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

FORM 8-K

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

Date of Report (Date of earliest event reported): August 4, 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 September 10, 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 August 4, 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 September 10, 2018.
99.2	Script for September 10, 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: September 10, 2018

DESTINATION MATERNITY CORPORATION

By: /s/ Marla A. Ryan
Marla A. Ryan
Chief Executive Officer

Exhibit 99.1

DESTINATION MATERNITY CORPORATION

Destination Maternity Reports Second Quarter and First Six Months Fiscal 2018 Results

- Comparable sales increase 1.2% from prior year second quarter
- E-commerce sales rise 18.4% from prior year second quarter
- Selling, General and Administrative expenses decline 5.1% from prior year second quarter
- Adjusted EBITDA before other charges and change in accounting principle for the first six months of fiscal 2018 increases 13.4% to $11.8 million
- Management reaffirms full-year guidance and expects Adjusted EBITDA before other charges will more than double over last year's second half

MOORESTOWN, N.J., September 10, 2018 — Destination Maternity Corporation (NASDAQ: DEST), the world's leading maternity apparel retailer, today announced financial results for the second quarter and first six months of fiscal 2018 ended August 4, 2018 compared to the second quarter and first six months of fiscal 2017 ended July 29, 2017.

Commentary

"We continued to make progress in the second quarter executing against our strategic initiatives aimed at accelerating revenue growth, rationalizing expenses and improving profitability," said Marla Ryan, Chief Executive Officer of Destination Maternity. "The hard work of our entire team drove an 18.4% year-over-year increase in ecommerce sales in the quarter, the 11th consecutive quarter of online sales growth. Comparable sales also increased 1.2%, and our disciplined cost savings measures reduced SG&A costs by 5.1% year-over-year in the second quarter. On the ecommerce front, we are rolling out enhanced site capabilities and faster shipping solutions over the next 90 days to better serve the needs of the digital savvy, millennial mom. We have retained a leading marketing advisory firm to assist us in identifying ways to drive higher e-Commerce revenue growth, improve online conversion, and maximize our marketing spend. Our brick and mortar business is stabilizing as we are actively realigning our product offering and shifting inventory towards more evergreen styles to increase conversion and drive sales. We are confident the right steps are being taken to position the business for future success. With this momentum and our year to date results, we are reaffirming our full-year guidance of 30% to 45% growth in Adjusted EBITDA, before other charges. We expect Adjusted EBITDA, before other charges will more than double over last year's second half."

Destination Maternity has strong brand awareness with a vast potential for growth. We remain committed to and confident in the transformation of this company to a more dynamic and profitable organization."

Second Quarter Fiscal 2018 Financial Results

- Net sales for the second quarter of fiscal 2018 decreased 1.9% to $96.4 million from $98.3 million for the second quarter of fiscal 2017. Sales were negatively impacted by the net closure of 27 retail stores, partially offset by an increase in comparable sales.
- Comparable sales for the second quarter of fiscal 2018 increased 1.2%, compared to a decrease of 3.4% in the second quarter of fiscal 2017.
- Gross margin for the second quarter of fiscal 2018 was 51.7%, a decrease of 123 basis points from the comparable prior year gross margin.
- Selling, general and administrative expenses ("SG&A") for the second quarter of fiscal 2018 decreased 5.1% to $50.1 million. As a percentage of net sales, SG&A decreased 176 basis points to 52.0%.
- Adjusted EBITDA before other charges was $4.0 million for the second quarter of fiscal 2018, a decrease of 3.4% compared to $4.1 million for the second quarter of fiscal 2017.
- Adjusted net loss for the second quarter of fiscal 2018 was $1.6 million, or $0.11 per share (diluted), compared to the comparably adjusted net loss for the second quarter of fiscal 2017 of $1.8 million, or $0.13 per share (diluted).

