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): June 14, 2018

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

Delaware	0-21196	13-3045573
(State or Other Jurisdiction of Incorporation or Organization)	Commission File number	(I.R.S. Employer Identification Number)

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 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

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act

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

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

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 June 14, 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 May 5, 2018. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference. A copy of the script read by management during the conference call is attached hereto as Exhibit 99.2 and is incorporated herein by reference.

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.

Item 9.01. Financial Statements and Exhibits

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

Exhibit No.	Description
99.1	Press Release of the Company issued June 14, 2018.
99.2	Script for June 14, 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 duly authorized.

Date: June 14, 2018

DESTINATION MATERNITY CORPORATION

By: /s/ David Stern
David Stern
Executive Vice President & Chief Financial Officer

Exhibit 99.1

Destination Maternity Reports First Quarter Fiscal 2018 Results

- Reports net income for first quarter compared to net loss in prior year first quarter
- Adjusted EBITDA Before Other Charges increases 24% from prior year first quarter
- E-commerce sales rise 43% from prior year first quarter
- Continued cost savings improvements with Selling, General and Administrative expenses declining 6.8% from prior year first quarter

MOORESTOWN, N.J., June 14, 2018 — Destination Maternity Corporation (NASDAQ: DEST), the world's leading maternity apparel retailer, today announced financial results for the first quarter of fiscal 2018 ended May 5, 2018 compared to the first quarter of fiscal 2017 ended April 29, 2017.

Commentary

"Our financial performance in the first quarter was in line with expectations, highlighted by reductions in SG&A, double digit growth in our e-commerce channel and increases in operating income," said Marla Ryan, Chief Executive Officer of Destination Maternity. "While I am encouraged by our progress, there is more work to be done to unlock the company's full potential and improve our overall operating performance."

"Since taking the helm as CEO, I have been working closely with our employees to implement a comprehensive and attainable business plan geared toward accelerating revenue growth, rationalizing expenses and improving profitability. This includes identifying opportunities to expand our ecommerce sales platform, prioritizing inventory optimization and developing new partnerships and innovations that will help us better engage with our customers and drive strengthened brand loyalty."

"While it is still early days for me, I am excited for the opportunities ahead. With the support of a highly talented team of employees, combined with Destination Maternity's strong brand equity, I am confident we can transform this company into a more nimble and profitable organization that generates long term shareholder value."

First Quarter Fiscal 2018 Financial Results

- Net sales for the first quarter of fiscal 2018 decreased 3.0% to $103.2 million from $106.4 million for the first quarter of fiscal 2017, which included $0.8 million related to a change in the method of accounting for gift card breakage.
- Comparable sales for the first quarter of fiscal 2018 decreased 0.1%.
- Gross margin for the first quarter of fiscal 2018 was 53.7%, a decrease of 70 basis points from the comparable prior year gross margin.
- Selling, general and administrative expenses ("SG&A") for the first quarter of fiscal 2018 decreased 6.8% to $51.9 million. As a percentage of net sales, SG&A decreased 210 basis points to 50.2%.
- Adjusted EBITDA before other charges was $7.9 million for the first quarter of fiscal 2018, an increase of 24.2% compared to $6.3 million for the first quarter of fiscal 2017.
- Net income for the first quarter of fiscal 2018 was $0.2 million, or $0.02 per share (diluted), compared to a net loss of $1.1 million, or $0.08 per share (diluted), for the first quarter of fiscal 2017.

- Adjusted net income for the first quarter of fiscal 2018 was $1.0 million, or $0.07 per share (diluted), compared to the comparably adjusted net loss for the first quarter of fiscal 2017 of $0.7 million, or $0.05 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 First Quarter Fiscal 2018 Financial Information

- Capital expenditures totaled $1.1 million primarily driven by investments in stores and investments to support key systems projects.
- At May 5, 2018, inventory was $66.4 million, a decrease of $7.3 million compared to $73.7 million at April 29, 2017.

Retail Locations

	Three Months Ended	
	May 5, 2018	April 29, 2017
Store Openings (1)	0	4
Store Closings (1) (2)	3	8
Period End Retail Location Count (1)		
Stores	484	511
Leased Department Locations	634	646
Total Retail Locations	1,118	1,157

1) Excludes international franchised locations.
2) During the three months ended April 29, 2017 Macy's completed closure of 59 stores where we had a leased department within the store.

Conference Call Information

As announced previously, a pre-recorded conference call regarding the Company's first quarter Fiscal 2018 financial results that includes comments on the results from members of our senior management, will be available today at 9:00 a.m. Eastern Time. 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 conference call will also be available on the investor section of the Company's website at http://investor.destinationmaternity.com. The passcode for the conference call is 1561749.

