

SHOE CARNIVAL INC
Form 10-Q
December 11, 2008

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

Form 10-Q

- Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended **November 1, 2008**
- 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: 0-21360

Shoe Carnival, Inc.
(Exact name of registrant as specified in its charter)

Indiana
*(State or other jurisdiction of
incorporation or organization)*

35-1736614
(IRS Employer Identification Number)

7500 East Columbia Street
Evansville, IN
(Address of principal executive offices)

47715
(Zip code)

(812) 867-6471
(Registrant's telephone number, including area code)

NOT APPLICABLE

(Former name, former address and former fiscal year, if changed since last report)

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 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 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

APPLICABLE ONLY TO CORPORATE ISSUERS:

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

Number of Shares of Common Stock, \$.01 par value, outstanding at December 8, 2008 were 12,721,810.

**SHOE CARNIVAL, INC.
INDEX TO FORM 10-Q**

		Page
Part I	Financial Information	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets	3
	Condensed Consolidated Statements of Income	4
	Condensed Consolidated Statement of Shareholders' Equity	5
	Condensed Consolidated Statements of Cash Flows	6
	Notes to Condensed Consolidated Financial Statements	7 - 11
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	12 - 19
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	20
Item 4.	Controls and Procedures	20
Part II	Other Information	
Item 1.	Legal Proceedings	21
Item 1A.	Risk Factors	21
Item 6.	Exhibits	22 - 23
	Signature	24

**SHOE CARNIVAL, INC.
PART I - FINANCIAL INFORMATION**

ITEM 1. FINANCIAL STATEMENTS

**SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
Unaudited**

	November 1, 2008	February 2, 2008	November 3, 2007
(In thousands, except per share data)			
Assets			
Current Assets:			
Cash and cash equivalents	\$ 9,143	\$ 9,177	\$ 6,671
Accounts receivable	1,281	411	1,579
Merchandise inventories	194,827	200,781	200,242
Deferred income tax benefit	2,401	2,340	2,558

Edgar Filing: SHOE CARNIVAL INC - Form 10-Q

Other	8,579	7,221	8,368
Total Current Assets	216,231	219,930	219,418
Property and equipment-net	73,541	71,686	74,194
Total Assets	\$ 289,772	\$ 291,616	\$ 293,612
Liabilities and Shareholders' Equity			
Current Liabilities:			
Accounts payable	\$ 51,074	\$ 67,786	\$ 51,581
Accrued and other liabilities	14,777	10,689	13,355
Total Current Liabilities	65,851	78,475	64,936
Long-term debt	0	0	14,165
Deferred lease incentives	5,012	5,396	5,528
Accrued rent	5,576	5,925	6,124
Deferred income taxes	1,672	399	844
Deferred compensation	2,795	3,559	3,690
Other	1,458	1,250	809
Total Liabilities	82,364	95,004	96,096
Shareholders' Equity:			
Common stock, \$.01 par value, 50,000 shares authorized, 13,664, 13,670 and 13,671 shares issued at November 1, 2008, February 2, 2008 and November 3, 2007, respectively	137	137	137
Additional paid-in capital	71,926	75,523	75,357
Retained earnings	156,915	148,547	147,420
Treasury stock, at cost, 942, 1,205 and 1,002 shares at November 1, 2008, February 2, 2008 and November 3, 2007, respectively	(21,570)	(27,595)	(25,398)
Total Shareholders' Equity	207,408	196,612	197,516
Total Liabilities and Shareholders' Equity	\$ 289,772	\$ 291,616	\$ 293,612

See notes to condensed consolidated financial statements.

3

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
Unaudited

(In thousands, except per share data)	Thirteen	Thirteen	Thirty-nine	Thirty-nine
	Weeks Ended November 1, 2008	Weeks Ended November 3, 2007	Weeks Ended November 1, 2008	Weeks Ended November 3, 2007
Net sales	\$ 170,063	\$ 173,881	\$ 490,662	\$ 494,339
Cost of sales (including buying, distribution and occupancy costs)	123,746	123,320	355,119	353,740
Gross profit	46,317	50,561	135,543	140,599
Selling, general and administrative expenses	42,389	43,627	122,373	123,070
Operating income	3,928	6,934	13,170	17,529
Interest income	(62)	(101)	(138)	(611)
Interest expense	42	115	111	179

3

Edgar Filing: SHOE CARNIVAL INC - Form 10-Q

Income before income taxes		3,948	6,920	13,197	17,961
Income tax expense		1,341	2,734	4,829	6,281
Net income	\$	2,607	\$ 4,186	\$ 8,368	\$ 11,680
Net income per share:					
Basic	\$.21	\$.33	\$.68	\$.89
Diluted	\$.21	\$.33	\$.67	\$.87
Average shares outstanding:					
Basic		12,431	12,604	12,383	13,065
Diluted		12,539	12,777	12,483	13,362

See notes to condensed consolidated financial statements.

4

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
Unaudited

(In thousands)	Common Stock			Additional Paid-In Capital	Retained Earnings	Treasury Stock
	Issued	Treasury	Amount			
Balance at February 2, 2008	13,670	(1,205)	\$ 137	\$ 75,523	\$ 148,547	\$ (27,595)
Stock option exercises		124		(1,461)		2,837
Stock-based compensation income tax benefit				219		
Employee stock purchase plan purchases		12		(143)		282
Restricted stock awards	(6)	127		(2,906)		2,906
Stock-based compensation expense				694		
Net income					8,368	
Balance at November 1, 2008	13,664	(942)	\$ 137	\$ 71,926	\$ 156,915	\$ (21,570)

See notes to condensed consolidated financial statements.

5

SHOE CARNIVAL, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
Unaudited

(In thousands)	Thirty-nine Weeks Ended	
	November 1, 2008	November 3, 2007
Cash Flows From Operating Activities		
Net income	\$ 8,368	\$ 11,680
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	12,585	11,781

Edgar Filing: SHOE CARNIVAL INC - Form 10-Q

Stock-based compensation	694	1,071
Loss on retirement and impairment of assets	271	508
Deferred income taxes	1,212	(160)
Lease incentives	817	418
Other	(2,104)	(545)
Changes in operating assets and liabilities:		
Accounts receivable	(870)	(631)
Merchandise inventories	5,954	(3,580)
Accounts payable and accrued liabilities	(14,771)	(16,307)
Other	(1,363)	(6,543)
Net cash provided by (used in) operating activities	10,793	(2,308)
Cash Flows From Investing Activities		
Purchases of property and equipment	(12,575)	(15,263)
Proceeds from sale of property and equipment	3	379
Other	0	6
Net cash used in investing activities	(12,572)	(14,878)
Cash Flows From Financing Activities		
Borrowings under line of credit	6,625	49,970
Payments on line of credit	(6,625)	(35,805)
Proceeds from issuance of stock	1,515	551
Excess tax benefits from stock-based compensation	230	275
Common stock repurchased	0	(25,973)
Net cash provided by (used in) financing activities	1,745	(10,982)
Net decrease in cash and cash equivalents	(34)	(28,168)
Cash and cash equivalents at beginning of period	9,177	34,839
Cash and Cash Equivalents at End of Period	\$ 9,143	\$ 6,671
Supplemental disclosures of cash flow information:		
Cash paid during period for interest	\$ 108	\$ 130
Cash paid during period for income taxes	\$ 2,917	\$ 7,833
Capital expenditures incurred but not yet paid	\$ 4,205	\$ 2,405