 0.1% | 150 | 0.1% | (37) | (25)% | - |
| Loss before income tax expense | (9,727) | (11.2)% | (4,487) | (4.5)% | 5,240 | 117% | 670 |
| Income tax expense (benefit) | 422 | 0.5% | (602) | (0.6)% | 1,024 | 170% | 110 |
| Net loss | \$ (10,149) | (11.6)% | \$ (3,885) | (3.9)% | \$ 6,264 | 161% | 780 |

(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 decreased 13% to \$87.1 million in the thirteen weeks ended May 4, 2019 from \$100.4 million in the thirteen weeks ended May 5, 2018. This decrease was due to a 13% decrease in comparable sales following a 16% decrease in the same period of the prior year. The decrease in comparable sales was primarily due to a decline in traffic and conversion rates. There were 686 comparable boutiques and 36 non-comparable boutiques open at May 4, 2019 compared to 658 and 86, respectively, at May 5, 2018.

Cost of Goods Sold and Occupancy Costs

Cost of goods sold and occupancy costs decreased 8% to \$56.8 million in the thirteen weeks ended May 4, 2019 from \$62.0 million in the thirteen weeks ended May 5, 2018. Cost of merchandise and shipping expenses decreased by \$4.9 million primarily due to decreased sales volume during the quarter. Occupancy costs decreased by \$0.3 million due to the decrease in the number of boutiques in operation during the thirteen weeks ended May 4, 2019 compared to the same period of the prior year.

As a percentage of net sales, cost of goods sold and occupancy costs increased to 65.2% in the thirteen weeks ended May 4, 2019 from 61.8% in the thirteen weeks ended May 5, 2018, an unfavorable variance of 340 basis points. This change was due to deleveraging of occupancy costs as a result of lower sales. Merchandise margins were relatively flat versus the comparable prior year period.

Selling, General and Administrative Expenses

Selling, general and administrative expenses decreased 7% to \$40.0 million in the thirteen weeks ended May 4, 2019 from \$42.9 million in the thirteen weeks ended May 5, 2018. This decrease was primarily due to a \$3.3 million decrease in boutique payroll and supplies mostly associated with our cost reduction initiatives associated with our turnaround plan that commenced in January 2019. Stock-based compensation decreased \$0.7 million due to reversal of previously accrued expenses related to certain performance-based awards for which achieving the pre-established performance metrics was not probable as well as certain employee departures. Additionally, marketing and freight expenses decreased by \$0.8 million. These decreases were partially offset by \$1.2 million of consulting expenses associated with our review of strategic and financial alternatives and the implementation of the turnaround plan, and \$1.4 million of professional fees in connection with the services of our interim executives as well as higher audit and legal fees. Corporate payroll was relatively flat versus the comparable prior year period as the lower headcount associated with the workforce reduction and employee departures was offset by \$0.9 million in severance benefits expensed during the quarter.

As a percentage of net sales, selling, general and administrative expense increased to 45.9% in the thirteen weeks ended May 4, 2019 as compared to 42.7% in the thirteen weeks ended May 5, 2018 due to deleveraging of expenses as a result of lower sales.

Income Tax Expense (Benefit)

The increase in income tax expense of \$1.0 million in the thirteen weeks ended May 4, 2019 compared to the thirteen weeks ended May 5, 2018 was primarily due to a \$2.1 million of additional deferred tax asset valuation allowance recognized during quarter. The change in effective tax expense (benefit) rate to 4.3% in the thirteen weeks ended May 4, 2019 from (13.9)% in the thirteen weeks ended May 5, 2018 was also primarily due to the valuation allowance.

Sales by Merchandise Department

| | Thirteen Weeks Ended | | | |
|----------------------|------------------------------------|------------------------|-------------------|------------------------|
| | May 4, 2019 | | May 5, 2018 | |
| | In Dollars | As a % of Net Sales | In Dollars | As a % of Net Sales |
| | (in thousands, except percentages) | | | |
| Apparel | \$ 41,824 | 48.0% | \$ 49,534 | 49.3% |
| Jewelry | 23,878 | 27.4% | 23,858 | 23.8% |
| Accessories | 13,640 | 15.7% | 15,484 | 15.4% |
| Gifts | 7,843 | 9.0% | 11,105 | 11.1% |
| Other ⁽¹⁾ | (60) | (0.1)% | 424 | 0.4% |
| | <u>\$ 87,125</u> | <u>100.0%</u> | <u>\$ 100,405</u> | <u>100.0%</u> |

(1) Includes 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 Asset Based Revolving Credit Facility (see “Revolving Credit Facility” below for more information). Our primary cash needs are for funding normal working capital requirements, the operation of our existing boutiques and ecommerce website, the implementation of our turnaround plan as well as review of financial and strategic alternatives, and payments of interest and principal, if any, under our Asset Based Revolving Credit Facility. We may use cash or our Asset Based 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 45 days to pay our inventory vendors and up to 60 days to pay other vendors.

At May 4, 2019, we had \$17.5 million of cash and cash equivalents, and \$10.0 million of borrowings outstanding, with \$15.2 million of borrowing base availability under our Asset Based Revolving Credit Facility. Of the total borrowing base availability as of May 4, 2019, \$9.2 million is available to be drawn without consideration of the Fixed Charge Coverage Ratio requirement (as defined below). We were in compliance with all covenants under our Asset Based Revolving Credit Facility as of May 4, 2019.

We expect that our cash flow from operations and any available borrowings under our Asset Based Revolving Credit Facility 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:

| | Thirteen Weeks Ended | |
|--|----------------------|-------------------|
| | May 4, 2019 | May 5, 2018 |
| | (in thousands) | |
| (Used in) provided by operating activities | \$ (25) | \$ 3,207 |
| Used in investing activities | (2,616) | (8,725) |
| Used in financing activities | - | (3,980) |
| Net decrease in cash and cash equivalents | <u>\$ (2,641)</u> | <u>\$ (9,498)</u> |

Operating Activities

Operating activities consist of net loss adjusted for non-cash items, including depreciation and amortization, deferred taxes, and the effect of working capital changes. Net cash used in operating activities was less than \$0.1 million in the thirteen weeks ended May 4, 2019 compared to net cash provided by operating activities of \$3.2 million in the thirteen weeks ended May 5, 2018. The decrease in cash (used in) provided by operating activities in the current period as compared to the same period of the prior year was primarily due to the increase in net loss and timing of payments of accounts payable partially offset by the \$8.5 million income tax refund received in April 2019.

Investing Activities

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

| | Thirteen Weeks Ended | |
|----------------------------|----------------------|-----------------|
| | May 4, 2019 | May 5, 2018 |
| | (in thousands) | |
| Capital expenditures for: | | |
| New boutiques | \$ 395 | \$ 5,777 |
| Remodels | 1,339 | 1,929 |
| Existing boutiques | 609 | 417 |
| Technology | 205 | 435 |
| Corporate and distribution | 68 | 167 |
| | <u>\$ 2,616</u> | <u>\$ 8,725</u> |

Our total capital expenditures for the thirteen weeks ended May 4, 2019 and May 5, 2018 were \$2.6 million and \$8.7 million, respectively. Our spending in the thirteen weeks ended May 4, 2019 were associated with the payment of prior year accrued construction costs. Total net capital expenditure additions, on an accrual basis, for the thirteen weeks ended May 4, 2019 totaled \$1.2 million. As previously disclosed, we have substantially decreased, and expect to continue to substantially decrease, our investments in new boutiques, remodels and relocations in fiscal year 2019 until the desired results of our turnaround plan are achieved. For the thirteen weeks ended May 5, 2018, our capital expenditures were mostly related to new boutique openings and remodels.