First Six Months of Fiscal 2018 Financial Results (26 weeks ended August 4, 2018)

- Net sales for the first six months decreased 2.5% to $199.6 million from $204.7 million for the comparable period in fiscal 2017.
- Comparable sales for the first six months of fiscal 2018 increased 0.5%, compared to a decrease of 5.5% for the six months ended July 29, 2017.
- Gross margin for the first six months of fiscal 2018 was 52.7%, a decrease of 100 basis points from the comparable prior year gross margin.
- Selling, general and administrative expenses ("SG&A") for the first six months of fiscal 2018 decreased 6.0% to $101.9 million. As a percentage of net sales, SG&A decreased 191 basis points to 51.1%.
- Adjusted EBITDA before other charges and change in accounting principle was $11.8 million for the first six months of fiscal 2018, an increase of 13.4% compared to $10.4 million for the first six months of fiscal 2017.
- Adjusted net loss for the first six months of fiscal 2018 was $0.5 million, or $0.04 per share (diluted), compared to the comparably adjusted net loss for the first six months of fiscal 2017 of $2.5 million, or $0.18 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 second quarter totaled $1.4 million primarily driven by minor investments in stores and investments to support key systems projects.
- At August 4, 2018, inventory was $67.8 million, a decrease of $2.0 million compared to $69.8 million at July 29, 2017.

Retail Locations

	Three Months Ended		Six Months Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Store Openings (1)	2	1	2	5
Store Closings (1) (2)	6	5	9	13
Period End Retail Location Count (1)				
Stores	480	507	480	507
Leased Department Locations	634	643	634	643
Total Retail Locations	1,114	1,150	1,114	1,150

1) Excludes international franchised locations.
2) During the six months ended July 29, 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 second quarter Fiscal 2018 financial results that includes comments on the results from members of our senior management at 9:00 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 6396537.

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 6396537.

About Destination Maternity

Destination Maternity Corporation is the world's largest designer and retailer of maternity apparel. As of August, 4, 2018, Destination Maternity operates 1,114 retail locations in the United States, Canada and Puerto Rico, including 480 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 August 4, 2018, Destination Maternity has 188 international franchised locations, including 11 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

Sloane & Company
Erica Bartsch, 212-446-1875
Ebartsch@sloanepr.com
Alex Kovtun, 212-446-1896
Akovtun@sloanepr.com

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

	Three Months Ended		Six Months Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net sales	$ 96,395	$ 98,280	$ 199,622	$ 204,706
Cost of goods sold	46,530	46,227	94,354	94,714
Gross profit	49,865	52,053	105,268	109,992
Gross margin	51.7%	53.0%	52.7%	53.7%
Selling, general and administrative expenses	50,095	52,806	101,952	108,455
Store closing, asset impairment and asset disposal expenses	672	1,120	1,641	2,638
Other charges, net	1,923	(171)	3,073	646
Operating loss	(2,825)	(1,702)	(1,398)	(1,747)
Interest expense, net	1,144	979	2,301	1,983
Loss before income taxes	(3,969)	(2,681)	(3,699)	(3,730)
Income tax provision	56	93	112	186
Net loss	$ (4,025)	$ (2,774)	$ (3,811)	$ (3,916)
Net loss per share — Basic	$ (0.29)	$ (0.20)	$ (0.28)	$ (0.28)
Average shares outstanding — Basic	13,823	13,793	13,831	13,771
Net loss per share — Diluted	$ (0.29)	$ (0.20)	$ (0.28)	$ (0.28)
Average shares outstanding — Diluted	13,823	13,793	13,831	13,771
Reconciliation of Net Loss to Adjusted Net Loss				
Net loss, as reported	$ (4,025)	$ (2,774)	$ (3,811)	$ (3,916)
Add: other charges for proxy solicitation	1,256	—	2,141	—
Add: other charges for proposed merger	—	(165)	—	649
Add: other charges for management and organizational changes	667	(6)	932	(3)
Less: effect of change in accounting principle	—	—	—	(764)
Less: income tax effect of adjustments to net loss	(474)	64	(746)	42
Add deferred tax valuation allowance related to cumulative losses	991	1,073	924	1,497
Adjusted net loss	$ (1,584)	$ (1,808)	$ (560)	$ (2,495)
Adjusted net loss per share - diluted	$ (0.11)	$ (0.13)	$ (0.04)	$ (0.18)

