

STAGE STORES INC  
Form 10-Q  
June 09, 2010

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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 May 1, 2010

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

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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 June 3, 2010, there were 38,226,628 shares of the registrant's common stock outstanding.

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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 "2009" is a reference to the fiscal year ended January 30, 2010 and a reference to "2010" is a reference to the fiscal year ending January 29, 2011. 2009 and 2010 are 52-week years.

## PART I - FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

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

	May 1, 2010	January 30, 2010
<b>ASSETS</b>		
Cash and cash equivalents	\$ 80,207	\$ 93,714
Merchandise inventories, net	349,195	306,360
Prepaid expenses and other current assets	26,306	27,095
Total current assets	455,708	427,169
Property, equipment and leasehold improvements, net	335,382	342,001
Intangible asset	14,910	14,910
Other non-current assets, net	17,132	16,351
Total assets	\$ 823,132	\$ 800,431
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Accounts payable	\$ 128,930	\$ 100,602
Current portion of debt obligations	12,932	12,726
Accrued expenses and other current liabilities	59,584	69,688
Total current liabilities	201,446	183,016
Long-term debt obligations	34,844	38,492
Other long-term liabilities	103,248	102,877
Total liabilities	339,538	324,385
<b>Commitments and contingencies</b>		
Common stock, par value \$0.01, 100,000 shares authorized,		
56,772 and 56,080 shares issued, respectively	568	561
Additional paid-in capital	509,113	501,800
Less treasury stock - at cost, 18,071 shares	(288,202 )	(288,079 )
Accumulated other comprehensive loss	(5,831 )	(5,897 )
Retained earnings	267,946	267,661
Total stockholders' equity	483,594	476,046

Total liabilities and stockholders' equity	\$	823,132	\$	800,431
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The accompanying notes are an integral part of these financial statements.

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Stage Stores, Inc.  
Condensed Consolidated Statements of Operations  
(in thousands, except earnings per share)  
(Unaudited)

	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Net sales	\$340,042	\$333,566
Cost of sales and related buying, occupancy and distribution expenses	250,147	249,083
Gross profit	89,895	84,483
Selling, general and administrative expenses	83,849	83,606
Store opening costs	1,456	1,186
Interest expense, net of income of \$29 and \$61, respectively	1,045	1,158
Income (loss) before income tax	3,545	(1,467 )
Income tax expense (benefit)	1,347	(562 )
Net income (loss)	\$2,198	\$(905 )
Basic and diluted earnings (loss) per share data:		
Basic earnings (loss) per share	\$0.06	\$(0.02 )
Basic weighted average shares outstanding	38,273	37,930
Diluted earnings (loss) per share	\$0.06	\$(0.02 )
Diluted weighted average shares outstanding	38,773	37,930

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

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

	Thirteen Weeks Ended	
	May 1, 2010	May 2, 2009
Cash flows from operating activities:		
Net income (loss)	\$2,198	\$(905 )
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Depreciation and amortization	14,317	14,932
Deferred income taxes	(40 )	288
Tax benefits (deficiency) from stock-based compensation	1,277	(249 )
Stock-based compensation expense	1,167	1,440
Amortization of debt issuance costs	75	73
Excess tax benefits from stock-based compensation	(1,905 )	(112 )
Deferred compensation obligation	47	36
Amortization of employee benefit related costs	107	130
Construction allowances from landlords	2,510	1,706
Changes in operating assets and liabilities:		
Increase in merchandise inventories	(42,835 )	(23,808 )
Decrease (increase) in other assets	214	(987 )
Increase in accounts payable and other liabilities	16,601	15,349
Total adjustments	(8,465 )	8,798
Net cash (used in) provided by operating activities	(6,267 )	7,893
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(8,496 )	(13,055 )
Net cash used in investing activities	(8,496 )	(13,055 )
Cash flows from financing activities:		
Proceeds from revolving credit facility borrowings	-	132,923
Payments of revolving credit facility borrowings	-	(129,856 )
Proceeds from long-term debt obligations	-	1,585
Payments of debt obligations	(3,442 )	(3,131 )
Repurchases of common stock	(123 )	(151 )
Proceeds from exercise of stock options	4,829	840
Excess tax benefits from stock-based compensation	1,905	112
Cash dividends paid	(1,913 )	(1,892 )
Net cash provided by financing activities	1,256	430
Net decrease in cash and cash equivalents	(13,507 )	(4,732 )
Cash and cash equivalents:		
Beginning of period	93,714	26,278
End of period	\$80,207	\$21,546
Supplemental disclosures:		

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Interest paid	\$1,059	\$1,292
Income taxes paid	\$140	\$10
Unpaid liabilities for capital expenditures	\$3,126	\$5,454

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

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Stage Stores, Inc.  
Condensed Consolidated Statement of Stockholders' Equity  
For the Thirteen Weeks Ended May 1, 2010  
(in thousands, except per share amount)  
(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total
	Shares	Amount		Shares	Amount			
Balance, January 30, 2010	56,080	\$ 561	\$ 501,800	(18,071)	\$ (288,079)	\$ (5,897 )	\$ 267,661	\$ 476,046
Net income	-	-	-	-	-	-	2,198	2,198
Amortization of employee benefit related costs, net of tax of \$0.04 million	-	-	-	-	-	66	-	66
Comprehensive income								2,264
Dividends on common stock,								