The following table summarizes new boutique openings and existing boutique remodels information for the periods presented.

| | Thirteen Weeks Ended | |
|---|----------------------|-------------|
| | May 4, 2019 | May 5, 2018 |
| New boutiques: | | |
| Number of new boutiques opened | 3 | 27 |
| Average cost per new boutique | \$ 319,000 | \$ 307,000 |
| Average tenant allowance per new boutique | \$ - | \$ 45,000 |
| Remodels: | | |
| Number of boutiques remodeled | - | 15 |
| Average cost per remodeled boutique | \$ - | \$ 140,000 |

Management anticipates that additional capital expenditures for the remainder of fiscal year 2019 will be approximately \$3.4 million. The majority of this amount will be spent on improvements to existing boutiques and investments in existing technology.

Financing Activities

Financing activities consist of borrowings and payments under our revolving credit facility, and repurchases of our common stock.

Net cash used in financing activities in the thirteen weeks ended May 4, 2019 consisted of \$5.0 million proceeds from borrowings under our Asset Based Revolving Credit Facility that was subsequently repaid during the quarter. Net cash used in financing activities in the thirteen weeks ended May 5, 2018 was \$4.0 million which primarily consisted of repurchases of common stock.

Asset Based Revolving Credit Facility

On May 25, 2018, Francesca's Holdings Corporation (the "Holdings"), as a guarantor, certain of its subsidiaries, as borrowers (the "Borrowers"), and certain of its subsidiaries as guarantors (together with the Company and the Borrowers, the "Loan Parties"), entered into an asset based revolving credit agreement ("Credit Agreement") with JPMorgan Chase Bank, N.A., as administrative agent and the lenders party thereto. The Credit Agreement provides for revolving commitments of \$50.0 million (including up to \$10.0 million for letters of credit) and matures on May 25, 2023. Availability under the Credit Agreement is subject to a customary borrowing base comprised of: (a) a specified percentage of the Borrower's credit card accounts (as defined in the Credit Agreement); and (b) a specified percentage of the Borrower's eligible inventory (as defined in the Credit Agreement), and reduced by (c) certain customary reserves and adjustments (as defined in the Credit Agreement). The Credit Agreement also contains an increase option permitting the Borrowers, subject to certain requirements, to arrange with lenders for additional revolving commitments for up to an aggregate of \$25.0 million. On May 4, 2019, we had \$10.0 million of borrowings outstanding and \$15.2 million of borrowing base availability under the Credit Agreement. Of the total borrowing base availability as of May 4, 2019, \$9.2 million is available to be drawn without consideration of the Fixed Charge Coverage Ratio requirement (as defined below). Additionally, there were no letters of credit outstanding as of May 4, 2019.

All obligations of each Loan Party under the Credit Agreement are unconditionally guaranteed by the Company and each of the Company's existing and future direct and indirect wholly owned domestic subsidiaries, including the Borrowers. All obligations under the Credit Agreement, and the guarantees of those obligations (as well as banking services obligations and any interest rate hedging or other swap agreements), are secured by substantially all of the assets of the Company and each of the Company's existing and future direct and indirect wholly owned domestic subsidiaries. Additionally, the Credit Agreement contains customary events of default and requires the Loan Parties to comply with certain financial covenants, including a restriction prohibiting the Loan Parties from declaring or making dividend payments, subject to certain exceptions. In addition, Holdings may declare or make dividend payments, subject to the satisfaction of the Payment Conditions (as defined in the Credit Agreement). The Credit Agreement also requires that the auditor's report on the Company's audited financial statements for the previous fiscal year does not contain a "going concern" or like qualification or exception and also requires the Loan Parties to maintain a minimum ratio of (i) EBITDAR (as defined in the Credit Agreement) minus unfinanced capital expenditures (as defined in the Credit Agreement), to (ii) fixed charges of 1.00 to 1.00 during periods when availability (as defined in the Credit Agreement) is less than \$6.0 million (or has recently been less than \$6.0 million as further specified in the Credit Agreement) (such ratio, the "Fixed Charge Coverage Ratio"). As of May 4, 2019, our borrowing availability was more than \$6.0 million, resulting in the elimination of the Fixed Charge Coverage Ratio requirement.

Borrowings under the Credit Agreement bear interest at a rate equal to an applicable margin plus, at the option of the Borrowers, either (a) in the case of base rate borrowings, a rate equal to the highest of (1) the prime rate of JPMorgan Chase Bank, N.A., (2) the federal funds rate plus 1/2 of 1.00%, and (3) LIBOR for an interest period of one month plus 1.00% (subject to a 0.00% LIBOR floor), provided that the interest rate for base rate borrowings (including the addition of the applicable margin) shall be no less than 1.50% per annum, or (b) in the case of LIBOR borrowings, a rate equal to the LIBOR for the interest period relevant to such borrowing subject to a 0.00% floor. The applicable margin for borrowings under the Credit Agreement ranges from -0.50% to 0.00% per annum with respect to base rate borrowings and from 1.25% to 1.75% per annum with respect to LIBOR borrowings, in each case based upon the achievement of specified levels of the Fixed Charge Coverage Ratio. The Credit Agreement also requires the Borrowers to pay a commitment fee for the unused portion of the revolving credit facility of 0.20% per annum.

The Credit Agreement contains customary affirmative and negative covenants, including limitations, subject to customary exceptions, on the ability of the Company and its subsidiaries to (i) incur additional debt; (ii) create liens; (iii) make certain investments, acquisitions, loans and advances; (iv) sell assets; (v) pay dividends or make distributions or make other restricted payments; (vi) prepay other indebtedness; (vii) engage in mergers or consolidations; (viii) change the business conducted by the Company and its subsidiaries; (ix) engage in certain transactions with affiliates; (x) enter into agreements that restrict dividends from subsidiaries or the ability of subsidiaries to grant liens upon their assets; and (xi) amend certain charter documents and material agreements governing subordinated and junior indebtedness.

The Credit Agreement also contains customary events of default, including: (i) failure to pay principal, interest, fees or other amounts under the Credit Agreement when due taking into account any applicable grace period; (ii) any representation or warranty proving to have been materially incorrect when made or deemed made; (iii) a cross default with respect to other material indebtedness; (iv) bankruptcy and insolvency events; (v) unsatisfied material final judgments; (vi) a "change of control"; (vii) certain defaults under the Employee Retirement Income Security Act of 1974; (viii) the invalidity or impairment of any loan document or any security interest; and (ix) breach of covenants in the Credit Agreement and other loan documents.

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 2, 2019.

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 2, 2019. Except as noted below, as of May 4, 2019, 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 2, 2019.

Leases

On February 3, 2019, we adopted the provisions of Accounting Standards Codification (“ASC”) 842, “Leases”, using the additional, optional transition method which allows entities to initially apply the new standard by recognizing a cumulative-effect adjustment to the opening balance of retained earnings at the date of adoption. Prior period amounts and disclosures were not adjusted and continue to be reported under ASC 840, “Leases.” As a result of the adoption, we recorded an operating lease liability of \$278.9 million and operating lease right-of-use (“ROU”) asset of \$242.9 million at February 3, 2019. Additionally, we recognized \$1.8 million cumulative-effect adjustment to the beginning balance of retained earnings related to the impairment of certain right-of-use assets subjected to impairment testing under existing accounting guidance for which indicators of impairment existed at the time of the adoption of ASC 842. The adoption of ASC 842 did not have a material impact to the unaudited consolidated statements of operations or cash flows. See Note 1 to our accompanying consolidated financial statements for additional information.

