

Lumber Liquidators Holdings, Inc.
Form 10-Q
October 22, 2014

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
x ACT OF 1934**

For the quarterly period ended September 30, 2014

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: 001-33767

Lumber Liquidators Holdings, Inc.

(Exact name of registrant as specified in its charter)

| | |
|---|--|
| Delaware (State or other jurisdiction of | 27-1310817 (I.R.S. Employer |
| incorporation or organization) | Identification No.) |

| | |
|--|-----------------------------------|
| 3000 John Deere Road Toano, Virginia (Address of Principal Executive Offices) | 23168 (Zip Code) |
|--|-----------------------------------|

(757) 259-4280

(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 of 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

Edgar Filing: Lumber Liquidators Holdings, Inc. - Form 10-Q

(§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. (Check one):

☒ Large accelerated filer ☐ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company
(Do not check if a 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

As of October 20, 2014, there are 27,060,764 shares of the registrant’s common stock, par value of \$0.001 per share, outstanding.

LUMBER LIQUIDATORS HOLDINGS, INC.

Quarterly Report on Form 10-Q

For the quarter ended September 30, 2014

TABLE OF CONTENTS

| | Page |
|--|------|
| <u>PART I – FINANCIAL INFORMATION</u> | |
| Item 1. <u>Condensed Consolidated Financial Statements</u> | 3 |
| Item 2. <u>Management’s Discussion and Analysis of Financial Condition and Results of Operations</u> | 10 |
| Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 19 |
| Item 4. <u>Controls and Procedures</u> | 20 |
| <u>PART II – OTHER INFORMATION</u> | |
| Item 1. <u>Legal Proceedings</u> | 20 |
| Item 1A. <u>Risk Factors</u> | 21 |
| Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 22 |
| Item 3. <u>Defaults Upon Senior Securities</u> | 22 |
| Item 4. <u>Mine Safety Disclosures</u> | 22 |
| Item 5. <u>Other Information</u> | 22 |
| Item 6. <u>Exhibits</u> | 22 |
| <u>Signatures</u> | 23 |

PART I

FINANCIAL INFORMATION

Item 1. Financial Statements.

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Balance Sheets

(in thousands, except share data)

| | September 30, 2014 (unaudited) | December 31, 2013 |
|--|---|-------------------------|
| Assets | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 10,788 | \$ 80,634 |
| Merchandise Inventories | 288,827 | 252,428 |
| Prepaid Expenses | 6,058 | 6,229 |
| Other Current Assets | 17,025 | 12,916 |
| Total Current Assets | 322,698 | 352,207 |
| Property and Equipment, net | 118,506 | 65,947 |
| Goodwill | 9,693 | 9,693 |
| Other Assets | 1,637 | 1,712 |
| Total Assets | \$ 452,534 | \$ 429,559 |
| Liabilities and Stockholders' Equity | | |
| Current Liabilities: | | |
| Accounts Payable | \$ 56,243 | \$ 56,327 |
| Customer Deposits and Store Credits | 33,186 | 22,377 |
| Accrued Compensation | 4,727 | 11,709 |
| Sales and Income Tax Liabilities | 5,356 | 4,878 |
| Other Current Liabilities | 24,488 | 11,709 |
| Total Current Liabilities | 124,000 | 107,000 |
| Deferred Rent | 6,243 | 4,169 |
| Deferred Tax Liability | 9,065 | 9,061 |
| Stockholders' Equity: | | |
| Common Stock (\$0.001 par value; 35,000,000 shares authorized; 27,057,543 and 27,557,570 shares outstanding, respectively) | 30 | 30 |
| Treasury Stock, at cost (2,815,908 and 2,133,307 shares, respectively) | (138,645) | (85,382) |

Edgar Filing: Lumber Liquidators Holdings, Inc. - Form 10-Q

| | | |
|--|-----------|-----------|
| Additional Capital | 175,558 | 164,581 |
| Retained Earnings | 276,688 | 230,662 |
| Accumulated Other Comprehensive Loss | (405) | (562) |
| Total Stockholders' Equity | 313,226 | 309,329 |
| Total Liabilities and Stockholders' Equity | \$452,534 | \$429,559 |

See accompanying notes to condensed consolidated financial statements

Lumber Liquidators Holdings, Inc.

Condensed Consolidated Statements of Income

(in thousands, except share data and per share amounts)

(unaudited)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|-----------|------------------------------------|-----------|
| | 2014 | 2013 | 2014 | 2013 |
| Net Sales | \$266,067 | \$254,278 | \$775,443 | \$741,807 |
| Cost of Sales | 161,909 | 147,903 | 463,760 | 436,356 |
| Gross Profit | 104,158 | 106,375 | 311,683 | 305,451 |
| Selling, General and Administrative Expenses | 78,377 | 73,108 | 236,309 | 213,690 |
| Operating Income | 25,781 | 33,267 | 75,374 | 91,761 |
| Other (Income) Expense | 82 | (64) | 246 | (425) |
| Income Before Income Taxes | 25,699 | 33,331 | 75,128 | 92,186 |
| Provision for Income Taxes | 9,974 | 12,932 | 29,102 | 35,586 |
| Net Income | \$15,725 | \$20,399 | \$46,026 | \$56,600 |
| Net Income per Common Share—Basic | \$0.58 | \$0.74 | \$1.68 | \$2.06 |