FORM 10-Q

WILLIAMS SONOMA INC - WSM

Filed: June 02, 2017 (period: April 30, 2017)

Quarterly report with a continuing view of a company's financial position

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended April 30, 2017.

or

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

For the transition period from _______ to _______

Commission File Number: 001-14077

WILLIAMS-SONOMA, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	**94-2203880** (I.R.S. Employer Identification No.)
3250 Van Ness Avenue, San Francisco, CA (Address of principal executive offices)	**94109** (Zip Code)

Registrant's telephone number, including area code: (415) 421-7900

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

Large accelerated filer	☒	Accelerated filer	☐
Non-accelerated filer	☐ (Do not check if a smaller reporting company)	Smaller reporting company	☐
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. ☐

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

As of May 28, 2017, 86,636,793 shares of the registrant's Common Stock were outstanding.

WILLIAMS-SONOMA, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED APRIL 30, 2017

TABLE OF CONTENTS

PART I. FINANCIAL INFORMATION

Table of Contents

ITEM 1. FINANCIAL STATEMENTS

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
(Unaudited)

In thousands, except per share amounts	Thirteen Weeks Ended April 30, 2017	Thirteen Weeks Ended May 1, 2016
E-commerce net revenues	$ 580,510	$ 576,234
Retail net revenues	530,997	521,583
Net revenues	1,111,507	1,097,817
Cost of goods sold	715,747	705,300
Gross profit	395,760	392,517
Selling, general and administrative expenses	333,286	328,992
Operating income	62,474	63,525
Interest (income) expense, net	(103)	(68)
Earnings before income taxes	62,577	63,593
Income taxes	23,022	23,996
Net earnings	$ 39,555	$ 39,597
Basic earnings per share	$ 0.45	$ 0.44
Diluted earnings per share	$ 0.45	$ 0.44
Shares used in calculation of earnings per share:		
Basic	86,962	89,298
Diluted	87,710	90,514

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)

In thousands	Thirteen Weeks Ended April 30, 2017	Thirteen Weeks Ended May 1, 2016
Net earnings	$ 39,555	$ 39,597
Other comprehensive income (loss):		
Foreign currency translation adjustments	(1,566)	5,208
Change in fair value of derivative financial instruments, net of tax (tax benefit) of $237 and $(768)	655	(2,165)
Reclassification adjustment for realized (gain) loss on derivative financial instruments, net of tax of $5 and $107	(16)	(302)
Comprehensive income	$ 38,628	$ 42,338

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

In thousands, except per share amounts	April 30, 2017	January 29, 2017	May 1, 2016
ASSETS			
Current assets			
Cash and cash equivalents	$ 93,975	$ 213,713	$ 99,217
Accounts receivable, net	63,982	88,803	75,364
Merchandise inventories, net	1,037,107	977,505	944,632
Prepaid catalog expenses	23,066	23,625	29,916
Prepaid expenses	62,014	52,882	53,689
Other assets	10,901	10,652	9,844
Total current assets	1,291,045	1,367,180	1,212,662
Property and equipment, net	920,531	923,283	893,640
Deferred income taxes, net	124,977	135,238	131,597
Other assets, net	54,624	51,178	52,469
Total assets	$2,391,177	$2,476,879	$2,290,368
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current liabilities			
Accounts payable	$ 399,336	$ 453,710	$ 339,392
Accrued salaries, benefits and other liabilities	91,038	130,187	96,577
Customer deposits	289,852	294,276	275,116
Borrowings under revolving line of credit	45,000	—	100,000
Income taxes payable	37,792	23,245	7,764
Other liabilities	49,647	59,838	52,907
Total current liabilities	912,665	961,256	871,756
Deferred rent and lease incentives	195,201	196,188	188,715
Other long-term obligations	73,160	71,215	67,041
Total liabilities	1,181,026	1,228,659	1,127,512
Commitments and contingencies – See Note F			
Stockholders' equity			
Preferred stock: $.01 par value; 7,500 shares authorized; none issued	—	—	—
Common stock: $.01 par value; 253,125 shares authorized; 86,883, 87,325 and 89,350 shares issued and outstanding at April 30, 2017, January 29, 2017 and May 1, 2016, respectively	869	873	894
Additional paid-in capital	549,281	556,928	534,414
Retained earnings	671,758	701,702	636,986
Accumulated other comprehensive loss	(10,830)	(9,903)	(7,875)
Treasury stock, at cost: 13, 20 and 23 shares as of April 30, 2017, January 29, 2017 and May 1, 2016, respectively	(927)	(1,380)	(1,563)
Total stockholders' equity	1,210,151	1,248,220	1,162,856
Total liabilities and stockholders' equity	$2,391,177	$2,476,879	$2,290,368

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

In thousands	Thirteen Weeks Ended April 30, 2017	Thirteen Weeks Ended May 1, 2016
Cash flows from operating activities:		
Net earnings	$ 39,555	$ 39,597
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	44,950	41,240
Loss on disposal/impairment of assets	519	880
Amortization of deferred lease incentives	(6,477)	(5,987)
Deferred income taxes	(3,848)	(5,796)
Tax benefit related to stock-based awards	13,742	20,087
Excess tax benefit related to stock-based awards	—	(3,824)
Stock-based compensation expense	9,817	15,732
Other	(76)	(418)
Changes in:		
Accounts receivable	24,610	3,781
Merchandise inventories	(60,246)	37,424
Prepaid catalog expenses	559	(997)
Prepaid expenses and other assets	(12,472)	(7,683)
Accounts payable	(65,990)	(113,510)
Accrued salaries, benefits and other liabilities	(47,235)	(20,875)
Customer deposits	(4,154)	(22,465)
Deferred rent and lease incentives	5,806	9,439
Income taxes payable	14,564	(59,285)
Net cash used in operating activities	(46,376)	(72,660)
Cash flows from investing activities:		
Purchases of property and equipment	(32,153)	(28,149)
Other	5	294
Net cash used in investing activities	(32,148)	(27,855)
Cash flows from financing activities:		
Borrowings under revolving line of credit	45,000	100,000
Repurchases of common stock	(38,350)	(40,639)
Payment of dividends	(34,189)	(34,423)
Tax withholdings related to stock-based awards	(13,780)	(22,904)
Excess tax benefit related to stock-based awards	—	3,824
Proceeds related to stock-based awards	—	995
Other	—	(48)
Net cash provided by (used in) financing activities	(41,319)	6,805
Effect of exchange rates on cash and cash equivalents	105	(720)
Net decrease in cash and cash equivalents	(119,738)	(94,430)
Cash and cash equivalents at beginning of period	213,713	193,647
Cash and cash equivalents at end of period	$ 93,975	$ 99,217

See Notes to Condensed Consolidated Financial Statements.

WILLIAMS-SONOMA, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

NOTE A. FINANCIAL STATEMENTS - BASIS OF PRESENTATION

These financial statements include Williams-Sonoma, Inc. and its wholly owned subsidiaries ("we," "us" or "our"). The Condensed Consolidated Balance Sheets as of April 30, 2017 and May 1, 2016, the Condensed Consolidated Statements of Earnings, the Condensed Consolidated Statements of Comprehensive Income for the thirteen weeks then ended, and the Condensed Consolidated Statements of Cash Flows for the thirteen weeks then ended, have been prepared by us, without audit. In our opinion, the financial statements include all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position at the balance sheet dates and the results of operations for the thirteen weeks then ended. Intercompany transactions and accounts have been eliminated. The balance sheet as of January 29, 2017, presented herein, has been derived from our audited Consolidated Balance Sheet included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017.

The results of operations for the thirteen weeks ended April 30, 2017 are not necessarily indicative of the operating results of the full year.

Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") have been omitted. These financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our Annual Report on Form 10-K for the fiscal year ended January 29, 2017.

New Accounting Pronouncements
In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-09, *Revenue from Contracts with Customers*, to clarify the principles of recognizing revenue and create common revenue recognition guidance between U.S. Generally Accepted Accounting Principles ("GAAP") and International Financial Reporting Standards. In addition, in March 2016, the FASB issued ASU 2016-08, *Revenue from Contracts with Customers: Principal versus Agent Considerations*. The amendments are intended to improve the operability and understandability of the implementation guidance on principal versus agent considerations. The FASB also issued ASU 2016-10, *Identifying Performance Obligations and Licensing* in April 2016, which amends certain aspects of ASU 2014-09 for identifying performance obligations and the implementation guidance on licensing. These ASUs are effective retrospectively for fiscal years and interim periods within those years beginning after December 15, 2017. We are currently assessing the impact of these ASUs on our Consolidated Financial Statements, however, we expect that the adoption of these standards will result in a change in the timing of revenue recognition for certain merchandise shipped to the customer, as well as a change in the timing of recognizing breakage income related to our gift cards.

In February 2016, the FASB issued ASU 2016-02, *Leases*, which will require lessees to recognize a right-of-use asset and a lease liability for virtually all of their leases (other than short-term leases). This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2018. We are currently assessing the impact of this ASU on our Consolidated Financial Statements, but expect that it will result in a substantial increase in our long-term assets and liabilities.