We lease our boutiques, distribution center and office space, and certain boutique and corporate office equipment under operating leases. In accordance with ASC 842, we determine if an arrangement is a lease at inception and recognize operating lease ROU assets and operating lease liabilities at commencement date based on the net present value of the fixed of the fixed lease payments over the lease term and, for operating lease ROU assets, include initial direct costs and exclude lease incentives. Variable lease payments are expensed as incurred. Lease terms may include options to extend or terminate the lease when it is reasonably certain that we will elect that option. Subsequent to the recognition of its operating lease ROU assets and operating lease liabilities, we recognize lease expense related to its operating lease payments on a straight-line basis over the lease term.

Operating lease liabilities are calculated using the effective interest method and recognized at the commencement date based on the present value of lease payments over the reasonably certain lease term. As our leases generally do not provide an implicit rate, we use a collateralized incremental borrowing rate to determine the present value of lease payments. The collateralized incremental borrowing rate is based on a synthetic credit rating that is externally prepared at each measurement.

Impairment of Long-Lived Assets, Including Operating Lease ROU Assets

We evaluate long-lived assets held for use, including operating lease ROU assets, and held for sale whenever events or changes in circumstances indicate that the carrying amount of those assets may not be recoverable. Assets are grouped and evaluated for impairment at the lowest level for which there are identifiable cash flows, which is generally at a boutique level. In determining whether an impairment has occurred, we consider both qualitative and quantitative factors.

The quantitative analysis involves estimating the undiscounted future cash flows directly related to that asset and comparing it against its carrying value. If the carrying value of the asset is greater than the sum of the undiscounted future cash flows, an impairment loss is recognized for the difference between the carrying value of the asset and its fair value. The fair value of the asset group is generally determined using discounted future cash flows or a market participant’s ability to generate economic benefits using the asset in its highest and best use, whichever is appropriate. The determination of fair value takes into account the asset’s historical performance, current sales trends, market conditions and other relevant factors deemed material, and discounted using a rate commensurate with the risk. The inputs used in the determination of the fair value are considered as Level 3 inputs in the fair value hierarchy, which require a significant degree of judgment and are based on the our own assumptions.

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 2, 2019, 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 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 May 4, 2019, \$10.0 million was outstanding under our Credit Agreement.

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 May 4, 2019.

There were no changes in our internal control over financial reporting during the quarter ended May 4, 2019 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 2, 2019 and filed with the SEC on May 3, 2019.

ITEM 6. EXHIBITS

| <u>Exhibit No.</u> | <u>Description</u> |
|------------------------------|---|
| <u>3.1</u> | <u>Amended and Restated Certificate of Incorporation of Francesca's Holdings Corporation (incorporated by reference to Exhibit 3.3 of Amendment No. 5 to the Registration Statement on Form S-1 (File No. 333-173581) filed by Francesca's Holdings Corporation on July 14, 2011)</u> |
| <u>3.2</u> | <u>Amended and Restated Bylaws of Francesca's Holdings Corporation (incorporated by reference to Exhibit 3.1 of the Current Report on Form 8-K filed by Francesca's Holdings Corporation on September 20, 2016)</u> |
| <u>10.1+</u> | <u>Form of Performance Stock Unit Award Agreement under the Francesca's Holdings Corporation 2015 Equity Incentive Plan (filed herewith)</u> |
| <u>10.2+</u> | <u>Form of Restricted Stock Unit Award Agreement under the Francesca's Holdings Corporation 2015 Equity Incentive Plan (filed herewith)</u> |
| <u>10.3+</u> | <u>Retention Agreement, dated as of April 1, 2019, by and between Francesca's Services Corporation and Kelly Dilts (incorporated by reference to Exhibit 10.1 of Form 8-K filed by Francesca's Holdings Corporation on April 3, 2019)</u> |
| <u>31.1</u> | <u>Certification of Interim Chief Executive Officer Pursuant to Exchange Act Rule 13a-14(a) (filed herewith)</u> |
| <u>31.2</u> | <u>Certification of Chief Financial Officer Pursuant to Exchange Act Rule 13a-14(a) (filed herewith)</u> |
| <u>32.1</u> | <u>Certification of Interim 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 (furnished herewith)</u> |
| 101* | Interactive data files pursuant to Rule 405 of Regulation S-T: (i) the Unaudited Consolidated Balance Sheets as of May 4, 2019, February 2, 2019 and May 5, 2018, (ii) the Unaudited Consolidated Statements of Operations for the Thirteen Ended May 4, 2019 and May 5, 2018, (iii) Unaudited Consolidated Statements of Changes in Stockholders' Equity for the Thirteen Weeks Ended May 4, 2019, (iv) Unaudited Consolidated Statements of Cash Flows for the Thirteen Weeks ended May 4, 2019 and May 5, 2018 and (v) the Notes to the Unaudited Consolidated Financial Statements. |

+ Indicates a management contract or compensatory plan or arrangement.

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: June 13, 2019

/s/ Kelly M. Dilts
Kelly M. Dilts
Chief Financial Officer (duly authorized officer and Principal Financial and
Accounting Officer)

FRANCESCA'S HOLDINGS CORPORATION
2015 EQUITY INCENTIVE PLAN
PERFORMANCE STOCK UNIT AWARD AGREEMENT

THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (this "Award Agreement") is dated as of _____, 20__ (the "Award Date") by and between Francesca's Holdings Corporation, a Delaware corporation (the "Corporation"), and _____ (the "Participant").

WITNESSETH

WHEREAS, pursuant to the Francesca's Holdings Corporation 2015 Equity Incentive Plan (the "Plan"), the Corporation hereby grants to the Participant, effective as of the date hereof, a credit of stock units under the Plan (the "Award"), upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Participant, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

1. **Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.
2. **Grant.** Subject to the terms of this Award Agreement, the Corporation hereby grants to the Participant an Award with respect to a number of stock units (subject to adjustment as provided in Section 7.1 of the Plan) as provided herein (the "Stock Units"). The "Target Number of Stock Units" subject to the Award is _____ Stock Units.

As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock solely for purposes of the Plan and this Award Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Section 3. The Stock Units shall not be treated as property or as a trust fund of any kind.

3. **Performance-Based and Time-Based Vesting.** Subject to Section 8 below, the Award shall become eligible to vest based on the achievement of certain performance goals as set forth in Section 3(a) of this Award Agreement for the _____ period consisting of the Corporation's _____ fiscal years (each such fiscal year, a "Fiscal Year," and such _____ period, the "Performance Period") and, with respect to any Stock Units that become eligible to vest in accordance with Section 3(a), such Stock Units shall vest based on satisfaction of the time-based vesting requirements set forth in Section 3(b) of this Award Agreement.

(a) **Eligibility to Vest Based Upon Corporate Performance.** The percentage of the Target Number of Stock Units that become eligible to vest, if any, based on the achievement of the performance goals during the Performance Period, as determined in accordance with Exhibit A attached hereto, are referred to as the "Eligible Stock Units." (For purposes of clarity, in no event shall the number of Stock Units that are deemed to be Eligible Stock Units exceed _____ percent (____%) of the Target Number of Stock Units subject to the Award.) Any Stock Units that the Administrator determines shall not be Eligible Stock Units in accordance with this Section 3(a) shall terminate and be cancelled in accordance with Section 8(a) as of the last day of the Performance Period, and the Participant shall have no further rights with respect thereto.

(b) Vesting. Subject to the terms and conditions of this Award Agreement, the number of Stock Units subject to the Award that (1) the Administrator has determined are Eligible Stock Units in accordance with Section 3(a) of this Award Agreement and (2) do not otherwise vest in accordance with Section 8 of this Award Agreement, if any, shall vest on the _____ anniversary of the Award Date (the "**Vesting Date**"), subject to the Participant's continuous employment or service to the Corporation through the Vesting Date.

