

EXPRESS, INC.
Form 10-Q
June 06, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 May 4, 2013
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 001-34742

EXPRESS, INC.
(Exact name of registrant as specified in its charter)

Delaware 26-2828128
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

1 Express Drive 43230
Columbus, Ohio (Zip Code)
(Address of principal executive offices)
Telephone: (614) 474-4001
(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 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

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Non-accelerated filer (Do not check if a smaller reporting company) 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 outstanding shares of the registrant's common stock was 85,406,418 as of May 31, 2013.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, and financial results, our plans and objectives for future operations, growth or initiatives, strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- changes in consumer spending and general economic conditions;
- our ability to identify and respond to new and changing fashion trends, customer preferences, and other related factors;
 - fluctuations in our sales and results of operations on a seasonal basis and due to a variety of other factors;
- increased competition from other retailers;
- the success of the malls and shopping centers in which our stores are located;
- our dependence upon independent third parties to manufacture all of our merchandise;
- the availability constraints and price volatility of raw materials and labor used to manufacture our products;
- interruptions of the flow of merchandise from international manufacturers causing disruptions in our supply chain;
 - shortages of inventory, delayed shipments to our online customers, and harm to our reputation due to difficulties or shut-down of distribution facilities;
- our reliance upon independent third-party transportation providers for substantially all of our product shipments;
- our dependence upon key executive management;
- our growth strategy, including our international expansion plan;
- our dependence on a strong brand image;
- our leasing substantial amounts of space;
- our reliance on third parties to provide us with certain key services for our business;
- our reliance on information systems and any failure, inadequacy, interruption or security failure of those systems;
- claims made against us resulting in litigation;
- changes in laws and regulations applicable to our business;
- our inability to protect our trademarks or other intellectual property rights;
- our substantial indebtedness and lease obligations;
- restrictions imposed by our indebtedness on our current and future operations and our ability to pay dividends;
- fluctuations in energy costs;
- changes in taxation requirements or the results of tax audits; and
- impairment charges on long-lived assets.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. For the discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended February 2, 2013 ("Annual Report"), filed with the Securities and Exchange Commission ("SEC") on April 2, 2013. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking

statement as a result of new information, future events, or otherwise, except as otherwise required by law.

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ITEM 1. FINANCIAL STATEMENTS.

EXPRESS, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except Per Share Amounts)
(Unaudited)

	May 4, 2013	February 2, 2013
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$244,214	\$256,297
Receivables, net	10,773	11,024
Inventories	226,329	215,082
Prepaid minimum rent	25,362	25,166
Other	9,850	8,293
Total current assets	516,528	515,862
PROPERTY AND EQUIPMENT	650,899	625,344
Less: accumulated depreciation	(354,879) (346,975
Property and equipment, net	296,020	278,369
TRADENAME/DOMAIN NAME	197,734	197,719
DEFERRED TAX ASSETS	16,808	16,808
OTHER ASSETS	9,773	10,441
Total assets	\$ 1,036,863	\$ 1,019,199
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 158,394	\$ 176,125
Deferred revenue	22,117	27,851
Accrued bonus	468	336
Accrued expenses	94,857	108,464
Total current liabilities	275,836	312,776
LONG-TERM DEBT	198,923	198,843
OTHER LONG-TERM LIABILITIES	154,497	136,418
Total liabilities	629,256	648,037

COMMITMENTS AND CONTINGENCIES (Note 11)

STOCKHOLDERS' EQUITY:

Preferred stock – \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Common stock – \$0.01 par value; 500,000 shares authorized; 89,586 shares and 89,322 shares issued at May 4, 2013 and February 2, 2013, respectively, and 85,390 shares and 85,224 shares outstanding at May 4, 2013 and February 2, 2013, respectively	896	893

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Additional paid-in capital	110,732	105,012	
Accumulated other comprehensive gain (loss)	50	(20)
Retained earnings	364,358	331,921	
Treasury stock – at average cost; 4,196 shares and 4,098 shares at May 4, 2013 and February 2, 2013, respectively	(68,429) (66,644)
Total stockholders' equity	407,607	371,162	
Total liabilities and stockholders' equity	\$ 1,036,863	\$ 1,019,199	

See notes to unaudited consolidated financial statements.

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EXPRESS, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Amounts)

(Unaudited)

	Thirteen Weeks Ended	
	May 4, 2013	April 28, 2012
NET SALES	\$508,524	\$495,952
COST OF GOODS SOLD, BUYING AND OCCUPANCY COSTS	337,747	307,185
Gross profit	170,777	188,767
OPERATING EXPENSES:		
Selling, general, and administrative expenses	112,623	114,195
Other operating (income) expense, net	(540)) 15
Total operating expenses	112,083	114,210
OPERATING INCOME	58,694	74,557