

Destination Maternity Corp
Form 10-Q
February 09, 2009
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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 December 31, 2008

Or

o

**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 0-21196

Destination Maternity Corporation

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

13-3045573

(IRS Employer Identification No.)

456 North 5th Street, Philadelphia, Pennsylvania

(Address of principal executive offices)

19123

(Zip code)

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Registrant's telephone number, including area code **(215) 873-2200**

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 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 (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 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, \$.01 par value 6,094,291 shares outstanding as of February 2, 2009

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DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

(unaudited)

	December 31, 2008	September 30, 2008
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 14,720	\$ 12,148
Trade receivables	6,936	7,085
Inventories	77,730	88,056
Deferred income taxes	8,154	8,154
Prepaid expenses and other current assets	6,176	6,777
Total current assets	113,716	122,220
Property, plant and equipment, net	65,770	66,098
Assets held for sale		207
Other assets:		
Goodwill	3,389	50,389
Deferred financing costs, net of accumulated amortization of \$405 and \$358	804	929
Other intangible assets, net of accumulated amortization of \$2,084 and \$2,105	736	695
Deferred income taxes	15,587	15,411
Other non-current assets	310	299
Total other assets	20,826	67,723
Total assets	\$ 200,312	\$ 256,248
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Line of credit borrowings	\$	\$
Current portion of long-term debt	1,239	1,860
Accounts payable	20,318	20,937
Accrued expenses and other current liabilities	38,862	37,806
Total current liabilities	60,419	60,603
Long-term debt	67,138	76,786
Deferred rent and other non-current liabilities	31,163	29,391
Total liabilities	158,720	166,780
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, 2,000,000 shares authorized:		

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Series B junior participating preferred stock, \$.01 par value; 300,000 shares authorized, none outstanding		
Common stock, \$.01 par value; 20,000,000 shares authorized, 6,083,570 and 6,070,813 shares issued and outstanding, respectively	61	61
Additional paid-in capital	83,214	83,274
Retained earnings (deficit)	(39,410)	7,505
Accumulated other comprehensive loss	(2,273)	(1,372)
Total stockholders' equity	41,592	89,468
Total liabilities and stockholders' equity	\$ 200,312	\$ 256,248

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended December 31,	
	2008	2007
Net sales	\$ 134,812	\$ 142,876
Cost of goods sold	66,957	70,914
Gross profit	67,855	71,962
Selling, general and administrative expenses	65,990	69,692
Store closing, asset impairment and asset disposal expenses	2	886
Restructuring charges	171	
Goodwill impairment expense	47,000	
Operating income (loss)	(45,308)	1,384
Interest expense, net	1,394	1,866
Loss on extinguishment of debt	66	
Loss before income taxes	(46,768)	(482)
Income tax provision (benefit)	147	(130)
Net loss	\$ (46,915)	\$ (352)
Net loss per share Basic and Diluted	\$ (7.86)	\$ (0.06)
Average shares outstanding Basic and Diluted	5,966	5,852

The accompanying notes are an integral part of these Consolidated Financial Statements.

Table of Contents**DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY****AND COMPREHENSIVE INCOME (LOSS)**

(in thousands)

(unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total	Comprehensive Income (Loss)
	Number of Shares	Amount					
Balance as of September 30, 2008	6,071	\$ 61	\$ 83,274	\$ 7,505	\$ (1,372)	\$ 89,468	
Net loss				(46,915)		(46,915)	\$ (46,915)
Amortization of prior service cost for retirement plans, net of tax					31	31	31
Change in fair value of interest rate swap, net of tax					(932)	(932)	(932)
Comprehensive loss							\$ (47,816)
Stock-based compensation	14		601			601	
Tax benefit shortfall from stock option exercises and restricted stock vesting			(659)			(659)	
Repurchase and retirement of common shares	(1)		(2)			(2)	
Balance as of December 31, 2008	6,084	\$ 61	\$ 83,214	\$ (39,410)	\$ (2,273)	\$ 41,592	
Balance as of September 30, 2007	5,963	\$ 60	\$ 81,047	\$ 8,820	\$ (1,404)	\$ 88,523	
Net loss				(352)		(352)	\$ (352)
Amortization of prior service cost for retirement plans, net of tax					25	25	25
Change in fair value of interest rate swap, net of tax					(621)	(621)	(621)
Unrealized loss on investments, net of tax					(34)	(34)	(34)
Comprehensive loss							\$ (982)
Cumulative effect of adoption of FIN No. 48 (Note 9)				74		74	
Stock-based compensation	9		558			558	
Exercise of stock options	3		32			32	
Tax benefit shortfall from stock option exercises and restricted stock vesting			(583)			(583)	
Repurchase and retirement of common shares	(6)		(107)			(107)	
Balance as of December 31, 2007	5,969	\$ 60	\$ 80,947	\$ 8,542	\$ (2,034)	\$ 87,515	

The accompanying notes are an integral part of these Consolidated Financial Statements.

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DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(in thousands)

(unaudited)

	Three Months Ended December 31,	
	2008	2007
Cash Flows from Operating Activities		
Net loss	\$ (46,915)	\$ (352)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	3,945	4,002
Stock-based compensation expense	601	558
Loss on impairment of long-lived assets	163	533
Loss on impairment of goodwill	47,000	