

Zumiez Inc
Form 10-Q
December 11, 2013
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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 NOVEMBER 2, 2013

OR

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

Commission file number 000-51300

ZUMIEZ INC.

(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1040022
(I.R.S. Employer
Identification No.)

4001 204th Street SW, Lynnwood, WA 98036

(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (425) 551-1500

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 definition 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

At December 3, 2013, there were 30,283,034 shares outstanding of common stock.

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ZUMIEZ INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands)

	November 2, 2013 (Unaudited)	February 2, 2013
Assets		
Current assets		
Cash and cash equivalents	\$ 5,315	\$ 17,579
Marketable securities	88,861	85,593
Receivables	12,844	9,467
Inventories	126,687	77,598
Prepaid expenses and other	10,857	9,192
Deferred tax assets	5,464	3,885
Total current assets	250,028	203,314
Fixed assets, net	129,285	115,474
Goodwill	64,191	64,576
Intangible assets, net	18,558	20,480
Long-term other assets	3,715	5,254
Total long-term assets	215,749	205,784
Total assets	\$ 465,777	\$ 409,098
Liabilities and Shareholders Equity		
Current liabilities		
Trade accounts payable	\$ 49,081	\$ 16,052
Accrued payroll and payroll taxes	8,198	11,057
Income taxes payable	3,768	6,957
Deferred rent and tenant allowances	5,760	4,901
Other liabilities	21,076	18,232
Total current liabilities	87,883	57,199
Long-term deferred rent and tenant allowances	41,809	36,928
Long-term deferred tax liabilities	2,984	5,544
Long-term debt and other liabilities	7,907	6,006
Total long-term liabilities	52,700	48,478
Total liabilities	140,583	105,677
Commitments and contingencies (Note 5)		
Shareholders equity		

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Preferred stock, no par value, 20,000 shares authorized; none issued and outstanding		
Common stock, no par value, 50,000 shares authorized; 30,282 shares issued and outstanding at November 2, 2013 and 30,114 shares issued and outstanding at February 2, 2013	115,595	108,360
Accumulated other comprehensive income	5,131	6,010
Retained earnings	204,468	189,051
Total shareholders equity	325,194	303,421
Total liabilities and shareholders equity	\$ 465,777	\$ 409,098

See accompanying notes to condensed consolidated financial statements

Table of Contents**ZUMIEZ INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(In thousands, except per share amounts)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net sales	\$ 191,145	\$ 180,023	\$ 497,499	\$ 444,988
Cost of goods sold	120,356	112,948	323,618	289,387
Gross profit	70,789	67,075	173,881	155,601
Selling, general and administrative expenses	50,111	45,674	141,339	123,160
Operating profit	20,678	21,401	32,542	32,441
Interest income, net	171	235	544	1,152
Other (expense) income, net	(587)	(185)	(907)	443
Earnings before income taxes	20,262	21,451	32,179	34,036
Provision for income taxes	8,402	8,784	13,082	14,756
Net income	\$ 11,860	\$ 12,667	\$ 19,097	\$ 19,280
Basic earnings per share	\$ 0.40	\$ 0.41	\$ 0.64	\$ 0.62
Diluted earnings per share	\$ 0.39	\$ 0.40	\$ 0.63	\$ 0.61
Weighted average shares used in computation of earnings per share:				
Basic	29,895	30,957	29,806	30,884
Diluted	30,257	31,416	30,240	31,425

See accompanying notes to condensed consolidated financial statements

Table of Contents**ZUMIEZ INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****(In thousands)****(Unaudited)**

	Three Months Ended		Nine Months Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net income	\$ 11,860	\$ 12,667	\$ 19,097	\$ 19,280
Other comprehensive income (loss), net of tax and reclassification adjustments:				
Foreign currency translation	1,844	3,602	(801)	1,801
Net change in unrealized gain/loss on available-for-sale investments	49	6	(78)	(96)
Other comprehensive income (loss), net	1,893	3,608	(879)	1,705
Comprehensive income	\$ 13,753	\$ 16,275	\$ 18,218	\$ 20,985

See accompanying notes to condensed consolidated financial statements

Table of Contents**ZUMIEZ INC.****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY****(In thousands)****(Unaudited)**

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount			
Balance at February 2, 2013	30,114	\$ 108,360	\$ 6,010	\$ 189,051	\$ 303,421
Net income				19,097	19,097
Other comprehensive loss, net			(879)		(879)
Issuance and exercise of stock-based compensation, including tax benefit of \$1,154	333	2,462			2,462
Stock-based compensation expense		4,773			4,773
Repurchase of common stock	(165)			(3,680)	(3,680)
Balance at November 2, 2013	30,282	\$ 115,595	\$ 5,131	\$ 204,468	\$ 325,194

	Common Stock		Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount			
Balance at January 28, 2012	31,170	\$ 99,412	\$ 135	\$ 172,730	\$ 272,277
Net income				19,280	19,280
Other comprehensive income, net			1,705		1,705
Issuance and exercise of stock-based compensation, including tax benefit of \$2,215	182	2,750			2,750
Stock-based compensation expense		4,347			4,347
Balance at October 27, 2012	31,352	\$ 106,509	\$ 1,840	\$ 192,010	\$ 300,359

See accompanying notes to condensed consolidated financial statements

Table of Contents**ZUMIEZ INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In thousands)****(Unaudited)**

	Nine Months Ended	
	November 2, 2013	October 27, 2012
Cash flows from operating activities:		
Net income	\$ 19,097	\$ 19,280
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and accretion	19,517	16,661
Deferred taxes	(2,365)	(2,767)
Stock-based compensation expense	4,773	4,347
Excess tax benefit from stock-based compensation	(1,154)	(2,215)
Lease termination costs	193	1,404
Other	1,035	217
Changes in operating assets and liabilities:		
Receivables	(3,414)	(5,007)
Inventories	(49,206)	(36,504)
Prepaid expenses and other	(2,585)	(1,506)
Trade accounts payable	32,515	25,578
Accrued payroll and payroll taxes	(2,831)	183
Income taxes payable	(2,015)	2,425
Deferred rent and tenant allowances	5,856	5,622
Other liabilities	2,247	468
Net cash provided by operating activities	21,663	28,186
Cash flows from investing activities:		
Additions to fixed assets	(27,179)	(34,028)
Acquisitions, net of cash acquired		(69,685)
Purchases of marketable securities and other investments	(78,175)	(95,268)
Sales and maturities of marketable securities and other investments	73,674	164,231
Net cash used in investing activities	(31,680)	(34,750)
Cash flows from financing activities:		
Payments on long-term debt	(233)	(183)
Repurchase of common stock	(4,310)	
Proceeds from exercise of stock-based compensation, net of withholding tax payments	1,308	534
Excess tax benefit from stock-based compensation	1,154	2,215

Net cash (used in) provided by financing activities	(2,081)
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