

Citi Trends Inc
Form 10-Q
December 11, 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 November 2, 2013

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)

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DELAWARE
(State or other jurisdiction of
incorporation or organization)

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

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 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 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 as of November 19, 2013
15,450,197 shares

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CITI TRENDS, INC.

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Table of Contents**PART I - FINANCIAL INFORMATION****Item 1. Financial Statements.****Citi Trends, Inc.****Condensed Consolidated Balance Sheets****November 2, 2013 and February 2, 2013****(Unaudited)****(in thousands, except share data)**

	November 2, 2013	February 2, 2013
Assets		
Current assets:		
Cash and cash equivalents	\$ 47,585	\$ 37,263
Short-term investment securities	18,218	12,771
Inventory	123,203	141,473
Prepaid and other current assets	12,737	10,648
Income tax receivable	1,442	1,134
Deferred tax asset	4,703	6,088
Assets held for sale		1,415
Total current assets	207,888	210,792
Property and equipment, net of accumulated depreciation and amortization of \$156,635 and \$142,770 as of November 2, 2013 and February 2, 2013, respectively	60,979	70,995
Long-term investment securities	20,052	5,754
Deferred tax asset	6,250	3,863
Other assets	700	741
Total assets	\$ 295,869	\$ 292,145
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	\$ 58,929	\$ 62,690
Accrued expenses	17,408	14,435
Accrued compensation	12,080	8,129
Layaway deposits	2,397	660
Total current liabilities	90,814	85,914
Other long-term liabilities	8,416	10,260
Total liabilities	99,230	96,174
Stockholders equity:		
Common stock, \$0.01 par value. Authorized 32,000,000 shares; 15,616,665 shares issued as of November 2, 2013 and 15,295,780 shares issued as of February 2, 2013; 15,450,915 shares outstanding as of November 2, 2013 and 15,130,030 outstanding as of February 2, 2013	150	149
Paid-in-capital	82,048	80,380

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Retained earnings	114,606	115,607
Treasury stock, at cost; 165,750 shares as of November 2, 2013 and February 2, 2013	(165)	(165)
Total stockholders' equity	196,639	195,971
Commitments and contingencies (note 10)		
Total liabilities and stockholders' equity	\$ 295,869	\$ 292,145

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

Table of Contents**Citi Trends, Inc.****Condensed Consolidated Statements of Operations****Thirty-Nine Weeks Ended November 2, 2013 and October 27, 2012****(Unaudited)****(in thousands, except per share data)**

	Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012
Net sales	\$ 465,011	\$ 478,997
Cost of sales	294,878	308,739
Gross profit	170,133	170,258
Selling, general and administrative expenses	(155,976)	(154,733)
Depreciation and amortization	(16,716)	(18,153)
Asset impairment	(1,237)	(660)
Gain on sale of former distribution center	1,526	
Loss from operations	(2,270)	(3,288)
Interest income	213	194
Interest expense	(145)	(163)
Loss before income tax benefit	(2,202)	(3,257)
Income tax benefit	(1,201)	(1,736)
Net loss	\$ (1,001)	\$ (1,521)
Basic net loss per common share	\$ (0.07)	\$ (0.10)
Diluted net loss per common share	\$ (0.07)	\$ (0.10)
Weighted average number of shares outstanding		
Basic	14,789	14,662
Diluted	14,789	14,662

Citi Trends, Inc.**Condensed Consolidated Statements of Operations****Thirteen Weeks Ended November 2, 2013 and October 27, 2012****(Unaudited)****(in thousands, except per share data)**

	Thirteen Weeks Ended	
	November 2, 2013	October 27, 2012
Net sales	\$ 145,362	\$ 148,985
Cost of sales	92,074	97,808

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Gross profit	53,288	51,177
Selling, general and administrative expenses	(52,148)	(51,132)
Depreciation and amortization	(5,454)	(5,970)
Asset impairment	(556)	(660)
Gain on sale of former distribution center	1,526	
Loss from operations	(3,344)	(6,585)
Interest income	78	66
Interest expense	(49)	(50)
Loss before income tax benefit	(3,315)	(6,569)
Income tax benefit	(1,643)	(2,869)
Net loss	\$ (1,672)	\$ (3,700)
Basic net loss per common share	\$ (0.11)	\$ (0.25)
Diluted net loss per common share	\$ (0.11)	\$ (0.25)
Weighted average number of shares outstanding		
Basic	14,815	14,677
Diluted	14,815	14,677

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

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Citi Trends, Inc.

Condensed Consolidated Statements of Cash Flows

Thirty-Nine Weeks Ended November 2, 2013 and October 27, 2012

(Unaudited)

(in thousands)

	Thirty-Nine Weeks Ended	
	November 2, 2013	October 27, 2012
Operating activities:		
Net loss	\$ (1,001)	\$ (1,521)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	16,716	18,153
Asset impairment	1,237	660
Gain on sale of former distribution center	(1,526)	
Loss on disposal of property and equipment	1	14
Deferred income taxes	(1,002)	(601)
Noncash stock-based compensation expense	2,572	1,980
Excess tax benefits from stock-based payment arrangements	294	463
Changes in assets and liabilities:		
Inventory	18,270	(15,174)
Prepaid and other current assets	(2,089)	(478)
Other assets	41	42
Accounts payable	(3,761)	(11,843)
Accrued expenses and other long-term liabilities	1,020	917
Accrued compensation	3,951	(1,615)
Income tax receivable/payable	(602)	7,850
Layaway deposits	1,737	1,941
Net cash provided by operating activities	35,858	788
Investing activities:		
Sales/redemptions of investment securities	3,736	51
Purchases of investment securities	(23,481)	
Proceeds from sale of former distribution center	2,941	
Purchases of property and equipment	(7,829)	(5,798)
Net cash used in investing activities	(24,633)	(5,747)
Financing activities:		
Excess tax benefits from stock-based payment arrangements	(294)	(463)
Proceeds from the exercise of stock options	44	
Shares acquired to settle withholding taxes on the vesting of nonvested restricted stock	(653)	(369)
Net cash used in financing activities	(903)	(832)
Net increase (decrease) in cash and cash equivalents	10,322	(5,791)
Cash and cash equivalents:		
Beginning of period	37,263	41,986
End of period	\$ 47,585	\$ 36,195
Supplemental disclosures of cash flow information:		
Cash paid for interest	\$ 95	\$ 109

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Cash payments (refunds) of income taxes	\$	404	\$	(8,985)
Supplemental disclosures of noncash investing activities:				
Increase (decrease) in accrual for purchases of property and equipment	\$	109	\$	(1,315)

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

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Citi Trends, Inc.
Notes to the Condensed Consolidated Financial Statements (unaudited)
November 2, 2013

1. Basis of Presentation

Citi Trends, Inc. and its subsidiary (the Company) operate as a value-priced retailer of urban fashion apparel and accessories for the entire family. As of November 2, 2013, the Company operated 505 stores in 29 states.

The condensed consolidated balance sheet as of November 2, 2013, the condensed consolidated statements of operations for the thirty-nine and thirteen week periods ended November 2, 2013 and October 27, 2012, and the condensed consolidated statements of cash flows for the thirty-nine week periods ended November 2, 2013 and October 27, 2012 have been prepared by the Company without audit. The condensed consolidated balance sheet as of February 2, 2013 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 November 2, 2013 and February 2, 2013, and its results of operations and cash flows for all periods presented. It is suggested that these condensed consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's latest Annual Report on Form 10-K for the year ended February 2, 2013.

The accompanying unaudited condensed consolidated financial statements are prepared in accordance with U.S. generally accepted accounting principles (U.S. GAAP) 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. GAAP for complete financial statements. Operating results for the interim periods ended November 2, 2013 are not necessarily indicative of the results that may be expected for the fiscal year ending February 1, 2014.

The following contains references to years 2013 and 2012, which represent fiscal years ending or ended on February 1, 2014 and February 2, 2013, respectively. Fiscal 2013 has a 52-week accounting period and fiscal 2012 had a 53-week accounting period.

2. Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and use 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.

The most significant estimates made by management include those used in the valuation of inventory, property and equipment, self-insurance liabilities, leases and income taxes. Management periodically evaluates estimates used in the preparation of the consolidated financial statements for continued reasonableness. Appropriate adjustments, if any, to the estimates used are made prospectively based on such periodic evaluations.

3. Cash and Cash Equivalents/Concentration of Credit Risk

For purposes of the condensed consolidated balance sheets and condensed consolidated statements of cash flows, the C