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

FORM 8-K

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

Date of Report (Date of earliest event reported): December 11, 2018

DESTINATION MATERNITY CORPORATION
(Exact name of Registrant as specified in Charter)

Delaware	0-21196	13-3045573
(State or Other Jurisdiction of Incorporation)	(Commission File Number)	(IRS Employer Identification No.)

232 Strawbridge Drive
Moorestown, NJ 08057
(Address of Principal Executive Offices)

(856) 291-9700
(Registrant's telephone number, including area code)

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

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2 (b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4 (c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

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. ☐

Item 2.02. Results of Operations and Financial Condition

On December 11, 2018, Destination Maternity Corporation (the "***Company***") issued a press release and held a broadly accessible conference call to discuss its financial results for the quarter ended November 3, 2018. A copy of the press release is attached hereto as Exhibit 99.1. A copy of the script read by management during the conference call is attached hereto as Exhibit 99.2.

The press release contained non-GAAP financial measures within the meaning of the Securities and Exchange Commission's Regulation G, including: (a) Adjusted net income (loss) together with the per share – diluted amount represented by this measure; (b) Adjusted EBITDA (operating income (loss) before deduction for the following non-cash charges: (i) depreciation and amortization expense; (ii) loss on impairment of tangible and intangible assets; (iii) loss on disposal of assets; and (iv) stock-based compensation expense), together with the percentage of net sales represented by this measure; and (c) Adjusted EBITDA before other charges and effect of change in accounting principle, together with the percentage of net sales represented by this measure.

The Company believes that each of these non-GAAP financial measures provides useful information about the Company's results of operations and/or financial position to both investors and management. Each non-GAAP financial measure is provided because management believes it is an important measure of financial performance used in the retail industry to measure operating results, to determine the value of companies within the industry and to define standards for borrowing from institutional lenders. The Company uses each of these non-GAAP financial measures as a measure of the performance of the Company. In addition, certain of the Company's cash and equity incentive compensation plans are based on the Company's level of achievement of Adjusted EBITDA before other charges and effect of change in accounting principle.

The Company provides these measures to investors to assist them in performing their analysis of its historical operating results. Each of these non-GAAP financial measures reflects a measure of the Company's operating results before consideration of certain charges or credits and consequently, none of these measures should be construed as an alternative to net income (loss) or operating income (loss) as an indicator of the Company's operating performance, as determined in accordance with generally accepted accounting principles. The Company may calculate each of these non-GAAP financial measures differently than other companies.

With respect to the non-GAAP financial measures discussed in the press release, the Company has provided, as an attachment to such press release, a reconciliation of the non-GAAP financial measures to the most directly comparable GAAP financial measures.

The disclosure in this Current Report, including in the Exhibits attached hereto, of any financial information shall not constitute an admission that such information is material. The information contained in Item 2.02 of this Form 8-K and Exhibits 99.1 and 99.2 attached hereto is being furnished and shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act"), nor is it subject to the liabilities of that section or deemed incorporated by reference in any filing under the Exchange Act unless specifically identified therein as being incorporated by reference.

Item 9.01. Financial Statements and Exhibits

The following exhibits are furnished with this Form 8-K:

Exhibit No.	Description
99.1	Press Release of the Company issued December 11, 2018
99.2	Script for December 11, 2018 Earnings Release Conference Call

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 hereunto duly authorized.

DESTINATION MATERNITY CORPORATION
(Registrant)

By: /s/ Rodney Schriver
Name: Rodney Schriver
Title: Senior Vice President and Chief Accounting Officer

Date: December 12, 2018

Exhibit 99.1

DESTINATION MATERNITY CORPORATION

Destination Maternity Reports Third Quarter and First Nine Months Fiscal 2018 Results

Q3 Selling, General and Administrative expenses declined 8.7%

Full-year 2018 SG&A now guided to $198 million to $202 million vs. $219 million in FY17 on flat same store sales

Q3 Adjusted EBITDA before other charges +95% to $3.9 million, +$1.9 million from the prior year third quarter

Q3 e-Commerce sales represented 21.7% of retail sales, compared to 20.7% last year

Q3 e-Commerce gross profit excluding 3rd party e-commerce sites, +14% year over year

Re-affirms FY 2019 and FY 2022 adjusted cash flow and adjusted EBITDA

MOORESTOWN, N.J., December 11, 2018 — Destination Maternity Corporation (NASDAQ: DEST), the world's leading maternity apparel retailer, today announced financial results for the third quarter and first nine months of fiscal 2018 ended November 3, 2018 compared to the third quarter and first nine months of fiscal 2017 ended October 28, 2017.

Commentary

"Our third quarter results illustrate our continued discipline in right-sizing the organization, rationalizing expenses and improving profitability as part of our multi-year strategic plan, Destination -> Forward," said Marla Ryan, Chief Executive Officer of Destination Maternity. "SG&A expenses in the third quarter declined 8.7% year-over-year, and Adjusted EBITDA before other charges improved 95% over the prior year period due to ongoing cost management efforts.

During the third quarter, we also continued to manage the business for long term profitability, focusing on strengthening profitability rather than driving revenue in the short term. This was especially true in our e-commerce division where we are tightly managing expenses to grow profits in our digital flagship. While total e-commerce revenues were flat compared to the prior year, excluding 3rd party e-commerce sites, sales were up 8%. Total e-commerce product gross margins also improved by 230 basis points versus last year. Mobile sales were also strong, up 29% year-over-year, representing 54% of total online sales in the third quarter.

