

EXPRESS, INC.
Form 10-Q
September 03, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

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

For the Quarterly Period Ended August 1, 2015
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 001-34742

EXPRESS, INC.
(Exact name of registrant as specified in its charter)

Delaware	26-2828128
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1 Express Drive	43230
Columbus, Ohio	
(Address of principal executive offices)	(Zip Code)
Telephone: (614) 474-4001	
(Registrant's telephone number, including area code)	

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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
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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 ☒

The number of outstanding shares of the registrant's common stock was 84,714,181 as of August 29, 2015.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q ("Quarterly Report") contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements. Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as "anticipate," "estimate," "expect," "project," "plan," "intend," "believe," "may," "will," "should," "likely," and other words and terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, and financial results, our plans and objectives for future operations, growth or initiatives, strategies, plans to repurchase shares of our common stock, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- changes in consumer spending and general economic conditions;
- our ability to identify and respond to new and changing fashion trends, customer preferences, and other related factors;
- fluctuations in our sales, results of operations, and cash levels on a seasonal basis and due to a variety of other factors, including our product offerings relative to customer demand, the merchandise mix we sell, and promotions;
- competition from other retailers;
- customer traffic at malls, shopping centers, and at our stores and customer traffic to our website;
- our dependence on a strong brand image;
- our ability to develop and maintain a reliable omni-channel experience for our customers;
- the failure or breach of information systems upon which we rely;
- our ability to protect our customer data from fraud and theft;
- our dependence upon independent third parties to manufacture all of our merchandise;
- changes in the cost of raw materials, labor, and freight;
- supply chain disruption;
- our dependence upon key executive management;
- our growth strategy, including our new store, e-commerce, and international expansion plans;
- our reliance on third parties to provide us with certain key services for our business;
- claims made against us resulting in litigation or changes in laws and regulations applicable to our business;
- our inability to protect our trademarks or other intellectual property rights which may preclude the use of our trademarks or other intellectual property around the world;
- impairment charges on long-lived assets;
- substantial lease obligations;
- changes in tax requirements, results of tax audits, and other factors that may cause fluctuations in our effective tax rates; and
- restrictions imposed on us under the terms of our revolving credit facility.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and it is impossible for us to anticipate all factors that could affect our actual results. For a discussion of these risks and other risks and uncertainties that could cause actual results to differ materially from those contained in our forward-looking statements, please refer to "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended January 31, 2015 ("Annual Report"), filed with the Securities and Exchange Commission ("SEC") on March 27, 2015. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as otherwise required by law.

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PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS.

EXPRESS, INC.

CONSOLIDATED BALANCE SHEETS

(Amounts in Thousands, Except Per Share Amounts)

(Unaudited)

	August 1, 2015	January 31, 2015
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 155,645	\$ 346,159
Receivables, net	22,073	23,272
Inventories	272,011	241,063
Prepaid minimum rent	29,926	29,465
Other	27,563	14,277
Total current assets	507,218	654,236
PROPERTY AND EQUIPMENT	894,246	840,340
Less: accumulated depreciation	(467,230)	(432,733)
Property and equipment, net	427,016	407,607
TRADENAME/DOMAIN NAME	197,597	197,562
DEFERRED TAX ASSETS	12,348	12,371
OTHER ASSETS	3,097	6,374
Total assets	\$ 1,147,276	\$ 1,278,150
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 179,120	\$ 153,745
Deferred revenue	22,151	28,575
Accrued expenses	110,554	105,139
Total current liabilities	311,825	287,459
LONG-TERM DEBT	—	199,527
DEFERRED LEASE CREDITS	132,597	128,450
OTHER LONG-TERM LIABILITIES	105,123	106,375
Total liabilities	549,545	721,811
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY:		
Preferred stock – \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Common stock – \$0.01 par value; 500,000 shares authorized; 91,040 shares and 90,400 shares issued at August 1, 2015 and January 31, 2015, respectively, and 84,713 shares and 84,298 shares outstanding at August 1, 2015 and January 31, 2015, respectively	910	904
Additional paid-in capital	161,232	149,789
Accumulated other comprehensive loss	(3,513)	(3,057)
Retained earnings	550,875	516,785

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Treasury stock – at average cost; 6,327 shares and 6,102 shares at August 1, 2015 and January 31, 2015, respectively	(111,773) (108,082)
Total stockholders' equity	597,731	556,339	
Total liabilities and stockholders' equity	\$1,147,276	\$1,278,150	
See notes to unaudited consolidated financial statements.			

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EXPRESS, INC.

CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME

(Amounts in Thousands, Except Per Share Amounts)

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 1, 2015	August 2, 2014	August 1, 2015	August 2, 2014
NET SALES	\$535,582	\$481,420	\$1,037,960	\$942,072
COST OF GOODS SOLD, BUYING AND OCCUPANCY COSTS	358,392	345,395	694,326	668,674
Gross profit	177,190	136,025	343,634	273,398
OPERATING EXPENSES:				
Selling, general, and administrative expenses	140,573	121,923	273,749	