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

	August 4, 2018	February 3, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	$ 1,317	$ 1,635
Trade receivables, net	6,837	6,692
Inventories	67,753	71,256
Prepaid expenses and other current assets	11,043	11,522
Total current assets	86,950	91,105
Property and equipment, net	59,177	66,146
Other assets	6,612	5,331
Total assets	$ 152,739	$ 162,582
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit borrowings	$ 7,300	$ 8,000
Current portion of long-term debt	4,881	4,780
Accounts payable	24,497	30,949
Accrued expenses and other current liabilities	33,402	31,661
Total current liabilities	70,080	75,390
Long-term debt	23,802	23,809
Deferred rent and other non-current liabilities	21,442	22,715
Total liabilities	115,324	121,914
Stockholders' equity	37,415	40,668
Total liabilities and stockholders' equity	$ 152,739	$ 162,582

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

	August 4, 2018	February 3, 2018	July 29, 2017
Cash and cash equivalents	$ 1,317	$ 1,635	$ 2,161
Inventory	67,753	71,256	69,759
Property and equipment, net	59,177	66,146	76,128
Line of credit borrowings	7,300	8,000	4,200
Total debt	35,983	36,589	39,280
Stockholders' equity	37,415	40,668	58,033

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

	Six Months Ended	
	August 4, 2018	**July 29, 2017**
Operating Activities		
Net loss	$ (3,811)	$ (3,916)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	7,961	8,888
Stock-based compensation expense	584	830
Loss on impairment of long-lived assets	1,519	2,446
Loss on disposal of assets	68	116
Grow NJ award benefit	(1,412)	1,815
Amortization of deferred financing costs	336	235
Changes in assets and liabilities:		
Decrease (increase) in:		
Trade receivables	(145)	(221)
Inventories	3,503	(719)
Prepaid expenses and other current assets	479	1,962
Other non-current assets	12	(44)
Increase (decrease) in:		
Accounts payable, accrued expenses and other current liabilities	(1,831)	(2,965)
Deferred rent and other non-current liabilities	(1,417)	(179)
Net cash provided by operating activities	5,846	8,248
Investing Activities		
Capital expenditures	(2,579)	(3,611)
Additions to intangible assets	—	(18)
Net cash used in investing activities	(2,579)	(3,629)
Financing Activities		
Decrease in cash overdraft	(2,657)	(1,342)
Decrease in line of credit borrowings	(700)	(400)
Proceeds from long-term debt	2,500	3,401
Repayment of long-term debt	(2,537)	(6,673)
Deferred financing costs paid	(160)	(268)
Withholding taxes on stock-based compensation paid in connection with repurchase of common stock	(29)	(37)
Proceeds from exercise of stock options	—	—
Net cash used in financing activities	(3,583)	(5,319)
Effect of exchange rate changes on cash and cash equivalents	(2)	2
Net Decrease in Cash and Cash Equivalents	(318)	(698)
Cash and Cash Equivalents, Beginning of Period	1,635	2,859
Cash and Cash Equivalents, End of Period	$ 1,317	$ 2,161

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		Six Months Ended	
	August 4, 2018	July 29, 2017	August 4, 2018	July 29, 2017
Net loss	$ (4,025)	$ (2,774)	$ (3,811)	$ (3,916)
Add: income tax provision	56	93	112	186
Add: interest expense, net	1,144	979	2,301	1,983
Operating loss	(2,825)	(1,702)	(1,398)	(1,747)
Add: depreciation and amortization expense	3,910	4,427	7,960	8,888
Add: loss on impairment of long-lived assets	632	1,100	1,519	2,446
Add: loss on disposal of assets	55	22	68	116
Add: stock-based compensation expense	256	416	584	830
Adjusted EBITDA (1)	2,028	4,263	8,733	10,533
Add: other charges for proxy solicitation	1,256	—	2,141	—
Add: other charges for proposed business combination	—	(165)	—	649
Add: other charges for management and organizational changes	667	(6)	932	(3)
Less: effect of change in accounting principle	—	—	—	(764)
Adjusted EBITDA before other charges and effect of change in accounting principle	$ 3,951	$ 4,092	$ 11,806	$ 10,415
Net Sales	$96,395	$ 98,280	$199,622	$204,706
Operating loss margin (operating loss as a percentage of net sales)	(2.9%)	(1.7%)	(0.7%)	(0.9%)
Adjusted EBITDA margin (adjusted EBITDA as a percentage of net sales	2.1%	4.3%	4.4%	6.5%
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)	4.1%	4.2%	5.9%	7.1%