Our brick and mortar sales remain sluggish as we continue to shutter unprofitable stores and aggressively manage our long-term inventory position through increased markdowns and promotional activity. In the short-term, we expect inventory levels will be higher than optimal. While this negatively impacts margins, right sizing inventory and our store portfolio will create a leaner organization, better positioning us for future growth. We expect to generate $7 million in cash flow from working capital in FY 2019 from our on-going inventory reduction efforts.

We remain encouraged by our progress to date and our future. As such, we continue to believe our stock is undervalued and both management and the Board will be purchasing additional shares when our trading window opens. Looking ahead, we are focused on executing our strategy, sticking to the fundamentals of our business, and leveraging the strength of our brands to deliver on our commitments for moms and moms2be, associates and stakeholders.”

Financial Outlook

Destination Maternity is adjusting its FY 2018 revenue guidance lower by 100bps to reflect expected softness in brick and mortar sales as the Company continues efforts to optimize inventory and manage expenses. The Company is also reducing SG&A guidance by an incremental $4 million, or 100bps, which offsets the bottom-line impact. Additionally, FY 2019 comparable sales expectations remain unchanged at 0.0% - 1.4%. Full year 2018 company comparable sales are on a 52-week basis. Adjusted EBITDA before other charges is defined in the financial tables at the end of this press release.

	FY 2017	FY 2018		FY 2019		FY 2022	
		Low	High	Low	High	Low	High
Sales	$406.2	$ 387	$ 391	$ 375	$ 385	$ 450	$ 475
Comp %	*(1.4)%*	*(1.0)% - 0.0%*		*0.0% - 1.4%*		*6%+ CAGR in total sales vs FY19*	
Ecommerce Growth	*41.0%*	*14.5%*		*15.1%*		*20%+ CAGR in ecomm sales vs FY19*	
Margin %[1]	*52.6%*	*51.0%*	*51.5%*	*51.5%*	*52.0%*	*48.0%*	*50.0%*
bps to LY		*down 110-160 bps*		*up 50 bps*			
SG&A	$218.7	$ 198	$ 202	$ 187	$ 191	$ 195	$ 209
SG&A %	*53.8%*	*50.9% - 51.9%*		*50.0% - 51.0%*		*42.0% - 45.0%*	
Adj EBITDA b/f Other Charges	$ 13.0	$ 16.9	$ 17.9	$ 19.0	$ 23.6	$ 42.0	$ 51.0
% to LY		*(up 30% - 38%)*		*(up 22% at mid-point)*		*(20%+ CAGR vs FY19)*	
Adj EPS – Diluted [2]	$ (0.74)	$ (0.38)	$ (0.33)	$ (0.03)	$ 0.15	$ 1.20	$ 1.60
Adj Operating Cash Flow[2]	13.8	1.5	3.0	18.0	22.6	39.0	48.0
Capex	6.7	3.7	4.2	6.0	7.0	10.0	12.0
Adj Free Cash Flow[2]	$ 7.1	$ (2.2)	$ (1.2)	$ 12.0	$ 15.6	$ 29.0	$ 36.0
Inventory Turns	*2.7x*	*2.7x*		*2.8x - 3.0x*		*3.2x - 3.6x*	
Owned Store Count	487	455		410 - 425		350 - 370	
Leased Store Count	637	552		530 - 540		495 - 515	
Total Store Count (Year-end)	1,124	1,007		940 - 965		845 - 885	

1 Long-term (FY 2022) margin reduces due to shift in business mix i.e. growth in e-commerce, wholesale, and international

2 FY2018 figures exclude impact of charges related to organizational changes, proxy contest, debt refinancing, and other one-time charges

Third Quarter Fiscal 2018 Financial Results

- Net sales for the third quarter of fiscal 2018 decreased 3.7% to $92.8 million from $96.4 million for the third quarter of fiscal 2017. Sales were negatively impacted by the net closure of 27 owned locations and 12 leased lease locations in addition to a decrease in comparable sales.
- Comparable sales for the third quarter of fiscal 2018 decreased 2.6%, compared to an increase of 1.1% in the third quarter of fiscal 2017.
- Gross margin for the third quarter of fiscal 2018 was 52.4%, a decrease of 40 basis points from the comparable prior year gross margin.
- Selling, general and administrative expenses ("SG&A") for the third quarter of fiscal 2018 decreased 8.7% to $48.6 million from $53.2 million for the third quarter of fiscal 2017. As a percentage of net sales, SG&A decreased 280 basis points to 52.4% vs 55.2% for the third quarter of fiscal 2017.
- Adjusted EBITDA before other charges and effect of change in accounting principle increased 95% to $3.9 million for the third quarter of fiscal 2018 from $2.0 million for the third quarter of fiscal 2017.
- Net loss for the third quarter of fiscal 2018 was $4.1 million, or $0.30 per share (diluted), compared to a net loss of $7.5 million, or $0.55 per share (diluted), for the third quarter of fiscal 2017.
- Adjusted net loss for the third quarter of fiscal 2018 was $1.7 million, or $0.12 per share (diluted), compared to the comparably adjusted net loss for the third quarter of fiscal 2017 of $2.7 million, or $0.20 per share (diluted).