In the event that you are unable to participate in the call, a replay will be available at 12:00 pm Eastern Time on Thursday, June 14, 2018, through 12:00 p.m. Eastern Time June 21, 2018, by calling (855) 859-2056 in the United States and Canada or (404) 537-3406 outside of the United States and Canada. The passcode for the replay is 1561749.

About Destination Maternity

Destination Maternity Corporation is the world's largest designer and retailer of maternity apparel. As of May 5, 2018 Destination Maternity operates 1,118 retail locations in the United States, Canada and Puerto Rico, including 484 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 May 5, 2018 Destination Maternity has 186 international franchised locations, including 13 standalone stores operated under one of the Company's nameplates and 173 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.

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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 May 5, 2018	Three Months Ended April 29, 2017
Net sales	$103,227	$106,426
Cost of goods sold	47,824	48,487
Gross profit	55,403	57,939
Gross margin	53.7%	54.4%
Selling, general and administrative expenses (SG&A)	51,857	55,649
SG&A as a percentage of net sales	50.2%	52.3%
Store closing, asset impairment and asset disposal expenses	969	1,518
Other charges	1,150	817
Operating income (loss)	1,427	(45)
Interest expense, net	1,157	1,004
Income (loss) before income taxes	270	(1,049)
Income tax provision	56	93
Net income (loss)	$ 214	$ (1,142)
Net income (loss) per share – Basic	$ 0.02	$ (0.08)
Average shares outstanding – Basic	13,839	13,748
Net income (loss) per share – Diluted	$ 0.02	$ (0.08)
Average shares outstanding – Diluted	13,963	13,748
Reconciliation of Net Income (Loss) to Adjusted Net Income (Loss)(1):		
Net income (loss), as reported	$ 214	$ (1,142)
Add: other charges	1,150	817
Less: income tax effect of other charges	(273)	(306)
Less: effect of change in accounting principle	—	(764)
Add: income tax effect of change in accounting principle	—	284
Add: deferred tax valuation allowance related to cumulative losses	(67)	424
Adjusted net income (loss) (1)	$ 1,024	$ (687)
Adjusted net income (loss) per share – Diluted	$ 0.07	$ (0.05)

(1) Adjusted Net Income (Loss) represents net income adjusted for the after tax effect of (i) other charges; and (ii) the effect of a change in accounting principle and (iii) the change in deferred tax valuation allowance related to cumulative losses.

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

	May 5, 2018	February 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 2,005	$ 1,635
Trade receivables, net	8,889	6,692
Inventories	66,419	71,256
Prepaid expenses and other current assets	11,774	11,522
Total current assets	89,087	91,105
Property and equipment, net	62,481	66,146
Other assets	6,001	5,331
Total assets	$157,569	$ 162,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit borrowings	$ 15,200	$ 8,000
Current portion of long-term debt	5,045	4,780
Accounts payable	20,383	30,949
Accrued expenses and other current liabilities	31,102	31,661
Total current liabilities	71,730	75,390
Long-term debt	22,456	23,809
Deferred rent and other non-current liabilities	22,191	22,715
Total liabilities	116,377	121,914
Stockholders' equity	41,192	40,668
Total liabilities and stockholders' equity	$157,569	$ 162,582

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

	May 5, 2018	February 3, 2018	April 29, 2017
Cash and cash equivalents	$ 2,005	$ 1,635	$ 2,328
Inventories	66,419	71,256	73,681
Property and equipment, net	62,481	66,146	79,738
Line of credit borrowings	15,200	8,000	2,100
Total debt	42,701	36,589	39,063
Stockholders' equity	41,192	40,668	60,393

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Consolidated Statements of Cash Flows
(in thousands)
(unaudited)

	Three Months Ended May 5, 2018	Three Months Ended April 29, 2017
Operating Activities		
Net income (loss)	$ 214	$ (1,142)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Depreciation and amortization	4,050	4,461
Stock-based compensation expense	328	414
Loss on impairment of long-lived assets	887	1,346
Loss on disposal of assets	13	94
Grow NJ award benefit	(707)	2,533
Amortization of deferred financing costs	165	103
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade receivables	(2,197)	(1,489)
Inventories	4,837	(4,641)
Prepaid expenses and other current assets	(252)	3,705
Other non-current assets	(14)	(15)
Increase (decrease) in:		
Accounts payable, accrued expenses and other current liabilities	(9,031)	1,474
Deferred rent and other non-current liabilities	(752)	(253)
Net cash provided by (used in) operating activities	(2,459)	6,590
Investing Activities		
Capital expenditures	(1,141)	(2,027)
Additions to intangible assets	—	(10)
Net cash used in investing activities	(1,141)	(2,037)
Financing Activities		
(Decrease) in cash overdraft	(1,980)	(1,004)
Increase (decrease) in line of credit borrowings	7,200	(2,500)
Repayment of long-term debt	(1,151)	(1,540)
Deferred financing costs paid	(80)	(6)
Withholding taxes on stock-based compensation paid in connection with repurchase of common stock	(19)	(35)
Net cash provided by (used in) financing activities	3,970	(5,085)
Effect of exchange rate changes on cash and cash equivalents	—	1
Net Increase (Decrease) in Cash and Cash Equivalents	370	(531)
Cash and Cash Equivalents, Beginning of Period	1,635	2,859
Cash and Cash Equivalents, End of Period	$ 2,005	$ 2,328