4. Continuance of Employment. Except as expressly provided in Section 8 of this Award Agreement, the vesting schedule requires continued employment or service through the Vesting Date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not (except as expressly provided in Section 8) entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any of its Subsidiaries, interferes in any way with the right of the Corporation or any of its Subsidiaries at any time to terminate such employment or services, or affects the right of the Corporation or any of its Subsidiaries to increase or decrease the Participant's other compensation or benefits. Nothing in this Award Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

5. Dividend and Voting Rights.

(a) **Limitations on Rights Associated with Units**. The Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5(b) with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of such shares.

(b) **Dividend Equivalent Rights Distributions.** As of any date that the Corporation pays an ordinary cash dividend on its Common Stock, the Corporation shall credit the Participant with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Common Stock on such date, multiplied by (ii) the total number of Stock Units (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 7.1 of the Plan) subject to the Award as of the related dividend payment record date, divided by (iii) the fair market value of a share of Common Stock on the date of payment of such dividend. Any Stock Units credited pursuant to the foregoing provisions of this Section 5(b) shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate. No crediting of Stock Units shall be made pursuant to this Section 5(b) with respect to any Stock Units which, as of such record date, have either been paid pursuant to Section 7 or terminated pursuant to Section 8.

6 Restrictions on Transfer. Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

7. Timing and Manner of Payment of Stock Units. On or as soon as administratively practical following each vesting of the applicable portion of the total Award pursuant to Section 3 hereof or Section 7 of the Plan (and in all events not later than two and one-half months after the applicable vesting date), the Corporation shall deliver to the Participant a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Corporation in its discretion) equal to the number of Stock Units subject to this Award that vest on the applicable vesting date; provided, however, that the Administrator may, in its sole discretion, provide for any or all of such vested Stock Units to be settled in cash as opposed to shares, with the amount of the payment for each such vested Stock Unit that is to be settled in cash to equal the fair market value of a share of Common Stock (as determined under Section 5.5 of the Plan) on the applicable payment date, in each case unless such Stock Units terminate prior to the given vesting date pursuant to Section 8. The Corporation's obligation to deliver shares of Common Stock or otherwise make payment with respect to vested Stock Units is subject to the condition precedent that the Participant or other person entitled under the Plan to receive any shares with respect to the vested Stock Units deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Section 8.

8. Effect of Termination of Employment or Services; Change of Control Event.

(a) **General.** Except as expressly provided in Section 8(b) and 8(c) below, the Participant's Stock Units shall terminate to the extent such units have not become vested prior to the first date the Participant is no longer employed by or in service to the Corporation or one of its Subsidiaries, regardless of the reason for the termination of the Participant's employment or service with the Corporation or a Subsidiary, whether with or without cause, voluntarily or involuntarily (the date of such termination of employment or service is referred to as the Participant's "**Severance Date**"). If any unvested Stock Units are terminated hereunder, such Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

(b) Termination Without Cause, With Good Reason or Due to Death. Subject to Section 8(c), in the event the Participant ceases to be employed by or ceases to provide services to the Corporation or a Subsidiary prior to the Vesting Date, and such termination of employment is by the Corporation or a Subsidiary without Cause (as defined below), by the Participant for Good Reason (as defined below) or due to the death of the Participant, the following shall apply with respect to the Award:

(i) If the Severance Date occurs before the last day of the Performance Period, the Performance Period shall be deemed to end as of the Severance Date (such shortened performance period being referred to herein as the “**Shortened Performance Period**”). A portion of the Target Number of Stock Units subject to the Award shall be allocated to the Shortened Performance Period equal to (x) one hundred percent (100%) of the Target Number of Stock Units multiplied by (y) a fraction, the numerator of which is the total number of calendar days in the Shortened Performance Period and the denominator of which is the total number of calendar days in the Performance Period (the “**Shortened Period Target Stock Units**”). The balance of the Target Number of Stock Units shall terminate and be cancelled as of the Severance Date in accordance with Section 8(a).

(ii) To determine the vesting of such Shortened Period Target Stock Units, the applicable performance goals for the Performance Period shall be pro-rated based on the ratio of the number of calendar days in the Shortened Performance Period to the total number of calendar days in the Performance Period, and the performance conditions applicable to such Shortened Period Target Stock Units shall be determined based on actual performance for the Shortened Performance Period against such pro-rated goals, with the number of Shortened Period Target Stock Units that may become eligible to vest determined in accordance with Exhibit A attached hereto (as modified to give effect to the preceding provisions of this Section 8(b)). (For purposes of clarity, such pro-ration shall be applied to the performance goals only and not the vesting percentages applicable to each performance level so that if the maximum performance level (as determined with reference to the pro-rated performance goals) is achieved, the vesting percentage applicable to the Shortened Period Target Stock Units shall be one hundred fifty percent (150%) as provided in Exhibit A.) Any of the Shortened Period Target Stock Units that the Administrator determines are not eligible to vest based on actual performance for the Shortened Performance Period shall terminate and be cancelled as of the Severance Date in accordance with Section 8(a).

(iii) If the Severance Date occurs on or after the last day of the Performance Period but prior to the Vesting Date, the number of Eligible Stock Units shall be determined in accordance with Section 3(a), and all of such Eligible Stock Units as so determined shall vest in full.

(iv) Any Stock Units that vest in accordance with this Section 8(b) shall vest as of the Severance Date.

(c) **Change of Control.** In the event a Change of Control (as defined below) occurs prior to the last day of the Performance Period and either (1) the Award is to be terminated pursuant to Section 7.2 of the Plan in connection with such event and not assumed, substituted for, exchanged or otherwise continued after such event, or (2) the Award is or would be assumed, substituted for, exchanged or otherwise continued after such event and in connection with or within twelve (12) months following the Change of Control, the Participant's employment or service is terminated by the Corporation or a Subsidiary without Cause (as defined below) or by the Participant for Good Reason (as defined below) (the occurrence of an event described in the foregoing clause (1) or clause (2), a "**Trigger Event**"), the following shall apply with respect to the Award:

(i) The Performance Period shall be deemed to end as of the last day of the Fiscal Year prior to the Fiscal Year in which the Trigger Event occurs (such shortened performance period being referred to herein as the "**CIC Shortened Performance Period**"). A portion of the Target Number of Stock Units subject to the Award shall be allocated to the CIC Shortened Performance Period equal to (x) one hundred percent (100%) of the Target Number of Stock Units multiplied by (y) a fraction, the numerator of which is the total number of whole Fiscal Years in the CIC Shortened Performance Period and the denominator of which is three (3) (the "**CIC Shortened Period Target Stock Units**"). The balance of the Target Number of Stock Units shall be treated as provided in Section 8(c)(iii) below.

(ii) To determine the vesting of such CIC Shortened Period Target Stock Units, the applicable performance goals for the Performance Period shall be pro-rated based on the ratio of the number of Fiscal Years in the CIC Shortened Performance Period to the total number of Fiscal Years in the Performance Period (i.e., three), and the performance conditions applicable to such CIC Shortened Period Target Stock Units shall be determined based on actual performance for the CIC Shortened Performance Period against such pro-rated goals, with the number of CIC Shortened Period Target Stock Units that may become eligible to vest determined in accordance with Exhibit A attached hereto (as modified to give effect to the preceding provisions of this Section 8(c)). (For purposes of clarity, such pro-ration shall be applied to the performance goals only and not the vesting percentages applicable to each performance level so that if the maximum performance level (as determined with reference to the pro-rated performance goals) is achieved, the vesting percentage applicable to the CIC Shortened Period Target Stock Units shall be one hundred fifty percent (150%) as provided in Exhibit A.) The vesting percentage for the CIC Shortened Performance Period as determined under this Section 8(c)(ii) is referred to as the "**CIC Vesting Percentage**." Any of the CIC Shortened Period Target Stock Units that the Administrator determines are not eligible to vest based on actual performance for the CIC Shortened Performance Period shall terminate and be cancelled as of the date of the Trigger Event in accordance with Section 8(a).