First Nine Months of Fiscal 2018 Financial Results (39 weeks ended November 3, 2018)

- Net sales for the first nine months decreased 2.9% to $292.5 million from $301.1 million for the comparable period in fiscal 2017.
- Comparable sales for the first nine months of fiscal 2018 decreased 0.5%, compared to a decrease of 3.5% for the nine months ended October 28, 2017.
- Gross margin for the first nine months of fiscal 2018 was 52.6%, a decrease of 80 basis points from the comparable prior year gross margin.
- Selling, general and administrative expenses ("SG&A") for the first nine months of fiscal 2018 decreased 6.9% to $150.6 million from $161.7 million for the first nine months of fiscal 2017. As a percentage of net sales, SG&A decreased 220 basis points to 51.5% from 53.7% for the first nine months of fiscal 2017.
- Adjusted EBITDA before other charges and effect of change in accounting principle increased 26% to $15.7 million for the first nine months of fiscal 2018 from $12.5 million for the first nine months of fiscal 2017.

- Net loss for the first nine months of fiscal 2018 was $7.9 million, or $0.57 per share (diluted), compared to a net loss of $11.4 million, or $0.83 per share (diluted), for the comparable period in fiscal 2017.
- Adjusted net loss for the first nine months of fiscal 2018 was $2.3 million, or $0.17 per share (diluted), compared to the comparably adjusted net loss for the first nine months of fiscal 2017 of $5.2 million, or $0.38 per share (diluted).

Adjusted EBITDA before other charges, and adjusted net income, are defined in the financial tables at the end of this press release.

Other Financial Information

- Capital expenditures in the third quarter totaled $0.9 million primarily driven by minor investments in stores and investments to support key systems projects.
- At November 3, 2018, inventory was $79.1 million, an increase of $5.1 million compared to $73.9 million at October 28, 2017, in part due to the previously announced Amazon roll-out.

Retail Locations

	Three Months Ended		Nine Months Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Store Openings (1)	0	2	2	7
Store Closings (1) (2)	6	8	15	21
Period End Retail Location Count (1)				
Stores	474	501	474	501
Leased Department Locations	634	646	634	646
Total Retail Locations	1,108	1,147	1,108	1,147

1) Excludes international franchised locations.
2) During the nine months ended October 28, 2017 Macy's completed closure of 59 stores where we had a leased department within the store.

Conference Call Information

As announced previously, the Company will host a conference call regarding third quarter Fiscal 2018 financial results that includes comments on the results from members of our senior management at 9:30 a.m. Eastern Time. Management will conduct a question and answer session with investors following its prepared remarks.

Interested parties can listen to this conference call by dialing (800) 219-6970 in the United States and Canada or (574) 990-1028 outside of the United States and Canada. The call will also be available on the investors section of the Company's website at http://investor.destinationmaternity.com. Passcode for the conference call is 2184623.

In the event that you are unable to participate in the call, a replay will be available at 12:00 p.m. Eastern Time on Monday, September 10, 2018 through 12:00 p.m. Eastern Time on Monday, September 17, 2018 by calling (855) 859-2056 in the United States and Canada or (404) 537-3406 outside of the United States and Canada. Passcode for the replay is 2184623.

About Destination Maternity

Destination Maternity Corporation is the world's largest designer and retailer of maternity apparel. As of November 3, 2018, Destination Maternity operates 1,108 retail locations in the United States, Canada and Puerto Rico, including 474 stores, predominantly under the trade names Motherhood Maternity®, A Pea in the Pod® and Destination Maternity®, and 634 leased department locations. The Company also sells merchandise on the web primarily through its brand-specific websites, motherhood.com and apeainthepod.com, as well as through its destinationmaternity.com website. Destination Maternity has international store franchise and product supply relationships in the Middle East, South Korea, Mexico, Israel and India. As of November 3, 2018, Destination Maternity has 187 international franchised locations, including 10 standalone stores operated under one of the Company's nameplates and 177 shop-in-shop locations.

Reconciliation of Non-GAAP Financial Measures

This press release and the accompanying financial tables contain non-GAAP financial measures within the meaning of the SEC's Regulation G, including 1) adjusted net loss, 2) adjusted net loss per share – diluted, 3) Adjusted EBITDA, 4) Adjusted EBITDA before other charges, 5) Adjusted EBITDA margin, and 6) Adjusted EBITDA margin before other charges. In the accompanying financial tables, the Company has provided reconciliations of these non-GAAP financial measures to the most directly comparable GAAP financial measures. The Company's management believes that each of these non-GAAP financial measures provides useful information about the Company's results of operations and/or financial position to both investors and management. Each non-GAAP financial measure is provided because management believes it is an important measure of financial performance used in the retail industry to measure operating results, to determine the value of companies within the industry and to define standards for borrowing from institutional lenders. The Company uses each of these non-GAAP financial measures as a measure of the performance of the Company. In addition, certain of the Company's cash and equity incentive compensation plans are based on the Company's level of achievement of Adjusted EBITDA before other charges. The Company provides these various non-GAAP financial measures to investors to assist them in performing their analysis of its historical operating results. Each of these non-GAAP financial measures reflects a measure of the Company's operating results before consideration of certain charges and consequently, none of these measures should be construed as an alternative to net income (loss) or operating income (loss) as an indicator of the Company's operating performance, as determined in accordance with generally accepted accounting principles. The Company may calculate each of these non-GAAP financial measures differently than other companies.

