UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended March 31, 2012

or

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

For the transition period from to

Commission file number 001-34906

BODY CENTRAL CORP.

(Exact name of registrant as specified in its charter)

Delaware	**14-1972231**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

6225 Powers Avenue

Jacksonville, FL 32217

(Address, including zip code, of principal executive offices)

Registrant s telephone number, including area code: **(904) 737-0811**

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). x Yes o No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares outstanding of the registrant s common stock as of May 2, 2012 was 16,172,393 shares.

Table of Contents

TABLE OF CONTENTS

Table of Contents

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements concerning our business, operations and financial performance and condition as well as our plans, objectives and expectations for our business operations and financial performance and condition that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report on Form 10-Q are forward-looking statements. You can identify these statements by words such as aim, anticipate, assume, believe, could, due, estimate, goal, intend, may, objective, plan, potential, positioned, predict, should, target, will, would and other similar expression or indicate future events and future trends. These forward-looking statements are based on current expectations, estimates, forecasts and projections about our business and the industry in which we operate and our management s beliefs and assumptions. These statements are not guarantees of future performance or development and involve known risks, uncertainties and other factors that are in some cases beyond our control. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- our ability to identify and respond to new and changing fashion trends, customer preferences and other related factors;
- failure to execute successfully our growth strategy;
- changes in consumer spending and general economic conditions;
- changes in the competitive environment in our industry and the markets we serve, including increased competition from other retailers;
- failure of our new stores or existing stores to achieve sales and operating levels consistent with our expectations;
- our dependence on a strong brand image;
- failure of our information technology systems to support our business;
- our dependence upon key executive management or our inability to hire or retain additional personnel;

- disruptions in our supply chain and distribution facility;
- our reliance upon independent third-party transportation providers for all of our product shipments;
- hurricanes, natural disasters, unusually adverse weather conditions, boycotts and unanticipated events;
- the seasonality of our business;
- increases in costs of fuel, or other energy, transportation or utilities costs as well as in the costs of raw materials, labor and employment;
- the impact of governmental laws and regulations and the outcomes of legal proceedings;
- restrictions imposed by our lease obligations on our current and future operations; and
- our inability to protect our trademarks or other intellectual property rights.

Body Central Corp. (herein we , our , us or the Company) derives many of its forward-looking statements from its operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual

Table of Contents

results. For the discussion of these risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2011, filed with the Securities and Exchange Commission (SEC). The forward-looking statements included in this Quarterly Report on Form 10-Q are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

Table of Contents

PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

BODY CENTRAL CORP.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	March 31, 2012	December 31, 2011	April 2, 2011
		(In thousands, except share data)	
Assets			
Current assets			
Cash and cash equivalents	$ 24,608	$ 41,993	$ 25,108
Short-term investments	19,871		
Accounts receivable	1,098	2,607	851
Inventories	22,530	21,141	19,543
Prepaid expenses and other current assets	4,885	4,293	4,418
Deferred tax asset	1,659	1,953	1,722
Total current assets	74,651	71,987	51,642
Property and equipment, net of accumulated depreciation and amortization of $21,089, $19,892 and $16,630	23,229	22,159	17,545
Goodwill	21,508	21,508	21,508
Intangible assets, net of accumulated amortization of $3,810, $3,663 and $3,166	16,395	16,542	16,982
Other assets	101	106	102
Total assets	$ 135,884	$ 132,302	$ 107,779
Liabilities and Stockholders Equity			
Current liabilities			
Merchandise accounts payable	$ 16,741	$ 16,498	$ 17,068
Accrued expenses and other current liabilities	15,665	18,608	13,614
Total current liabilities	32,406	35,106	30,682
Other liabilities	7,482	7,899	6,823
Deferred tax liability	3,966	4,225	4,562
Total liabilities	43,854	47,230	42,067
Commitments and contingencies			
Stockholders equity			
Common stock, $0.001 par value, 45,000,000 shares authorized, 16,154,243 shares issued and outstanding as of March 31, 2012, 16,095,377 shares issued and outstanding as of December 31, 2011 and 15,655,957 shares issued and outstanding as of April 2, 2011	16	16	16
Additional paid-in capital	93,724	92,705	87,650
Accumulated deficit	(1,710)	(7,649)	(21,954)
Total stockholders equity	92,030	85,072	65,712
Total liabilities and stockholders equity	$ 135,884	$ 132,302	$ 107,779

