

KIRKLAND'S, INC
Form 10-Q
December 06, 2012
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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 October 27, 2012,

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: 000-49885

KIRKLAND S, INC.

(Exact name of registrant as specified in its charter)

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Tennessee
(State or other jurisdiction of
incorporation or organization)

62-1287151
(IRS Employer
Identification No.)

2501 McGavock Pike, Suite 1000

Nashville, Tennessee
(Address of principal executive offices)

37214
(Zip Code)

Registrant's telephone number, including area code: (615) 872-4800

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 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock, no par value 17,070,553 shares outstanding as of November 20, 2012.

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CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except share data)

	October 27, 2012 (Unaudited)	January 28, 2012	October 29, 2011 (Unaudited)
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 34,339	\$ 83,123	\$ 60,343
Inventories, net	64,191	47,306	59,940
Income taxes receivable	4,479		2,664
Deferred income taxes	1,497	1,657	2,174
Prepaid expenses and other current assets	9,917	7,784	11,176
Total current assets	114,423	139,870	136,297
Property and equipment, net	76,004	60,315	58,366
Non-current deferred income taxes	803	1,108	2,412
Other assets	1,457	1,296	1,176
Total assets	\$ 192,687	\$ 202,589	\$ 198,251
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	\$ 27,793	\$ 21,592	\$ 24,975
Income taxes payable		3,146	
Accrued expenses	19,874	21,805	21,145
Total current liabilities	47,667	46,543	46,120
Deferred rent	37,490	34,311	30,578
Other liabilities	4,593	4,073	4,445
Total liabilities	89,750	84,927	81,143
Shareholders' equity:			
Common stock, no par value; 100,000,000 shares authorized; 17,070,553; 18,360,739; and 19,542,449 shares issued and outstanding at October 27, 2012, January 28, 2012, and October 29, 2011, respectively	152,684	150,352	149,256
Accumulated deficit	(49,747)	(32,690)	(32,148)
Total shareholders' equity	102,937	117,662	117,108
Total liabilities and shareholders' equity	\$ 192,687	\$ 202,589	\$ 198,251

The accompanying notes are an integral part of these financial statements.

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	13-Week Period Ended		39-Week Period Ended	
	October 27, 2012	October 29, 2011	October 27, 2012	October 29, 2011
Net sales	\$ 96,688	\$ 97,071	\$ 285,480	\$ 281,175
Cost of sales (exclusive of depreciation as shown below)	62,669	60,938	182,998	176,109
Gross profit	34,019	36,133	102,482	105,066
Operating expenses:				
Compensation and benefits	19,152	18,828	57,181	55,187
Other operating expenses	12,491	12,467	37,487	34,541
Depreciation	3,122	2,914	9,342	8,888
Total operating expenses	34,765	34,209	104,010	98,616
Operating income (loss)	(746)	1,924	(1,528)	6,450
Interest expense, net	70	55	217	125
Other income, net	(51)	(51)	(179)	(126)
Income (loss) before income taxes	(765)	1,920	(1,566)	6,451
Income tax expense (benefit)	(349)	673	(1,108)	2,514
Net income (loss)	\$ (416)	\$ 1,247	\$ (458)	\$ 3,937
Earnings (loss) per share:				
Basic	\$ (0.02)	\$ 0.06	\$ (0.03)	\$ 0.20
Diluted	\$ (0.02)	\$ 0.06	\$ (0.03)	\$ 0.19
Weighted average shares for basic earnings (loss) per share:	17,067	19,918	17,602	19,930
Effect of dilutive stock equivalents		286		568
Adjusted weighted average shares for diluted earnings (loss) per share	17,067	20,204	17,602	20,498

The accompanying notes are an integral part of these financial statements.

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CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY (UNAUDITED)

(in thousands, except share data)

	Common Stock		Accumulated	Total
	Shares	Amount	Deficit	Shareholders' Equity
Balance at January 28, 2012	18,360,739	\$ 150,352	\$ (32,690)	\$ 117,662
Exercise of employee stock options and employee stock purchases	99,114	224		224
Tax benefit from exercise of stock options		46		46
Net share settlement of stock options	(27,402)			
Stock-based compensation expense		2,085		2,085
Repurchase and retirement of common stock	(1,361,898)	(23)	(16,599)	(16,622)
Net loss			(458)	(458)
Balance at October 27, 2012	17,070,553	\$ 152,684	\$ (49,747)	\$ 102,937

The accompanying notes are an integral part of these financial statements.

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KIRKLAND S, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**(in thousands)**

	39-week Period Ended	
	October 27, 2012	October 29, 2011
Cash flows from operating activities:		
Net income (loss)	\$ (458)	\$ 3,937
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation of property and equipment	9,342	8,888
Amortization of landlord construction allowances	(2,993)	(3,530)
Amortization of debt issue costs	57	33
Loss (gain) on disposal of property and equipment	(35)	152
Cash received for landlord construction allowances	5,393	