Forward-Looking Statements

The Company cautions that any forward-looking statements (as such term is defined in the Private Securities Litigation Reform Act of 1995) contained in this press release or made from time to time by management of the Company, including those regarding earnings, net sales, comparable sales, other results of operations, liquidity and financial condition, and various business initiatives, involve risks and uncertainties, and are subject to change based on various important factors. The following factors, among others, in some cases have affected and in the future could affect the Company's financial performance and actual results and could cause actual results to differ materially from those expressed or implied in any such forward-looking statements: the strength or weakness of the retail industry in general and of apparel purchases in particular, our ability to successfully manage our various business initiatives, the success of our international business and its expansion, our ability to successfully manage and retain our leased department and international franchise relationships and marketing partnerships, future sales trends in our various sales channels, unusual weather patterns, changes in consumer spending patterns, raw material price increases, overall economic conditions and other factors affecting consumer confidence, demographics and other macroeconomic factors that may impact the level of spending for apparel (such as fluctuations in pregnancy rates and birth rates), expense savings initiatives, our ability to anticipate and respond to fashion trends and consumer preferences, unanticipated fluctuations in our operating results, the impact of competition and fluctuations in the price, availability and quality of raw materials and contracted products, availability of suitable store locations, continued availability of capital and financing, our ability to hire, develop and retain senior management and sales associates, our ability to develop and source merchandise, our ability to receive production from foreign sources on a timely basis, our compliance with applicable financial and other covenants under our financing arrangements, potential debt prepayments, the trading liquidity of our common stock, changes in market interest rates, our compliance with certain tax incentive and abatement programs, war or acts of terrorism and other factors set forth in the Company's periodic filings with the SEC, or in materials incorporated therein by reference.

Although it is believed that the expectations reflected in such forward-looking statements are reasonable, no assurance can be given that such expectations will prove to have been correct and persons reading this announcement are therefore cautioned not to place undue reliance on these forward-looking statements which speak only as at the date of this announcement. The Company assumes no obligation to update or revise the information contained in this announcement (whether as a result of new information, future events or otherwise), except as required by applicable law.

Contacts

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DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except percentages and per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net sales	$ 92,837	$ 96,354	$ 292,459	$ 301,060
Cost of goods sold	44,181	45,453	138,535	140,167
Gross profit	48,656	50,901	153,924	160,893
Gross margin	52.4%	52.8%	52.6%	53.4%
Selling, general and administrative expenses	48,629	53,234	150,581	161,689
Store closing, asset impairment and asset disposal expenses	1,028	1,011	2,669	3,649
Other charges, net	1,825	3,100	4,898	3,746
Operating loss	(2,826)	(6,444)	(4,224)	(8,191)
Interest expense, net	1,232	1,006	3,533	2,989
Loss before income taxes	(4,058)	(7,450)	(7,757)	(11,180)
Income tax provision	56	73	168	259
Net loss	$ (4,114)	$ (7,523)	$ (7,925)	$ (11,439)
Net loss per share – Basic	$ (0.30)	$ (0.55)	$ (0.57)	$ (0.83)
Average shares outstanding – Basic	13,895	13,800	13,867	13,777
Net loss per share – Diluted	$ (0.30)	$ (0.55)	$ (0.57)	$ (0.83)
Average shares outstanding – Diluted	13,895	13,800	13,867	13,777
Reconciliation of Net Loss to Adjusted Net Loss				
Net loss, as reported	$ (4,114)	$ (7,523)	$ (7,925)	$ (11,439)
Add: other charges	1,825	3,100	4,898	3,746
Less: effect of change in accounting principle	—	—	—	(764)
Less: income tax effect of adjustments to net loss	(444)	(1,163)	(1,190)	(1,121)
Add deferred tax valuation allowance related to cumulative losses	1,001	2,855	1,925	4,352
Adjusted net loss	$ (1,732)	$ (2,731)	$ (2,292)	$ (5,226)
Adjusted net loss per share – diluted	$ (0.12)	$ (0.20)	$ (0.16)	$ (0.38)

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Condensed Consolidated Balance Sheets
(in thousands)
(unaudited)

	November 3, 2018	February 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,247	$ 1,635
Trade receivables, net	7,261	6,692
Inventories	79,054	71,256
Prepaid expenses and other current assets	10,270	11,522
Total current assets	97,832	91,105
Property and equipment, net	55,158	66,146
Other assets	7,115	5,331
Total assets	$ 160,105	$ 162,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit borrowings	$ 21,700	$ 8,000
Current portion of long-term debt	4,729	4,780
Accounts payable	25,767	30,949
Accrued expenses and other current liabilities	30,988	31,661
Total current liabilities	83,184	75,390
Long-term debt	22,704	23,809
Deferred rent and other non-current liabilities	20,856	22,715
Total liabilities	126,744	121,914
Stockholders' equity	33,361	40,668
Total liabilities and stockholders' equity	$ 160,105	$ 162,582