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
Supplemental Financial Information

Reconciliation of Net Income (Loss) to Adjusted EBITDA(2)
and Adjusted EBITDA Before Other Charges and Change in Accounting Principle,
and Operating Income (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	
	May 5, 2018	April 29, 2017
Net income (loss)	$ 214	$ (1,141)
Add: income tax provision	56	93
Add: interest expense, net	1,157	1,004
Operating income (loss)	1,427	(45)
Add: depreciation and amortization expense	4,050	4,461
Add: loss on impairment of long-lived assets	887	1,346
Add: loss on disposal of assets	13	94
Add: stock-based compensation expense	328	414
Adjusted EBITDA (2)	6,705	6,270
Add: other charges for proxy contest and proposed merger	886	814
Add: other charges for management and organizational changes	264	3
Less: effect of change in accounting principle	—	(764)
Adjusted EBITDA before other charges and change in accounting principle	$ 7,855	$ 6,323
Net sales	$103,227	$106,426
Operating income (loss) margin (operating income as a percentage of net sales)	1.4%	(0.1)%
Adjusted EBITDA margin (adjusted EBITDA as a percentage of net sales)	6.5%	5.9%
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)	7.6%	5.9%

(2) Adjusted EBITDA represents operating income 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

First Quarter Fiscal 2018

Results Conference Call

6/14/18

Thomas McCracken, Senior Vice President, Finance:

Thank you, operator. Good morning everyone, and welcome to Destination Maternity's first quarter fiscal 2018 earnings call. The earnings release that was disseminated this morning is available on the investor 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 in 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 expressed written consent of Destination Maternity.

Joining me on the call today are Marla Ryan, our Chief Executive Officer, and David Stern, our Executive Vice President & Chief Financial Officer. Marla will open with some remarks followed by additional commentary by Dave on our financial results. Afterward, Marla and Dave will be available to take your questions. It is now my pleasure to turn the call over to Marla.

Marla A. Ryan, Chief Executive Officer:

Thank you, Tom and good morning everyone. I am excited to be here with all of you as the CEO of Destination Maternity. Having only recently joined the Company three short weeks ago, I am going to keep my comments this morning brief, providing an overview of my objectives and priorities for the business.

As Dave will address in a moment, during the first quarter the team made progress on several fronts, including reducing SG&A, increases in operating income and continued double digit growth in our e-commerce channel. While I am encouraged by the progress our team has made this quarter, there is more work to be done.

In the past few weeks, I have begun a deep dive across the entire enterprise, immersing myself in every aspect of the business, and getting to know our entire team. I believe Destination Maternity has the foundation of a powerful culture with extremely talented employees that will be critical to the future success of the brand.

More specifically, I am focused on working closely with all of our employees to refine and implement a comprehensive and attainable business plan geared towards accelerating revenue growth, rationalizing expenses and improving profitability. Given the importance of our enterprise wide transformation, we have formally created an Office of Strategic Planning which will report directly to me. The key function of this office will be to assist with all efforts related to the specific initiatives needed to make our transition successful and swift.

Let me break down some of my initial objectives for the business.

First, we remain focused on growing and improving our e-commerce platform. Our e-commerce business increased 42.8% in the first quarter and we will continue to build off of this momentum in the coming year. We are committed to continuing to drive significant improvements in our e-commerce business with revenue in the Motherhood brand reaching +50.8% year-over-year and A Pea in the Pod + 21.3% year-over-year, a testament to strength of this platform.

Our brick and mortar business remains challenged with declines in traffic and conversion. We continue to believe in the importance of having physical store fronts and will be focused on improving same store sales performance. In the next few weeks we will be implementing several tests to course correct these metrics.

These tests will be focused on inventory increases behind our key drivers to increase conversion as well as new marketing messages to drive increased traffic to stores. Once we have proof of concept, we plan to roll this out to the wider fleet.

We are also focused on modernizing our in-store shopping layout and technology, while improving customer service to increase conversion. With this, we are embracing the digital needs of our customers and working towards implementation of greater engagement points during the 40 weeks of pregnancy and afterwards. This includes faster shipping solutions and enhanced online capabilities that will result in increased transactions and average order size.

