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Destination Maternity Corp
Form 10-Q
December 03, 2015

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 October 31, 2015

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 0-21196

Destination Maternity Corporation

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	13-3045573 (IRS Employer Identification No.)
232 Strawbridge Drive Moorestown, New Jersey (Address of principal executive offices)	08057 (Zip code)

(856) 291-9700

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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
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 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.

Common Stock, \$.01 par value — 13,858,438 shares outstanding as of November 27, 2015

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

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PART I—FINANCIAL INFORMATION

Item 1. Financial Statements

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(in thousands, except share and per share amounts)

(unaudited)

	October 31, 2015	January 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$2,066	\$ 1,349
Trade receivables, net	11,087	9,203
Inventories	80,047	75,759
Deferred income taxes	13,830	14,281
Prepaid expenses and other current assets	10,492	12,986
Total current assets	117,522	113,578
Property, plant and equipment, net of accumulated depreciation and amortization of \$82,202 and \$80,735	94,028	90,135
Other assets:		
Deferred financing costs, net of accumulated amortization of \$581 and \$445	558	543
Other intangible assets, net of accumulated amortization of \$633 and \$588	1,178	1,128
Deferred income taxes	15,907	13,704
Other non-current assets	1,189	972
Total other assets	18,832	16,347
Total assets	\$230,382	\$ 220,060
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit borrowings	\$31,600	\$ —
Current portion of long-term debt	2,873	2,801
Accounts payable	23,915	26,482
Accrued expenses and other current liabilities	38,079	46,862
Total current liabilities	96,467	76,145
Long-term debt	10,035	12,199
Deferred rent and other non-current liabilities	25,497	25,714
Total liabilities	131,999	114,058
Commitments and contingencies (Note 14)		
Stockholders' equity:		
Preferred stock, 1,656,381 shares authorized:		

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Series B junior participating preferred stock, \$.01 par value; 300,000 shares authorized, none outstanding	—	—
Common stock, \$.01 par value; 20,000,000 shares authorized, 13,864,601 and 13,807,124 shares issued and outstanding	139	138
Additional paid-in capital	104,477	102,370
Retained earnings (accumulated deficit)	(6,164)	3,558
Accumulated other comprehensive loss	(69)	(64)
Total stockholders' equity	98,383	106,002
Total liabilities and stockholders' equity	\$230,382	\$ 220,060

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

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	October	November	October	November
	31, 2015	1, 2014	31, 2015	1, 2014
Net sales	\$ 119,548	\$ 125,105	\$ 380,466	\$ 389,417
Cost of goods sold	59,147	62,402	193,354	188,475
Gross profit	60,401	62,703	187,112	200,942
Selling, general and administrative expenses	60,445	63,110	186,121	187,839
Store closing, asset impairment and asset disposal expenses (income)	601	548	(2,342)	1,299
Other charges	1,052	809	4,497	2,999
Operating income (loss)	(1,697)	(1,764)	(1,164)	8,805
Interest expense, net	374	110	1,147	309
Income (loss) before income taxes	(2,071)	(1,874)	(2,311)	8,496
Income tax (benefit) provision	(797)	(722)	(890)	1,617
Net income (loss)	\$(1,274)	\$(1,152)	\$(1,421)	\$ 6,879
Net income (loss) per share— Basic	\$(0.09)	\$(0.09)	\$(0.10)	\$ 0.51
Average shares outstanding— Basic	13,591	13,504	13,585	13,486
Net income (loss) per share— Diluted	\$(0.09)	\$(0.09)	\$(0.10)	\$ 0.51
Average shares outstanding— Diluted	13,591	13,504	13,585	13,577