Selected Consolidated Balance Sheet Data
(in thousands)
(unaudited)

	November 3, 2018	February 3, 2018	October 28, 2017
Cash and cash equivalents	$ 1,247	$ 1,635	$ 2,217
Inventory	79,054	71,256	73,936
Property and equipment, net	55,158	66,146	72,232
Line of credit borrowings	21,700	8,000	8,200
Total debt	49,133	36,589	41,563
Stockholders' equity	33,361	40,668	50,541

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Operations
(in thousands, except percentages and per share data)
(unaudited)

	Nine Months Ended	
	November 3, 2018	October 28, 2017
Operating Activities		
Net loss	$ (7,925)	$ (11,439)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	11,789	13,259
Stock-based compensation expense	750	858
Loss on impairment of long-lived assets	2,236	3,267
Loss on disposal of assets	238	283
Grow NJ award benefit	(1,977)	1,096
Amortization of deferred financing costs	506	375
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade receivables	(569)	(1,218)
Inventories	(7,798)	(4,896)
Prepaid expenses and other current assets	1,251	3,110
Other non-current assets	35	(59)
Increase (decrease) in:		
Accounts payable, accrued expenses and other current liabilities	(3,861)	2,474
Deferred rent and other non-current liabilities	(2,087)	23
Net cash provided by (used in) operating activities	(7,412)	7,133
Investing Activities		
Capital expenditures	(3,456)	(5,484)
Additions to intangible assets	—	(18)
Net cash used in investing activities	(3,456)	(5,502)
Financing Activities		
Decrease in cash overdraft	(1,486)	(461)
Decrease in line of credit borrowings	13,700	3,600
Proceeds from long-term debt	2,500	3,401
Repayment of long-term debt	(3,935)	(8,493)
Deferred financing costs paid	(160)	(277)
Withholding taxes on stock-based compensation paid in connection with repurchase of common stock	(136)	(45)
Proceeds from exercise of stock options	1	—
Net cash provided by (used in) financing activities	10,484	(2,275)
Effect of exchange rate changes on cash and cash equivalents	(4)	2
Net Decrease in Cash and Cash Equivalents	(388)	(642)
Cash and Cash Equivalents, Beginning of Period	1,635	2,859
Cash and Cash Equivalents, End of Period	$ 1,247	$ 2,217

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Supplemental Financial Information

Reconciliation of Net Loss to Adjusted EBITDA(1)
and Adjusted EBITDA Before Other Charges and Change in Accounting Principle,
and Operating Loss Margin to Adjusted EBITDA Margin
and Adjusted EBITDA Margin Before Other Charges and Change in Accounting Principle
(in thousands, except percentages)
(unaudited)

	Three Months Ended		Nine Months Ended	
	November 3, 2018	October 28, 2017	November 3, 2018	October 28, 2017
Net loss	$ (4,114)	$ (7,523)	$ (7,925)	$ (11,439)
Add: income tax provision	56	73	168	259
Add: interest expense, net	1,232	1,006	3,533	2,989
Operating loss	(2,826)	(6,444)	(4,224)	(8,191)
Add: depreciation and amortization expense	3,828	4,371	11,788	13,259
Add: loss on impairment of long-lived assets	717	821	2,236	3,267
Add: loss on disposal of assets	170	167	238	283
Add: stock-based compensation expense	166	28	750	858
Adjusted EBITDA (1)	2,055	(1,057)	10,788	9,476
Add: other charges	1,825	3,100	4,898	3,746
Less: effect of change in accounting principle	—	—	—	(764)
Adjusted EBITDA before other charges and effect of change in accounting principle	$ 3,880	$ 2,043	$ 15,686	$ 12,458
Net Sales	$ 92,837	$ 96,354	$ 292,459	$ 301,060
Operating loss margin (operating loss as a percentage of net sales)	(3.0)%	(6.7)%	(1.4)%	(2.7)%
Adjusted EBITDA margin (adjusted EBITDA as a percentage of net sales	2.2%	(1.1)%	3.7%	3.1%
Adjusted EBITDA margin before other charges and effect of change in accounting principle (adjusted EBITDA before other charges and change in accounting principle as a percentage of net sales)	4.2%	2.1%	5.4%	4.1%

(1) Adjusted EBITDA represents operating income (loss) before deduction for the following non-cash charges: (i) depreciation and amortization expense; (ii) loss on impairment of tangible and intangible assets; (iii) loss on disposal of assets; and (iv) stock based compensation expense.

Exhibit 99.2

Destination Maternity

Third Quarter Fiscal 2018

Results Conference Call

12/11/18

Thomas McCracken, Senior Vice President, Finance:

Thank you, operator. Good morning, everyone, and welcome to Destination Maternity's third quarter fiscal 2018 earnings call. Our earnings release that was disseminated this morning, is available on the Investors section of our website. The earnings release contains definitions of various financial terms, as well as reconciliations of certain non-GAAP financial measures we will be discussing in today's call. If non-GAAP financial information is provided on this call, a reconciliation of the non-GAAP information to the most comparable GAAP financial measure is available on our press release. This call will include certain forward-looking statements within the meanings of the federal securities laws. These statements relate to expectations, beliefs, projections, trends and other matters that are not historical facts and are subject to risks and uncertainties that might affect future events or results. Descriptions of these risks are set forth in the company's SEC filings.