(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

Second Quarter Fiscal 2018

Results Conference Call

9/10/18

Thomas McCracken, Senior Vice President, Finance:

Thank you, operator. Good morning everyone, and welcome to Destination Maternity's second 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 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 and good morning everyone. Welcome to our second quarter earnings call. Over the past three and a half months I have been at Destination Maternity, we have been busy implementing a comprehensive business plan aimed at accelerating revenue growth, rationalizing expenses and improving profitability across the organization.

Since my arrival in late May, we have made a concerted effort to be as open and transparent with our shareholders regarding our objectives and priorities around these initiatives. I am pleased with our execution to date and I want to thank the entire Destination Maternity team, which remains as passionate and committed as I am to the Company's enterprise wide transformation.

The hard work of the entire team helped to drive our 6th quarter in a row of double digit sales increases in our ecommerce business, while continuing to drive reductions in SG&A and reduce negative comparable store sales in our brick and mortar business. With this momentum and our year to date results, we are reaffirming our full-year guidance of 30% to 45% growth in Adjusted EBITDA, before other charges. We expect Adjusted EBITDA, before other charges will more than double over last year's second half.

There is, of course, more work to be done. Over the past 15 weeks, we have been executing a deep dive across all areas and functions of the enterprise. I continue to stand by my original assessment that this is not a broken company, but one that has been misdirected. Our business has multiple revenue streams, including ecommerce, retail stores and wholesale to name a few—making it quite complex. Every effort is being made to simplify our business model and to make it more dynamic and efficient. Destination Maternity remains a powerful and strong brand, whose awareness has not diminished in recent years, continuing to prove we have a solid runway to drive growth for the future.

To give you a better sense of our efforts over the last few weeks, let me provide more color on each specific segment, starting with ecommerce.

In the second quarter, our e-commerce channel increased 18.4% in total and 30.7% for our own site versus last year. This is the 11th quarter in a row of online sales growth and over the past three years we have increased our online sales by almost 75%. Online revenue growth for our flagship Motherhood brand was up 25% year-over-year.

With these results, a top priority moving forward is our online site being a digital flagship, serving the needs of the millennial mom. Our mom2be is digitally savvy, leads a busy life and demands convenience. Over the next 90 days we are rolling out enhanced site capabilities and faster shipping solutions to increase transactions and improve conversion. We have retained RJK Project, a marketing advisory firm that specializes in site analytics, CRM evaluation, email optimization and improved paid search/paid social results to consult us in driving online conversion, revenue growth and how best to maximize our marketing spend. We are bringing additional payment solutions to the checkout page with the launch of Apple Pay and Venmo, giving our mom2be multiple payment options at checkout. Additionally, as we strive to provide more convenience, we are excited to announce same day delivery in Manhattan will be available by mid-October.

Our brick and mortar business, comparable sales in the quarter were down 3.3% over last year in total, with a decrease of 2.5% in our owned stores, which was a modest improvement in trend from the first quarter and a major improvement from the trend of the last few years. As we move forward, we are realigning our product offering and shifting more of our inventory towards evergreen (or basic) styles that our mom2be continues to purchase from us, and away from lower converting, lower turnover fashion styles.

Supporting our continued efforts to increase same store sales, we kicked off a comprehensive test in 15 local stores across all formats coinciding with our Fall floor-set. This test encompasses an edited product offer, increased depth of inventory, new product pricing, and a value driven promotional strategy. We reconfigured the in-store shopping layout, conducted product training for our sales associates, heightened our focus on customer service levels and introduced i-pad technology to drive customer engagement around value and quality versus promotions. While in the early stages, we are pleased with the initial results so far. We are confident a solution-oriented product offer with value pricing and content messaging on quality, will drive profitable sales.

