

TILLY'S, INC.
Form 10-Q
September 09, 2014
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 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 August 2, 2014

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: 001-35535

TILLY S, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

45-2164791
(I.R.S. Employer
Identification No.)

10 Whatney

Irvine, CA 92618

(Address of principal executive offices)

(949) 609-5599

(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

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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 (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 Exchange Act Rule 12b-2) Yes No

As of September 4, 2014, the registrant had the following shares of common stock outstanding:

Class A common stock \$0.001 par value	11,496,686
Class B common stock \$0.001 par value	16,574,265

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TILLY'S, INC.

FORM 10-Q

For the Quarter Ended August 2, 2014

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Table of Contents**Part I. Financial Information****Item 1. Financial Statements (Unaudited)****TILLY S, INC.****CONSOLIDATED BALANCE SHEETS**

(In thousands, except per share data)

(Unaudited)

	August 2, 2014	February 1, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 32,408	\$ 25,412
Marketable securities	24,961	34,943
Receivables	10,295	8,545
Merchandise inventories	70,387	46,266
Prepaid expenses and other current assets	12,133	11,772
Total current assets	150,184	126,938
Property and equipment, net	105,937	100,936
Other assets	4,989	4,533
Total assets	\$ 261,110	\$ 232,407
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	\$ 38,055	\$ 19,645
Deferred revenue	4,777	6,214
Accrued compensation and benefits	5,757	4,975
Accrued expenses	16,778	9,241
Current portion of deferred rent	5,905	5,395
Current portion of capital lease obligation/Related party (Note 10)	782	758
Total current liabilities	72,054	46,228
Long-term portion of deferred rent	42,242	42,756
Long-term portion of capital lease obligation/Related party (Note 10)	2,103	2,500
Total long-term liabilities	44,345	45,256
Total liabilities	116,399	91,484

Commitments and contingencies (Note 5)

Stockholders' equity:

Common stock (Class A), \$0.001 par value; August 2, 2014 - 100,000 shares authorized, 11,497 shares issued and outstanding; February 1, 2014 - 100,000 shares authorized, 11,361 shares issued and outstanding	11	11
Common stock (Class B), \$0.001 par value; August 2, 2014 - 35,000 shares authorized, 16,574 shares issued and outstanding; February 1, 2014 - 35,000 shares authorized, 16,642 shares issued and outstanding	17	17
Preferred stock, \$0.001 par value; August 2, 2014 and February 1, 2014 - 10,000 shares authorized, no shares issued or outstanding		
Additional paid-in capital	124,829	122,886
Retained earnings	19,854	17,997
Accumulated other comprehensive income		12
Total stockholders' equity	144,711	140,923
Total liabilities and stockholders' equity	\$ 261,110	\$ 232,407

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

Table of Contents**TILLY S, INC.****CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
Net sales	\$ 123,060	\$ 123,043	\$ 234,194	\$ 232,161
Cost of goods sold (includes buying, distribution, and occupancy costs)	88,405	85,155	168,212	162,467
Gross profit	34,655	37,888	65,982	69,694
Selling, general and administrative expenses	32,326	30,689	62,576	58,578
Operating income	2,329	7,199	3,406	11,116
Other income (expense), net	4	(47)	3	(96)
Income before income taxes	2,333	7,152	3,409	11,020
Income tax expense	1,067	2,885	1,552	4,445
Net income	\$ 1,266	\$ 4,267	\$ 1,857	\$ 6,575
Basic earnings per share of Class A and Class B common stock	\$ 0.05	\$ 0.15	\$ 0.07	\$ 0.24
Diluted earnings per share of Class A and Class B common stock	\$ 0.05	\$ 0.15	\$ 0.07	\$ 0.23
Weighted average basic shares outstanding	28,014	27,727	27,999	27,710
Weighted average diluted shares outstanding	28,049	28,080	28,100	28,053

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

Table of Contents**TILLY S, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

(Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 2, 2014	August 3, 2013	August 2, 2014	August 3, 2013
Net income	\$ 1,266	\$ 4,267	\$ 1,857	\$ 6,575
Other comprehensive income:				
Net change in unrealized gain/loss on available-for-sale securities	(12)	(21)	(12)	(7)
Other comprehensive income	(12)	(21)	(12)	(7)
Comprehensive income	\$ 1,254	\$ 4,246	\$ 1,845	\$ 6,568

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

Table of Contents**TILLY S, INC.****CONSOLIDATED STATEMENT OF STOCKHOLDERS EQUITY**

(In thousands)

(Unaudited)

	Number of Shares			Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
	Common Stock (Class A)	Common Stock (Class B)	Common Stock				
Balance at February 1, 2014	11,361	16,642	\$ 28	\$ 122,886	\$ 17,997	\$ 12	\$ 140,923
Net income					1,857		1,857
Restricted stock	49						
Shares converted by founders	68	(68)					
Excess tax deficiencies from stock-based compensation				(125)			(125)
Stock-based compensation expense				1,903			1,903
Exercise of stock options	19			165			165
Net change in unrealized gain/loss on available-for-sale securities						(12)	(12)
Balance at August 2, 2014	11,497	16,574	\$ 28	\$ 124,829	\$ 19,854	\$	\$ 144,711

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

Table of Contents**TILLY'S, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

(Unaudited)

	Twenty-Six Weeks Ended	
	August 2, 2014	August 3, 2013
Cash flows from operating activities		
Net income	\$ 1,857	\$ 6,575
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	10,182	9,425
Loss on disposal of assets	39	111
Gain on sales and maturities of marketable securities	(77)	(119)
Deferred income taxes	334	558
Stock-based compensation expense	1,903	1,655
Excess tax benefit from stock-based compensation		(40)
Changes in operating assets and liabilities:		
Receivables	(1,750)	(4,979)
Merchandise inventories	(24,121)	(16,804)
Prepaid expenses and other assets	(1,268)	(1,843)
Accounts payable	18,397	16,564
Accrued expenses	6,906	4,378
Accrued compensation and benefits	782	(839)
Deferred rent	(4)	3,805
Deferred revenue	(1,437)	(1,289)
Net cash provided by operating activities	11,743	17,158
Cash flows from investing activities		
Purchase of property and equipment	(14,587)	(23,789)
Proceeds from sale of property and equipment	9	19
Purchases of marketable securities	(24,961)	(14,960)
Maturities of marketable securities	35,000	25,000
Net cash used in investing activities	(4,539)	(13,730)
Cash flows from financing activities		
Payment of capital lease obligation	(373)	(351)
Proceeds from exercise of stock options	165	452
Excess tax benefit from stock-based compensation		40

Net cash (used in) provided by financing activities	(208)	141
Change in cash and cash equivalents	6,996	3,569
Cash and cash equivalents, beginning of period	25,412	17,314
Cash and cash equivalents, end of period	\$ 32,408	\$ 20,883
Supplemental disclosures of cash flow information		
Interest paid	\$ 97	\$ 132
Income taxes paid	\$ 63	\$ 4,294
Supplemental disclosure of non-cash activities		
Unpaid purchases of property and equipment	\$ 2,992	\$ 2,284

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

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TILLY'S, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

1. Description of the Company and Basis of Presentation

Tilly's, Inc. was formed as a Delaware corporation on May 4, 2011 for the purpose of reorganizing the corporate structure of World of Jeans & Top