Also, I would like to remind you that today's call cannot be reproduced in any form without the express written consent of Destination Maternity.

Joining on the call today is Marla Ryan, our Chief Executive Officer. Marla will open with some remarks, followed by additional commentary by me on our financial results. Afterward, Marla and I will be available to take your questions.

It is now my pleasure to turn the call over to Marla.

Marla Ryan, Chief Executive Officer:

Thank you, Tom.

Good morning everyone and welcome to our third quarter earning's call. We spoke with you several weeks ago, outlining our Destination->Forward strategic plan aimed at rationalizing expenses, accelerating revenue growth and improving profitability across the organization. We shared as an organization our focus on three strategic priorities: rightsizing our ship, optimizing our infrastructure and developing innovative products and solutions.

Our third quarter results saw continued improvements in SG&A and a significant increase in Adjusted EBITDA before other charges of $3.9 million or up 95% year-over-year. Total revenue declined 3.7% to $92.8 million from $96.4 million in the third quarter of FY 2017, owing in part to our strategy of closing unprofitable stores. Sales were negatively impacted by several items, including the net closure of 27 stores, extreme weather over Labor Day weekend vs last year, two multi-state hurricanes, and a decrease in comparable sales. Comparable sales for the third quarter decreased 2.6% compared to an increase of 1.1% in the third quarter last year.

Based on year to date results and expectations for the fourth quarter, we are updating our Full Year 2018 guidance. Our updated guidance reflects expected slight softness in our brick and mortar sales through year end, driven by recent declines in traffic, coupled with our continued efforts to manage inventory levels and further rationalize expenses. We continue to reaffirm our long- term guidance for FY2019 through FY2022 and expect to see a stabilization in key metrics as we move through FY2019 and beyond.

Turning to our operational highlights, Rightsizing Our Ship remained a primary focus to drive profit in the third quarter. We decreased SG&A expenses by $4.6 million or 8.7% from the comparable quarter last year, hitting 52.4% of sales with a 280 bp improvement over Q3 2017. The decrease in expenses for the quarter primarily reflects a reduction in employee costs, occupancy expenses from store closures and ongoing expense reduction initiatives. Year to date, we have decreased our SG&A expense by $11.1 million and anticipate full-year 2018 savings of $17 million to $21 million. As we look to FY 2019, we are re-affirming our previously announced SG&A expense reduction of $11.0 million or 50% to 51% of sales.

As announced on our investor call last month, we are actively reducing total inventory levels—both aged and future receipts as well as rationalizing our future product assortments. We expect to generate at least $7 million in adjusted free cash flow from inventory reduction efforts in FY 2019. In the short term, however, inventory levels are higher than optimal. At the end of Q3, inventory was up by $5 million vs last year. The increase was driven primarily by two factors. First, we invested approximately $2 million in inventory to support the new Amazon wholesale business. Second, the fall seasonal product previously committed to by the previous management team, were too high relative to sales expectations. This additional Fall inventory was factored into our previously announced FY2019 guidance as we did not reflect improved margins next year and expect to generate at least $7 million in working capital improvement from inventory reductions efforts. We are confident that we can convert this inventory into cash over time, while not significantly impacting margins.

To achieve this initiative, we have implemented a two-prong approach to speed up markdown turns and purchase less overall inventory. First, markdown turns will increase as we sharply price markdowns online and in-store to clear seasonal products faster. Second, as we shift our product mix to focus on evergreen core solutions combined with significantly reduced style count, we will lower our inventory receipt plan for FY 2019. We project our total inventory turns will increase between 2.8x to 3x by year-end 2019 as a direct result of these actions.

In addition to reductions in our 2019 product assortment, we streamlined our corporate Product and Sourcing teams early last month with an expected net savings in FY 2019 of $1.2 million to $1.4 million. In recent weeks, we hired two key senior leaders to oversee our Product Sourcing and Inventory teams. Both leaders bring extensive industry experience while possessing the owner-led mentality we are striving for as we drive transformational change.

With two months left in the fiscal year, we continue to drive rent negotiations for all renewals with estimated occupancy savings of $2.3 million to $2.5 million by FYE 2018 and are projecting an additional, $1.5 million to $2.0 million in savings by FYE 2019. As we communicated earlier, we will have executed 31 to 33 store closings and 84 leased shop exits during FY 2018 and expect to execute another 42 to 67 closings in FY 2019. On this front we will be testing a smaller store format for our Motherhood brand in the first quarter, allowing for higher productivity and reduced overhead costs. Finally, as part of our overall efforts to Right-size our Ship, we have formed an internal Expense Control Committee to find additional savings from all aspects of the business, in addition to the already identified savings of $11 million planned for FY 2019. This committee will be providing monthly updates to myself and the board.

Moving to Optimizing our Infrastructure, we continue to focus on growing our digital flagship and serving the needs of our new moms and moms2be. During the third quarter, we made the conscious decision to run our e-commerce division for improved profitability, focusing on improving gross profit rather than driving revenue. This meant less ship from store options and fewer clearance flash sales. As a result, total e-commerce gross margins improved to 54.9% vs 52.6% last year. Total gross margin dollars for total e-commerce sales were up +3.9%. Excluding 3rd party e-commerce, margin dollars were up +13.9% vs last year. Our Motherhood brand was up +20% vs last year. Total e-commerce revenue was flat, excluding 3rd party e-commerce sites, sales were up 8% with our Motherhood brand up +19.5% vs last year.