(iii) In addition to the vesting provided in Section 8(c)(ii), a percentage of the Target Number of Stock Units shall be eligible to vest equal to (x) one hundred percent (100%) of the Target Number of Stock Units, less (y) the total number of CIC Shortened Period Target Stock Units; provided, however, that if the CIC Vesting Percentage determined under Section 8(c)(ii) is greater than one hundred percent (100%), the number of Stock Units eligible to vest under this Section 8(c)(iii) shall equal (A) the CIC Vesting Percentage, multiplied by (B)(I) one hundred percent (100%) of the Target Number of Stock Units, less (II) the total number of CIC Shortened Period Target Stock Units.

(iv) In the event the Trigger Event occurs during the first Fiscal Year of the Performance Period, Sections 8(c)(i) through (iii) shall not apply, and the Award shall vest upon the Trigger Event with respect to one hundred percent (100%) of the Target Number of Stock Units subject to the Award.

(v) Any Stock Units that vest in accordance with the foregoing provisions of this Section 8(c) shall vest as of the Trigger Event.

In the event a Change of Control occurs on or after the last day of the Performance Period and prior to the Vesting Date and either (x) the Award is to be terminated pursuant to Section 7.2 of the Plan in connection with such event and not assumed, substituted for, exchanged or otherwise continued after such event, or (y) the Award is or would be assumed, substituted for, exchanged or otherwise continued after such event and in connection with the Change of Control or at any time following the Change of Control and prior to the Vesting Date, the Participant's employment or service is terminated by the Corporation or a Subsidiary without Cause or by the Participant for Good Reason, any Stock Units subject to the Award that have been deemed to be Eligible Stock Units as provided herein shall immediately vest as of the date of such event.

For purposes of this Section 8(c), a termination of the Participant's employment or service shall not be considered to be "in connection with" a Change of Control if such termination occurs more than sixty (60) days before the Change in Control.

(d) Release. Notwithstanding the foregoing provisions, the treatment of the Award in connection with a termination of the Participant's employment or service by the Corporation or a Subsidiary without Cause or by the Participant for Good Reason pursuant to either Section 8(b) or 8(c) above shall be subject to the Participant's providing to the Corporation upon or promptly following (and in all events within twenty-one (21) days, or such longer period of time as required by applicable law, following) the Severance Date a separation agreement which shall contain a valid, executed general release of claims in a form acceptable to the Corporation, and the Participant's not revoking such release within any revocation period provided by applicable law.

(e) Defined Terms. The following definitions shall apply for purposes of this Award Agreement:

(i) "**Cause**" with respect to the Participant means that one or more of the following has occurred: (A) the Participant has committed a felony or a crime involving moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) the Participant has engaged in acts of fraud, dishonesty or other acts of material misconduct in the course of the Participant's duties; (C) the Participant's abuse of narcotics or alcohol that has or may reasonably cause material harm the Corporation; (D) any material violation by the Participant of the Corporation's written policies that causes material harm to the Corporation or any of its Subsidiaries; (E) the Participant's material failure to perform or uphold his or her duties and/or his or her material failure to comply with reasonable directives of the Corporation's Chief Executive Officer or Board of Directors, as applicable; or (F) any material breach by the Participant of this Award Agreement or any other contract the Participant is a party to with the Corporation or any Subsidiary.

(ii) “**Change of Control**” means any of the following:

(a) The dissolution or liquidation of the Corporation, other than in the context of a Business Combination that does not constitute a Change in Control Event under paragraph (c) below;

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (a “**Person**”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) of 50% or more of either (1) the then-outstanding shares of common stock of the Corporation (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that, for purposes of this paragraph (b), the following acquisitions shall not constitute a Change of Control; (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its affiliates or a successor to the Corporation or any of its affiliates, (D) any acquisition by any entity pursuant to a Business Combination, or (E) any acquisition by a Person described in and satisfying the conditions of Rule 13d-1(b) promulgated under the Exchange Act; or

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Corporation or any Subsidiary, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its Subsidiaries (each, a “**Business Combination**”), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets directly or through one or more subsidiaries (a “**Parent**”)), and (2) no Person (excluding any individual or entity described in clauses (C) or (E) of paragraph (b) above) beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of 50% existed prior to the Business Combination.

(iii) “**Good Reason**” with respect to the Participant means the definition of “Good Reason” provided in any written employment agreement (or offer letter or similar written agreement) between the Participant and Corporation or any Subsidiary. If the Participant is not covered by such an agreement with the Corporation or a Subsidiary that defines such term, then “Good Reason” with respect to the Participant means the occurrence (without the Participant’s consent) of any one or more of the following conditions: (A) a material diminution in the Participant’s rate of base salary; (B) a material diminution in the Participant’s authority, duties, or responsibilities; (C) a material change in the geographic location of the Participant’s principal office with the Corporation (for this purpose, in no event shall a relocation of such office to a new location that is not more than fifty (50) miles from the current location of the Corporation’s executive offices constitute a “material change”); or (D) a material breach by the Corporation of this Award Agreement; provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition claimed to constitute Good Reason within sixty (60) days of the initial existence of such condition(s) (such notice to be delivered in accordance with Section 11), and (y) the Corporation fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Participant’s employment with the Corporation shall not constitute a termination for Good Reason unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute Good Reason.

9. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Corporation’s stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalents are credited pursuant to Section 5(b). The performance goals applicable to the Award are subject to adjustment as provided in Exhibit A hereto.

10. Tax Withholding. Subject to Section 8.1 of the Plan, upon any distribution of shares of Common Stock in respect of the Stock Units, the Corporation shall automatically reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value (with the “fair market value” of such shares determined in accordance with the applicable provisions of the Plan), to satisfy any withholding obligations of the Corporation or its Subsidiaries with respect to such distribution of shares at the minimum applicable withholding rates. In the event that the Corporation cannot legally satisfy such withholding obligations by such reduction of shares, or in the event of a cash payment or any other withholding event in respect of the Stock Units, the Corporation (or a Subsidiary) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

11. Notices. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the Participant’s last address reflected on the Corporation’s payroll records. Any notice shall be delivered in person or shall be enclosed in a properly sealed envelope, addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer an Eligible Person, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

12. Plan. The Award and all rights of the Participant under this Award Agreement are subject to the terms and conditions of the provisions of the Plan, incorporated herein by reference. The Participant agrees to be bound by the terms of the Plan and this Award Agreement. The Participant acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof.

13. Entire Agreement. This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan may be amended pursuant to Section 8.6 of the Plan. This Award Agreement may be amended by the Board from time to time. Any such amendment must be in writing and signed by the Corporation. Any such amendment that materially and adversely affects the Participant's rights under this Award Agreement requires the consent of the Participant in order to be effective with respect to the Award. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

14. Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Award Agreement creates only a contractual obligation on the part of the Corporation as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Corporation with respect to amounts credited and benefits payable, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to Stock Units, as and when payable hereunder.

15. Counterparts. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16. Section Headings. The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

17. Governing Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

18. Construction. It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

19. Clawback Policy. The Stock Units are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units or any shares of Common Stock or other cash or property received with respect to the Stock Units (including any value received from a disposition of the shares acquired upon payment of the Stock Units).

20. Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM AGAINST OUT OF OR RELATING TO THE PLAN OR THIS PERFORMANCE STOCK UNIT AWARD AGREEMENT (INCLUDING THESE TERMS).

21. No Advice Regarding Grant. The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Stock Units (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Award Agreement) or recommendation with respect to the Award. Except for the withholding rights set forth in Section 10 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Corporation has caused this Award Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**FRANCESCA'S HOLDINGS CORPORATION,
a Delaware corporation**

By: _____

Print Name: _____

Its: _____

PARTICIPANT

Signature

Print Name

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Performance Stock Unit Award Agreement by Francesca's Holdings Corporation, I, _____, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Performance Stock Unit Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: _____, 20__

Signature of Spouse

Print Name

PERFORMANCE-BASED VESTING REQUIREMENTS

This Exhibit A is subject to the other provisions of the Award Agreement (including, without limitation, Sections 4, 8 and 9 of the Award Agreement).

[Performance goals and metrics and methodology to determine the vesting percentage of the Award to be determined at the time of grant.]

STOCK POWER

FOR VALUE RECEIVED and pursuant to that certain Performance Stock Unit Award Agreement between Francesca's Holdings Corporation, a Delaware corporation (the "Corporation"), and the individual named below (the "Individual") dated as of _____, 20__, the Individual, hereby sells, assigns and transfers to the Corporation, an aggregate _____ shares of Common Stock of the Corporation, standing in the Individual's name on the books of the Corporation and represented by stock certificate number(s) _____ to which this instrument is attached, and hereby irrevocably constitutes and appoints _____ as his or her attorney in fact and agent to transfer such shares on the books of the Corporation, with full power of substitution in the premises.

Dated _____, _____

Signature

Print Name

(Instruction: Please do not fill in any blanks other than the signature line. The purpose of the assignment is to enable the Corporation to exercise its sale/purchase option set forth in the Performance Stock Unit Award Agreement without requiring additional signatures on the part of the Individual.)

FRANCESCA'S HOLDINGS CORPORATION
2015 EQUITY INCENTIVE PLAN
RESTRICTED STOCK UNIT AWARD AGREEMENT

THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (this "Award Agreement") is dated as of _____, 2019 (the "Award Date") by and between Francesca's Holdings Corporation, a Delaware corporation (the "Corporation"), and _____ (the "Participant").

WITNESSETH

WHEREAS, pursuant to the Francesca's Holdings Corporation 2015 Equity Incentive Plan (the "Plan"), the Corporation hereby grants to the Participant, effective as of the date hereof, a credit of stock units under the Plan (the "Award"), upon the terms and conditions set forth herein and in the Plan.

NOW THEREFORE, in consideration of services rendered and to be rendered by the Participant, and the mutual promises made herein and the mutual benefits to be derived therefrom, the parties agree as follows:

1. **Defined Terms.** Capitalized terms used herein and not otherwise defined herein shall have the meaning assigned to such terms in the Plan.
 2. **Grant.** Subject to the terms of this Award Agreement, the Corporation hereby grants to the Participant an Award with respect to an aggregate of _____ stock units (subject to adjustment as provided in Section 7.1 of the Plan) (the "Stock Units"). As used herein, the term "stock unit" shall mean a non-voting unit of measurement which is deemed for bookkeeping purposes to be equivalent to one outstanding share of the Corporation's Common Stock solely for purposes of the Plan and this Award Agreement. The Stock Units shall be used solely as a device for the determination of the payment to eventually be made to the Participant if such Stock Units vest pursuant to Section 3. The Stock Units shall not be treated as property or as a trust fund of any kind.
 3. **Vesting.** Subject to the terms and conditions of this Award Agreement (including, without limitation, the terms of Section 8 below), the Award shall vest in _____ installment on the _____ anniversary of the Award Date.
 4. **Continuance of Employment or Service.** Except as expressly provided in Section 8 of this Award Agreement, the vesting schedule requires continued employment or service through the applicable vesting date as a condition to the vesting of the applicable installment of the Award and the rights and benefits under this Award Agreement. Employment or service for only a portion of the vesting period, even if a substantial portion, will not entitle the Participant to any proportionate vesting or avoid or mitigate a termination of rights and benefits upon or following a termination of employment or services as provided in Section 8 below or under the Plan.
-

Nothing contained in this Award Agreement or the Plan constitutes an employment or service commitment by the Corporation, affects the Participant's status as an employee at will who is subject to termination without cause, confers upon the Participant any right to remain employed by or in service to the Corporation or any of its Subsidiaries, interferes in any way with the right of the Corporation or any of its Subsidiaries at any time to terminate such employment or services, or affects the right of the Corporation or any of its Subsidiaries to increase or decrease the Participant's other compensation or benefits. Nothing in this Award Agreement, however, is intended to adversely affect any independent contractual right of the Participant without his or her consent thereto.

5. Dividend and Voting Rights.

(a) **Limitations on Rights Associated with Units.** The Participant shall have no rights as a stockholder of the Corporation, no dividend rights (except as expressly provided in Section 5(b) with respect to Dividend Equivalent Rights) and no voting rights, with respect to the Stock Units and any shares of Common Stock underlying or issuable in respect of such Stock Units until such shares of Common Stock are actually issued to and held of record by the Participant. No adjustments will be made for dividends or other rights of a holder for which the record date is prior to the date of issuance of such shares.

(b) **Dividend Equivalent Rights Distributions.** As of any date that the Corporation pays an ordinary cash dividend on its Common Stock, the Corporation shall credit the Participant with an additional number of Stock Units equal to (i) the per share cash dividend paid by the Corporation on its Common Stock on such date, multiplied by (ii) the total number of Stock Units (including any dividend equivalents previously credited hereunder) (with such total number adjusted pursuant to Section 7.1 of the Plan) subject to the Award as of the related dividend payment record date, divided by (iii) the fair market value of a share of Common Stock on the date of payment of such dividend. Any Stock Units credited pursuant to the foregoing provisions of this Section 5(b) shall be subject to the same vesting, payment and other terms, conditions and restrictions as the original Stock Units to which they relate. No crediting of Stock Units shall be made pursuant to this Section 5(b) with respect to any Stock Units which, as of such record date, have either been paid pursuant to Section 7 or terminated pursuant to Section 8.

6. Restrictions on Transfer. Neither the Award, nor any interest therein or amount or shares payable in respect thereof may be sold, assigned, transferred, pledged or otherwise disposed of, alienated or encumbered, either voluntarily or involuntarily. The transfer restrictions in the preceding sentence shall not apply to (a) transfers to the Corporation, or (b) transfers by will or the laws of descent and distribution.

7. Timing and Manner of Payment of Stock Units. On or as soon as administratively practical following each vesting of the applicable portion of the total Award pursuant to Section 3 hereof or Section 7 of the Plan (and in all events not later than two and one-half months after the applicable vesting date), the Corporation shall deliver to the Participant a number of shares of Common Stock (either by delivering one or more certificates for such shares or by entering such shares in book entry form, as determined by the Corporation in its discretion) equal to the number of Stock Units subject to this Award that vest on the applicable vesting date; provided, however, that the Administrator may, in its sole discretion, provide for any or all of such vested Stock Units to be settled in cash as opposed to shares, with the amount of the payment for each such vested Stock Unit that is to be settled in cash to equal the fair market value of a share of Common Stock (as determined under Section 5.5 of the Plan) on the applicable payment date, in each case unless such Stock Units terminate prior to the given vesting date pursuant to Section 8. The Corporation's obligation to deliver shares of Common Stock or otherwise make payment with respect to vested Stock Units is subject to the condition precedent that the Participant or other person entitled under the Plan to receive any shares with respect to the vested Stock Units deliver to the Corporation any representations or other documents or assurances required pursuant to Section 8.1 of the Plan. The Participant shall have no further rights with respect to any Stock Units that are paid or that terminate pursuant to Section 8.