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

BODY CENTRAL CORP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (UNAUDITED)

	Thirteen Weeks Ended March 31, 2012	Thirteen Weeks Ended April 2, 2011
	(in thousands, except share and per share data)	
Net revenues	$ 82,681	$ 73,984
Cost of goods sold, including occupancy, buying, distribution center and catalog costs	53,419	47,251
Gross profit	29,262	26,733
Selling, general and administrative expenses	18,250	16,701
Depreciation and amortization	1,477	1,203
Income from operations	9,535	8,829
Interest income, net of interest expense	(8)	(5)
Other income, net of other expense	(42)	(44)
Income before income taxes	9,585	8,878
Provision for income taxes	3,646	3,463
Net income	$ 5,939	$ 5,415
Net income per common share:		
Basic	$ 0.37	$ 0.35
Diluted	$ 0.36	$ 0.34
Weighted-average common shares outstanding:		
Basic	16,123,255	15,550,193
Diluted	16,365,933	16,070,603
Other comprehensive income, net of tax		
Comprehensive income	$ 5,939	$ 5,415

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

BODY CENTRAL CORP.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Thirteen Weeks Ended March 31, 2012	Thirteen Weeks Ended April 2, 2011
	(in thousands)	
Cash flows from operating activities		
Net income	$ 5,939	$ 5,415
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,477	1,203
Deferred income taxes	36	45
Tax benefits from stock-based compensation	(390)	(834)
Stock based compensation	392	240
Loss on disposal of property and equipment	18	
Changes in assets and liabilities:		
Accounts receivable	1,509	407
Inventories	(1,388)	(1,174)
Prepaid expenses and other current assets	(592)	(485)
Other assets	5	
Merchandise accounts payable	243	2,188
Accrued expenses and other current liabilities	(3,262)	(1,383)
Income taxes	709	1,226
Other liabilities	(409)	1,681
Net cash provided by operating activities	4,287	8,529
Cash flows from investing activities		
Purchases of property and equipment	(2,429)	(1,538)
Purchases of short-term investments	(19,871)	
Net cash used in investing activities	(22,300)	(1,538)
Cash flows from financing activities		
Proceeds from common stock offering, net of issuance costs		1,074
Proceeds from exercise of stock options	238	7
Tax benefits from stock-based compensation	390	834
Net cash provided by (used in) financing activities	628	1,915
Net increase (decrease) in cash and cash equivalents	(17,385)	8,906
Cash and cash equivalents		
Beginning of year	41,993	16,202
End of period	$ 24,608	$ 25,108

The accompanying notes are an integral part of these unaudited consolidated financial statements.

Table of Contents

1. Nature of Business and Summary of Significant Accounting Policies

Nature of Business and Organization

Body Central Corp. (the Company) is a specialty retailer of young women s apparel and accessories operating retail stores in the South, Mid-Atlantic and Midwest regions of the United States. The Company operates specialty apparel stores under the Body Central and Body Shop banners as well as a direct business comprised of our Body Central catalog and our e-commerce website at *www.bodyc.com.*

Principles of Consolidation

In the opinion of management, the accompanying unaudited consolidated financial statements include all adjustments, consisting primarily of normal and recurring adjustments, necessary for the fair presentation of consolidated financial position, results of operations, and cash flows for the interim periods presented. All intercompany accounts and transactions have been eliminated in consolidation. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission (SEC). Accordingly, these unaudited consolidated financial statements and related notes thereto should be read in conjunction with the consolidated financial statements and notes thereto for the fiscal year ended December 31, 2011, included in the Company s Annual Report on Form 10-K, filed with the SEC.

Fiscal Year

The Company s fiscal year ends on the Saturday closest to December 31. As used herein, the interim periods presented are the thirteen week periods ended March 31, 2012 and April 2, 2011.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. On an ongoing basis, management evaluates its estimates and judgments, including those related to inventory valuation, property and equipment, recoverability of long-lived assets, including intangible assets, income taxes and stock-based compensation.

