

J C PENNEY CO INC  
Form 10-Q  
December 04, 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 October 27, 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: 1-15274

J. C. PENNEY COMPANY, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	26-0037077 (I.R.S. Employer Identification No.)
6501 Legacy Drive, Plano, Texas (Address of principal executive offices)	75024 - 3698 (Zip Code)

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(Registrant's telephone number, including area code)  
(972) 431-1000

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  Smaller reporting company

(Do not check if a 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

219,244,826 shares of Common Stock of 50 cents par value, as of November 30, 2012

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J. C. PENNEY COMPANY, INC.

FORM 10-Q

For the Quarterly Period Ended October 27, 2012

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## Part I. Financial Information

## Item 1. Unaudited Interim Consolidated Financial Statements

## J. C. PENNEY COMPANY, INC.

## CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In millions, except per share data)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Total net sales	\$ 2,927	\$ 3,986	\$ 9,101	\$ 11,835
Cost of goods sold	1,975	2,497	5,959	7,254
Gross margin	952	1,489	3,142	4,581
Operating expenses/(income):				
Selling, general and administrative (SG&A)	1,087	1,242	3,297	3,766
Pension	51	31	167	88
Depreciation and amortization	133	127	386	383
Real estate and other, net	(197)	(5)	(412)	(24)
Restructuring and management transition	34	265	269	297
Total operating expenses	1,108	1,660	3,707	4,510
Operating income/(loss)	(156)	(171)	(565)	71
Net interest expense	55	55	169	170
Income/(loss) before income taxes	(211)	(226)	(734)	(99)
Income tax expense/(benefit)	(88)	(83)	(301)	(34)
Net income/(loss)	\$ (123)	\$ (143)	\$ (433)	\$ (65)
Earnings/(loss) per share:				
Basic	\$ (0.56)	\$ (0.67)	\$ (1.98)	\$ (0.30)
Diluted	\$ (0.56)	\$ (0.67)	\$ (1.98)	\$ (0.30)
Weighted average shares – basic	219.4	213.3	219.1	218.6
Weighted average shares – diluted	219.4	213.3	219.1	218.6

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

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J. C. PENNEY COMPANY, INC.

## CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)

(Unaudited)

(\$ in millions)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net income/(loss)	\$ (123)	\$ (143)	\$ (433)	\$ (65)
Other comprehensive income/(loss), net of tax				
Real estate investment trusts (REITs)				
Unrealized gain/(loss) on REITs	1	10	34	40
Reclassification adjustment for (gain)/loss on REITs included in net income/(loss)	(10)	-	(184)	-
Retirement benefit plans				
Net actuarial gain/(loss) arising during the period	(75)	(37)	(75)	(37)
Prior service credit/(cost) arising during the period	-	(2)	-	(2)
Reclassification of net prior service (credit)/cost recognized in net income/(loss) from a curtailment	(3)	1	(3)	1
Reclassification for amortization of net actuarial (gain)/loss included in net periodic benefit expense/(income)	37	24	114	70
Reclassification for amortization of prior service (credit)/cost included in net periodic benefit expense/(income)	(2)	(4)	(6)	(12)
Total other comprehensive income/(loss), net of tax	(52)	(8)	(120)	60
Total comprehensive income/(loss), net of tax	\$ (175)	\$ (151)	\$ (553)	\$ (5)

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

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J. C. PENNEY COMPANY, INC.

## CONSOLIDATED BALANCE SHEETS

(In millions, except per share data)	October 27, 2012 (Unaudited)	October 29, 2011 (Unaudited)	January 28, 2012
Assets			
Current assets:			
Cash in banks and in transit	\$ 141	\$ 205	\$ 175
Cash short-term investments	384	880	1,332
Cash and cash equivalents	525	1,085	1,507
Merchandise inventory	3,362	4,376	2,916
Income tax receivable	69	175	168
Deferred taxes	409	189	245
Prepaid expenses and other	265	285	245
Total current assets	4,630	6,110	5,081
Property and equipment (net of accumulated depreciation of \$3,070, \$3,035 and \$2,965)	5,493	5,242	5,176
Prepaid pension	-	668	-
Other assets	767	807	1,167
Total Assets	\$ 10,890	\$ 12,827	\$ 11,424
Liabilities and Stockholders' Equity			
Current liabilities:			
Merchandise accounts payable	\$ 1,408	\$ 1,831	\$ 1,022
Other accounts payable and accrued expenses	1,344	1,404	1,503
Current portion of capital leases and note payable	22	1	1
Current maturities of long-term debt	-	230	230
Total current liabilities	2,774	3,466	2,756
Long-term capital leases and note payable	75	3	3
Long-term debt	2,868	2,868	2,868
Deferred taxes	786	1,152	888
Other liabilities	885	816	899
Total Liabilities	7,388	8,305	7,414
Stockholders' Equity			
Common stock <sup>(1)</sup>	110	107	108
Additional paid-in capital	3,789	3,619	3,699
Reinvested earnings	932	1,541	1,412
Accumulated other comprehensive income/(loss)	(1,329)	(745)	(1,209)



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Total Stockholders' Equity	3,502	4,522	4,010
Total Liabilities and Stockholders' Equity	\$ 10,890	\$ 12,827	\$ 11,424

(1) 1,250 million shares of common stock are authorized with a par value of \$0.50 per share. The total shares issued and outstanding were 219.2 million, 213.4 million and 215.9 million as of October 27, 2012, October 29, 2011 and January 28, 2012, respectively.

The accompanying notes are an integral part of these unaudited Interim Consolidated Financial Statements.

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J. C. PENNEY COMPANY, INC.

## CONSOLIDATED STATEMENTS OF CASH FLOWS

(Unaudited)

(\$ in millions)	Three Months Ended		Nine Months Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Cash flows from operating activities				
Net income/(loss)	\$ (123)	\$ (143)	\$ (433)	\$ (65)
Adjustments to reconcile net income/(loss) to net cash provided by/(used in) operating activities:				
Restructuring and management transition	12	216	102	230
Asset impairments and other charges	6	6	10	8
Net gain on sale or redemption of non-operating assets	(197)	-	(397)	-
Depreciation and amortization	133	127	386	383
Benefit plans	31	18	110	46
Stock-based compensation	12	7		