

FOOT LOCKER, INC.  
Form 10-Q  
December 07, 2016  
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: October 29, 2016

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: 1-10299

---

(Exact name of registrant as specified in its charter)

\_\_\_\_\_

New York 13-3513936  
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

330 West 34th Street, New York, New York 10001

(Address of principal executive offices, Zip Code)

(212-720-3700)

(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 (§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 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 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

Number of shares of Common Stock outstanding as of November 25, 2016: 132,364,959



FOOT LOCKER, INC.

## TABLE OF CONTENTS

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets</u>	1
<u>Condensed Consolidated Statements of Operations</u>	2
<u>Condensed Consolidated Statements of Comprehensive Income</u>	3
<u>Condensed Consolidated Statements of Cash Flows</u>	4
<u>Notes to Condensed Consolidated Financial Statements</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 4. Controls and Procedures</u>	26
<u>PART II OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	27
<u>Item 1A. Risk Factors</u>	27
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	27
<u>Item 6. Exhibits</u>	27
<u>SIGNATURE</u>	28
<u>INDEX OF EXHIBITS</u>	29

---

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## FOOT LOCKER, INC.

## CONDENSED CONSOLIDATED BALANCE SHEETS

(\$ in millions, except shares)

	October 29, 2016 (Unaudited)	October 31, 2015 (Unaudited)	January 30, 2016 *
<b>ASSETS</b>			
Current assets			
Cash and cash equivalents	\$ 865	\$ 878	\$ 1,021
Merchandise inventories	1,361	1,336	1,285
Other current assets	291	277	300
	2,517	2,491	2,606
Property and equipment, net	732	664	661
Deferred taxes	171	256	234
Goodwill	156	156	156
Other intangible assets, net	43	46	45
Other assets	75	82	73
	\$ 3,694	\$ 3,695	\$ 3,775
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
Current liabilities			
Accounts payable	\$ 215	\$ 258	\$ 279
Accrued and other liabilities	327	401	420
Current portion of capital lease obligations	1	1	1
	543	660	700
Long-term debt and obligations under capital leases	127	130	129
Other liabilities	391	358	393
Total liabilities	1,061	1,148	1,222
Shareholders' equity			

Edgar Filing: FOOT LOCKER, INC. - Form 10-Q

Common stock and paid-in capital: 174,687,964; 173,333,777 and 173,397,913 shares outstanding, respectively	1,168	1,099	1,108
Retained earnings	3,546	3,058	3,182
Accumulated other comprehensive loss	(353)	(343)	(366)
Less: Treasury stock at cost: 42,326,538; 34,772,045 and 36,421,104 shares, respectively	(1,728)	(1,267)	(1,371)
Total shareholders' equity	2,633	2,547	2,553
	\$ 3,694	\$ 3,695	\$ 3,775

See Accompanying Notes to Condensed Consolidated Financial Statements.

\* The balance sheet at January 30, 2016 has been derived from the previously reported audited financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in Foot Locker, Inc.'s Annual Report on Form 10-K for the year ended January 30, 2016.

FOOT LOCKER, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(Unaudited)

(in millions, except per share amounts)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Sales	\$ 1,886	\$ 1,794	\$ 5,653	\$ 5,405
Cost of sales	1,246	1,187	3,730	3,575
Selling, general and administrative expenses	366	352	1,077	1,028
Depreciation and amortization	40	38	118	109
Impairment and litigation charges	6	100	6	100
Interest expense, net	1	1	2	3
Other income	—	(1)	(3)	(2)
	1,659	1,677	4,930	4,813
Income before income taxes	227	117	723	592
Income tax expense	70	37	248	209
Net income	\$ 157	\$ 80	\$ 475	\$ 383
Basic earnings per share	\$ 1.18	\$ 0.57	\$ 3.53	\$ 2.74
Weighted-average shares outstanding	132.9	139.3	134.6	139.6
Diluted earnings per share	\$ 1.17	\$ 0.57	\$ 3.50	\$ 2.71
Weighted-average shares outstanding, assuming dilution	134.0	140.9	135.7	141.4

See Accompanying Notes to Condensed Consolidated Financial Statements.





FOOT LOCKER, INC.

## CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Unaudited)

(\$ in millions)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 2016	October 31, 2015	October 29, 2016	October 31, 2015
Net income	\$ 157	\$ 80	\$ 475	\$ 383
Other comprehensive income, net of income tax				
Foreign currency translation adjustment:				
Translation adjustment arising during the period, net of income tax	(14)	(10)	3	(32)
Cash flow hedges:				
Change in fair value of derivatives, net of income tax	1	2	4	1
Available for sale securities:				
Unrealized gain on available for sale securities	—	—	1	—
Pension and postretirement adjustments:				
Amortization of net actuarial gain/loss and prior service cost included in net periodic benefit costs, net of income tax expense of \$1, \$1, \$3 and \$3 million, respectively, and foreign currency fluctuations	3	3	5	7
Comprehensive income	\$ 147	\$ 75	\$ 488	\$ 359