To address our high markdown inventory levels in store we are launching a simplified clearance pricing strategy based on a successful test we executed during the month of August. This effort will enable us to turn our current and future markdowns faster, reducing stagnant inventory levels and freeing up valuable cost of inventory dollars.

We have several updates regarding our 3rd party distribution channels. During the second quarter, many of our leased locations benefited from the shuttering of Babies "R" Us. As a result, we are testing an expanded space and product concept in thirty of our top leased locations at the end of October to capitalize on the increased traffic and demand. Pending the results, we will evaluate if additional locations should be added as we move into next year.

Our Amazon Retail strategy is launching at the end of September with the goal of providing the mom2be higher visibility to our Motherhood products during her maternity apparel search and allowing our products to be eligible for Prime shipping. We believe this launch will drive incremental sales as 57% of our existing customers already have an Amazon Prime account.

To continue driving greater engagement and distribution points with the mom2be throughout her 40 weeks of pregnancy and afterwards, we are actively in discussions on several new leased and wholesale opportunities to expand domestically and internationally. We look forward to sharing more details on these opportunities when they've been finalized.

Over the past two months our product teams have been finalizing our Spring 2019 product assortments. They have made numerous adjustments across product mix, inventory depth, pricing and promotional cadence. As we look forward into next year, our product offer and mix will have a greater focus on solution products such as our extensive nursing collection with the clip down function, secret fit belly denim and essential knits. We are increasing the historical depth behind these key solution products to drive consistent conversion and sales throughout the season. As we begin to shift our inventories, we expect to see an increase in our productivity and a decrease on our dependency around margin draining promotions. We are proactively working with our vendor base to reduce lead times, create fabric and trim platforms for faster production and reduce costs.

Communicating to our customers that we have amazing maternity solutions for them and not just great discounts, is a critical component of our future success. To this end, we are coordinating our marketing efforts through targeted campaigns around our product with content to drive full price sales and profitability. As we head into the back half of the year, we are building out several comprehensive marketing campaigns for our Motherhood and A Pea in the Pod brands.

These coordinated marketing efforts will drive product messaging around value, quality and price through in-store signage, email, search and social media posts.

We continue to assess all of our sales channels and revenue streams, focusing on opportunities for profitable growth. I have consistently communicated to the organization the critical need for us to have an owner led mentality, focusing on driving productivity and profitability. With this in mind, we have several key initiative updates on optimizing our real estate portfolio, reducing our aged inventory levels, and improving our SG&A. Our goal to optimize and drive profitable sales across our brick and mortar footprint remains a key priority. To that end, we are in discussions with a real estate advisory firm to assist us in conducting an in-depth assessment of all of our locations over the next 60 days as we begin to reshape the portfolio for future profitability. With regards to our aged inventory, we have retained Great American Group to immediately assess and determine profitable solutions for the liquidation of our significantly aged inventory levels. We remain committed to aggressively managing our expenses and finding efficiencies to reduce our SG&A for the balance of this year. Year-to-date, we have reduced SG&A by $6.5 million compared to the first half of 2017, and we are well on track to meet or exceed our full year guidance for a $10 million reduction in the absolute dollar level of SG&A spend. As we build our financial forecast for 2019 and beyond, we plan to continue optimizing our SG&A expenses to provide a better balance as a percent of revenue. As we begin to finalize our plans for next year we will provide more color and detail around this initiative. Lastly, we announced the appointment of Andrea Funk to the Board of Directors last month. Ms. Funk brings over 20 years of public and private company leadership experience, with a focus on financial expertise, strategic operations, corporate governance and manufacturing. She has also led successful turnarounds and restructurings for multiple companies. The Board and management team are both very pleased to have Andrea join us with her key governance experience and diverse skill set.

Overall, I am pleased with the progress we have made so far around our strategic initiatives and priorities including the handful of tests we have executed during the past three months. Our focus remains on these critical initiatives, ensuring that we take the right steps and make data driven decisions to position our iconic brand for future growth and profitability. Our brands have incredible strength and the vast potential for profitable growth. The entire Destination Maternity team remains committed to our transformation into a nimble and profitable organization that generates long term shareholder value.

