

Edgar Filing: LANDS END INC - Form 8-K

LANDS END INC  
Form 8-K  
May 17, 2001

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of earliest event reported) May 17, 2001

LANDS' END, INC.  
(exact name of registrant as specified in its charter)

|   |                                      |   |
|---|--------------------------------------|---|
| DELAWARE<br>(State or other<br>jurisdiction<br>of incorporation | 1-9769<br>(Commission<br>File Number | 36-2512786<br>(I.R.S. Employer<br>Identification<br>Number) |
|---|--------------------------------------|---|

|  |                     |
|--|---------------------|
| Lands' End Lane, Dodgeville, Wisconsin<br>(Address of principal executive offices) | 53595<br>(Zip Code) |
|--|---------------------|

|  |              |
|--|--------------|
| Registrant's telephone number<br>including area code | 608-935-9341 |
|--|--------------|

INFORMATION INCLUDED IN THIS REPORT

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### Item 5. Other Events.

Attached as Exhibit 99 to this report are excerpted slides from a Lands' End meeting with members of the financial community in New York, New York, on Thursday, May 17, 2001. An audio broadcast of the meeting was simulcast on the Internet and will be archived there one week.

### SIGNATURES

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, its duly authorized officer and chief financial officer.

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LANDS' END, INC.

May 17, 2001

By: /S/ DONALD R. HUGHES  
Donald R. Hughes  
Senior Vice President &  
Chief Financial Officer

EXHIBIT 99

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Lands' End Has Shown 15 Years of Solid Growth

| Fiscal Year | U.S. Merchandise Sales<br>(in millions) |
|-------------|---|
| 1985        | \$ 171.6                                |

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|      |         |
|------|---------|
| 1986 | 226.6   |
| 1987 | 264.9   |
| 1988 | 335.7   |
| 1989 | 454.6   |
| 1990 | 544.9   |
| 1991 | 602.0   |
| 1992 | 682.4   |
| 1993 | 724.4   |
| 1994 | 853.3   |
| 1995 | 953.9   |
| 1996 | 957.9   |
| 1997 | 1,023.0 |
| 1998 | 1,131.8 |
| 1999 | 1,225.5 |
| 2000 | 1,176.6 |
| 2001 | 1,221.8 |

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Vital Signs:  
FY 99 to FY 01

|                             | Change from<br>FY 99 to FY 01 |
|-----------------------------|-------------------------------|
| Consolidated Inventory      | - \$ 31 M                     |
| Total Risk Inventory        | - \$ 23 M                     |
| # SKU's                     | - 18 K                        |
| % New Products              | + 18.8%                       |
| Consolidated Peak Borrowing | - \$ 184 M                    |
| 12 Month Buyers             | + 725 K                       |
| Annual Issues (U.S.)        | - 16                          |
| Internet Merchandise Sales  | + \$ 157 M                    |
| EPS                         | + \$ 0.13                     |

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Vital Signs  
Corporate Sales Growth  
(\$ in millions)

| Fiscal Year | Corporate Sales<br>Merchandise Sales |
|-------------|--------------------------------------|
| 1994        | \$ 8.8                               |
| 1995        | 17.9                                 |
| 1996        | 29.2                                 |
| 1997        | 48.4                                 |
| 1998        | 78.3                                 |

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|      |       |
|------|-------|
| 1999 | 114.7 |
| 2000 | 145.9 |
| 2001 | 173.1 |

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Vital Signs  
Internet Growth  
(\$ in millions)

| Fiscal Year | Internet<br>Merchandise Sales |
|-------------|-------------------------------|
| 1997        | \$ 3.4                        |
| 1998        | 18.0                          |
| 1999        | 61.0                          |
| 2000        | 138.0                         |
| 2001        | 218.0                         |

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To Sum Up:  
Our Five-Year Opportunities

1. Grow the U.S. Consumer Business
  - Extend our merchandise lines in defined, focused ways.
  - Exploit new channels of marketing and customer service, enjoying greater efficiencies.
  - Expand our universe of customers.
2. Grow Corporate Sales and International
  - Advance these businesses from their beach-head positions to true leadership positions.
3. Grow Earnings at Least 3 Ways
  - Leverage existing expense structure.
  - Leverage existing capacity in Dodgeville and around the world.
  - Extend and improve recent strong margin gains.

