

TUESDAY MORNING CORP/DE
Form 10-Q
April 30, 2013
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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 MARCH 31, 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 0-19658

TUESDAY MORNING CORPORATION

(Exact Name of Registrant as Specified in its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

75-2398532
(I.R.S. Employer
Identification Number)

6250 LBJ Freeway

Dallas, Texas 75240

(Address of principal executive offices) (Zip code)

(972) 387-3562

(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 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 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 Exchange Act). Yes No

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

Class	Outstanding at April 28, 2013
Common Stock, par value \$0.01 per share	42,832,371

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Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995, which are based on management's current expectations, estimates and projections. These statements may be found throughout this Quarterly Report on Form 10-Q particularly under the heading Management's Discussion and Analysis of Financial Condition and Results of Operations, among others. Forward-looking statements typically are identified by the use of terms such as may, will, should, expect, anticipate, believe, estimate, intend and similar words, although some forward-looking statements are expressed differently. You should consider statements that contain these words carefully because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our future results of operations, our future financial position, and our business outlook or state other forward-looking information.

Readers are referred to Part 1, Item 1A Risk Factors of our Annual Report on Form 10-K for the fiscal year ended June 30, 2012 for examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These risks, uncertainties and events also include, but are not limited to, the following:

- *conditions affecting consumer spending and consumer confidence and the impact, depth and duration of current economic conditions;*
- *uncertainties regarding our ability to open stores and relocate existing stores in new and existing markets and operate these stores on a profitable basis;*
- *increased or new competition;*
- *our ability to operate information systems and implement new technologies effectively;*
- *our ability to safeguard our customers' personal information and other secure data;*
- *our ability to continue to attract buying opportunities and anticipate customer demand;*
- *loss of or disruption in our centralized distribution center;*
- *our freight costs and the impact of changes in fuel prices on our cost of sales;*
- *loss or departure of one or more members of our senior management or other key management personnel;*
- *our ability to generate strong cash flows from our operations;*
- *an increase in the cost or a disruption in the flow of our imported products;*
- *our success in implementing our marketing, advertising and promotional efforts;*

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- *our ability to attract and retain quality sales, distribution center and other associates in large numbers;*
- *seasonal and quarterly fluctuations; and*
- *fluctuations in our comparable store results.*

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements were made. Except as may be required by law, we undertake no obligation to update our forward-looking statements to reflect events and circumstances after the date on which the statements were made.

The terms Tuesday Morning, the Company, we, us and our as used in this Quarterly Report on Form 10-Q refer to Tuesday Morning Corporation and its subsidiaries.

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Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****Tuesday Morning Corporation****Consolidated Balance Sheets****March 31, 2013 (unaudited) and June 30, 2012****(In thousands, except for per share data)**

	March 31, 2013	June 30, 2012
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,482	\$ 39,740
Inventories	236,868	265,630
Prepaid expenses and other current assets	11,327	11,357
Deferred income taxes	1,886	535
Total current assets	284,563	317,262
Property and equipment, net	72,119	75,771
Deferred financing costs	2,160	2,603
Other assets	2,201	1,531
Total Assets	361,043	\$ 397,167
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 95,286	\$ 98,009
Accrued liabilities	38,997	30,295
Income taxes payable	159	19
Total current liabilities	134,442	128,323
Revolving credit facility		
Deferred rent	2,708	3,262
Income tax payable - non current	487	578
Deferred income taxes		4,813
Total Liabilities	137,637	136,976
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, par value \$0.01 per share, authorized 10,000,000 shares; none issued or outstanding		
Common stock, par value \$0.01 per share, authorized 100,000,000 shares; 44,559,561 shares issued and 42,829,971 outstanding at March 31, 2013 and 43,436,404 shares issued and 41,721,537 shares outstanding at June 30, 2012	445	434

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Additional paid-in capital	217,295	211,358
Deferred compensation on restricted stock	(2,936)	(1,029)
Retained earnings	14,781	55,574
Accumulated other comprehensive loss		(54)
Less: 1,729,596 common shares in treasury, at cost, at March 31, 2013 and 1,714,867 common shares in treasury, at cost, at June 30, 2012	(6,179)	(6,092)
Total Stockholders Equity	223,406	260,191
Total Liabilities and Stockholders Equity	\$ 361,043	\$ 397,167

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Tuesday Morning Corporation****Consolidated Statements of Operations (unaudited)**

(In thousands, except for per share data)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Net sales	\$ 178,073	\$ 172,699	\$ 636,179	\$ 616,406
Cost of sales	111,916	107,135	443,515	381,054
Gross profit	66,157	65,564	192,664	235,352
Selling, general and administrative expenses	77,891	71,661	237,875	224,463
Operating income (loss)	(11,734)	(6,097)	(45,211)	10,889
Other income (expense):				
Interest income	2		2	
Interest expense	(384)	(395)	(1,292)	(1,842)
Other income (expense), net	(140)	(13)	(1,349)	136
	(522)	(408)	(2,639)	(1,706)
Income (loss) before income taxes	(12,256)	(6,505)	(47,850)	9,183
Income tax expense (benefit)	110	(2,260)	(7,057)	3,262
Net income (loss)	\$ (12,366)	\$ (4,245)	\$ (40,793)	\$ 5,921
Earnings Per Share				
Net income (loss) per common share:				
Basic	\$ (0.29)	\$ (0.10)	\$ (0.97)	\$ 0.14
Diluted	\$ (0.29)	\$ (0.10)	\$ (0.97)	\$ 0.14
Weighted average number of common shares:				
Basic	42,427	41,622	42,164	42,156
Diluted	42,427	41,622	42,164	42,702
Dividends per common share	\$	\$	\$	\$

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Tuesday Morning Corporation****Statement of Comprehensive Income (Loss) (unaudited)****(In thousands, except for per share data)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Net income (loss)	\$ (12,366)	\$ (4,245)	\$ (40,793)	\$ 5,921
Other Comprehensive Income (Loss):				
Foreign currency translation adjustments	(2)		54	52
Less: Reclassification adjustment for losses included in net income			(1)	
Other Comprehensive Income, before tax	(2)		53	52
Less: Income tax expense (benefit) related to items of other comprehensive income	(1)		20	18
Comprehensive Income (Loss)	\$ (12,367)	\$ (4,245)	(40,760)	5,955

The accompanying notes are an integral part of these consolidated financial statements.

Table of Contents**Tuesday Morning Corporation****Consolidated Statements of Cash Flows (unaudited)****(In thousands)**

	Nine Months Ended March 31,	
	2013	2012
Net cash flows from operating activities:		
Net income (loss)	\$ (40,793)	5,921
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	10,402	11,061
Amortization of financing fees	443	611
Deferred income taxes	(7,139)	14
Loss on disposal of assets	2,055	375
Stock-based compensation	2,350	1,472
Other non-cash items	54	53
Change in operating assets and liabilities:		
Inventories	28,776	2,238
Prepaid and other assets	335	2,713
Accounts payable	(2,723)	25,144
Accrued liabilities	8,208	112
Deferred rent	(554)	141
Income taxes payable	49	221
Net cash provided by operating activities	1,463	50,076
Net cash flows from investing activities:		
Capital expenditures	(8,312)	(9,548)
Net cash used in investing activities	(8,312)	(9,548)
Net cash flows from financing activities:		