In March 2016, the FASB issued ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*, which simplifies the accounting for share-based payment transactions (including the accounting for income taxes and forfeitures, among other areas). The ASU requires entities to, among other things, recognize all excess tax benefits and deficiencies in the income statement, as a benefit or expense within income taxes, in the period in which they occur. The ASU also allows an entity to make an accounting policy election to either estimate expected forfeitures or account for them as they occur. We adopted this ASU in the first quarter of fiscal 2017 and accordingly, have recorded tax expense related to stock-based awards of approximately $1,400,000 within income taxes in our Condensed Consolidated Statement of Earnings. As of the first quarter of fiscal 2017, we no longer classify excess tax benefits related to stock-based awards as a financing cash inflow and an operating cash outflow. These classification requirements were adopted prospectively and, as such, our Condensed Consolidated Statement of Cash Flows for the first quarter of fiscal 2016 has not been retrospectively adjusted. We continue to estimate expected forfeitures.

In October 2016, the FASB issued ASU 2016-16, *Intra-Entity Transfers of Assets Other than Inventory*. The amendments remove the prohibition against the recognition of current and deferred income tax effects of intra-entity transfers of assets other than inventory until the asset has been sold to an outside party. This ASU is effective for fiscal years and interim periods within those years beginning after December 15, 2017. We do not expect the adoption of this ASU to have a material impact on our financial condition, results of operations or cash flows.

In January 2017, the FASB issued ASU 2017-04, *Simplifying the Test for Goodwill Impairment,* which simplifies the measurement of goodwill impairment by eliminating step two from the goodwill impairment test. The ASU requires goodwill impairment to be measured as the amount by which a reporting unit's carrying value exceeds its fair value, not to exceed the total amount of goodwill allocated to the reporting unit. This ASU is effective for fiscal years and interim periods within those fiscal years beginning after December 15, 2019 and early adoption is permitted. We early adopted this ASU in the first quarter of fiscal 2017. The adoption of this ASU had no impact on our financial condition, results of operations or cash flows.

NOTE B. BORROWING ARRANGEMENTS

Credit Facility

We have a $500,000,000 unsecured revolving line of credit ("credit facility") that may be used to borrow revolving loans or request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to $250,000,000, at such lenders' option, to provide for a total of $750,000,000 of unsecured revolving credit. As of April 30, 2017, we were in compliance with our financial covenants under the credit facility and based on current projections, we expect to remain in compliance throughout the next 12 months. The credit facility matures on November 19, 2019, at which time all outstanding borrowings must be repaid and all outstanding letters of credit must be cash collateralized.

We may elect interest rates calculated at (i) Bank of America's prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent, or a rate based on LIBOR plus one percent) plus a margin based on our leverage ratio or (ii) LIBOR plus a margin based on our leverage ratio. During the first quarter of fiscal 2017, we had borrowings of $45,000,000 under the credit facility (at a weighted average interest rate of 2.01%), all of which was outstanding as of April 30, 2017. During the first quarter of fiscal 2016, we had borrowings of $100,000,000 under the credit facility (at a weighted average interest rate of 1.45%), all of which was outstanding as of May 1, 2016. Additionally, as of April 30, 2017, $12,120,000 in issued but undrawn standby letters of credit was outstanding under the credit facility. The standby letters of credit were issued to secure the liabilities associated with workers' compensation and other insurance programs.

Letter of Credit Facilities

We have three unsecured letter of credit reimbursement facilities for a total of $70,000,000, each of which matures on August 26, 2017. The letter of credit facilities contain covenants that are consistent with our unsecured revolving line of credit. Interest on unreimbursed amounts under the letter of credit facilities accrues at the lender's prime rate (or, if greater, the average rate on overnight federal funds plus one-half of one percent) plus 2.0%. As of April 30, 2017, an aggregate of $6,831,000 was outstanding under the letter of credit facilities, which represents only a future commitment to fund inventory purchases to which we had not taken legal title. The latest expiration possible for any future letters of credit issued under the facilities is January 23, 2018.

NOTE C. STOCK-BASED COMPENSATION

Equity Award Programs

Our Amended and Restated 2001 Long-Term Incentive Plan (the "Plan") provides for grants of incentive stock options, nonqualified stock options, stock-settled stock appreciation rights (collectively, "option awards"), restricted stock awards, restricted stock units (including those that are performance-based), deferred stock awards (collectively, "stock awards") and dividend equivalents up to an aggregate of 32,310,000 shares. As of April 30, 2017, there were approximately 8,278,000 shares available for future grant. Awards may be granted under the Plan to our officers, employees and non-employee members of the board of directors (the "Board") or those of any of our subsidiaries. Shares issued as a result of award exercises or releases are primarily funded with the issuance of new shares.

Option Awards

Annual grants of option awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. The exercise price of these option awards is not less than 100% of the closing price of our stock on the day prior to the grant date. Option awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain option awards contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event.

Stock Awards

Annual grants of stock awards are limited to 1,000,000 shares on a per person basis and have a maximum term of seven years. Stock awards granted to employees generally vest evenly over a period of four years for service-based awards. Certain performance-based awards, which have variable payout conditions based on predetermined financial targets, vest three years from the date of grant. Certain stock awards and other agreements contain vesting acceleration clauses resulting from events including, but not limited to, retirement, merger or a similar corporate event. Stock awards granted to non-employee Board members generally vest in one year. Non-employee Board members automatically receive stock awards on the date of their initial election to the Board and annually thereafter on the date of the annual meeting of stockholders (so long as they continue to serve as a non-employee Board member).

Stock-Based Compensation Expense
During the thirteen weeks ended April 30, 2017 and May 1, 2016, we recognized total stock-based compensation expense, as a component of selling, general and administrative expenses, of $9,817,000 and $15,732,000, respectively.

Stock-Settled Stock Appreciation Rights
A stock-settled stock appreciation right is an award that allows the recipient to receive common stock equal to the appreciation in the fair market value of our common stock between the grant date and the conversion date for the number of shares converted.

The following table summarizes our stock-settled stock appreciation right activity during the thirteen weeks ended April 30, 2017:

	Shares
Balance at January 29, 2017 (100% vested)	411,710
Granted	—
Converted into common stock	(33,674)
Cancelled	—
Balance at April 30, 2017 (100% vested)	378,036

Restricted Stock Units
The following table summarizes our restricted stock unit activity during the thirteen weeks ended April 30, 2017:

	Shares
Balance at January 29, 2017	2,232,486
Granted	79,904
Released	(568,999)
Cancelled	(343,244)
Balance at April 30, 2017	1,400,147
Vested plus expected to vest at April 30, 2017	974,175

Table of Contents

NOTE D. EARNINGS PER SHARE

Basic earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding for the period. Diluted earnings per share is computed as net earnings divided by the weighted average number of common shares outstanding and common stock equivalents for the period. Common stock equivalents consist of shares subject to stock-based awards with exercise prices less than or equal to the average market price of our common stock for the period, to the extent their inclusion would be dilutive.

The following is a reconciliation of net earnings and the number of shares used in the basic and diluted earnings per share computations:

In thousands, except per share amounts	Net Earnings	Weighted Average Shares	Earnings Per Share
Thirteen weeks ended April 30, 2017			
Basic	$ 39,555	86,962	$ 0.45
Effect of dilutive stock-based awards		748	
Diluted	$ 39,555	87,710	$ 0.45
Thirteen weeks ended May 1, 2016			
Basic	$ 39,597	89,298	$ 0.44
Effect of dilutive stock-based awards		1,216	
Diluted	$ 39,597	90,514	$ 0.44

Stock-based awards of 215,595 and 203,000 were excluded from the computation of diluted earnings per share for the thirteen weeks ended April 30, 2017 and May 1, 2016, respectively, as their inclusion would be anti-dilutive.

NOTE E. SEGMENT REPORTING

We have two reportable segments, e-commerce and retail. The e-commerce segment has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation and Mark and Graham, which sell our products through our e-commerce websites and direct mail catalogs. Our e-commerce merchandise strategies are operating segments, which have been aggregated into one reportable segment, e-commerce. The retail segment, which includes our franchise operations, has the following merchandise strategies: Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm and Rejuvenation, which sell our products through our retail stores. Our retail merchandise strategies are operating segments, which have been aggregated into one reportable segment, retail. Management's expectation is that the overall economic characteristics of each of our operating segments will be similar over time based on management's judgment that the operating segments have had similar historical economic characteristics and are expected to have similar long-term financial performance in the future.

These reportable segments are strategic business units that offer similar products for the home. They are managed separately because the business units utilize two distinct distribution and marketing strategies. Based on management's best estimate, our operating segments include allocations of certain expenses, including advertising and employment costs, to the extent they have been determined to benefit both channels. These operating segments are aggregated at the channel level for reporting purposes due to the fact that our brands are interdependent for economies of scale and we do not maintain fully allocated income statements at the brand level. As a result, material financial decisions related to the brands are made at the channel level. Furthermore, it is not practicable for us to report revenue by product group.

