

bebe stores, inc.
Form 10-Q
May 11, 2009
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 4, 2009

OR

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

Commission File Number 0-24395

bebe stores, inc.

(Exact name of registrant as specified in its charter)

California
(State or Jurisdiction of
Incorporation or Organization)

94-2450490
(IRS Employer
Identification Number)

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**400 Valley Drive
Brisbane, California 94005**

(Address of principal executive offices)

Telephone: **(415) 715-3900**

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 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 definitions of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input checked="" type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

The number of shares of the registrant's common stock, par value \$0.001 per share, outstanding as of April 30, 2009 was 86,636,832.

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ITEM 1. Condensed Consolidated Financial Statements

bebe stores, inc.**CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except share data)****(unaudited)**

	As of April 4, 2009		As of July 5, 2008		As of April 5, 2008
Assets:					
Current assets:					
Cash and equivalents	\$ 123,059	\$	123,344	\$	83,458
Short term marketable securities					13,400
Receivables (net of allowance of \$1,256, \$1,197 and \$1,168)	6,406		7,953		11,304
Inventories, net	37,433		42,827		44,624
Deferred income taxes, net	9,272		9,290		9,070
Prepaid and other	29,752		16,215		18,968
Total current assets	205,922		199,629		180,824
Trading securities	70,033				
Available for sale securities	122,928		235,751		250,503
Auction rate securities written put option	12,298				
Property and equipment, net	132,029		133,128		126,243
Deferred income taxes, net	24,935		24,686		24,131
Other assets	4,981		4,569		4,297
Total assets	\$ 573,126	\$	597,763	\$	585,998
Liabilities and Shareholders Equity:					
Current liabilities:					
Accounts payable	\$ 23,217	\$	23,252	\$	26,448
Accrued liabilities	35,384		38,958		36,373
Current portion of capital leases			38		94
Total current liabilities	58,601		62,248		62,915
Deferred rent and other lease incentives	46,760		46,229		45,475
Uncertain tax positions	3,401		3,401		2,907
Total liabilities	108,762		111,878		111,297
Commitments and contingencies					
Shareholders equity:					
Preferred stock-authorized 1,000,000 shares at \$0.001 par value per share; no shares issued and outstanding					
	87		89		89

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Common stock-authorized 135,000,000 shares at \$0.001 par value per share; issued and outstanding 86,634,369, 88,939,720 and 88,850,749 shares

Additional paid-in capital	140,763	139,795	137,922
Accumulated other comprehensive income (loss)	(13,378)	(261)	1,800
Retained earnings	336,892	346,262	334,890
Total shareholders' equity	464,364	485,885	474,701
Total liabilities and shareholders' equity	\$ 573,126	\$ 597,763	\$ 585,998

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(unaudited)

	Three Months Ended		Nine Months Ended	
	April 4, 2009	April 5, 2008	April 4, 2009	April 5, 2008
Net sales	\$ 127,657	\$ 151,729	\$ 472,819	\$ 516,140
Cost of sales, including production and occupancy	79,351	85,385	281,084	279,282
Gross margin	48,306	66,344	191,735	236,858
Selling, general and administrative expenses	56,761	59,002	177,380	177,937
Operating income (loss)	(8,455)	7,342	14,355	58,921
Interest and other income, net	663	5,225	5,553	12,979
Income (loss) before income taxes	(7,792)	12,567	19,908	71,900
Income tax provision (benefit)	(2,747)	4,219	6,951	24,805
Net income (loss)	\$ (5,045)	\$ 8,348	\$ 12,957	\$ 47,095
Basic earnings (loss) per share	\$ (0.06)	\$ 0.09	\$ 0.15	\$ 0.52
Diluted earnings (loss) per share	\$ (0.06)	\$ 0.09	\$ 0.15	\$ 0.51
Basic weighted average shares outstanding	87,387	88,833	88,366	90,077
Diluted weighted average shares outstanding	87,387	90,115	88,561	91,473

See accompanying notes to condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(unaudited)

	Nine Months Ended	
	April 4, 2009	April 5, 2008
Cash flows from operating income:		
Net income	\$ 12,957	\$ 47,095
Adjustments to reconcile net income to cash provided by operating activities		
Non-cash compensation expense	4,300	8,482
Depreciation and amortization	19,714	16,865
Net loss on disposal of property	3,930	820
Loss on trading securities	12,893	
Gain on auction rate securities written put option	(12,298)	
Deferred rent and other lease incentives	771	5,285
Deferred income taxes	(783)	(2,363)
Changes in operating assets and liabilities:		
Receivables	(423)	(5,114)
Inventories	5,110	(504)
Prepaid expenses and other	(14,788)	(5,997)
Accounts payable	(18)	(1,866)
Accrued liabilities	(3,625)	2,046
Net cash provided by operating activities	27,740	64,749
Cash flows from investing activities:		
Purchase of property and equipment	(23,709)	(27,546)
Purchase of marketable securities		(336,950)
Proceeds from sales of investment securities	22,700	392,975
Net cash provided (used) by investing activities	(1,009)	28,479
Cash flows from financing activities:		
Net proceeds from issuance of common stock	431	2,232
Purchase of common stock	(13,328)	(66,950)
Excess of tax benefit from options exercised	79	632
Cash dividends paid	(13,074)	(13,795)
Other	(38)	(167)
Net cash used by financing activities	(25,930)	(78,048)
Net increase in cash and cash equivalents	801	15,180
Effect of exchange rate changes on cash	(1,086)	2,675
Cash and equivalents:		
Beginning of period	123,344	65,603
End of period	\$ 123,059	\$ 83,458

See accompanying notes to condensed consolidated financial statements.

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NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

INTERIM FINANCIAL STATEMENTS

The accompanying condensed consolidated balance sheets of bebe store