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Two Major Growth Initiatives

1. Extended Sizes
2. Intimates

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1. Extended Sizes  
Extended Sizes Is a \$15.5B Market

Market Dollar

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| Year | Sales in billions |
|------|-------------------|
| 1996 | \$ 12.1           |
| 1997 | 12.8              |
| 1998 | 13.0              |
| 1999 | 14.2              |
| 2000 | 15.5              |

### Lands' End Strategic Steps

- Develop Specialty Catalog to maximize growth potential.
- Develop an additional 20% styles to support growth.
- Hire experienced talent to drive business.

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### 2. Intimates Women's Intimate Apparel Is a \$8.2B Market

| Year | Market Dollar<br>Sales in billions |
|------|------------------------------------|
| 1996 | \$ 6.6                             |
| 1997 | 7.0                                |
| 1998 | 7.4                                |
| 1999 | 7.8                                |
| 2000 | 8.2                                |

### Lands' End Strategic Steps

- Leverage our established fit position in Swim.
- Maximize trend in Sleepwear separates.
- Explore new ways to market our strong Intimates, Sleepwear and Spa products.

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### Key Initiatives

- Continued Sourcing Improvements
- "Never Out" Key Items
- Great-Go-Together Selling
- Separate Gender Books
- Introduction of Extended Sizes and Intimates

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### Lands' End Customer

From FY90 to FY01 our customer file has grown at a CAGR of 8.6%, from 10.9 million to 27 million households.

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Our 12 month buyer file grew to 5.9 million in FY01, a 9.5% rise over FY00.

FY01 was the largest customer acquisition year in our history. We acquired 1.3 million new buyers, a 17% increase over FY 00.

### U.S. Consumer Business

| Fiscal Year | Pages Circulated<br>(in billions) | Number of Households<br>(in millions) |
|-------------|-----------------------------------|---------------------------------------|
| 1990        | 11.4                              | 10.9                                  |
| 1995        | 20.1                              | 19.8                                  |
| 2000        | 20.8                              | 25.9                                  |
| 2001        | 24.5                              | 27.0                                  |

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### Operations/Facilities

Key statistics in FY 2001 for U.S. Consumer Business

24.5 Billion Catalog Pages Circulated  
17.0 Million Orders Shipped  
15.8 Million Sales/Service Contacts  
70.0 Million Minutes of Customer Talk Time  
4.5 Million Embroidered Units  
1.9 Million Monogrammed Units

### Distribution Center Square Footage

| Fiscal Year | Square Footage |
|-------------|----------------|
| 1990        | 717,000        |
| 1995        | 1,150,000      |
| 2000        | 1,736,000      |
| 2002        | 1,896,000      |

Significant capacity exists to meet future sales growth without facility expansion.

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### Leveraging the Internet

Percentage of Internet Sales vs Merchandise Sales

|      |       |
|------|-------|
| 1997 | .3%   |
| 1998 | 1.4%  |
| 1999 | 4.4%  |
| 2000 | 10.5% |
| 2001 | 16.1% |

Opportunity to decrease catalog page circulation and reduce minutes of customer talk time.

A huge opportunity exists to reduce selling, general and administrative expenses by shifting more customer interactions to the Internet.

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Systems Development  
For Emerging Strategic Goals

1. 1993 - 1999 Industrial Strength  
Enhanced functionality on core processes  
Call Center Systems  
Warehouse/Pick and ship
  2. 1999 - 2001 Internet Platform  
Successfully integrated Internet with core processes  
Developed customer focused applications-  
Personalization
  3. 2001 - 2004 Smart Systems  
Superior Customer Relationship Management  
Business Intelligence  
Advanced Supply Chain Management
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Introducing the Lands' End  
Alumni Collection

An upcoming/new marketing opportunity that will focus on college graduates to supply sportswear embroidered with university logos. Sizable sales opportunity with nominal investment in infrastructure.

