

Citi Trends Inc  
Form 10-Q  
September 02, 2008  
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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 August 2, 2008

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES**

**EXCHANGE ACT OF 1934**

Commission File Number 000-51315

**CITI TRENDS, INC.**

(Exact name of registrant as specified in its charter)

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

**52-2150697**  
(I.R.S. Employer  
Identification No.)

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**104 Coleman Boulevard**  
**Savannah, Georgia**  
(Address of principal executive offices)

**31408**  
(Zip Code)

Registrant's telephone number, including area code **(912) 236-1561**

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 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 Exchange Act). Yes  No

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

**Class**  
Common Stock, \$.01 par value

**Outstanding at August 15, 2008**  
14,309,870 shares

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**CITI TRENDS, INC.**

**FORM 10-Q**

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Table of Contents**Item 1. Financial Statements.****Citi Trends, Inc.****Condensed Balance Sheets****August 2, 2008 and February 2, 2008****(Unaudited)****(in thousands, except share data)**

	<b>August 2, 2008</b>	<b>February 2, 2008</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 7,191	\$ 6,203
Investment securities		56,165
Inventory	85,330	82,420
Prepaid and other current assets	8,058	5,888
Deferred tax asset	3,316	2,838
Total current assets	103,895	153,514
Property and equipment, net	57,165	52,207
Investment securities	50,936	
Goodwill	1,371	1,371
Deferred tax asset	4,939	2,756
Other assets	369	329
Total assets	\$ 218,675	\$ 210,177
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Accounts payable	\$ 43,521	\$ 43,566
Accrued expenses	10,690	11,864
Accrued compensation	6,771	5,225
Current portion of capital lease obligations	1,636	1,580
Income tax payable	790	1,155
Layaway deposits	1,617	635
Total current liabilities	65,025	64,025
Capital lease obligations, less current portion	562	1,403
Other long-term liabilities	6,921	6,602
Total liabilities	72,508	72,030
Stockholders' equity:		
Common stock, \$0.01 par value. Authorized 32,000,000 shares; 14,475,581 shares issued as of August 2, 2008 and 14,265,471 shares issued as of February 2, 2008; 14,309,831 shares outstanding as of August 2, 2008 and 14,099,721 outstanding as of February 2, 2008	143	142
Paid-in-capital	69,976	68,276
Retained earnings	77,908	69,894

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Accumulated other comprehensive loss	(1,695)	
Treasury stock, at cost; 165,750 shares as of August 2, 2008 and February 2, 2008	(165)	(165)
Total stockholders' equity	146,167	138,147
Commitments and contingencies (note 7)		
Total liabilities and stockholders' equity	\$ 218,675	\$ 210,177

See accompanying notes to the condensed financial statements (unaudited).

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**Citi Trends, Inc.**

**Condensed Statements of Income**

**Twenty-six Weeks Ended August 2, 2008 and August 4, 2007**

**(Unaudited)**

**(in thousands, except per share data)**

	<b>August 2, 2008</b>	<b>August 4, 2007</b>
Net sales	\$ 236,651	\$ 203,402
Cost of sales	144,964	126,612
Gross profit	91,687	76,790
Selling, general and administrative expenses	73,118	62,123
Depreciation and amortization	7,781	5,830
Income from operations	10,788	8,837
Interest income	1,425	1,181
Interest expense	(162)	(265)
Income before income tax expense	12,051	9,753
Income tax expense	4,037	3,404
Net income	\$ 8,014	\$ 6,349
Basic net income per common share	\$ 0.57	\$ 0.46
Diluted net income per common share	\$ 0.56	\$ 0.45
Weighted average number of shares outstanding		
Basic	14,071	13,865
Diluted	14,248	14,234

See accompanying notes to the condensed financial statements (unaudited).

**Citi Trends, Inc.**

**Condensed Statements of Income**

**Thirteen Weeks Ended August 2, 2008 and August 4, 2007**

**(Unaudited)**

**(in thousands, except per share data)**

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	August 2, 2008	August 4, 2007
Net sales	\$ 115,655	\$ 96,826
Cost of sales	70,731	61,734
Gross profit	44,924	35,092
Selling, general and administrative expenses	36,877	31,548
Depreciation and amortization	4,078	3,009
Income from operations	3,969	535
Interest income	557	536
Interest expense	(75)	(121)
Income before income tax expense	4,451	950
Income tax expense	1,605	323
Net income	\$ 2,846	\$ 627
Basic net income per common share	\$ 0.20	\$ 0.05
Diluted net income per common share	\$ 0.20	\$ 0.04
Weighted average number of shares outstanding		
Basic	14,095	13,922
Diluted	14,279	14,249

See accompanying notes to the condensed financial statements (unaudited).