We use operating income to evaluate segment profitability. Operating income is defined as earnings (loss) before net interest income (expense) and income taxes. Unallocated costs before interest and income taxes include corporate employee-related costs, occupancy expenses (including depreciation expense), administrative costs and third-party service costs, primarily in our corporate administrative and systems departments. Unallocated assets include corporate cash and cash equivalents, prepaid expenses, the net book value of corporate facilities and related information systems, deferred income taxes and other corporate long-lived assets.

Income taxes are calculated at an entity level and are not allocated to our reportable segments.

Segment Information

In thousands	E-commerce	Retail	Unallocated	Total
Thirteen weeks ended April 30, 2017				
Net revenues[1]	$ 580,510	$ 530,997	$ —	$ 1,111,507
Depreciation and amortization expense	6,967	22,342	15,641	44,950
Operating income (loss)[2]	132,004	21,714	(91,244)	62,474
Assets[3]	653,898	1,067,169	670,110	2,391,177
Capital expenditures	2,870	16,497	12,786	32,153
Thirteen weeks ended May 1, 2016				
Net revenues[1]	$ 576,234	$ 521,583	$ —	$ 1,097,817
Depreciation and amortization expense	7,614	20,749	12,877	41,240
Operating income (loss)[2]	131,545	30,125	(98,145)	63,525
Assets[3]	600,053	1,039,580	650,735	2,290,368
Capital expenditures	3,849	13,752	10,548	28,149

[1] Includes net revenues related to our international operations (including our operations in Canada, Australia, the United Kingdom and our franchise businesses) of approximately $69.4 million and $69.7 million for the thirteen weeks ended April 30, 2017 and May 1, 2016, respectively.

[2] Includes $5.7 million and $13.2 million of severance-related charges for the thirteen weeks ended April 30, 2017 and May 1, 2016, respectively, primarily in our corporate functions, which is recorded in selling, general and administrative expenses within the unallocated segment.

[3] Includes long-term assets related to our international operations of approximately $57.9 million and $64.4 million as of April 30, 2017 and May 1, 2016, respectively.

NOTE F. COMMITMENTS AND CONTINGENCIES

We are involved in lawsuits, claims and proceedings incident to the ordinary course of our business. These disputes, which are not currently material, are increasing in number as our business expands and our company grows. We review the need for any loss contingency reserves and establish reserves when, in the opinion of management, it is probable that a matter would result in liability, and the amount of loss, if any, can be reasonably estimated. In view of the inherent difficulty of predicting the outcome of these matters, it may not be possible to determine whether any loss is probable or to reasonably estimate the amount of the loss until the case is close to resolution, in which case no reserve is established until that time. Any claims against us, whether meritorious or not, could result in costly litigation, require significant amounts of management time and result in the diversion of significant operational resources. The results of these lawsuits, claims and proceedings cannot be predicted with certainty. However, we believe that the ultimate resolution of these current matters will not have a material adverse effect on our Consolidated Financial Statements taken as a whole.

NOTE G. STOCK REPURCHASE PROGRAM AND DIVIDENDS

Stock Repurchase Program

During the thirteen weeks ended April 30, 2017, we repurchased 764,543 shares of our common stock at an average cost of $50.16 per share for a total cost of approximately $38,350,000 under our $500,000,000 stock repurchase authorization. As of April 30, 2017, we held treasury stock of $927,000 that represents the cost of shares available for issuance intended to satisfy future stock-based award settlements in certain foreign jurisdictions.

During the thirteen weeks ended May 1, 2016, we repurchased 727,629 shares of our common stock at an average cost of $55.85 per share for a total cost of approximately $40,639,000. As of May 1, 2016, we held treasury stock of $1,563,000.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

Dividends

We declared cash dividends of $0.39 and $0.37 per common share during the thirteen weeks ended April 30, 2017 and May 1, 2016, respectively. Our quarterly cash dividend may be limited or terminated at any time.

Table of Contents

NOTE H. DERIVATIVE FINANCIAL INSTRUMENTS

We have retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and operations throughout Asia and Europe, which expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies. We do not enter into such contracts for speculative purposes. The assets or liabilities associated with the derivative instruments are measured at fair value and recorded in either other current or long-term assets or other current or long-term liabilities. As discussed below, the accounting for gains and losses resulting from changes in fair value depends on whether the derivative instrument is designated as a hedge and qualifies for hedge accounting in accordance with the FASB Accounting Standards Codification ("ASC") 815, *Derivatives and Hedging*.

Cash Flow Hedges

We enter into foreign currency forward contracts designated as cash flow hedges (to sell Canadian dollars and purchase U.S. dollars) for forecasted inventory purchases in U.S. dollars by our foreign subsidiaries. These hedges have terms of up to 18 months. All hedging relationships are formally documented, and the forward contracts are designed to mitigate foreign currency exchange risk on hedged transactions. We record the effective portion of changes in the fair value of our cash flow hedges in other comprehensive income ("OCI") until the earlier of when the hedged forecasted inventory purchase occurs or the respective contract reaches maturity. Subsequently, as the inventory is sold to the customer, we reclassify amounts previously recorded in OCI to cost of goods sold. Changes in the fair value of the forward contract related to interest charges (or forward points) are excluded from the assessment and measurement of hedge effectiveness and are recorded immediately in selling, general and administrative expenses. Based on the rates in effect as of April 30, 2017, we expect to reclassify a net pre-tax gain of approximately $944,000 from OCI to cost of goods sold over the next 12 months.

We also enter into non-designated foreign currency forward contracts (to sell Australian dollars and purchase U.S. dollars) to reduce the exchange risk associated with our assets and liabilities denominated in a foreign currency. Any foreign exchange gains or losses related to these contracts are recognized in selling, general and administrative expenses.

As of April 30, 2017 and May 1, 2016, we had foreign currency forward contracts outstanding (in U.S. dollars) with notional values as follows:

In thousands	April 30, 2017	May 1, 2016
Contracts designated as cash flow hedges	$ 19,200	$ 27,150
Contracts not designated as cash flow hedges	$ 48,000	$ 43,000

Hedge effectiveness is evaluated prospectively at inception, on an ongoing basis, as well as retrospectively using regression analysis. Any measureable ineffectiveness of the hedge is recorded in selling, general and administrative expenses. No gain or loss was recognized for cash flow hedges due to hedge ineffectiveness and all hedges were deemed effective for assessment purposes for the thirteen weeks ended April 30, 2017 and May 1, 2016.

The effect of derivative instruments in our Condensed Consolidated Financial Statements during the thirteen weeks ended April 30, 2017 and May 1, 2016, pre-tax, was as follows:

In thousands	April 30, 2017	May 1, 2016
Net gain (loss) recognized in OCI	$ 892	$ (2,933)
Net gain (loss) reclassified from OCI to cost of goods sold	$ 21	$ 409
Net foreign exchange gain (loss) recognized in selling, general and administrative expenses:		
Instruments designated as cash flow hedges [1]	$ 8	$ 23
Instruments not designated or de-designated	$ 341	$ (3,342)

1 Changes in fair value of the forward contract related to interest charges (or forward points).

Table of Contents

The fair values of our derivative financial instruments are presented below according to their classification in our Condensed Consolidated Balance Sheets. All fair values were measured using Level 2 inputs as defined by the fair value hierarchy described in Note I.

In thousands	April 30, 2017	May 1, 2016
Derivatives designated as cash flow hedges:		
Other current assets	$ 925	$ —
Other long-term assets	$ 52	$ —
Other current liabilities	$ —	$ (2,160)
Derivatives not designated as hedging instruments:		
Other current liabilities	$ (83)	$ (287)

We record all derivative assets and liabilities on a gross basis. They do not meet the balance sheet netting criteria as discussed in ASC 210, *Balance Sheet*, because we do not have master netting agreements established with our derivative counterparties that would allow for net settlement.

NOTE I. FAIR VALUE MEASUREMENTS

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

We determine the fair value of financial and non-financial assets and liabilities using the fair value hierarchy established by ASC 820, *Fair Value Measurement*, which defines three levels of inputs that may be used to measure fair value, as follows:

- Level 1: inputs which include quoted prices in active markets for identical assets or liabilities;
- Level 2: inputs which include observable inputs other than Level 1 inputs, such as quoted prices in active markets for similar assets or liabilities; quoted prices for identical or similar assets or liabilities 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; and
- Level 3: inputs which include unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the underlying asset or liability.

The fair values of our cash and cash equivalents are based on Level 1 inputs, which include quoted prices in active markets for identical assets.

Foreign Currency Derivatives and Hedging Instruments
We use the income approach to value our derivatives using observable Level 2 market data at the measurement date and standard valuation techniques to convert future amounts to a single present value amount, assuming that participants are motivated but not compelled to transact. Level 2 inputs are limited to quoted prices that are observable for the assets and liabilities, which include interest rates and credit risk ratings. We use mid-market pricing as a practical expedient for fair value measurements. Key inputs for currency derivatives are the spot rates, forward rates, interest rates and credit derivative market rates.

The counterparties associated with our foreign currency forward contracts are large credit-worthy financial institutions, and the derivatives transacted with these entities are relatively short in duration, therefore, we do not consider counterparty concentration and non-performance to be material risks at this time. Both we and our counterparties are expected to perform under the contractual terms of the instruments. None of the derivative contracts entered into are subject to credit risk-related contingent features or collateral requirements.