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Fiscal year results  
Lands' End, Inc. & Subsidiaries  
(dollars in millions, except EPS)

|                  | Fiscal<br>2001 | Fiscal<br>2000 | Fiscal<br>1999 |
|------------------|----------------|----------------|----------------|
| Total Revenue    | \$ 1,462.3     | \$1,416.9      | \$1,466.1      |
| Pretax income    | 55.0           | 76.2           | 49.5           |
| Net income       | 34.7           | 48.0           | 31.2           |
| Diluted EPS      | 1.14           | 1.56           | 1.01           |
| Return on Equity | 11 %           | 18 %           | 13 %           |

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Recent Quarterly Performance  
(\$ in millions, except EPS)



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|              | Q4 01    | vs PY  | Q1 02    | vs PY    |
|--------------|----------|--------|----------|----------|
| Revenue      | \$ 538.6 | 11.5 % | \$ 311.1 | 8.8 %    |
| Gross Profit | 235.4    | 13.8 % | 131.9    | 10.2 %   |
| SG&A         | 181.9    | 12.8 % | 121.4    | 2.5 %    |
| EPS          | \$ 1.07  | 16.3 % | \$ 0.20  | 1900.0 % |

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Merchandise Sales and Earnings Growth  
(\$ in millions)

| Fiscal Year | Merchandise Sales | Net Income |
|-------------|-------------------|------------|
| 1986        | \$ 227            | \$ 11.3    |
| 1991        | 602               | 14.7       |
| 1996        | 1,032             | 30.6       |
| 2001        | 1,355             | 34.7       |

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Financial Flexibility to Achieve Growth

| Item              | Balance Sheet<br>As of 1/26/01<br>(\$ in millions) |
|-------------------|--|
| Cash              | \$ 75.4  |
| Working Capital   | 142.8  |
| Total Assets      | 507.6  |
| Total Debt        | 16.9   |
| Total Liabilities | 193.4  |

- Strong Balance Sheet
- No long term debt
- Flexibility to pursue many strategic avenues

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Investment Highlights

- Lands' End is a unique, highly admired, and trusted brand destined to be high growth, high performance company.
- A wealth of promising merchandising ideas on the drawing board.
  - US Consumer
  - Business to Business
  - International
  - Internet
- Financial flexibility and significant free cash strategic investments.
- The drive and talent of a seasoned management team.

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### STATEMENT REGARDING FORWARD-LOOKING INFORMATION

Statements in this document that are not historical, including, without limitation, statements regarding our plans, expectations, assumptions, and estimations for fiscal 2002, gross profit margin, and earnings, as well as anticipated sales trends and future development of our business strategy, are considered forward-looking and speak only as of today's date. As such, these statements are subject to a number of risks and uncertainties. Future results may be materially different from those expressed or implied by these statements due to a number of factors. Currently, we believe that the principal factors that create uncertainty about our future results are the following: customer response to our merchandise offerings, circulation changes and other initiatives; the mix of our sales between full price and liquidation merchandise; overall consumer confidence and general economic conditions, both domestic and foreign; effects of shifting patterns of e-commerce versus catalog purchases; costs associated with printing and mailing catalogs and fulfilling orders; dependence on consumer seasonal buying patterns; fluctuations in foreign currency exchange rates; and changes that may have different effects on the various sectors in which we operate (e.g., rather than individual consumers, the Corporate Sales Division, included in the specialty segment, sells to numerous corporations, and certain of these sales are for their corporate promotional activities). Our future results could, of course, be affected by other factors as well. More information about these risks and uncertainties may be found in the company's 10-K filings with the S.E.C.

The company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make it clear that any projected results expressed or implied therein will not be realized.

### WEBCAST ANNOUNCEMENT

There was a live, audio webcast of a meeting with company management and the financial community discussing future marketing and product initiatives on Thursday, May 17, 2001 at 8:30am eastern time. A playback will be available for one week at "[videonewswire.com/LANSEND/051701/](http://videonewswire.com/LANSEND/051701/)".

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