

BIG 5 SPORTING GOODS CORP
Form 10-Q
April 30, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 30, 2014

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: 000-49850

BIG 5 SPORTING GOODS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

95-4388794
(I.R.S. Employer
Identification No.)

2525 East El Segundo Boulevard

El Segundo, California
(Address of Principal Executive Offices)

90245
(Zip Code)

Registrant's telephone number, including area code: (310) 536-0611

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, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting 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

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

There were 22,400,122 shares of common stock, with a par value of \$0.01 per share outstanding as of April 22, 2014.

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(In thousands, except share amounts)

	March 30, 2014	December 29, 2013
ASSETS		
Current assets:		
Cash	\$ 5,902	\$ 9,400
Accounts receivable, net of allowances of \$85 and \$105, respectively	9,860	16,301
Merchandise inventories, net	294,071	300,952
Prepaid expenses	14,690	6,356
Deferred income taxes	10,153	12,000
Total current assets	334,676	345,009
Property and equipment, net	73,564	75,608
Deferred income taxes	13,348	13,564
Other assets, net of accumulated amortization of \$935 and \$891, respectively	3,192	3,274
Goodwill	4,433	4,433
Total assets	\$ 429,213	\$ 441,888

LIABILITIES AND STOCKHOLDERS EQUITY

Current liabilities:		
Accounts payable	\$ 96,334	\$ 104,826
Accrued expenses	56,598	69,923
Current portion of capital lease obligations	1,386	1,567
Total current liabilities	154,318	176,316
Deferred rent, less current portion	20,220	21,078
Capital lease obligations, less current portion	1,429	1,595
Long-term debt	54,219	43,018
Other long-term liabilities	9,468	9,111

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Total liabilities	239,654	251,118
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 24,441,150 and 24,339,537 shares, respectively; outstanding 22,370,802 and 22,297,701 shares, respectively	244	244
Additional paid-in capital	109,285	109,901
Retained earnings	106,395	106,565
Less: Treasury stock, at cost; 2,070,348 and 2,041,836 shares, respectively	(26,365)	(25,940)
Total stockholders' equity	189,559	190,770
Total liabilities and stockholders' equity	\$ 429,213	\$ 441,888

See accompanying notes to unaudited condensed consolidated financial statements.

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BIG 5 SPORTING GOODS CORPORATION
UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

	13 Weeks Ended	
	March 30, 2014	March 31, 2013
Net sales	\$ 231,263	\$ 246,266
Cost of sales	158,585	165,791
Gross profit	72,678	80,475
Selling and administrative expense	68,904	67,928
Operating income	3,774	12,547
Interest expense	434	453
Income before income taxes	3,340	12,094
Income taxes	1,280	4,580
Net income	\$ 2,060	\$ 7,514
Earnings per share:		
Basic	\$ 0.09	\$ 0.35
Diluted	\$ 0.09	\$ 0.34
Dividends per share	\$ 0.10	\$ 0.10
Weighted-average shares of common stock outstanding:		
Basic	21,980	21,453
Diluted	22,231	21,822

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**BIG 5 SPORTING GOODS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(In thousands, except share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
Balance as of December 30, 2012	21,741,248	\$ 238	\$ 102,658	\$ 87,464	\$ (25,940)	\$ 164,420
Net income				7,514		7,514
Dividends on common stock (\$0.10 per share)				(2,179)		(2,179)
Issuance of nonvested share awards	121,020	1	(1)			
Exercise of share option awards	72,975	1	543			544
Share-based compensation			449			449
Tax benefit from share-based awards activity			297			297
Forfeiture of nonvested share awards	(900)					
Retirement of common stock for payment of withholding tax	(41,812)		(641)			(641)
Balance as of March 31, 2013	21,892,531	\$ 240	\$ 103,305	\$ 92,799	\$ (25,940)	\$ 170,404
Balance as of December 29, 2013	22,297,701	\$ 244	\$ 109,901	\$ 106,565	\$ (25,940)	\$ 190,770
Net income				2,060		2,060
Dividends on common stock (\$0.10 per share)				(2,230)		(2,230)
Issuance of nonvested share awards	146,920	1	(1)			
Exercise of share option awards	7,900		48			48
Share-based compensation			512			512
Tax deficiency from share-based awards activity			(367)			(367)
Forfeiture of nonvested share awards	(280)					
Retirement of common stock for payment of withholding tax	(52,927)	(1)	(808)			(809)
Purchases of treasury stock	(28,512)				(425)	(425)
Balance as of March 30, 2014	22,370,802	\$ 244	\$ 109,285	\$ 106,395	\$ (26,365)	\$ 189,559

See accompanying notes to unaudited condensed consolidated financial statements.

Table of Contents**BIG 5 SPORTING GOODS CORPORATION****UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	13 Weeks Ended	
	March 30, 2014	March 31, 2013
Cash flows from operating activities:		
Net income	\$ 2,060	\$ 7,514
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,226	4,812
Share-based compensation	512	449
Excess tax benefit related to share-based awards	(177)	(287)
Amortization of debt issuance costs	44	63
Deferred income taxes	2,063	638
Changes in operating assets and liabilities:		
Accounts receivable, net	6,541	4,743
Merchandise inventories, net	6,881	(1,521)
Prepaid expenses and other assets	(8,663)	36
Accounts payable	934	16,392
Accrued expenses and other long-term liabilities	(12,020)	(9,056)
Net cash provided by operating activities	3,401	23,783
Cash flows from investing activities:		
Purchases of property and equipment	(3,810)	(3,219)
Net cash used in investing activities	(3,810)	(3,219)
Cash flows from financing activities:		
Principal borrowings under revolving credit facility	58,534	48,976
Principal payments under revolving credit facility	(47,333)	(64,490)
Changes in book overdraft	(10,689)	(4,802)
Principal payments under capital lease obligations	(407)	(431)
Proceeds from exercise of share option awards	48	544
Excess tax benefit related to share-based awards	177	287
Purchases of treasury stock	(299)	(75)
Tax withholding payments for share-based compensation	(809)	(641)
Dividends paid	(2,311)	(2,210)
Net cash used in financing activities	(3,089)	(22,842)