Property and Equipment
We review the carrying value of all long-lived assets for impairment, primarily at an individual store level, whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable. We measure these assets at fair value on a nonrecurring basis using Level 3 inputs as defined in the fair value hierarchy. The fair value is based on the present value of estimated future cash flows using a discount rate that approximates our weighted average cost of capital.

There were no transfers between Level 1, 2 or 3 categories during the thirteen weeks ended April 30, 2017 or May 1, 2016.

NOTE J. ACCUMULATED OTHER COMPREHENSIVE INCOME

Changes in accumulated other comprehensive income (loss) by component, net of tax, are as follows:

In thousands	Foreign Currency Translation	Cash Flow Hedges	Accumulated Other Comprehensive Income (Loss)
Balance at January 29, 2017	$ (9,957)	$ 54	$ (9,903)
Foreign currency translation adjustments	(1,566)	—	(1,566)
Change in fair value of derivative financial instruments	—	655	655
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]	—	(16)	(16)
Other comprehensive income (loss)	(1,566)	639	(927)
Balance at April 30, 2017	(11,523)	693	(10,830)
Balance at January 31, 2016	(11,480)	864	(10,616)
Foreign currency translation adjustments	5,208		5,208
Change in fair value of derivative financial instruments	—	(2,165)	(2,165)
Reclassification adjustment for realized (gain) loss on derivative financial instruments [1]	—	(302)	(302)
Other comprehensive income (loss)	5,208	(2,467)	2,741
Balance at May 1, 2016	$ (6,272)	$ (1,603)	$ (7,875)

[1] Refer to Note H for additional disclosures about reclassifications out of accumulated other comprehensive income and their corresponding effects on the respective line items in the Condensed Consolidated Statements of Earnings.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements that involve risks and uncertainties, as well as assumptions that, if they do not fully materialize or are proven incorrect, could cause our business and results of operations to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements include statements related to: our merchandise strategies; our growth strategies for our brands; trends in Pottery Barn categories; our beliefs regarding the resolution of current lawsuits, claims and proceedings; our stock repurchase program; our expectations regarding our cash flow hedges and foreign currency risks; our planned use of cash; our compliance with the financial covenants contained in our credit facilities; our belief that our cash on-hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months; our beliefs regarding our exposure to foreign currency exchange rate fluctuations; and our beliefs regarding seasonal patterns associated with our business, as well as statements of belief and statements of assumptions underlying any of the foregoing. You can identify these and other forward-looking statements by the use of words such as "may," "should," "expects," "plans," "anticipates," "believes," "estimates," "predicts," "intends," "potential," "continue," or the negative of such terms, or other comparable terminology. The risks, uncertainties and assumptions referred to above that could cause our results to differ materially from the results expressed or implied by such forward-looking statements include, but are not limited to, those discussed under the heading "Risk Factors" in this document and our Annual Report on Form 10-K for the year ended January 29, 2017, and the risks, uncertainties and assumptions discussed from time to time in our other public filings and public announcements. All forward-looking statements included in this document are based on information available to us as of the date hereof, and we assume no obligation to update these forward-looking statements.

OVERVIEW

Williams-Sonoma, Inc. is a specialty retailer of high-quality products for the home. These products, representing distinct merchandise strategies – Williams Sonoma, Pottery Barn, Pottery Barn Kids, West Elm, PBteen, Williams Sonoma Home, Rejuvenation, and Mark and Graham – are marketed through e-commerce websites, direct mail catalogs and 628 stores. We have retail and/or e-commerce businesses in the U.S., Puerto Rico, Canada, Australia and the United Kingdom, and ship our products to customers worldwide. Our catalogs reach customers throughout the U.S. and Australia. In addition, we have unaffiliated franchisees that operate stores and/or e-commerce websites in the Middle East, the Philippines and Mexico. During fiscal 2016, we entered into a franchise agreement with an unaffiliated franchisee to operate stores and e-commerce websites in South Korea, beginning in fiscal 2017.

The following discussion and analysis of financial condition, results of operations, and liquidity and capital resources for the thirteen weeks ended April 30, 2017 ("first quarter of fiscal 2017"), as compared to the thirteen weeks ended May 1, 2016 ("first quarter of fiscal 2016), should be read in conjunction with our Condensed Consolidated Financial Statements and the notes thereto.

All explanations of changes in operational results are discussed in order of their magnitude.

First Quarter of Fiscal 2017 Financial Results

Net revenues in the first quarter of fiscal 2017 increased by $13,690,000, or 1.2%, compared to the first quarter of fiscal 2016, with comparable brand revenue growth of 0.1%. The increase in net revenues was driven by a 0.7% increase in our e-commerce net revenues (primarily driven by West Elm and Williams Sonoma, partially offset by the Pottery Barn brands), and a 1.8% increase in retail net revenues (primarily driven by West Elm and Pottery Barn), with particular strength in furniture. Net revenue growth in the first quarter of fiscal 2017 also included a 2% increase in retail leased square footage primarily due to 4 net new stores.

In Pottery Barn, comparable brand revenues declined 1.4% in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Despite this decline, the brand showed improved trends in furniture – specifically upholstery, bedroom and home office – and experienced growth in other categories such as decorating and entertaining. In Williams Sonoma, comparable brand revenues increased 3.2% in the first quarter of fiscal 2017 on top of 3.5% in the first quarter of fiscal 2016. The brand launched several products and collaborations during the first quarter, and we saw particular strength across tabletop, electrics and cutlery. In West Elm, comparable brand revenues increased 6.0% in the first quarter of fiscal 2017 on top of 19.0% in the first quarter of fiscal 2016. This growth was driven by furniture and our outdoor collections. In Pottery Barn Kids, comparable brand revenues declined 5.7% in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Growth in our furniture business was more than offset by out-of-stock inventory in key categories and softness in our textiles and accessories. In PBteen, comparable brand revenues declined 14.3% in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily due to out-of-stock inventory in key categories. While our furniture categories showed improved trends during the quarter, we saw softness in textiles and accessories. And in our emerging brands, Rejuvenation and Mark and Graham, net revenues increased 29.8% in the first quarter of fiscal 2017.

In the first quarter of fiscal 2017, diluted earnings per share was $0.45 (which included severance-related charges of $0.04 and an unfavorable tax impact from the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting,* of $0.02) versus $0.44 in the first quarter of fiscal 2016, (which included severance-related reorganization charges of $0.09). We also returned $72,539,000 to our stockholders through stock repurchases and dividends.

NET REVENUES

Net revenues consist of e-commerce net revenues and retail net revenues. E-commerce net revenues include sales of merchandise to customers through our e-commerce websites and our catalogs, as well as shipping fees. Retail net revenues include sales of merchandise to customers at our retail stores and to our franchisees, as well as shipping fees on any products shipped to our customers' homes. Shipping fees consist of revenue received from customers for delivery of merchandise to their homes. Revenues are presented net of sales returns and other discounts.

	Thirteen Weeks Ended			
In thousands	April 30, 2017	% Total	May 1, 2016	% Total
E-commerce net revenues	$ 580,510	52.2%	$ 576,234	52.5%
Retail net revenues	530,997	47.8%	521,583	47.5%
Net revenues	$1,111,507	100.0%	$1,097,817	100.0%

Net revenues in the first quarter of fiscal 2017 increased by $13,690,000, or 1.2%, compared to the first quarter of fiscal 2016, with comparable brand revenue growth of 0.1%. The increase in net revenues was driven by a 0.7% increase in our e-commerce net revenues (primarily driven by West Elm and Williams Sonoma, partially offset by the Pottery Barn brands), and a 1.8% increase in retail net revenues (primarily driven by West Elm and Pottery Barn), with particular strength in furniture. Net revenue growth in the first quarter of fiscal 2017 also included a 2% increase in retail leased square footage primarily due to 4 net new stores.

Comparable Brand Revenue
Comparable brand revenue includes retail comparable store sales and e-commerce sales, as well as shipping fees, sales returns and other discounts associated with current period sales. Outlet comparable store net revenues are included in their respective brands. Comparable brand revenue excludes sales from certain operations until such time that we believe those sales are meaningful to evaluating the performance of the brand. Sales to our international franchisees have also been excluded as their stores and e-commerce websites are not operated by us.

Comparable stores are defined as permanent stores where gross square footage did not change by more than 20% in the previous 12 months and which have been open for at least 12 consecutive months without closure for seven or more consecutive days.

	Thirteen Weeks Ended	
Comparable brand revenue growth (decline)	April 30, 2017	May 1, 2016
Pottery Barn	(1.4%)	0.2%
Williams Sonoma	3.2%	3.5%
West Elm	6.0%	19.0%
Pottery Barn Kids	(5.7%)	1.7%
PBteen	(14.3%)	1.9%
Total	0.1%	4.5%

RETAIL STORE DATA

	Store Count					Average Leased Square Footage Per Store	
	January 29, 2017	Openings	Closings	April 30, 2017	May 1, 2016	April 30, 2017	May 1, 2016
Williams Sonoma	234	2	(3)	233	241	6,600	6,600
Pottery Barn	201	1	(3)	199	200	13,800	13,800
West Elm	98	1	—	99	87	13,300	13,200
Pottery Barn Kids	89	—	—	89	90	7,400	7,500
Rejuvenation	7	1	—	8	6	8,800	9,000
Total	629	5	(6)	628	624	10,100	10,000
Store selling square footage at period-end						3,942,000	3,867,000
Store leased square footage at period-end						6,341,000	6,218,000

COST OF GOODS SOLD

	Thirteen Weeks Ended			
In thousands	April 30, 2017	% Net Revenues	May 1, 2016	% Net Revenues
Cost of goods sold[1]	$715,747	64.4%	$705,300	64.2%

1 Includes occupancy expenses of $167,493,000 and $162,019,000 for the first quarter of fiscal 2017 and the first quarter of fiscal 2016, respectively.