As an organization we will be digitally driven, using data first to inform decisions. We will deploy a test and learn culture that reacts upon proof of concept allowing us to respond to selling trends, new concepts, buying behaviors and customer engagement much faster as we begin our journey to profitable growth.

As we begin to reshape our infrastructure, we will instill an owner mentality into the organization that places a high emphasis on optimization, productivity and cost savings. Our transformation towards a more flexible, nimble and profitable organization will also allow us to be better poised for growth. As part of this process, we have kicked off an in-depth evaluation of all of our sales channels and revenue streams. We are assessing their profitability, growth opportunities, competitive strengths, and weaknesses. This process will allow us to prioritize the highest performing channels.

Additionally, we will work quickly to implement a comprehensive brand vision that is reflected across every aspect of our business, our products, our e-commerce site, stores and marketing materials. Our focus will be around innovation, providing solutions for the mom2be through our pillar products or key drivers, which are currently a significant portion of our business. There is also tremendous opportunity to create more awareness through our own marketing, wholesale and partner businesses as well as joining forces with new partnerships. All of this is under way and we will provide more comprehensive updates as these opportunities come together later this year.

Finally, we believe in providing our mom2be solutions with a great value proposition. In the product engine portion of the business our priority around inventory optimization, shorter lead times and improved product flow will be critical. These actions will allow for improved inventory productivity, leading to a decrease in our dependence on promotions to drive sales, which will in turn improve margins.

As you can see, there is a lot of work ahead of us, but I am excited to be a part of this organization and to be a part of real change. Destination Maternity is a business with vast potential and I am committed to transforming this business into a more nimble and profitable organization that generates long term shareholder value. I look forward to speaking and meeting with many of our investors in the coming months.

With that, let me turn things over to Dave to discuss our financial performance in more detail.

David Stern, Executive Vice President & Chief Financial Officer:

Thank you, Marla, and good morning to everyone on the call.

This morning I will review our fiscal 2018 first quarter performance and other key items on our balance sheet and cash flow.

Sales for the first quarter were $103.2 million, a decrease of $3.2 million, or 3.0%, from the comparable quarter last year. Comparable retail sales were essentially flat, or down 0.1%, which reflects the net impact of a 42.8% increase in ecommerce sales and a 9.1% decrease in comparable brick and mortar sales. Additionally, sales were impacted by the net closure of 27 retail stores, a decline in sales to wholesale and franchise partners, and the prior year one-time revenue recognition of $0.8 million related to a change in the method of accounting for gift card breakage. E-commerce sales represented 26% of retail sales this year compared to 18% last year.

Gross margin for the first quarter was 53.7%, a decrease of 70 basis points from the same quarter last year. This decrease was primarily driven by the growth of our e-commerce business as a percent of retail sales, partially offset by improved product margins within each channel driven by our reduced promotional activity.

Gross profit for the first quarter was $55.4 million, a decrease of $2.5 million, or 4.4%, from the comparable quarter last year.

Selling, general & administrative expenses for the first quarter were $51.9 million, a decrease of $3.8 million, or 6.8%, from the comparable quarter last year. This decrease was driven by decreased employee costs and occupancy expense, driven by store closures and ongoing expense reduction initiatives. As a percentage of sales, SG&A was 50.2%, a decrease of 210 basis points from the first quarter of last year.

Adjusted EBITDA before other charges and change in accounting principle for the first quarter was $7.9 million, an increase of $1.6 million from the comparable quarter last year.

Net income for the first quarter was $0.2 million, or $0.02 per share, compared to a net loss of $1.1 million, or $0.08 per share, for the comparable quarter last year.

Adjusted net income was $1.0 million, or $0.07 per share, compared to adjusted net loss of $0.7 million, or $0.05 per share, for the first quarter of fiscal 2017.

Turning now to the balance sheet:

At quarter end, Inventory was $66.4 million, a decrease from the comparable quarter last year of $7.3 million, or 9.9%. And, Debt, net of cash, was $40.7 million, an increase of $4.0 million from the same quarter last year.

During the first quarter of 2018, we closed 3 stores and ended the quarter with 484 retail stores.

Capital Expenditures for the first quarter of 2018 were $1.1 million, a reduction of $0.9 million from last year. First quarter capital outlays were primarily the result of modest store investments, as we optimize our real estate portfolio, as well as IT investments. These investments represent a measured approach to capital expenditures that we will continue as we move forward.

This concludes the prepared remarks, so I will now turn the call over to the operator to initiate the question and answer portion of the call.

Marla A. Ryan, Chief Executive Officer:

Thank you all for joining us on the call today.

While there is much work ahead of us, I am encouraged by our efforts to date. We are working hard to identify and implement the right processes and strategies that will unlock the true potential of this business and position us for long term success. I appreciate your ongoing support and we all look forward to updating you on our progress next quarter.