Total online sales continued to be fueled by our Mobile channel over desktop and tablet. Mobile sessions were up +29% vs last year, reaching an all-time high of 75% of total online sessions. Demand sales from Mobile were up +29% year-over-year, driving 54% of total online sales with an average order increase of 4%. Recognizing the busy lives of our new moms and moms2be and in tandem with the increase of our mobile channel sales, we are continuing to provide new customer service solutions. In early November we launched Apple Pay as an additional digital payment solution. To date, 12% of mobile transactions used Apple Pay to make purchases and we saw significantly higher conversion and revenue. We will follow this launch up with the addition of Venmo to the checkout page in late first quarter FY 2019.

In response to our new moms and moms2be desire for increased convenience, we launched a Same Day shipping feature for the NY Metro area in mid-October. We are pleased with the early sales results and will be testing two additional cities late in the first quarter of FY2019. As we end the year, we are also completing the migration of several providers. These new service providers will allow us enhanced customer service features such as Live Chat - launching early February, Inventory in-store look up - launching late February, as well as personalized emails and content which we estimate will drive a 3% to 5% increase in demand.

As part of this effort, we are excited to partner with YOTPO to have a complete unified customer content marketing platform solution. Completion of this integration is slated for the beginning of January and will allow us to integrate customer reviews, UGC, curation from Instagram, Q&A and loyalty solutions. We believe that this partnership will lead to 2.5x more reviews onsite, an improvement in site visitors, a higher return on ad spend and on-site improvements including increased conversion rate, average order value and time spent on the site. We will continue to evaluate key investments in technology and customer service features to aid our digital experience on both the mobile phone and website to drive increased traffic, higher conversion and sales.

Meeting the needs of our new moms and moms2be, we also launched our Amazon Retail strategy in late September. While it's early days, our top products are performing to expectations, with those top products driving 40% of units shipped. As we move forward, we are actively seeking new wholesale partnerships to broaden our network of distribution with a total revenue goal of $20.0 million to $25.0 million by FYE 2022.

We announced earlier last month, in recognition of Veteran's Day we now offer a 10% discount in-store for all veterans, active service members and their spouses in all our retail owned stores. We are extremely proud to offer this special on-going discount in recognition of those who have sacrificed their time and safety to serve. Additionally, in late first quarter 2019 we will offer this on-going special discount online as well.

As we optimize our infrastructure, we continue to review our operations and assess future business. Moving into FY 2019, we will simplify our workstreams and automate our processes across the entire enterprise, using data analytics to inform our future decisions. Our goal is to build a flat, nimble, flexible and digitally driven organization. We continue to identify key leadership roles within the organization and are routinely evaluating top talent to help drive our transformation.

Lastly, as we end FY 2018, we are placing a renewed level of importance on our internal customer – our employees. We are launching a Center of Excellence committee, dedicated to driving excellence within the organization. We want to reward individuals who are ground breakers, who challenge the status quo and constantly seek to drive our transformation. The committee will work to cement our Mission statement, redefine our vision and align our corporate culture with our comprehensive strategic plan Destination->Forward across the organization to deliver profit and growth.

Our organization was founded on the principle of innovation and solutions for new moms and moms2be. Our brands continue to be highly trusted in the market place as evidence by the recent win for our Motherhood brand which was voted Best Maternity Brand by What to Expect, the best known and most trusted pregnancy and parenting brand, as part of their annual What to Expect Awards. Our Motherhood brand was recognized for its quality merchandise, affordable value and knowledgeable sales associates.

As we enter FY 2019, we are shifting our product mix to more evergreen styles allowing us to focus on the core solutions, reducing markdowns and limiting inventory risks associated with unprofitable fashion purchases. We will create value and transformational growth as we innovate our brand, putting product first followed by strong, clear messaging around the solutions we provide for our new moms and moms2be.

The third quarter saw double digit sales increases on our nursing apparel products as a direct result of our first ever August National Nursing campaign. We launched two new product innovations campaigns around our Seamless Bra in August and our Hospital-Approved Delivery Gown with both products exceeding plan. As we enter February 2019, we will continue to highlight our solution products with everyday marketing campaigns along with re-energizing two areas we feel are underserved – Wear to work and Extended sizes.

With 65% of our new moms and moms2be we saw the opportunity to expand our product offer. From our secret fit belly pant technology for moms2be, Bouceback compression technology to the use of hidden zippers and modesty panels in our tops and dresses for our new moms, she will be comfortable, confident with style points in the workforce. Beginning February, we will offer 70% of our product assortment in extended sizing (1x-3x), up from our historical 30% levels. This product assortment increase in extended sizes has also allowed us to alter our pricing cadence, offering the same retail price for all sizes we carry. We expect the additional assortment, same retail pricing for all sizes and new marketing campaigns to fuel this previously underserved market segment, driving an estimated increase of 10% to 15% by FYE 2019.