Cost of goods sold includes cost of goods, occupancy expenses and shipping costs. Cost of goods consists of cost of merchandise, inbound freight expenses, freight-to-store expenses and other inventory related costs such as shrinkage, damages and replacements. Occupancy expenses consist of rent, depreciation and other occupancy costs, including common area maintenance, property taxes and utilities. Shipping costs consist of third-party delivery services and shipping materials.

Our classification of expenses in cost of goods sold may not be comparable to other public companies, as we do not include non-occupancy related costs associated with our distribution network in cost of goods sold. These costs, which include distribution network employment, third-party warehouse management and other distribution related administrative expenses, are recorded in selling, general and administrative expenses.

Within our reportable segments, the e-commerce channel does not incur freight-to-store or store occupancy expenses, and typically operates with lower markdowns and inventory shrinkage than the retail channel. However, the e-commerce channel incurs higher customer shipping, damage and replacement costs than the retail channel.

First Quarter of Fiscal 2017 vs. First Quarter of Fiscal 2016
Cost of goods sold increased by $10,447,000, or 1.5%, in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Cost of goods sold as a percentage of net revenues increased to 64.4% in the first quarter of fiscal 2017 from 64.2% in the first quarter of fiscal 2016. This increase was primarily driven by higher occupancy costs to support our growth and operational initiatives, partially offset by improved selling margins from reduced shipping and fulfillment related costs as a result of our focus on our supply chain initiatives.

In the e-commerce channel, cost of goods sold as a percentage of net revenues decreased in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily driven by reduced shipping and fulfillment-related costs as a result of our focus on our supply chain and inventory initiatives.

In the retail channel, cost of goods sold as a percentage of net revenues increased in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily driven by higher occupancy costs to support our growth and operational initiatives.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

	Thirteen Weeks Ended			
In thousands	April 30, 2017	% Net Revenues	May 1, 2016	% Net Revenues
Selling, general and administrative expenses	$333,286	30.0%	$328,992	30.0%

Selling, general and administrative expenses consist of non-occupancy related costs associated with our retail stores, distribution and manufacturing facilities, customer care centers, supply chain operations (buying, receiving and inspection) and corporate administrative functions. These costs include employment, advertising, third party credit card processing and other general expenses.

We experience differing employment and advertising costs as a percentage of net revenues within the retail and e-commerce channels due to their distinct distribution and marketing strategies. Employment costs represent a greater percentage of net revenues within the retail channel as compared to the e-commerce channel. However, advertising expenses are higher within the e-commerce channel than in the retail channel.

First Quarter of Fiscal 2017 vs. First Quarter of Fiscal 2016
Selling, general and administrative expenses increased by $4,294,000, or 1.3%, in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016. Selling, general and administrative expenses as a percentage of net revenues were 30.0% in the first quarter of fiscal 2017 and the first quarter of fiscal 2016. An increase in digital advertising expenses as a result of our focus on new customer acquisition as well as an increase in employment costs associated with our growth initiatives was offset by a decrease in severance-related charges within the unallocated segment ($5,705,000 in the first quarter of fiscal 2017 compared to $13,221,000 in the first quarter of fiscal 2016) and a decrease in general expenses.

In the e-commerce channel, selling, general and administrative expenses as a percentage of net revenues increased in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily driven by an increase in digital advertising expenses.

In the retail channel, selling, general and administrative expenses as a percentage of net revenues increased in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 primarily driven by an increase in employment costs associated with our growth initiatives.

INCOME TAXES

The effective tax rate was 36.8% for the first quarter of fiscal 2017, and 37.7% for the first quarter of fiscal 2016. The decrease in the effective tax rate in the first quarter of fiscal 2017 was primarily driven by improved profitability across our international operations, which are taxed at a lower tax rate, partially offset by an unfavorable impact from the adoption of ASU 2016-09, *Improvements to Employee Share-Based Payment Accounting*.

LIQUIDITY AND CAPITAL RESOURCES

As of April 30, 2017, we held $93,975,000 in cash and cash equivalents, the majority of which is held in demand deposit accounts and money market funds, and of which $49,048,000 was held by our foreign subsidiaries. As is consistent within our industry, our cash balances are seasonal in nature, with the fourth quarter historically representing a significantly higher level of cash than other periods.

In fiscal 2017, we plan to use our cash resources to fund our inventory and inventory related purchases, advertising and marketing initiatives, property and equipment purchases, stock repurchases and dividend payments. In addition to our cash balances on hand, we have a $500,000,000 unsecured revolving line of credit (“credit facility”) that may be used to borrow revolving loans or to request the issuance of letters of credit. We may, upon notice to the administrative agent, request existing or new lenders to increase the credit facility by up to $250,000,000, at such lenders’ option, to provide for a total of $750,000,000 of unsecured revolving credit. During the first quarter of fiscal 2017, we borrowed $45,000,000 under the credit facility, all of which was outstanding as of April 30, 2017. During the first quarter of fiscal 2016, we borrowed $100,000,000 under the credit facility, all of which was outstanding as of May 1, 2016.

As of April 30, 2017, issued but undrawn standby letters of credit totaling $12,120,000 were outstanding under the credit facility. Additionally, as of April 30, 2017, we had three unsecured letter of credit reimbursement facilities for a total of $70,000,000, of which $6,831,000 was outstanding. These letter of credit facilities represent only a future commitment to fund inventory purchases to which we had not taken legal title. We are currently in compliance with all of our financial covenants under the credit facility and the three unsecured letter of credit reimbursement facilities and, based on our current projections, we expect to remain in compliance throughout the next 12 months. We believe our cash on hand, in addition to our available credit facilities, will provide adequate liquidity for our business operations over the next 12 months.

Cash Flows from Operating Activities
For the first quarter of fiscal 2017, net cash used in operating activities was $46,376,000 compared to $72,660,000 for the first quarter of fiscal 2016. For the first quarter of fiscal 2017, net cash used in operating activities was primarily attributable to accounts payable and accrued salaries, benefits and other liabilities, as well as merchandise inventories, partially offset by net earnings adjusted for non-cash items. Net cash used in operating activities decreased compared to the first quarter of fiscal 2016 primarily due to a decrease in payments related to income taxes and accounts payable, partially offset by an increase in merchandise inventories.

Cash Flows from Investing Activities
For the first quarter of fiscal 2017, net cash used in investing activities was $32,148,000 compared to $27,855,000 for the first quarter of fiscal 2016, and was primarily attributable to purchases of property and equipment. Net cash used in investing activities increased compared to the first quarter of fiscal 2016 primarily due to an increase in purchases of property and equipment.

Cash Flows from Financing Activities
For the first quarter of fiscal 2017, net cash used in financing activities was $41,319,000 compared to net cash provided by financing activities of $6,805,000 for the first quarter of fiscal 2016. For the first quarter of fiscal 2017, net cash used in financing activities was primarily attributable to repurchases of common stock and the payment of dividends partially offset by borrowings under our revolving line of credit. The decrease in cash flows from financing activities in the first quarter of fiscal 2017 compared to the first quarter of fiscal 2016 was primarily attributable to a decrease in borrowings under our revolving line of credit.

Stock Repurchase Program and Dividends
See Note G to our Condensed Consolidated Financial Statements, *Stock Repurchase Program and Dividends,* within Item 1 of this Quarterly Report on Form 10-Q for further information.

Critical Accounting Policies
Management's Discussion and Analysis of Financial Condition and Results of Operations is based on our Condensed Consolidated Financial Statements, which have been prepared in accordance with U.S. GAAP. The preparation of these Condensed Consolidated Financial Statements requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosures of contingent assets and liabilities. These estimates and assumptions are evaluated on an ongoing basis and are based on historical experience and various other factors that we believe to be reasonable under the circumstances. Actual results could differ significantly from these estimates. During the first quarter of fiscal 2017, there have been no significant changes to the critical accounting policies discussed in our Annual Report on Form 10-K for the year ended January 29, 2017.

Seasonality
Our business is subject to substantial seasonal variations in demand. Historically, a significant portion of our revenues and net earnings have been realized during the period from October through January, and levels of net revenues and net earnings have typically been lower during the period from February through September. We believe this is the general pattern associated with the retail industry. In preparation for and during our holiday selling season, we hire a substantial number of additional temporary employees, primarily in our retail stores, customer care centers and distribution facilities, and incur significant fixed catalog production and mailing costs.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks, which include significant deterioration of the U.S. and foreign markets, changes in U.S. interest rates, foreign currency exchange rate fluctuations, and the effects of economic uncertainty which may affect the prices we pay our vendors in the foreign countries in which we do business. We do not engage in financial transactions for trading or speculative purposes.

