

STAGE STORES INC  
Form 10-Q  
September 06, 2012

---

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 July 28, 2012

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 1-14035

Stage Stores, Inc.  
(Exact name of registrant as specified in its charter)

NEVADA  
(State or other jurisdiction of incorporation or organization)

91-1826900  
(I.R.S. Employer Identification No.)

10201 Main Street, Houston, Texas  
(Address of principal executive offices)

77025  
(Zip Code)

(800) 579-2302  
(Registrant's telephone number, including area code)

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

Edgar Filing: STAGE STORES INC - Form 10-Q

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. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer  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

As of August 25, 2012, there were 31,460,168 shares of the registrant’s common stock outstanding.

---

---

---

## TABLE OF CONTENTS

## PART I

## FINANCIAL INFORMATION

	Page No.
Item 1.	3
Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets July 28, 2012 and January 28, 2012</u>	3
<u>Condensed Consolidated Statements of Operations and Comprehensive Income Thirteen and Twenty-Six Weeks Ended July 28, 2012 and July 30, 2011</u>	4
<u>Condensed Consolidated Statements of Cash Flows Twenty-Six Weeks Ended July 28, 2012 and July 30, 2011</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity Twenty-Six Weeks Ended July 28, 2012</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
Item 2.	17
Item 3.	24
<u>Quantitative and Qualitative Disclosures about Market Risk</u>	24
Item 4.	24
<u>Controls and Procedures</u>	24
<b>PART II OTHER INFORMATION</b>	
Item 1.	25
<u>Legal Proceedings</u>	25
Item 1A.	25
<u>Risk Factors</u>	25
Item 2.	25
<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	25
Item 3.	26
<u>Defaults Upon Senior Securities</u>	26
Item 4.	26
<u>Mine Safety Disclosures</u>	26
Item 5.	26
<u>Other Information</u>	26
Item 6.	26
<u>Exhibits</u>	26
<u>SIGNATURES</u>	30

Table of Contents

References to a particular year are to Stage Stores, Inc.'s fiscal year, which is the 52- or 53-week period ending on the Saturday closest to January 31st of the following calendar year. For example, a reference to "2011" is a reference to the fiscal year ended January 28, 2012 and a reference to "2012" is a reference to the fiscal year ending February 2, 2013. 2011 was a 52-week year and 2012 is a 53-week year.

## PART I – FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

Stage Stores, Inc.  
Condensed Consolidated Balance Sheets  
(in thousands, except par value)  
(Unaudited)

	July 28, 2012	January 28, 2012
<b>ASSETS</b>		
Cash and cash equivalents	\$22,627	\$ 18,621
Merchandise inventories, net	396,545	347,944
Prepaid expenses and other current assets	27,425	33,434
Total current assets	446,597	399,999
Property, equipment and leasehold improvements, net	292,816	300,717
Intangible asset	14,910	14,910
Other non-current assets, net	20,954	19,713
Total assets	\$775,277	\$ 735,339
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$129,936	\$ 106,022
Current portion of debt obligations	710	13,782
Accrued expenses and other current liabilities	72,318	66,495
Total current liabilities	202,964	186,299
Long-term debt obligations	46,696	35,721
Other long-term liabilities	97,170	100,613
Total liabilities	346,830	322,633
Commitments and contingencies		
Common stock, par value \$0.01, 100,000 shares authorized, 31,230 and 30,444 shares issued, respectively	312	304
Additional paid-in capital	359,400	349,366
Less treasury stock - at cost, 4 and 0 shares, respectively	(950 )	(835 )
Accumulated other comprehensive loss	(4,620 )	(4,748 )
Retained earnings	74,305	68,619
Total stockholders' equity	428,447	412,706
Total liabilities and stockholders' equity	\$775,277	\$ 735,339