8. Effect of Termination of Employment or Services; Change of Control.

(a) General. Except as expressly provided in Section 8(b), the Participant's Stock Units shall terminate to the extent such units have not become vested prior to the first date the Participant is no longer employed by or in service to the Corporation or one of its Subsidiaries, regardless of the reason for the termination of the Participant's employment or service with the Corporation or a Subsidiary, whether with or without cause, voluntarily or involuntarily (the date of such termination of employment or service is referred to as the Participant's "**Severance Date**"). If any unvested Stock Units are terminated hereunder, such Stock Units shall automatically terminate and be cancelled as of the applicable termination date without payment of any consideration by the Corporation and without any other action by the Participant, or the Participant's beneficiary or personal representative, as the case may be.

(b) Certain Terminations in Connection with Change of Control. Notwithstanding Section 8(a), if a Change of Control (as defined below) occurs and, in connection with or within twelve (12) months following the Change of Control, the Participant's employment or service is terminated by the Corporation or a Subsidiary without Cause (as defined below) or by the Participant for Good Reason (as defined below), the Participant's Stock Units, to the extent then outstanding and unvested, shall fully vest as of the Severance Date; provided, however, that such accelerated vesting shall be subject to the Participant's providing to the Corporation upon or promptly following (and in all events within twenty-one (21) days, or such longer period of time as required by applicable law, following) the Severance Date a separation agreement which shall contain a valid, executed general release of claims in a form acceptable to the Corporation, and the Participant's not revoking such release within any revocation period provided by applicable law.

(c) Defined Terms. The following definitions shall apply for purposes of this Award Agreement:

(i) "**Cause**" with respect to the Participant means the definition of "Cause" provided in any written employment agreement (or offer letter or similar written agreement) between the Participant and Corporation or any Subsidiary. If the Participant is not covered by such an agreement with the Corporation or a Subsidiary that defines such term, then "Cause" with respect to the Participant means that one or more of the following has occurred: (A) the Participant has committed a felony or a crime involving moral turpitude (under the laws of the United States or any relevant state, or a similar crime or offense under the applicable laws of any relevant foreign jurisdiction); (B) the Participant has engaged in acts of fraud, dishonesty or other acts of material misconduct in the course of the Participant's duties; (C) the Participant's abuse of narcotics or alcohol that has or may reasonably cause material harm the Corporation; (D) any material violation by the Participant of the Corporation's written policies that causes material harm to the Company; (E) the Participant's material failure to perform or uphold his or her duties and/or his or her material failure to comply with reasonable directives of the Corporation's Chief Executive Officer or Board of Directors, as applicable; or (F) any material breach by the Participant of this Award Agreement or any other contract the Participant is a party to with the Corporation or any Subsidiary.

(ii) “**Change of Control**” means any of the following:

(a) The dissolution or liquidation of the Corporation, other than in the context of a Business Combination that does not constitute a Change in Control Event under paragraph (c) below;

(b) The acquisition by any individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934, as amended (a “**Person**”)) of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934, as amended (the “**Exchange Act**”)) of 50% or more of either (1) the then-outstanding shares of common stock of the Corporation (the “**Outstanding Company Common Stock**”) or (2) the combined voting power of the then-outstanding voting securities of the Corporation entitled to vote generally in the election of directors (the “**Outstanding Company Voting Securities**”); provided, however, that, for purposes of this paragraph (b), the following acquisitions shall not constitute a Change of Control; (A) any acquisition directly from the Corporation, (B) any acquisition by the Corporation, (C) any acquisition by any employee benefit plan (or related trust) sponsored or maintained by the Corporation or any of its affiliates or a successor to the Corporation or any of its affiliates, (D) any acquisition by any entity pursuant to a Business Combination, or (E) any acquisition by a Person described in and satisfying the conditions of Rule 13d-1(b) promulgated under the Exchange Act; or

(c) Consummation of a reorganization, merger, statutory share exchange or consolidation or similar corporate transaction involving the Corporation or any Subsidiary, a sale or other disposition of all or substantially all of the assets of the Corporation, or the acquisition of assets or stock of another entity by the Corporation or any of its Subsidiaries (each, a “**Business Combination**”), in each case unless, following such Business Combination, (1) all or substantially all of the individuals and entities that were the beneficial owners of the Outstanding Company Common Stock and the Outstanding Company Voting Securities immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of the then-outstanding shares of common stock and the combined voting power of the then-outstanding voting securities entitled to vote generally in the election of directors, as the case may be, of the entity resulting from such Business Combination (including, without limitation, an entity that, as a result of such transaction, owns the Corporation or all or substantially all of the Corporation’s assets directly or through one or more subsidiaries (a “**Parent**”)), and (2) no Person (excluding any individual or entity described in clauses (C) or (E) of paragraph (b) above) beneficially owns (within the meaning of Rule 13d-3 promulgated under the Exchange Act), directly or indirectly, more than 50% of, respectively, the then-outstanding shares of common stock of the entity resulting from such Business Combination or the combined voting power of the then-outstanding voting securities of such entity, except to the extent that the ownership in excess of 50% existed prior to the Business Combination.

(iii) “**Good Reason**” with respect to the Participant means the definition of “Good Reason” provided in any written employment agreement (or offer letter or similar written agreement) between the Participant and Corporation or any Subsidiary. If the Participant is not covered by such an agreement with the Corporation or a Subsidiary that defines such term, then “Good Reason” with respect to the Participant means the occurrence (without the Participant’s consent) of any one or more of the following conditions: (A) a material diminution in the Participant’s rate of base salary; (B) a material diminution in the Participant’s authority, duties, or responsibilities; (C) a material change in the geographic location of the Participant’s principal office with the Corporation (for this purpose, in no event shall a relocation of such office to a new location that is not more than fifty (50) miles from the current location of the Corporation’s executive offices constitute a “material change”); or (D) a material breach by the Corporation of this Award Agreement; provided, however, that any such condition or conditions, as applicable, shall not constitute Good Reason unless both (x) the Participant provides written notice to the Corporation of the condition claimed to constitute Good Reason within sixty (60) days of the initial existence of such condition(s) (such notice to be delivered in accordance with Section 11), and (y) the Corporation fails to remedy such condition(s) within thirty (30) days of receiving such written notice thereof; and provided, further, that in all events the termination of the Participant’s employment with the Corporation shall not constitute a termination for Good Reason unless such termination occurs not more than one hundred and twenty (120) days following the initial existence of the condition claimed to constitute Good Reason.

9. Adjustments Upon Specified Events. Upon the occurrence of certain events relating to the Corporation’s stock contemplated by Section 7.1 of the Plan (including, without limitation, an extraordinary cash dividend on such stock), the Administrator shall make adjustments in accordance with such section in the number of Stock Units then outstanding and the number and kind of securities that may be issued in respect of the Award. No such adjustment shall be made with respect to any ordinary cash dividend for which dividend equivalents are credited pursuant to Section 5(b).