Interest Rate Risk
Our revolving line of credit has a variable interest rate which, when drawn upon, subjects us to risks associated with changes in that interest rate. As of April 30, 2017, we had borrowings of $45,000,000 outstanding under the credit facility. A hypothetical increase or decrease of one percentage point on our existing variable rate debt instrument would not materially affect our results of operations or cash flows.

In addition, we have fixed and variable income investments consisting of short-term investments classified as cash and cash equivalents, which are also affected by changes in market interest rates. As of April 30, 2017, our investments, made primarily in demand deposit accounts and money market funds, are stated at cost and approximate their fair values.

Foreign Currency Risks

We purchase a significant amount of inventory from vendors outside of the U.S. in transactions that are denominated in U.S. dollars. Approximately 1% of our international purchase transactions are in currencies other than the U.S. dollar, primarily the euro. Any foreign currency impact related to these international purchase transactions was not significant to us during the first quarter of fiscal 2017 or the first quarter of fiscal 2016. Since we pay for the majority of our international purchases in U.S. dollars, however, a decline in the U.S. dollar relative to other foreign currencies would subject us to risks associated with increased purchasing costs from our vendors in their effort to offset any lost profits associated with any currency devaluation. We cannot predict with certainty the effect these increased costs may have on our financial statements or results of operations.

In addition, our retail and/or e-commerce businesses in Canada, Australia and the United Kingdom, and our operations throughout Asia and Europe, expose us to market risk associated with foreign currency exchange rate fluctuations. Substantially all of our purchases and sales are denominated in U.S. dollars, which limits our exposure to this risk. However, some of our foreign operations have a functional currency other than the U.S. dollar. While the impact of foreign currency exchange rate fluctuations was not material to us in the first quarter of fiscal 2017 or the first quarter of fiscal 2016, we have continued to see volatility in the exchange rates in the countries in which we do business. As we continue to expand globally, the foreign currency exchange risk related to our foreign operations may increase. To mitigate this risk, we hedge a portion of our foreign currency exposure with foreign currency forward contracts in accordance with our risk management policies (see Note H to our Condensed Consolidated Financial Statements).

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

As of April 30, 2017, an evaluation was performed by management, with the participation of our Chief Executive Officer (“CEO”) and our Chief Financial Officer (“CFO”), of the effectiveness of our disclosure controls and procedures. Based on that evaluation, our management, including our CEO and CFO, concluded that our disclosure controls and procedures are effective to ensure that information we are required to disclose in reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our CEO and CFO, as appropriate, to allow for timely discussions regarding required disclosures, and that such information is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

Changes in Internal Control Over Financial Reporting

There was no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II—OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Information required by this Item is contained in Note F to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

ITEM 1A. RISK FACTORS

See Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended January 29, 2017 for a description of the risks and uncertainties associated with our business. There were no material changes to such risk factors in the current quarterly reporting period.

Table of Contents

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information as of April 30, 2017 with respect to shares of common stock we repurchased during the first quarter of fiscal 2017 under our $500,000,000 stock repurchase authorization. For additional information, please see Note G to our Condensed Consolidated Financial Statements within Part I of this Form 10-Q.

Fiscal period	Total Number of Shares Purchased[1]	Average Price Paid Per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Maximum Dollar Value of Shares That May Yet Be Purchased Under the Program
January 30, 2017 – February 26, 2017	241,970	$ 47.74	241,970	$ 399,026,000
February 27, 2017 – March 26, 2017	250,684	$ 48.57	250,684	$ 386,851,000
March 27, 2017 – April 30, 2017	271,889	$ 53.78	271,889	$ 372,227,000
Total	764,543	$ 50.16	764,543	$ 372,227,000

1 Excludes shares withheld for employee taxes upon vesting of stock-based awards.

Stock repurchases under our program may be made through open market and privately negotiated transactions at times and in such amounts as management deems appropriate. The timing and actual number of shares repurchased will depend on a variety of factors including price, corporate and regulatory requirements, capital availability and other market conditions. The stock repurchase program does not have an expiration date and may be limited or terminated at any time without prior notice.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

None.

ITEM 6. EXHIBITS

(a) Exhibits

Exhibit Number	Exhibit Description
10.1+*	Separation Agreement and General Release with Sandra Stangl dated March 14, 2017
31.1*	Certification of Chief Executive Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
31.2*	Certification of Chief Financial Officer, pursuant to Rule 13a-14(a) and Rule 15d-14(a) of the Securities Exchange Act, as amended
32.1*	Certification of Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS*	XBRL Instance Document
101.SCH*	XBRL Taxonomy Extension Schema Document
101.CAL*	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF*	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB*	XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	XBRL Taxonomy Extension Presentation Linkbase Document

\+ Indicates a management contract or compensatory plan or arrangement.

* Filed herewith.

Table of Contents

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

WILLIAMS-SONOMA, INC.

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Date: June 2, 2017

Exhibit 10.1

WILLIAMS-SONOMA, INC.
3250 Van Ness Avenue
San Francisco, CA 94109
(415) 616-8698

Sandra Stangl
[Home address redacted]

Re: Separation Agreement and General Release

Dear Sandra:

This Separation Agreement and General Release (the "Agreement") and Exhibit A to this Agreement ("Exhibit A"), which is incorporated herein by reference, is a contract that describes in detail the separation benefits Williams-Sonoma, Inc. ("WSI") offers you in connection with the end of your employment and to ease your transition to your next job.

1. Transition and Separation. If you sign, do not revoke and comply with all terms and conditions of this Agreement, your last day of employment with WSI will be March 31, 2017 (the "Separation Date"), which will be a resignation, and you will be paid your base salary through the Separation Date. The period between you signing this Agreement and the Separation Date is the "Transition Period." You understand that any salary payments you receive during the Transition Period are not for wages WSI concedes it owes you and are consideration for you signing the Agreement. During the Transition Period you will only perform any work as required by paragraphs 15, 16 and 17.

2. Additional Severance Benefits. In exchange for your timely execution and non-revocation of this Agreement, and then your timely execution of Exhibit A on your Separation Date, and your compliance with all terms and conditions of this Agreement and Exhibit A, you will receive the following:

   a. WSI will continue your base salary at your current bi-weekly base salary rate of $42,307.69 (based on your current annual base salary of $1,100,000.00) and make biweekly COBRA payments to you in the amount of $1,005 (up to $26,130 in the aggregate) (1) for a period of one year from the Separation Date; or (2) until you accept (a) other employment; (b) work as an independent contractor or consultant; (c) a board seat for a non-charitable company unless approved by WSI's CEO; or (d) any other form of paid non-charitable work or non-charitable advising, whichever comes first ("Transition Payments"). These Transition Payments will be paid to you, less applicable withholdings and deductions, on WSI's regularly scheduled payroll dates beginning with the first regularly scheduled payroll date that occurs after the Separation Date. If you accept (a) other employment; (b) work as an independent contractor or consultant; (c) a board seat for a non-charitable company unless approved by WSI's CEO; or (d) any other form of paid non-charitable work or non-charitable advising before the one year period expires, you must report it to David King via telephone and email within one business day. Each bi-weekly payment shall constitute a separate payment for purposes of Section 409A of the Internal Revenue Code of 1986, as amended. The COBRA payments, after reduction for applicable withholdings and deductions, are intended to approximate the cost of your COBRA coverage for up to 12 months and may be used by you for any purpose.

b. Stock Acceleration: Subject to this Agreement and Exhibit A becoming effective, on the Separation Date WSI will accelerate the vesting and authorize settlement of 42,644 WSI restricted stock units held by you that had been scheduled to vest in April 2017. Such accelerated vesting and settlement shall be subject to all applicable withholdings and otherwise to the terms of the applicable plan and agreements under which such equity awards were granted to you.

3. After the Separation Date, you will not be entitled to any more payments or benefits of any kind, other than those described in the Agreement and Exhibit A. If you violate any of the terms, conditions or representations in the Agreement or Exhibit A, all payments due under the Agreement and Exhibit A will immediately stop, and WSI will have no further obligation to you under the Agreement and Exhibit A. If you violate any of the terms, conditions or representations in the Agreement or Exhibit A after you receive the payments described in paragraphs 1 and/or 2, WSI will have the right to demand repayments, and take legal action to recover these amounts.

4. By signing Exhibit A, you acknowledge that at the end of your employment, WSI paid you your final pay, including all wages due, less applicable withholdings and deductions, and all of your accrued but unused vacation and floating holiday time, less applicable withholdings and deductions (collectively “final wages”). You understand that these final wages were not conditioned on you signing Exhibit A. You agree that prior to signing Exhibit A, you were not entitled to receive any other payments from WSI, including that you did not earn and will not receive any bonuses, and the only payments or benefits you are entitled to receive in the future are those specified in paragraphs 1 and 2 of the Agreement. Your signature on Exhibit A also confirms that as of the Separation Date, you have not suffered an on-the-job injury for which you have not already filed a claim. By signing Exhibit A, you also agree that as of your Separation Date you have no unreimbursed business expenses.