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

Table of Contents

Stage Stores, Inc.  
Condensed Consolidated Statements of Operations and Comprehensive Income  
(in thousands, except per share data)  
(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011
Net sales	\$381,624	\$352,832	\$747,318	\$699,315
Cost of sales and related buying, occupancy and distribution expenses	266,450	248,975	538,305	510,238
Gross profit	115,174	103,857	209,013	189,077
Selling, general and administrative expenses	94,747	86,075	187,487	169,677
Store opening costs	583	906	1,528	3,640
Interest expense, net of income of \$0 and \$2 for the thirteen weeks and \$0 and \$24 for the twenty-six weeks, respectively	951	885	1,782	1,791
Income before income tax	18,893	15,991	18,216	13,969
Income tax expense	7,231	5,978	6,972	4,417
Net income	\$11,662	\$10,013	\$11,244	\$9,552
Other comprehensive income:				
Amortization of employee benefit related costs net of tax of \$39 and \$15, for the thirteen weeks and \$79 and \$30 for the twenty-six weeks, respectively	64	25	128	49
Total other comprehensive income	64	25	128	49
Comprehensive income	\$11,726	\$10,038	\$11,372	\$9,601
Basic and diluted earnings per share data:				
Basic earning per share	\$0.37	\$0.29	\$0.36	\$0.27
Basic weighted average shares outstanding	31,010	34,236	30,773	35,258
Diluted earnings per share	\$0.37	\$0.29	\$0.36	\$0.27
Diluted weighted average shares outstanding	31,225	34,635	30,988	35,725

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

Table of Contents

Stage Stores, Inc.  
Condensed Consolidated Statements of Cash Flows  
(in thousands)  
(Unaudited)

	Twenty-Six Weeks Ended	
	July 28, 2012	July 30, 2011
Cash flows from operating activities:		
Net income	\$11,244	\$9,552
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,262	30,853
Loss on retirements of property and equipment and impairment of long-lived assets	-	136
Deferred income taxes	449	79
Tax (deficiency) benefits from stock-based compensation	(893 )	749
Stock-based compensation expense	3,436	4,079
Amortization of debt issuance costs	288	155
Excess tax benefits from stock-based compensation	(550 )	(1,181 )
Deferred compensation obligation	54	89
Amortization of employee benefit related costs	206	79
Construction allowances from landlords	1,377	2,102
Changes in operating assets and liabilities:		
Increase in merchandise inventories	(48,601 )	(32,124 )
Decrease in other assets	4,414	420
Increase (decrease) in accounts payable and other liabilities	24,716	(1,402 )
Total adjustments	15,158	4,034
Net cash provided by operating activities	26,402	13,586
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(22,621 )	(22,103 )
Proceeds from retirements of property and equipment	-	93
Net cash used in investing activities	(22,621 )	(22,010 )
Cash flows from financing activities:		
Proceeds from revolving credit facility borrowings	190,405	51,700
Payments of revolving credit facility borrowings	(174,175 )	(23,700 )
Payments of long-term debt obligations	(18,327 )	(6,647 )
Payments of debt issuance costs	-	(1,097 )
Repurchases of common stock	(516 )	(74,558 )
Proceeds from exercise of stock awards	7,846	6,956
Excess tax benefits from stock-based compensation	550	1,181
Cash dividends paid	(5,558 )	(5,408 )
Net cash provided by (used in) financing activities	225	(51,573 )
Net increase (decrease) in cash and cash equivalents	4,006	(59,997 )
Cash and cash equivalents:		
Beginning of period	18,621	89,349
End of period	\$22,627	\$29,352

Supplemental disclosures:

Interest paid	\$1,520	\$1,627
Income taxes paid	\$7,240	\$11,834
Unpaid liabilities for capital expenditures	\$3,561	\$6,514

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



Table of Contents

Stage Stores, Inc.  
Condensed Consolidated Statement of Stockholders' Equity  
For the Twenty-Six Weeks Ended July 28, 2012  
(in thousands, except per share data)  
(Unaudited)

	Common Stock	Additional Paid-in Capital	Treasury Stock	Accumulated Other Comprehensive	Retained
Shares	Amount	Shares	Amount		