Segment Reporting

GAAP has established guidance for reporting information about a company s operating segments, including disclosures related to a company s products and services, geographic

Table of Contents

areas and major customers. The Company has aggregated its net revenues generated from its retail stores and its direct business into one reportable segment. The Company aggregates its operating segments because they have a similar class of customer, nature of products, nature of production process and distribution methods as well as similar economic characteristics. The Company has no international sales. All of the Company s identifiable assets are in the United States.

Revenue Recognition

The Company recognizes revenue, and the related cost of goods sold is expensed, at point-of-sale or upon shipment to customers. Shipping and handling fees billed to customers for online and catalog sales are included in net revenues, and the related shipping and handling costs are included in cost of goods sold. Based on historical sales returns, an allowance for sales returns is recorded as a reduction of net revenues in the periods in which the sales are recognized. Sales tax collected from customers is excluded from net revenues and is included as part of accrued expenses and other current liabilities on the Consolidated Balance Sheets.

Beginning in March 2011, we began selling gift cards in our stores, which do not expire or lose value over periods of inactivity. We account for gift cards by recognizing a liability at the time a gift card is sold. We recognize income from gift cards and gift certificates when they are redeemed by the customer.

Revenue from unredeemed gift certificates is recognized when it is determined that the likelihood of the gift certificate being redeemed is remote and that there is no legal obligation to remit unredeemed gift certificates to relevant jurisdictions. No revenue from gift certificate breakage was recognized in the thirteen week periods ended March 31, 2012 and April 2, 2011.

Cash and Cash Equivalents

The Company considers all short-term investments with an initial maturity of three months or less when purchased to be cash equivalents.

Inventories

Inventories are comprised principally of women s apparel and accessories and are stated at the lower of cost or market, on a first-in-first-out basis, using the retail inventory method. Included in the carrying value of merchandise inventory, and reflected in cost of goods sold, is a reserve for shrinkage which is accrued between physical inventory dates as a percentage of sales based on historical inventory results.

The Company reviews its inventory levels to identify slow-moving merchandise and generally uses markdowns to clear this merchandise. The Company records a markdown reserve based on estimated future markdowns related to current inventory to clear slow-moving inventory. These markdowns may have an adverse impact on earnings, depending on the extent and amount of inventory affected. The markdown reserve is recorded as an increase to cost of goods sold in the Consolidated Statements of Comprehensive Income.

New Accounting Standards

In May 2011, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2011-04, *Fair Value Measurement (Topic 820)*. The amended guidance requires most entities to change wording that describes the requirements for measuring fair value and for disclosing information about fair value measurements. The objective of this amendment is to develop a single, converged fair value framework between the FASB and International Accounting Standards Board (IFRS). The adoption of this guidance will not have a material impact on the Company s consolidated financial statements or disclosures.

In June 2011, the FASB issued ASU No. 2011-05, *Presentation of Comprehensive Income*, which amends Accounting Standards Codification (ASC) 220, *Comprehensive Income*. The amended guidance requires most entities to present changes in net income and other comprehensive income in either a single statement of comprehensive income or two separate, but consecutive, statements. The objective of these amendments is to improve the comparability, consistency, and transparency of financial reporting and to increase the prominence of items reported in other comprehensive income. This guidance is effective for fiscal years beginning after December 15, 2011. The Company s adoption of this guidance did not have a material impact on the Company s consolidated financial statements or disclosures.

In December 2011, the FASB issued ASU No. 2011-11, *Balance Sheet (Topic 210)*. The amended guidance requires entities to disclose both gross information and net information about both instruments and transactions eligible for offset in the statement of financial position and instruments and transactions subject to an agreement similar to a master netting arrangement. The objective of this amendment is to facilitate comparability between entities that prepare their financial statements on the basis of GAAP and those that prepare it on the basis of IFRS. This guidance is effective for annual reporting periods beginning on or after January 1, 2013. The adoption of this guidance will not have a material impact on the Company s consolidated financial statements or disclosures.

