

STAGE STORES INC
Form 10-Q
June 14, 2018

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 5, 2018

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.)

2425 West Loop South, Houston, Texas

(Address of principal executive offices)

77027

(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, 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company)

Smaller reporting company

Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with 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
o No

As of June 7, 2018, there were 28,233,933 shares of the registrant's common stock outstanding.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Stage Stores, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except par value)

(Unaudited)

	May 5, 2018	February 3, 2018 As Adjusted	April 29, 2017 As Adjusted
ASSETS			
Cash and cash equivalents	\$29,091	\$21,250	\$21,688
Merchandise inventories, net	477,562	438,377	475,048
Prepaid expenses and other current assets	48,762	52,407	48,195
Total current assets	555,415	512,034	544,931
Property, equipment and leasehold improvements, net of accumulated depreciation of \$713,867, \$699,788 and \$709,448, respectively	244,214	252,788	277,285
Intangible assets	17,135	17,135	15,235
Other non-current assets, net	23,715	24,449	24,164
Total assets	\$840,479	\$806,406	\$861,615
LIABILITIES AND STOCKHOLDERS' EQUITY			
Accounts payable	\$128,883	\$145,991	\$137,289
Accrued expenses and other current liabilities	67,513	67,427	71,897
Total current liabilities	196,396	213,418	209,186
Long-term debt obligations	265,469	180,350	219,756
Other long-term liabilities	66,029	68,524	73,610
Total liabilities	527,894	462,292	502,552
Commitments and contingencies			
Common stock, par value \$0.01, 100,000 shares authorized, 33,111, 32,806 and 32,611 shares issued, respectively	331	328	326
Additional paid-in capital	420,091	418,658	412,548
Treasury stock, at cost, 5,175 shares, respectively	(43,339)	(43,298)	(43,347)
Accumulated other comprehensive loss	(4,978)	(5,177)	(5,517)
Accumulated deficit	(59,520)	(26,397)	(4,947)
Total stockholders' equity	312,585	344,114	359,063
Total liabilities and stockholders' equity	\$840,479	\$806,406	\$861,615

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

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Stage Stores, Inc.

Condensed Consolidated Statements of Operations and Comprehensive Loss

(in thousands, except per share data)

(Unaudited)

	Three Months Ended	
	April 29, 2017	May 5, 2018
	As Adjusted	As Adjusted
Net sales	\$344,229	\$308,607
Credit income	15,514	12,928
Total revenues	359,743	321,535
Cost of sales and related buying, occupancy and distribution expenses	281,741	246,389
Selling, general and administrative expenses	107,277	101,437
Interest expense	2,253	1,586
Loss before income tax	(31,528)	(27,877)
Income tax expense (benefit)	150	(8,890)
Net loss	\$(31,678)	\$(18,987)
Other comprehensive income:		
Amortization of employee benefit related costs, net of tax of \$0 and \$80, respectively	\$199	\$131
Total other comprehensive income	199	131
Comprehensive loss	\$(31,479)	\$(18,856)
Basic loss per share data:		
Basic loss per share	\$(1.14)	\$(0.70)
Basic weighted average shares outstanding	27,765	27,268
Diluted loss per share data:		
Diluted loss earnings per share	\$(1.14)	\$(0.70)
Diluted weighted average shares outstanding	27,765	27,268

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

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Stage Stores, Inc.

Condensed Consolidated Statements of Cash Flows

(in thousands)

(Unaudited)

	Three Months Ended	
	April 29,	
	2017	
	May 5,	As
	2018	Adjusted
Cash flows from operating activities:		
Net loss	\$(31,678)	\$(18,987)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization of long-lived assets	15,151	16,377
Gain on retirements of property, equipment and leasehold improvements	(30)	(452)
Deferred income taxes	—	(1,117)
Stock-based compensation expense	1,558	2,182
Amortization of debt issuance costs	74	72
Deferred compensation obligation	41	61
Amortization of employee benefit related costs	199	211
Construction allowances from landlords	—	998
Other changes in operating assets and liabilities:		
Increase in merchandise inventories	(39,185)	(31,999)
Decrease (increase) in other assets	4,303	(7,193)
(Decrease) increase in accounts payable and other liabilities	(19,088)	39,534
Net cash used in operating activities	(68,655)	(313)
Cash flows from investing activities:		
Additions to property, equipment and leasehold improvements	(6,930)	(7,359)
Proceeds from insurance and disposal of assets	45	1,223
Business acquisition	—	(33,843)
Net cash used in investing activities	(6,885)	(39,979)
Cash flows from financing activities:		
Proceeds from revolving credit facility borrowings	164,071	153,311
Payments of revolving credit facility borrowings	(78,310)	(96,559)
Payments of long-term debt obligations	(731)	(4,083)
Payments of debt issuance costs	—	(8)
Payments for stock related compensation	(204)	(257)
Cash dividends paid	(1,445)	(4,227)
Net cash provided by financing activities	83,381	48,177
Net increase in cash and cash equivalents	7,841	7,885
Cash and cash equivalents:		
Beginning of period	21,250	13,803
End of period	\$29,091	\$21,688
Supplemental disclosures including non-cash investing and financing activities:		
Interest paid	\$2,116	\$1,525
Income taxes refunded	\$(180)	\$(437)

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Unpaid liabilities for capital expenditures	\$2,597	\$6,156
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The accompanying notes are an integral part of these condensed consolidated financial statements.

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Stage Stores, Inc.

Condensed Consolidated Statement of Stockholders' Equity

For the Three Months Ended May 5, 2018

(in thousands, except per share data)

(Unaudited)

	Common Stock		Additional Paid-in Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Accumulated Deficit	Total
	Shares	Amount		Shares	Amount			
Balance at February 3, 2018	32,806	\$ 328	\$ 418,658	(5,175)	\$(43,298)	\$ (5,177)	\$ (26,397)	\$ 344,114
Net loss	—	—	—	—	—	—	(31,678)	(31,678)
Other comprehensive income	—	—	—	—	—	199	—	199
Dividends on common stock, \$0.05 per share	—	—	—	—	—	—	(1,445)	(1,445)
Deferred compensation	—	—	41	—	(41)	—	—	—
Issuance of equity awards, net	305	3	(3)	—	—	—	—	—
Tax withholdings paid for net settlement of stock awards	—	—	(163)	—	—	—	—	(163)
Stock-based compensation expense	—	—	1,558	—	—	—	—	—