10. Tax Withholding. Subject to Section 8.1 of the Plan, upon any distribution of shares of Common Stock in respect of the Stock Units, the Corporation shall automatically reduce the number of shares to be delivered by (or otherwise reacquire) the appropriate number of whole shares, valued at their then fair market value (with the “fair market value” of such shares determined in accordance with the applicable provisions of the Plan), to satisfy any withholding obligations of the Corporation or its Subsidiaries with respect to such distribution of shares at the minimum applicable withholding rates. In the event that the Corporation cannot legally satisfy such withholding obligations by such reduction of shares, or in the event of a cash payment or any other withholding event in respect of the Stock Units, the Corporation (or a Subsidiary) shall be entitled to require a cash payment by or on behalf of the Participant and/or to deduct from other compensation payable to the Participant any sums required by federal, state or local tax law to be withheld with respect to such distribution or payment.

11. Notices. Any notice to be given under the terms of this Award Agreement shall be in writing and addressed to the Corporation at its principal office to the attention of the Secretary, and to the Participant at the Participant’s last address reflected on the Corporation’s payroll records. Any notice shall be delivered in person or shall be enclosed in a properly sealed envelope, addressed as aforesaid, registered or certified, and deposited (postage and registry or certification fee prepaid) in a post office or branch post office regularly maintained by the United States Government. Any such notice shall be given only when received, but if the Participant is no longer an Eligible Person, shall be deemed to have been duly given five business days after the date mailed in accordance with the foregoing provisions of this Section 11.

1 2 . Plan. The Award and all rights of the Participant under this Award Agreement are subject to the terms and conditions of the provisions of the Plan, incorporated herein by reference. The Participant agrees to be bound by the terms of the Plan and this Award Agreement. The Participant acknowledges having read and understanding the Plan, the Prospectus for the Plan, and this Award Agreement. Unless otherwise expressly provided in other sections of this Award Agreement, provisions of the Plan that confer discretionary authority on the Board or the Administrator do not (and shall not be deemed to) create any rights in the Participant unless such rights are expressly set forth herein or are otherwise in the sole discretion of the Board or the Administrator so conferred by appropriate action of the Board or the Administrator under the Plan after the date hereof.

1 3 . Entire Agreement. This Award Agreement and the Plan together constitute the entire agreement and supersede all prior understandings and agreements, written or oral, of the parties hereto with respect to the subject matter hereof. The Plan may be amended pursuant to Section 8.6 of the Plan. This Award Agreement may be amended by the Board from time to time. Any such amendment must be in writing and signed by the Corporation. Any such amendment that materially and adversely affects the Participant's rights under this Award Agreement requires the consent of the Participant in order to be effective with respect to the Award. The Corporation may, however, unilaterally waive any provision hereof in writing to the extent such waiver does not adversely affect the interests of the Participant hereunder, but no such waiver shall operate as or be construed to be a subsequent waiver of the same provision or a waiver of any other provision hereof.

1 4 . Limitation on Participant's Rights. Participation in the Plan confers no rights or interests other than as herein provided. This Award Agreement creates only a contractual obligation on the part of the Corporation as to amounts payable and shall not be construed as creating a trust. Neither the Plan nor any underlying program, in and of itself, has any assets. The Participant shall have only the rights of a general unsecured creditor of the Corporation with respect to amounts credited and benefits payable, if any, with respect to the Stock Units, and rights no greater than the right to receive the Common Stock as a general unsecured creditor with respect to Stock Units, as and when payable hereunder.

15 . Counterparts. This Award Agreement may be executed simultaneously in any number of counterparts, each of which shall be deemed an original but all of which together shall constitute one and the same instrument.

16 . Section Headings. The section headings of this Award Agreement are for convenience of reference only and shall not be deemed to alter or affect any provision hereof.

1 7 . Governing Law. This Award Agreement shall be governed by and construed and enforced in accordance with the laws of the State of Delaware without regard to conflict of law principles thereunder.

18. Construction. It is intended that the terms of the Award will not result in the imposition of any tax liability pursuant to Section 409A of the Code. This Award Agreement shall be construed and interpreted consistent with that intent.

19. Clawback Policy. The Stock Units are subject to the terms of the Corporation's recoupment, clawback or similar policy as it may be in effect from time to time, as well as any similar provisions of applicable law, any of which could in certain circumstances require repayment or forfeiture of the Stock Units or any shares of Common Stock or other cash or property received with respect to the Stock Units (including any value received from a disposition of the shares acquired upon payment of the Stock Units).

20. Waiver of Jury Trial. EACH OF THE PARTIES HERETO IRREVOCABLY WAIVES ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM AGAINST OUT OF OR RELATING TO THE PLAN OR THIS RESTRICTED STOCK UNIT AWARD AGREEMENT (INCLUDING THESE TERMS).

21. No Advice Regarding Grant. The Participant is hereby advised to consult with his or her own tax, legal and/or investment advisors with respect to any advice the Participant may determine is needed or appropriate with respect to the Stock Units (including, without limitation, to determine the foreign, state, local, estate and/or gift tax consequences with respect to the Award). Neither the Corporation nor any of its officers, directors, affiliates or advisors makes any representation (except for the terms and conditions expressly set forth in this Award Agreement) or recommendation with respect to the Award. Except for the withholding rights set forth in Section 10 above, the Participant is solely responsible for any and all tax liability that may arise with respect to the Award.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, the Corporation has caused this Award Agreement to be executed on its behalf by a duly authorized officer and the Participant has hereunto set his or her hand as of the date and year first above written.

**FRANCESCA'S HOLDINGS CORPORATION,
a Delaware corporation**

By: _____
Print Name: _____
Its: _____

PARTICIPANT

Signature

Print Name

CONSENT OF SPOUSE

In consideration of the execution of the foregoing Restricted Stock Unit Award Agreement by Francesca's Holdings Corporation, I, _____, the spouse of the Participant therein named, do hereby join with my spouse in executing the foregoing Restricted Stock Unit Award Agreement and do hereby agree to be bound by all of the terms and provisions thereof and of the Plan.

Dated: _____, 20__

Signature of Spouse

Print Name

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Prendergast, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Francesca's Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined by Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2019

/s/ Michael Prendergast

Michael Prendergast

Interim Chief Executive Officer

(duly authorized officer and Principal Executive Officer)

**CERTIFICATION PURSUANT TO SECTION 302
OF THE SARBANES-OXLEY ACT OF 2002**

I, Kelly M. Dilts, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Francesca's Holdings Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined by Exchange Act Rules 13a-15(f) and 15-d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: June 13, 2019

/s/ Kelly M. Dilts

Kelly M. Dilts
Chief Financial Officer
(duly authorized officer and Principal Financial and Accounting Officer)

**CERTIFICATIONS PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO SECTION 906
OF THE SARBANES-OXLEY ACT OF 2002**

I, Michael Prendergast, the Interim Chief Executive Officer of Francesca's Holdings Corporation, certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 4, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Francesca's Holdings Corporation as of the dates and for the periods set forth therein.

/s/ Michael Prendergast

Michael Prendergast
Interim Chief Executive Officer
(duly authorized officer and Principal Executive Officer)

June 13, 2019

Date

I, Kelly M. Dilts, the Chief Financial Officer of Francesca's Holdings Corporation, certify that (i) the quarterly report on Form 10-Q for the fiscal quarter ended May 4, 2019 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and (ii) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of Francesca's Holdings Corporation as of the dates and for the periods set forth therein.

/s/ Kelly M. Dilts

Kelly M. Dilts
Chief Financial Officer (duly authorized officer and Principal Financial and Accounting Officer)

June 13, 2019

Date

The foregoing certifications are being furnished solely to accompany the Quarterly Report on Form 10-Q pursuant to 18 U.S.C. § 1350 and Rule 13a-14(b) of the Securities Exchange Act of 1934, as amended. These certifications shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liability of that section, nor shall it be incorporated by reference into any filing of the Company under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, except to the extent that the Company specifically incorporates it by reference.
