

WILLIAMS SONOMA INC
Form 10-Q
September 09, 2011
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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 July 31, 2011.

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: 001-14077

WILLIAMS-SONOMA, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or organization)

94-2203880
(I.R.S. Employer Identification No.)

3250 Van Ness Avenue, San Francisco, CA
(Address of principal executive offices)

94109
(Zip Code)

Registrant's telephone number, including area code: (415) 421-7900

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(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 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. (Check one):

Large accelerated filer

Accelerated filer

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

As of August 28, 2011, 103,678,962 shares of the registrant's Common Stock were outstanding.

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**WILLIAMS-SONOMA, INC.
REPORT ON FORM 10-Q
FOR THE QUARTER ENDED JULY 31, 2011**

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(Unaudited)

	July 31, 2011	January 30, 2011	August 1, 2010
<i>Dollars and shares in thousands, except per share amounts</i>			
ASSETS			
Current assets			
Cash and cash equivalents	\$ 424,634	\$ 628,403	\$ 404,037
Restricted cash	14,721	12,512	12,502
Accounts receivable, net	51,406	41,565	37,888
Merchandise inventories, net	556,628	513,381	518,623
Prepaid catalog expenses	41,663	36,825	41,798
Prepaid expenses	39,697	21,120	42,165
Deferred income taxes	85,690	85,612	92,241
Other assets	7,626	8,176	7,718
Total current assets	1,222,065	1,347,594	1,156,972
Property and equipment, net	735,129	730,556	771,635
Non-current deferred income taxes	32,381	32,646	52,129
Other assets, net	20,549	20,966	14,757
Total assets	\$ 2,010,124	\$ 2,131,762	\$ 1,995,493
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities			
Accounts payable	\$ 196,843	\$ 227,963	\$ 184,135
Accrued salaries, benefits and other	78,488	122,440	83,188
Customer deposits	191,889	192,450	190,347
Income taxes payable	13,190	41,997	17,507
Current portion of long-term debt	1,542	1,542	1,714
Other liabilities	25,731	25,324	25,279
Total current liabilities	507,683	611,716	502,170
Deferred rent and lease incentives	195,691	202,135	221,086
Long-term debt	7,064	7,130	7,197
Other long-term obligations	49,499	51,918	58,383
Total liabilities	759,937	872,899	788,836
Commitments and contingencies			
Shareholders' equity			
Preferred stock, \$.01 par value, 7,500 shares authorized, none issued	0	0	0
Common stock, \$.01 par value, 253,125 shares authorized, issued and outstanding: 103,992, 104,888 and 106,483 shares at July 31, 2011, January 30, 2011 and August 1, 2010, respectively	1,040	1,049	1,065
Additional paid-in capital	478,024	466,885	462,106
Retained earnings	755,672	777,939	732,290
Accumulated other comprehensive income	15,451	12,990	11,196
Total shareholders' equity	1,250,187	1,258,863	1,206,657
Total liabilities and shareholders' equity	\$ 2,010,124	\$ 2,131,762	\$ 1,995,493

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**WILLIAMS-SONOMA, INC.****CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS**

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2011	August 1, 2010	July 31, 2011	August 1, 2010
<i>Dollars and shares in thousands, except per share amounts</i>				
Net revenues	\$ 814,750	\$ 775,554	\$ 1,585,575	\$ 1,493,191
Cost of goods sold	506,029	488,827	980,971	935,906
Gross margin	308,721	286,727	604,604	557,285
Selling, general and administrative expenses	244,636	235,530	488,819	473,627
Interest expense, net	69	123	70	251
Earnings before income taxes	64,016	51,074	115,715	83,407
Income tax expense	24,707	20,315	44,791	33,110
Net earnings	\$ 39,309	\$ 30,759	\$ 70,924	\$ 50,297
Basic earnings per share	\$ 0.38	\$ 0.29	\$ 0.68	\$ 0.47
Diluted earnings per share	\$ 0.37	\$ 0.28	\$ 0.66	\$ 0.46
Shares used in calculation of earnings per share:				
Basic	104,467	107,668	104,795	107,370
Diluted	106,766	110,224	107,071	109,895

See Notes to Condensed Consolidated Financial Statements.

Table of Contents**WILLIAMS-SONOMA, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

	Twenty-Six Weeks Ended	
	July 31,	August 1,
<i>Dollars in thousands</i>	2011	2010
Cash flows from operating activities:		
Net earnings	\$ 70,924	\$ 50,297
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	65,899	73,882
(Gain)/loss on sale/disposal of assets	646	(2,033)
Impairment of assets	172	2,032
Amortization of deferred lease incentives	(13,999)	(19,709)
Deferred income taxes	(4,830)	(6,327)
Tax benefit from exercise of stock-based awards	5,865	8,011
Stock-based compensation expense	12,256	15,269
Changes in:		
Accounts receivable	(9,048)	6,345
Merchandise inventories	(42,669)	(52,160)
Prepaid catalog expenses	(4,839)	(9,021)
Prepaid expenses and other assets	(17,262)	(17,952)
Accounts payable	(42,240)	(2,561)
Accrued salaries, benefits and other current and long-term liabilities	(46,523)	(18,710)
Customer deposits	(846)	(4,991)
Deferred rent and lease incentives	7,648	(743)
Income taxes payable	(28,885)	(30,740)
Net cash used in operating activities	(47,731)	(9,111)
Cash flows from investing activities:		
Purchases of property and equipment	(62,525)	(30,889)
Restricted cash deposits	(2,209)	(12,502)
Proceeds from sale of assets	41	10,715
Other	(200)	0
Net cash used in investing activities	(64,893)	