Table of Contents

2. Financial Instruments

The FASB-issued guidance establishes a framework for measuring fair value that is based on the inputs market participants use to determine fair value of an asset or liability and establishes a fair value hierarchy to prioritize those inputs. The guidance under this statement describes a hierarchy of three levels of input that may be used to measure fair value:

- Level 1 Inputs based on quoted prices in active markets for identical assets and liabilities.

- Level 2 Inputs other than Level 1 quoted prices, such as quoted prices for similar assets and liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.

- Level 3 Unobservable inputs based on little market or no market activity and which are significant to the fair value of the assets and liabilities.

The Company s material financial instruments consist primarily of cash and cash equivalents, short-term investments, accounts receivable, accounts payable, and accrued expenses. The fair values of cash, accounts receivable, accounts payable and accrued expenses are equal to their carrying values based on their liquidity.

Considerable judgment is required in interpreting market data to develop estimates of fair value. The fair value estimate presented herein is not necessarily indicative of the amount that the Company or the debt holders could realize in a current market exchange. The use of different assumptions and/or estimation methodologies may have a material effect on the estimated fair value.

The Company has determined the estimated fair value amounts of its financial instruments using available market information. The assets that are measured at fair value on a recurring basis include the following:

Description	**March 31, 2012**	**Quoted Prices in Active Markets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
		(in thousands)		
Municipal Bonds	$ 10,259	$	$ 10,259	$
Short-term, high-quality, fixed-income securities	7,655		7,655	

Certificates of Deposit		1,957		1,957				
Total	$	19,871	$	1,957	$	17,914	$	

Description		April 2, 2011		Quoted Prices in Active Markets (Level 1)		Significant Other Observable Inputs (Level 2)		Significant Unobservable Inputs (Level 3)
				(in thousands)				
Money Market Securities	$	20,153	$	20,153	$		$	
Total	$	20,153	$	20,153	$		$	

As of March 31, 2012, the Company s investment portfolio primarily consisted of $10.3 million in state and municipal bonds, $7.7 million in mutual funds and $1.9 million in certificates of deposit. These securities are held in managed funds with underlying ratings of A or better. As of April 2, 2011, the Company had $20.2 million in money market securities.

Table of Contents

Money market securities, which are short-term investments of excess cash, are classified as cash and cash equivalents on the accompanying unaudited Consolidated Balance Sheets.

3. Income Taxes

The provision for income taxes is based on the current estimate of the annual effective tax rate and is adjusted as necessary for discrete events occurring in a particular period. The effective income tax rate was 38.0% and 39.0% for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively. The decrease in the effective tax rate for the thirteen-week period ended March 31, 2012 was primarily due to discrete items.

The Company recognizes income tax liabilities related to unrecognized tax benefits in accordance with FASB ASC 740, *Income Taxes*, guidance related to uncertain tax positions, and adjusts these liabilities when its judgment changes as the result of the evaluation of new information. The Company does not anticipate any significant changes to the unrecognized tax benefits recorded at the balance sheet date within the next twelve months.

4. Related Parties

The Company leases office and warehouse space under a lease agreement dated October 1, 2006 with a company that is owned by certain members of management who are also stockholders of the Company. The lease expires on October 1, 2016. The Company incurred rent expense of $119,000 and $117,000 for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively, related to this lease.

5. Leases

The Company s retail stores and corporate offices are in leased facilities. Lease terms for retail stores generally range up to ten years and provide for escalations in base rents. The Company does not have obligations to renew the leases. Certain leases provide for contingent rentals based upon sales. Most leases also require additional payments covering real estate taxes, common area costs and insurance.

