

CHILDRENS PLACE RETAIL STORES INC

Form 10-Q

August 30, 2012

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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 July 28, 2012

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 0-23071

THE CHILDREN'S PLACE RETAIL STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
Incorporation or organization)

31-1241495

(I.R.S. employer
identification number)

500 Plaza Drive

Secaucus, New Jersey

(Address of Principal Executive Offices)

07094

(Zip Code)

(201) 558-2400

(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 (Section 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. (Check one).

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

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(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

The number of shares outstanding of the registrant's common stock with a par value of \$0.10 per share, as of August 28, 2012 was 24,089,752 shares.

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES

QUARTERLY REPORT ON FORM 10-Q

FOR THE PERIOD ENDED JULY 28, 2012

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PART I. FINANCIAL INFORMATION

Item 1. CONDENSED CONSOLIDATED FINANCIAL STATEMENTS.

THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except par value)

	July 28, 2012 (unaudited)	January 28, 2012	July 30, 2011 (unaudited)	
ASSETS				
Current assets:				
Cash and cash equivalents	\$158,621	\$176,655	\$151,503	
Accounts receivable	23,408	17,382	22,760	
Inventories	239,012	212,916	244,061	
Prepaid expenses and other current assets	45,899	49,184	50,056	
Deferred income taxes	18,894	17,188	14,520	
Total current assets	485,834	473,325	482,900	
Long-term assets:				
Property and equipment, net	330,838	323,863	331,277	
Deferred income taxes	47,606	49,054	55,058	
Other assets	4,272	4,407	4,016	
Total assets	\$868,550	\$850,649	\$873,251	
LIABILITIES AND STOCKHOLDERS' EQUITY				
LIABILITIES:				
Current liabilities:				
Accounts payable	\$72,809	\$55,516	\$67,738	
Income taxes payable	3,046	1,788	2,108	
Accrued expenses and other current liabilities	91,637	74,251	82,903	
Total current liabilities	167,492	131,555	152,749	
Long-term liabilities:				
Deferred rent liabilities	96,115	94,569	99,861	
Other tax liabilities	9,012	9,109	15,511	
Other long-term liabilities	8,187	6,050	5,251	
Total liabilities	280,806	241,283	273,372	
COMMITMENTS AND CONTINGENCIES				
STOCKHOLDERS' EQUITY:				
Preferred stock, \$1.00 par value, 1,000 shares authorized, 0 shares issued and outstanding	—	—	—	
Common stock, \$0.10 par value, 100,000 shares authorized; 24,147, 24,711 and 25,491 issued; 24,120, 24,697 and 25,480 outstanding	2,415	2,471	2,549	
Additional paid-in capital	211,952	210,159	217,367	
Treasury stock, at cost (27, 14 and 11 shares)	(1,211) (598) (463)
Deferred compensation	1,211	598	463	
Accumulated other comprehensive income	12,392	12,685	17,893	
Retained earnings	360,985	384,051	362,070	

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Total stockholders' equity	587,744	609,366	599,879
Total liabilities and stockholders' equity	\$868,550	\$850,649	\$873,251

See accompanying notes to these condensed consolidated financial statements.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(In thousands, except per share amounts)

	Thirteen Weeks Ended		Twenty-six Weeks Ended		
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011	
Net sales	\$360,826	\$343,508	\$799,334	\$774,314	
Cost of sales	246,583	227,943	508,304	475,102	
Gross profit	114,243	115,565	291,030	299,212	
Selling, general and administrative expenses	120,308	111,885	242,460	228,607	
Asset impairment charges	280	980	1,530	1,378	
Other costs	3,062	—	3,896	—	
Depreciation and amortization	17,482	18,478	34,700	36,229	
Operating income (loss)	(26,889	) (15,778	) 8,444	32,998
Interest expense, net	(30) (314) (81) (585)
Income (loss) before income taxes	(26,919	) (16,092	) 8,363	32,413
Provision (benefit) for income taxes	(8,930	) (6,315	) 2,760	13,106
Net income (loss)	\$(17,989	) \$(9,777	) \$5,603	\$19,307
Earnings (loss) per common share					
Basic	\$(0.74	) \$(0.38	) \$0.23	\$0.74
Diluted	\$(0.74	) \$(0.38	) \$0.23	\$0.74
Weighted average common shares outstanding					
Basic	24,249	25,738	24,392	25,925	
Diluted	24,249	25,738	24,533	26,163	

See accompanying notes to these condensed consolidated financial statements.

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
 (Unaudited)
 (In thousands)

	Thirteen Weeks Ended		Twenty-six Weeks Ended	
	July 28, 2012	July 30, 2011	July 28, 2012	July 30, 2011
Net income (loss)	\$(17,989	) \$(9,777	) \$5,603	\$19,307
Other Comprehensive Income (Loss):				
Foreign currency translation adjustment	(2,772	) (1,316	) (293	) 4,736
Comprehensive income (loss)	\$(20,761	) \$(11,093	) \$5,310	\$24,043

See accompanying notes to these condensed consolidated financial statements.

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (Unaudited) (In thousands)

	Twenty-six Weeks Ended	
	July 28, 2012	July 30, 2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$5,603	\$19,307
Reconciliation of net income to net cash provided by operating activities:		
Depreciation and amortization	34,700	36,229
Stock-based compensation	6,957	5,945
Excess tax benefits from stock-based compensation	—	(6,869)
Deferred taxes	(295)	(798)
Deferred rent expense and lease incentives	(6,371)	(7,389)
Other costs (non-cash)	3,266	—
Other	3,231	2,423
Changes in operating assets and liabilities:		
Inventories	(26,030)	(32,406)
Prepaid expenses and other assets	(7,291)	(4,512)
Income taxes payable, net of prepayments	5,765	4,901
Accounts payable and other current liabilities	32,806	19,893
Deferred rent and other liabilities	8,217	10,810
Total adjustments	54,955	28,227
Net cash provided by operating activities	60,558	47,534
CASH FLOWS FROM INVESTING ACTIVITIES:		
Property and equipment purchases, lease acquisition and software costs	(44,237)	(46,725)
Release of restricted cash	—	2,351
Purchase of company-owned life insurance policies	(28)	(196)
Net cash used in investing activities	(44,265)	(44,570)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings for letters of credit under revolving credit facility	54,157	56,264
Repayments for letters of credit under revolving credit facility	(54,157)	(56,264)
Purchase and retirement of common stock, including transaction costs	(34,887)	(47,437)
Exercise of stock options	996	2,733
Excess tax benefits from stock-based compensation	—	6,869
Net cash used in financing activities	(33,891)	(37,835)
Effect of exchange rate changes on cash	(436)	2,717
Net decrease in cash and cash equivalents	(18,034)	(32,154)
Cash and cash equivalents, beginning of period	176,655	183,657
Cash and cash equivalents, end of period	\$158,621	\$151,503

See accompanying notes to these condensed consolidated financial statements.

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THE CHILDREN'S PLACE RETAIL STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited) (In thousands)

Twenty-six Weeks Ended
July 28, July 30,
2012 2011

OTHER CASH FLOW INFORMATION: