

Destination Maternity Corp
Form 10-Q
August 09, 2010
Table of Contents

United States
Securities and Exchange Commission
Washington, D.C. 20549

FORM 10-Q

x **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2010

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)

Edgar Filing: Destination Maternity Corp - Form 10-Q

Delaware (State or other jurisdiction of incorporation or organization)	13-3045573 (IRS Employer Identification No.)
456 North 5th Street, Philadelphia, Pennsylvania (Address of principal executive offices)	19123 (Zip code)
Registrant's telephone number, including area code (215) 873-2200	

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 <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

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 6,353,566 shares outstanding as of August 2, 2010

Table of Contents

DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1.	<u>Financial Statements (unaudited)</u>	
	<u>Consolidated Balance Sheets</u>	3
	<u>Consolidated Statements of Operations</u>	4
	<u>Consolidated Statements of Stockholders' Equity and Comprehensive Income (Loss)</u>	5
	<u>Consolidated Statements of Cash Flows</u>	6
	<u>Notes to Consolidated Financial Statements</u>	7
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	24
Item 4.	<u>Controls and Procedures</u>	25

PART II. OTHER INFORMATION

Item 1.	<u>Legal Proceedings</u>	27
Item 1A.	<u>Risk Factors</u>	27
Item 2.	<u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
Item 6.	<u>Exhibits</u>	28
	<u>Signatures</u>	29

Table of Contents**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)

	June 30, 2010	September 30, 2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 29,117	\$ 20,626
Trade receivables	9,854	6,529
Inventories	71,870	78,872
Deferred income taxes	7,972	6,035
Prepaid expenses and other current assets	5,973	3,857
Total current assets	124,786	115,919
Property, plant and equipment, net	59,417	62,852
Other assets:		
Deferred financing costs, net of accumulated amortization of \$681 and \$547	385	585
Other intangible assets, net of accumulated amortization of \$2,122 and \$2,096	1,054	924
Deferred income taxes	14,634	15,413
Other non-current assets	318	314
Total other assets	16,391	17,236
Total assets	\$ 200,594	\$ 196,007
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Line of credit borrowings	\$	\$
Current portion of long-term debt	3,422	9,204
Accounts payable	14,664	16,316
Accrued expenses and other current liabilities	47,145	42,010
Total current liabilities	65,231	67,530
Long-term debt	42,175	48,205
Deferred rent and other non-current liabilities	26,646	30,472
Total liabilities	134,052	146,207
Commitments and contingencies (Note 13)		
Stockholders' equity:		

Edgar Filing: Destination Maternity Corp - Form 10-Q

Preferred stock, 1,656,381 shares authorized:		
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, 6,349,265 and 6,111,669 shares issued and outstanding, respectively		
	63	61
Additional paid-in capital	87,840	84,557
Accumulated deficit	(20,636)	(33,177)
Accumulated other comprehensive loss	(725)	(1,641)
Total stockholders' equity	66,542	49,800
Total liabilities and stockholders' equity	\$ 200,594	\$ 196,007

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

Table of Contents**DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS****(in thousands, except per share amounts)****(unaudited)**

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2010	2009	2010	2009
Net sales	\$ 142,034	\$ 142,529	\$ 406,935	\$ 407,423
Cost of goods sold	62,383	65,001	184,202	192,185
Gross profit	79,651	77,528	222,733	215,238
Selling, general and administrative expenses	63,498	64,553	191,213	196,562
Store closing, asset impairment and asset disposal expenses	336	233	1,944	399
Restructuring and other charges	801	399	6,056	570
Goodwill impairment expense				50,389
Operating income (loss)	15,016	12,343	23,520	(32,682)
Interest expense, net	771	1,100	2,577	3,656
Loss on extinguishment of debt	21	29	51	95
Income (loss) before income taxes	14,224	11,214	20,892	(36,433)
Income tax provision	5,572	4,431	8,351	5,614
Net income (loss)	\$ 8,652	\$ 6,783	\$ 12,541	\$ (42,047)
Net income (loss) per share Basic	\$ 1.39	\$ 1.13	\$ 2.05	\$ (7.02)
Average shares outstanding Basic	6,208	6,002	6,124	5,987
Net income (loss) per share Diluted	\$ 1.35	\$ 1.12	\$ 1.99	\$ (7.02)
Average shares outstanding Diluted	6,417	6,066	6,314	5,987

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

Table of Contents**DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY****AND COMPREHENSIVE INCOME (LOSS)**

(in thousands)

(unaudited)

	Common Stock					Total	Comprehensive Income (Loss)	
	Number of Shares	Amount	Additional Paid-in Capital	Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Loss		Quarter	Year to Date
Balance as of September 30, 2009	6,112	\$ 61	\$ 84,557	\$ (33,177)	\$ (1,641)	\$ 49,800		
Net income				12,541		12,541	\$ 8,652	\$ 12,541
Amortization of prior service cost for retirement plans, net of tax					88	88	27	88
Retirement plan amendment, net of tax					281	281		281
Change in fair value of interest rate swap, net of tax					547	547	181	547
Comprehensive income							\$ 8,860	\$ 13,457
Stock-based compensation	53		1,498			1,498		
Exercise of stock options, net	228	2	1,284			1,286		
Excess tax benefit from stock option exercises and restricted stock vesting			1,458			1,458		
Repurchase and retirement of common shares	(44)		(957)			(957)		
Balance as of June 30, 2010	6,349	\$ 63	\$ 87,840	\$ (20,636)	\$ (725)	\$ 66,542		
Balance as of September 30, 2008	6,071	\$ 61	\$ 83,274	\$ 7,505	\$ (1,372)	\$ 89,468		