Future minimum rental commitments, by year and in the aggregate, under non-cancelable operating leases as of March 31, 2012, are as follows:

Fiscal Year		**(in thousands)**
2012 Remaining	$	15,504
2013		18,969
2014		17,608
2015		15,989
2016		13,443

Thereafter		17,798
Total	$	99,311

6. Debt

On January 20, 2012, we entered into a Line of Credit Agreement with Branch Banking and Trust Company that provides for a revolving line of credit facility in the amount of $5.0 million with an accordion feature that allows Branch Banking and Trust Company to increase the facility up to $20 million at its sole discretion. The facility has maturity date of May 5, 2013 and bears interest at the one month LIBOR rate plus 1.35% per annum, as adjusted monthly on the first

Table of Contents

day of each month, with an all-in floor rate of 2.0%. The facility is secured by all the assets of the Company. The Line of Credit Agreement includes a financial covenant requiring the Company to have a Tangible Net Worth (as defined in the Line of Credit Agreement) of $30.0 million quarterly, and other customary covenants. As of March 31, 2012, the Company was in compliance with all covenants and had no outstanding borrowings under this line of credit facility.

7. Stockholders Equity

Common Stock

On February 16, 2011, the Company completed a secondary offering of 5,703,764 shares of common stock priced at $16.50 per share. The Company sold 100,000 new shares of its common stock in the offering, and selling shareholders sold 5,603,764 shares of common stock in the offering which included all of the 743,969 shares sold pursuant to the underwriters over-allotment option. The offering raised net proceeds of $1.1 million for the Company, after deducting the underwriting discount and offering expenses paid by the Company. The Company did not receive any proceeds from the sale of the shares by the selling stockholders.

On May 25, 2011, the Company amended and restated the Company s Third Amended and Restated Certificate of Incorporation to reduce its total number of authorized shares of common stock to 45 million shares, par value $0.001 per share.

Stock-Based Compensation Plan

On May 25, 2011, the Company s stockholders approved an amendment and restatement to the Plan. The amended and restated Plan permits up to 250,000 of the remaining 1,051,509 shares of common stock reserved for future issuance as of March 31, 2012 under the Plan to be issued in the form of restricted stock awards and will allow certain awards under the Plan to qualify as performance-based compensation under Section 162(m) of the Internal Revenue Code of 1986, if the compensation committee of the Company s board of directors chooses to qualify the awards in other respects.

Stock-based compensation expense of $392,000 and $240,000 for the thirteen weeks ended March 31, 2012 and April 2, 2011, respectively, is included in selling, general and administrative expenses and cost of goods sold on the Company s Consolidated Statements of Comprehensive Income. The Company did not capitalize any expense related to stock-based compensation.

Option Awards

The fair value of each option grant for the thirteen weeks ended March 31, 2012 was estimated on the grant date using the Black-Scholes option-pricing model with the following weighted-average assumptions:

Table of Contents

Expected option term (1)	6.25 years
Expected volatility factor (2)	66.2%
Risk-free interest rate (3)	1.1%
Expected annual dividend yield	0%

(1) Since there was not sufficient historical information for grants with similar terms, the simplified or plain-vanilla method of estimating option life was utilized.

(2) The stock volatility for each grant is measured using the weighted average of historical weekly price changes of certain peer companies common stock over the most recent period equal to the expected option life of the grant.

(3) The risk-free interest rate for periods equal to the expected term of the share option is based on the rate of U.S. Treasury securities with the same term as the option as of the grant date.

A summary of stock option information for the thirteen weeks ended March 31, 2012 is as follows:

	Shares		Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Term
Outstanding as of December 31, 2011	634,056	$	9.72	
Granted	5,000		28.84	
Exercised	(58,866)		4.04	
Forfeited				
Outstanding as of March 31, 2012	580,190	$	10.46	
Exercisable as of March 31, 2012	100,609	$	5.51	7.4 years

A summary of the status of nonvested options awards as of March 31, 2012 and changes during the thirteen weeks ended March 21, 2012, are presented below:

Table of Contents

	Shares		Weighted-Average Grant-Date Fair Value
Nonvested as of December 31, 2011	527,717	$	5.96
Granted	5,000		11.50
Vested	(53,136)		2.18
Forfeited			
Nonvested as of March 31, 2012.	479,581	$	6.50

Total compensation cost related to nonvested stock option awards not yet recognized was $1.8 million as of March 31, 2012, and is expected to be recognized over a weighted average remaining period of 1.5 years.

Restricted Stock Awards

	Number of Shares	Weighted Average Grant Date Fair Value Per Share