Continuing around the theme of innovation and solutions, we have formed an internal Innovation Committee dedicated to bringing new solutions to our new moms and moms2be. The committee will be centered around new material and fabric innovation, advanced manufacturing capabilities, speed to market and customization. We will finalize details around our store of the future – creating a new format with reduced square footage, increased technology and carefully selected location implementation. Lastly, we will focus on how, when and where we message our new moms and moms2be through local community engagement, social media, personalized content and loyalty using technology updates.

Overall, I am pleased with the progress we have made against our comprehensive strategic plan – Destination->Forward. There is still much work to do but myself and the entire Destination team are excited as we Right-size our Ship, Optimize our Infrastructure and provide Innovation and Solutions for our new moms and moms2be. As we look forward to FY 2019, we are committed to transforming this business to a more nimble and profitable organization that generates long term shareholder value. On behalf of myself and the entire Destination Maternity team, we wish you a happy holiday season and a healthy new year.

With that, let me turn things over to Tom to provide a review of our financial performance.

Thomas McCracken, Senior Vice President, Finance:

Thank you, Marla.

This morning, I will review our fiscal 2018 third quarter and year-to-date performance and key items on our balance sheet and cash flow. Sales for the third quarter were $92.8 million, a decrease of $3.6 million or 3.7% from the comparable quarter last year.

Comparable retail sales were down 2.6%, which was primarily driven by a 3.3% decrease in comparable brick-and-mortar sales. Additionally, sales were impacted by the net closure of 27 owned locations, in addition to 12 leased locations and a decline in sales to franchise partners. E-commerce sales represented 22% of retail sales compared to 21% last year.

Gross margin for the third quarter was 52.4%, a decrease of 40 basis points from the same quarter last year. This decrease was primarily driven by increased markdown of promotional activity to more aggressively manage inventory, in addition to the increase in e-commerce sales as a portion of our retail sales.

Gross profit for the third quarter was $48.7 million, a decrease of $2.2 million, or 4.4%, from the comparable quarter last year. Selling, general and administrative expenses for the third quarter were $48.6 million, a decrease of $4.6 million, or 8.7%, from the comparable quarter last year. The decrease in expense for the quarter primarily reflects reductions in employee costs and occupancy expenses, resulting from the closure of underperforming stores and ongoing expense reduction initiatives. As a percentage of sales, SG&A was 52.4%, a decrease of 280 basis points from the third quarter of last year.

Adjusted EBITDA before other charges and effective change in accounting principles for the third quarter was $3.9 million, an increase of $1.9 million, or 95%, from the comparable quarter last year.

The net loss for the third quarter was $4.1 million, or $0.30 per share, compared to a net loss of $7.5 million, or $0.55 per share, for the prior year. Adjusted net loss was $1.7 million, or $0.12 per share, compared to adjusted net loss of $2.7 million, or $0.20 per share, for the third quarter of fiscal 2017.

I will now turn to our year-to-date results. Sales for the first nine months ended November 3, 2018 were $292.5 million, a decline of $8.6 million, or 2.9%, from the comparable period last year. Comparable retail sales were down 0.5%, which reflects the net effect of 18.1% increase in e-commerce sales, offset by a 5.4% decrease in comparable brick-and-mortar sales. Additionally, sales were impacted by the previously mentioned decrease in store counts and the decline in sales to franchise partners. E-commerce sales for the first nine-months were 22.7% of retail sales compared to 18.5% last year.

Gross margin for the first nine-months of 2018 was 52.6%, a decrease of 80 basis points from the comparable period last year. This decrease was primarily driven by the previously mentioned growth of our e-commerce business as a percentage of retail sales. Gross profit for the first nine-months was $153.9 million, a decrease of $7 million, or 4.3%, from last year. Selling, general and administrative expenses for the first three quarters of 2018 were $150.6 million, a decrease of $11.1 million, or 6.9%, from the comparable period last year.

The decline in expense primarily reflects reductions in employee costs and occupancy expenses resulting from the closure of underperforming stores and ongoing expense reduction initiatives mentioned previously. As a percentage of sales, SG&A decreased 220 basis points from last year to 51.5%. Adjusted EBITDA before the charges and effective change in accounting principle for the first nine-months was $15.7 million, an increase of $3.3 million, or 26%, from the comparable period last year.

Net loss for the first nine-months of fiscal 2018 was $7.9 million, or $0.57 per share. For the comparable period last year, the net loss was $11.4 million, or $0.83 per share. Adjusted net loss was $2.3 million, or $0.17 per share, compared to adjusted net loss of $5.2 million, or $0.38 per share, for the nine-months ended October 28, 2017.

Turning now to the balance sheet, at quarter-end inventory was $79.1 million, an increase from last year of $5.1 million. The increase is due to the reasons mentioned earlier by Marla. Debt, net of cash was $47.9 million, an increase of $8.5 million from last year.

Through the third quarter of 2018, we opened zero stores and closed six stores for a net reduction of six retail stores.

We ended the quarter with 474 retail stores. Capital expenditures for the first nine months of 2018 were $3.5 million, a reduction of $2.0 million from last year.

This concludes the prepared remarks. So I'll now turn the call over to the operator to initiate the question-and-answer portion of the call.

Following Questions:

Marla Ryan, Chief Executive Officer:

We have a lot of confidence in what we've been able to do so far and we're looking forward to the New Year. And so, we wish you a happy holiday and a Happy New Year. And we will speak with you at fourth quarter earnings call.