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## Citi Trends, Inc.

## Condensed Statements of Cash Flows

Twenty-six Weeks Ended August 2, 2008 and August 4, 2007

(Unaudited)

(in thousands)

	August 2, 2008	August 4, 2007
Operating activities:		
Net income	\$ 8,014	\$ 6,349
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,781	5,830
Loss on disposal of property and equipment	8	7
Deferred income taxes	(1,568)	(1,814)
Noncash stock-based compensation expense	973	709
Excess tax benefits from stock-based payment arrangements	(465)	(3,059)
Changes in assets and liabilities:		
Inventory	(2,910)	(20,549)
Prepaid and other current assets	(1,504)	(873)
Other assets	(40)	(14)
Accounts payable	(45)	(1,475)
Accrued expenses and other long-term liabilities	(855)	983
Accrued compensation	1,546	(926)
Income tax payable	100	1,212
Layaway deposits	982	843
Net cash provided by (used in) operating activities	12,017	(12,777)
Investing activities:		
Purchases of investment securities	(4,000)	(4,629)
Sales of investment securities	5,775	24,149
Purchases of property and equipment	(12,747)	(11,238)
Net cash (used in) provided by investing activities	(10,972)	8,282
Financing activities:		
Repayments on long-term debt and capital lease obligations	(785)	(994)
Excess tax benefits from stock-based payment arrangements	465	3,059
Proceeds from the exercise of stock options	333	348
Cash used to settle equity instruments granted under stock-based payment arrangements	(70)	
Net cash used in financing activities	(57)	2,413
Net decrease in cash and cash equivalents	988	(2,082)
Cash and cash equivalents:		
Beginning of period	6,203	7,707
End of period	\$ 7,191	\$ 5,625
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 151	\$ 292
Cash paid for income taxes	\$ 5,505	\$ 3,257



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Supplemental disclosures of noncash financing and investing activities:

Cumulative effect of adoption of FIN 48	\$	\$	301
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See accompanying notes to the condensed financial statements (unaudited).

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**Citi Trends, Inc.**

**Notes to the Condensed Financial Statements (unaudited)**

**August 2, 2008**

1. Basis of Presentation

The condensed balance sheet as of August 2, 2008, the condensed statements of income for the twenty-six and thirteen-week periods ended August 2, 2008 and August 4, 2007, and the condensed statements of cash flows for the twenty-six week periods ended August 2, 2008 and August 4, 2007 have been prepared by Citi Trends, Inc. (the Company), without audit. The condensed balance sheet as of February 2, 2008 has been derived from the audited financial statements as of that date, but does not include all required year end disclosures. In the opinion of management, such statements include all adjustments considered necessary to present fairly the Company's financial position as of August 2, 2008 and February 2, 2008, and its results of operations and cash flows for all periods presented. It is suggested that these condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended February 2, 2008.

The accompanying unaudited condensed financial statements are also prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments considered necessary for a fair presentation have been included. Operating results for the interim periods ended August 2, 2008 are not necessarily indicative of the results that may be expected for the fiscal year ending January 31, 2009.

The following contains references to years 2008 and 2007, which represent fiscal years ending or ended on January 31, 2009 (fiscal 2008) and February 2, 2008 (fiscal 2007), respectively. Fiscal 2008 and fiscal 2007 both have 52-week accounting periods.

2. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

3. Earnings per Share

Basic earnings per common share amounts are calculated using the weighted average number of common shares outstanding for the period. Diluted earnings per common share amounts are calculated using the weighted average number of common shares outstanding plus the

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additional dilution for all potentially dilutive securities such as nonvested restricted stock and stock options. During loss periods, diluted earnings per share amounts are based on the weighted average number of common shares outstanding.

The following table provides a reconciliation of the average number of common shares outstanding used to calculate basic earnings per share to the number of common shares and common stock equivalents outstanding used in calculating diluted earnings per share for the thirteen weeks and twenty-six weeks ended August 2, 2008 and August 4, 2007:

	<b>Twenty-six Weeks Ended</b>	
	<b>August 2, 2008</b>	<b>August 4, 2007</b>
Average number of common shares outstanding		