With that, I will turn it back over to Tom.

Thomas McCracken, Senior Vice President, Finance:

Thank you Marla,

This morning I will review our fiscal 2018 second quarter and year to date performance and key items on our balance sheet and cash flow.

Sales for the second quarter were $96.4 million, a decrease of $1.9 million, or 1.9%, from the comparable quarter last year. Comparable retail sales were up 1.2%, which reflects the net effect of an 18.4% increase in ecommerce sales, partially offset by a 3.3% decrease in comparable brick and mortar sales. Additionally, sales were impacted by the net closure of 27 retail stores, and a decline in sales to wholesale and franchise partners. Ecommerce sales represented 24% of retail sales, compared to 20% last year.

Gross margin for the second quarter was 51.7%, a decrease of 120 basis points from the same quarter last year. This decrease was primarily driven by increased markdown and promotional activity to more aggressively manage inventory in addition to the growth of our ecommerce business as a percent of retail sales.

Gross profit for the second quarter was $49.9 million, a decrease of $2.2 million, or 4.2%, from the comparable quarter last year.

Selling, general & administrative expenses for the second quarter were $50.1 million, a decrease of $2.7 million, or 5.1%, 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 52.0%, a decrease of 180 basis points from the second quarter of last year.

Adjusted EBITDA before other charges for the second quarter was $4.0 million, a slight decrease of $0.1 million from the comparable quarter last year.

The net loss for the second quarter was $4.0 million, or $0.29 per share, compared to a net loss of $2.8 million, or $0.20 per share, for the prior year.

Adjusted net loss was $1.6 million, or $0.11 per share, compared to adjusted net loss of $1.8 million, or $0.13 per share, for the second quarter of fiscal 2017.

I will now turn to our year to date results.

Sales for the first six months ended August 4, 2018 were $199.6 million, a decline of $5.1 million, or 2.5% from comparable period last year. Comparable retail sales were up 0.5%, which reflects the net effect of a 28.7% increase in ecommerce sales partially offset by a 6.4% decrease in comparable brick and mortar sales. Additionally, sales were impacted by the previously mentioned decreases in store counts, and the decline in sales to wholesale and franchise partners. Ecommerce sales for the first six months were 23% of retail sales, compared to 17% last year.

Gross margin for the first six months of 2018 was 52.7%, a decrease of 100 basis points from the comparable period last year. This decrease was primarily driven by the previously mentioned growth of our ecommerce business as a percent of retail sales.

Gross profit for the first six months was $105.3 million, a decrease of $4.7 million, or 4.3%, from last year.

Selling, general & administrative expenses for the first two quarters of 2018 were $102.0 million, a decrease of $6.5 million, or 6.0% 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 190 basis points from last year to 51.1%.

Adjusted EBITDA before other charges and change in accounting principle for the first six months was $11.8 million, an increase of $1.4 million, or 13.4%, from the comparable period last year.

Net loss for the first six months of fiscal 2018 was $3.8 million, or $0.28 per share. For the comparable period last year, the net loss was $3.9 million, or $0.28 per share.

Adjusted net loss was $0.6 million, or $0.04 per share, compared to adjusted net loss of $2.5 million, or $0.18 per share, for the six months ended July 29, 2017.

Turning now to the balance sheet:

At quarter end, Inventory was $67.8 million, a decrease from last year of $2.0 million, or 2.9%, and Debt, net of cash, was $34.7 million, a decrease of $2.5 million from last year.

Through the second quarter of 2018, we opened 2 stores and closed 9 stores for a net reduction of 7 retail stores. We ended the quarter with 480 retail stores.

Capital Expenditures for the first six months of 2018 were $2.6 million, a reduction of $1.0 million from last year.

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.

Following Questions:

Marla Ryan, Chief Executive Officer:

Thank you for joining us today. As you can see, we are highly committed to our transformation into a nimble and profitable organization. Our recent results and progress encourage us that the appropriate steps and decisions are being made to create long-term shareholder value and return our iconic company to profitability.

From all of us at Destination Maternity, we thank you for your ongoing support and look forward to updating on our progress at our next quarterly earnings call.