5. As of the Separation Date, you acknowledge and agree that (i) you do not hold any WSI stock options and/or stock-settled stock appreciation rights and (ii) except as set forth in paragraph 2, you will not be eligible to vest in any WSI equity awards on or after the Separation Date.

6. You agree that even after the Separation Date, you must comply with the parts of WSI’s Code of Conduct that apply after your employment at WSI ends. You represent and warrant that you have complied with the Code of Conduct in all material respects prior to your execution of this Agreement and Exhibit A. A copy of the Code of Conduct is attached.

7. You represent and warrant that you have not disclosed any Confidential Information outside of WSI prior to your execution of this Agreement and Exhibit A. You may not disclose any Confidential Information you received during or as a result of your

employment with WSI. Confidential Information means any information that is, or should reasonably be understood to be, confidential or proprietary to WSI. Confidential Information includes (but is not limited to) all information, whether in written, oral, electronic, magnetic, photographic or any other form, that relates to WSI's past, present and future businesses, products, product specifications, designs, drawings, concepts, samples, intellectual property, inventions, know-how, sources, costs, pricing, technologies, customers, vendors, other business relationships, business ideas and methods, distribution methods, inventories, manufacturing processes, computer programs and systems, employees, hiring practices, operations, marketing strategies and other technical, business and financial information. Confidential Information also includes the identity, capabilities and capacity of vendors, former vendors or other vendors that were considered but rejected. A breach of this confidentiality provision will be deemed to be a material breach of the Agreement and Exhibit A and, in addition to all other remedies for breach, will entitle WSI to recover liquidated damages in the amount of $10,000.00 for each occurrence of a breach of this confidentiality provision. Any claim of a breach of this confidentiality provision shall be resolved by arbitration with JAMS. You expressly agrees that this provision is reasonable under the circumstances that exist at the time this Agreement is executed. Notwithstanding the foregoing, the Defend Trade Secrets Act of 2016 (DTSA) provides that an individual shall not be held criminally or civilly liable under any federal or state trade secret law for the disclosure of a trade secret that is made (i) in confidence to a federal, state, or local government official, either directly or indirectly, or to an attorney; and (ii) solely for the purpose of reporting or investigating a suspected violation of law; or (iii) in a complaint or other document filed in a lawsuit or other proceeding, if such filing is made under seal. In addition, DTSA provides that an individual who files a lawsuit for retaliation by an employer for reporting a suspected violation of law may disclose the trade secret to the attorney of the individual and use the trade secret information in the court proceeding, if the individual (i) files any document containing the trade secret under seal; and (ii) does not disclose the trade secret, except pursuant to court order.

8. You agree that you will not disparage or encourage or induce others to disparage WSI and the Released Parties (defined below). For the purpose of this Agreement, "disparage" includes, without limitation, making comments or statements to any person or entity including, but not limited to, the press and/or media, former employees, employees, partners or principals of WSI or any entity with whom WSI has a business relationship, that would adversely affect in any manner (a) the conduct of the business of WSI or any of the Released Parties (including, but not limited to, any business plans or prospects) or (b) the reputation of WSI or any of the Released Parties. Nothing in this paragraph shall prohibit you from providing truthful information as required by law in a legal proceeding or a government investigation or government proceeding, or as otherwise required by law. A breach of this non-disparagement provision will be deemed to be a material breach of the Agreement and Exhibit A. Any claim of a breach of this non-disparagement provision shall be resolved by arbitration with JAMS. Provided you timely sign and do not revoke the Agreement and sign Exhibit A, WSI will instruct the following people not to disparage you: all members of the current WSI Executive Committee.

9. By the Separation Date, you agree to deliver to WSI all company documents and materials in your possession, such as name tags, uniforms, reports, files, memos, records,

business contacts, software, credit cards, door and file keys, computers, computer access codes, flash drives, external hard drives, disks, instructional manuals and any other property you received, prepared or helped prepare in connection with your employment. You also agree that you will not keep any copies or excerpts of any of these items.

10. In exchange for the consideration described in paragraph 1, you hereby release, waive, acquit and forever discharge WSI and all of its and their respective past, present and future direct and indirect affiliates, brands, subsidiaries, predecessors, successors and assigns, and all of its and their respective past, present and future partners, principals, officers, directors, employees, attorneys, insurers, representatives and agents, whether acting as agents or in individual capacities, and the Company pension and welfare benefit plans (and their respective plan administrators, fiduciaries, insurers and trustees) (the "Released Parties"), of and from any and all claims, liabilities, demands, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, arising out of or in any way related to your employment or the separation of your employment through the date you sign this Agreement. This general release includes, but is not limited to: (i) all claims related to your compensation or benefits, including but not limited to, wages, salary, bonuses, commissions, vacation pay, all claims related to fringe benefits, incentive pay, severance pay, or any other form of compensation; (ii) all claims pursuant to any federal, state or local law prohibiting discrimination, harassment and/or retaliation; (iii) all tort claims, including without limitation, claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (iv) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; and (v) all other claims related to employment. You understand and agree that by signing and not revoking this Agreement, you are precluded to the fullest extent permitted by law from filing or pursuing any legal claim against WSI at any time in the future, in any forum or tribunal, arising out of any of the claims that you have waived as a result of executing this Agreement.

11. The general release described in paragraph 10 does not include (i) claims based on WSI's obligations to you under this Agreement; (ii) your vested rights under any WSI retirement plan; (iii) claims for unreimbursed business expenses under California Labor Code section 2802; and (iv) any rights or claims which cannot be waived or released as a matter of law. If any provision of the release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and all remaining provisions shall be enforced to the full extent permitted by law.

12. You acknowledge the language of Section 1542 of the California Civil Code, which states: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." You hereby expressly waive and relinquish all rights and benefits under that section and understand and agree that it is your intention to release all claims that you have or may have against the Released Parties set forth in this Agreement, whether known or unknown, suspected or unsuspected.

13. You acknowledge that you are knowingly and voluntarily waiving and releasing any rights you may have under the Federal Age Discrimination in Employment Act ("ADEA Waiver") and that the consideration given for the ADEA Waiver is in addition to

anything of value to which you are already entitled. You further acknowledge that: (a) your ADEA Waiver does not apply to any claims that may arise after you sign this Agreement; (b) you should consult with an attorney prior to executing this Agreement; (c) you have 21 calendar days within which to consider this Agreement (although you may choose to execute Agreement earlier); (d) you have 7 calendar days following the execution of the Agreement to revoke this Agreement; and (e) the Agreement will not be effective until the eighth day after you sign this Agreement provided that you have not revoked it and that WSI has signed it ("Effective Date"). You agree that any modifications, material or otherwise, made to this Agreement do not restart or affect in any manner the original 21-day consideration period provided in this paragraph. The offers described in paragraphs 1 and 2 will be automatically withdrawn and revoked if you do not sign the Agreement within this 21-day period. To revoke the Agreement, you must deliver to me at facsimile number: (415) 439-8484, prior to the end of the 7-day period, a written notice of revocation. You acknowledge that your consent to this Agreement is knowing and voluntary.

14. Nothing in the Agreement or Exhibit A will affect the Equal Employment Opportunity Commission's (EEOC) right and responsibility to enforce the Civil Rights Act of 1964, as amended, the Age Discrimination in Employment Act of 1967, as amended, and any other applicable law. Nor will anything in the Agreement or Exhibit A interfere with your right to file a charge with, or participate in an investigation or proceeding conducted by, the EEOC or any other state, federal or local government entity. However, if such an agency or entity investigates on your behalf, you specifically give up your right to recover money or other benefits of any sort, including reinstatement to your former WSI position that may arise from the investigation or otherwise. Nothing in this Agreement or Exhibit A is intended to impede your ability to report securities law violations to the SEC under the Dodd-Frank Act, or to receive a monetary award from a government administered whistleblower-award program.

15. You agree to fully cooperate with WSI and its counsel as it relates, in any way, to any issue or matter that may arise as the subject of litigation or administrative inquiry, which occurred during your employment with WSI. Full cooperation shall include, but is not limited to, review of documents, attendance at meetings, trial or administrative proceedings, depositions, interviews, or production of documents to WSI without the need of the subpoena process.

16. You agree to fully cooperate in all matters relating to the transition of your employment (including with respect to internal and external communication plans) and other matters reasonably requested by WSI and/or the Board of Directors, whether before or after the Separation Date.

17. You agree to resign from your officer position, effective March 15, 2017. At WSI's request, you agree to promptly complete all necessary paperwork and provide such necessary information to effectuate that resignation.

18. You represent and warrant that you have not directly or indirectly recruited, solicited or induced, or attempted to induce, any employee, consultant or vendor of WSI to terminate employment or any other relationship with WSI prior to your execution of this Agreement and Exhibit A. You agree that you will not, for a period of 12 months from

the Separation Date, directly or indirectly recruit, solicit or induce, or attempt to induce, any employee, consultant or vendor of WSI to terminate employment or any other relationship with WSI. You agree that you will not at any time use Confidential Information (as defined in paragraph 7) to recruit, solicit, retain or hire any of WSI's employees, consultants or vendors.

19. You agree that except as required by law, neither you nor any member of your family will disclose to any person, group or company (other than your legal, tax or financial advisors) the terms of the Agreement, Exhibit A or any discussions leading up to your decision to sign the Agreement or Exhibit A. If such disclosure is made, WSI will immediately discontinue any payments offered to you under the Agreement and Exhibit A.

20. You acknowledge and agree that neither WSI nor its advisors have made any representations to you regarding the tax consequences to you of any compensation or benefits subject to this Agreement and Exhibit A. You agree that such tax consequences are solely your responsibility.

21. This Agreement and Exhibit A shall inure to the benefit of and be binding upon the heirs, representatives, parents, marital communities, successors and assigns, to the extent applicable, of each of the parties to it.

22. The provisions of the Agreement are severable. And the provisions of Exhibit A are severable. This means if a court or arbitrator concludes any part of the Agreement or Exhibit A is invalid or unenforceable, its conclusion will not affect the validity or the enforceability of any other part.

23. Except for any claim for injunctive relief arising out of a breach of a party's obligations to protect the other's confidential and/or proprietary information or arising out of a breach of paragraph 18, to ensure rapid and economical resolution of any disputes regarding this Agreement or Exhibit A, you and WSI hereby agree that any and all claims, disputes or controversies of any nature whatsoever arising out of, or relating to, this Agreement and/or Exhibit A, or their interpretation, enforcement, breach, performance or execution, shall be resolved by final, binding and confidential arbitration in San Francisco, CA conducted under the Judicial Arbitration and Mediation Service (JAMS) Streamlined Arbitration Rules & Procedures, which can be reviewed at http://www.jamsadr.com/rules-streamlined-arbitration/. You and WSI each acknowledge that by agreeing to this arbitration procedure, you and WSI waive the right to resolve any such dispute, claim or demand through a trial by jury or judge or by administrative proceeding. The arbitrator, and not a court, shall also be authorized to determine whether the provisions of this paragraph apply to a dispute, controversy, or claim sought to be resolved in accordance with these arbitration procedures. The arbitrator may in his or her discretion award attorneys' fees to the prevailing party. All claims, disputes, or controversies subject to arbitration as set forth in this paragraph must be submitted to arbitration on an individual basis and not as a representative, class and/or collective action proceeding on behalf of other individuals.

24. This Agreement and Exhibit A are governed by California law without regard to conflict of law principles.

You agree that this Agreement and Exhibit A constitute the entire agreement between you and WSI regarding the subject matter of this Agreement and Exhibit A, and replace any prior discussions or agreements, whether oral or written, with regard to that subject. The terms of the Agreement and/or Exhibit A may only be changed by another written agreement, signed by an authorized representative of WSI.

To indicate that you agree to comply with the terms and conditions of this Agreement, please sign this Agreement and return it to me that same day. Please sign Exhibit A on your Separation Date and return it to me that same day.

The Parties knowingly and voluntarily sign this Agreement as of the date(s) set forth below:

Sandra Stangl	Williams-Sonoma, Inc.
/s/ Sandra Stangl	/s/ Linda Lewis Linda Lewis Executive Vice President, Chief Talent Officer
Date: March 14, 2017	Date: March 14, 2017

Exhibit A to Separation Agreement and General Release

This Exhibit A to the Separation Agreement and General Release ("Agreement") is entered into by and between Williams-Sonoma, Inc. (WSI) and you, Sandra Stangl.

1. Consideration. In exchange for your timely execution and non-revocation of the Agreement, and then your timely execution of this Exhibit A on your Separation Date, and your compliance with all terms and conditions of this Agreement and Exhibit A, you will receive the following:

a. WSI will continue your base salary at your current bi-weekly base salary rate of $42,307.69 (based on your current annual base salary of $1,100,000.00) and make biweekly COBRA payments to you in the amount of $1,005 (up to $26,130 in the aggregate) (1) for a period of one year from the Separation Date; or (2) until you accept (a) other employment; (b) work as an independent contractor or consultant; (c) a board seat for a non-charitable company unless approved by WSI's CEO; or (d) any other form of paid non-charitable work or non-charitable advising, whichever comes first ("Transition Payments"). These Transition Payments will be paid to you, less applicable withholdings and deductions, on WSI's regularly scheduled payroll dates beginning with the first regularly scheduled payroll date that occurs after the Separation Date. If you accept (a) other employment; (b) work as an independent contractor or consultant; (c) a board seat for a non-charitable company unless approved by WSI's CEO; or (d) any other form of paid non-charitable work or non-charitable advising before the one year period expires, you must report it to David King via telephone and email within one business day. Each bi-weekly payment shall constitute a separate payment for purposes of Section 409A of the Internal Revenue Code of 1986, as amended. The COBRA payments, after reduction for applicable withholdings and deductions, are intended to approximate the cost of your COBRA coverage for up to 12 months and may be used by you for any purpose.

b. Stock Acceleration: Subject to the Agreement and this Exhibit A becoming effective, on the Separation Date WSI will accelerate the vesting and authorize settlement of 42,644 WSI restricted stock units held by you that had been scheduled to vest in April 2017. Such accelerated vesting and settlement shall be subject to all applicable withholdings and otherwise to the terms of the applicable plan and agreements under which such equity awards were granted to you.

2. General Release and Waiver of Claims. In exchange for the consideration described in paragraph 1 of this Exhibit A, you hereby release, waive, acquit and forever discharge WSI and all of its and their respective past, present and future direct and indirect affiliates, brands, subsidiaries, predecessors, successors and assigns, and all of its and their respective past, present and future partners, principals, officers, directors, employees, attorneys, insurers, representatives and agents, whether acting as agents or in individual capacities, and the Company pension and welfare benefit plans (and their respective plan administrators, fiduciaries, insurers and trustees) (the "Released Parties"), of and from any and all claims, liabilities, demands, costs, expenses, attorneys' fees, damages, indemnities and obligations of every kind and nature, in law, equity, or otherwise, arising out of or in any way related to your employment or the separation of your employment through the date you sign this Agreement. This general release includes, but is not

limited to: (i) all claims related to your compensation or benefits, including but not limited to, wages, salary, bonuses, commissions, vacation pay, all claims related to fringe benefits, incentive pay, severance pay, or any other form of compensation; (ii) all claims pursuant to any federal, state or local law prohibiting discrimination, harassment and/or retaliation; (iii) all tort claims, including without limitation, claims for fraud, defamation, emotional distress, and discharge in violation of public policy; (iv) all claims for breach of contract, wrongful termination, and breach of the implied covenant of good faith and fair dealing; and (v) all other claims related to employment. You understand and agree that by signing this Exhibit A, you are precluded to the fullest extent permitted by law from filing or pursuing any legal claim against WSI at any time in the future, in any forum or tribunal, arising out of any of the claims that you have waived as a result of executing this Exhibit A.

This general release does not include (i) claims based on WSI's obligations to you under the Agreement and Exhibit A; (ii) your vested rights under any WSI retirement plan; (iii) claims for unreimbursed business expenses under California Labor Code section 2802; and (iv) any rights or claims which cannot be waived or released as a matter of law. If any provision of the release is found to be unenforceable, it shall not affect the enforceability of the remaining provisions and all remaining provisions shall be enforced to the full extent permitted by law.

3. 1542 Waiver. You acknowledge the language of Section 1542 of the California Civil Code, which states: "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release, which if known by him must have materially affected his settlement with the debtor." You hereby expressly waive and relinquish all rights and benefits under that section and understand and agree that it is your intention to release all claims that you have or may have against the Released Parties set forth in this Exhibit A, whether known or unknown, suspected or unsuspected.

4. Entire Agreement: You agree that the Agreement and this Exhibit A constitute the entire agreement between you and WSI regarding the subject matter of the Agreement and Exhibit A, and replace any prior discussions or agreements, whether oral or written, with regard to that subject.

The Parties knowingly and voluntarily sign this Exhibit A as of the date(s) set forth below:

Sandra Stangl

/s/ Sandra Stangl

Date: March 31, 2017

Williams-Sonoma, Inc.

/s/ Linda Lewis
Linda Lewis
Executive Vice President, Chief Talent Officer

Date: March 31, 2017

Exhibit 31.1

CERTIFICATION

I, Laura J. Alber, certify that:

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

Date: June 2, 2017

By: /s/ Laura J. Alber
Laura J. Alber
Chief Executive Officer

Exhibit 31.2

CERTIFICATION

I, Julie P. Whalen, certify that:

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

Date: June 2, 2017

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Exhibit 32.1

CERTIFICATION BY CHIEF EXECUTIVE OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended April 30, 2017 of Williams-Sonoma, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Laura J. Alber, Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Laura J. Alber
Laura J. Alber
Chief Executive Officer

Date: June 2, 2017

Exhibit 32.2

CERTIFICATION BY CHIEF FINANCIAL OFFICER
PURSUANT TO 18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with the Quarterly Report on Form 10-Q for the period ended April 30, 2017 of Williams-Sonoma, Inc. (the "Company") as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Julie P. Whalen, Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods presented in the Report.

By: /s/ Julie P. Whalen
Julie P. Whalen
Chief Financial Officer

Date: June 2, 2017