

BOOKS A MILLION INC
Form 10-Q
December 12, 2013
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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: November 2, 2013

- 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 0-20664

BOOKS-A-MILLION, INC.

(Exact name of registrant as specified in its charter)

DELAWARE (State or Other Jurisdiction of	63-0798460 (IRS Employer
Incorporation or Organization)	Identification No.)
402 Industrial Lane, Birmingham, Alabama (Address of principal executive offices)	35211 (Zip Code)
(205) 942-3737 (Registrant's Telephone number, including area code)	

N/A

(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 the definitions 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: Shares of common stock, par value \$0.01 per share, outstanding as of December 10, 2013 were 15,354,557 shares.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****BOOKS-A-MILLION, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS****(In thousands, except per share data and share amounts)****(Unaudited)**

	November 2, 2013	February 2, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,789	\$ 4,988
Accounts receivable	4,654	2,953
Related party receivables (Note 4)	347	398
Inventories (Note 6)	232,338	201,527
Prepayments and other assets	8,623	5,780
Total current assets	255,751	215,646
Property and equipment		
Gross property and equipment	268,884	251,592
Less accumulated depreciation and amortization	(190,771)	(186,308)
Property and equipment, net	78,113	65,284
Deferred income taxes (Note 10)	932	1,655
Equity method investments (Note 13)	2,032	1,455
Related party notes receivable (Note 4)		1,000
Other assets	3,847	1,430
Total assets	\$ 340,675	\$ 286,470
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Trade accounts payable	\$ 94,238	\$ 96,237
Related party accounts payable (Note 4)	3,591	3,618
Accrued expenses	33,578	40,392
Deferred income taxes (Note 10)	17,692	14,896
Short-term borrowings and current portion of long-term debt (Note 9)	65,548	740
Total current liabilities	214,647	155,883

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Long-term debt (Note 9)	17,028	4,920
Related party note payable (Note 4 and Note 9)	1,608	
Deferred rent	7,346	7,232
Deferred income taxes (Note 10)		2
Liability for uncertain tax positions	406	909
Long-term capital lease obligation	1,449	1,007
Total non-current liabilities	27,837	14,070
Stockholders' equity:		
Preferred stock, \$0.01 par value, 1,000,000 shares authorized, no shares outstanding		
Common stock, \$0.01 par value, 30,000,000 shares authorized, 22,348,072 and 22,071,507 shares issued and 15,354,557 and 15,445,981 shares outstanding at November 2, 2013 and February 2, 2013, respectively	223	221
Additional paid-in capital	95,819	95,181
Treasury stock, at cost, 6,993,515 and 6,625,526 shares repurchased at November 2, 2013 and February 2, 2013, respectively	(52,804)	(51,829)
Retained earnings	53,187	72,944
Accumulated other comprehensive income	43	
Total Books-A-Million stockholders' equity	96,468	116,517
Noncontrolling interest (Note 1)	1,723	
Total equity	98,191	116,517
Total liabilities and stockholders' equity	\$ 340,675	\$ 286,470

See notes to condensed consolidated financial statements.

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except per share data)

(Unaudited)

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Revenues				
Net sales	\$ 99,888	\$ 103,904	\$ 312,299	\$ 335,563
Other revenue	478	79	1,275	218
Total revenues	100,366	103,983	313,574	335,781
Cost of products sold, including warehouse distribution and store occupancy costs	74,119	76,511	227,709	244,189
Gross profit	26,247	27,472	85,865	91,592
Operating, selling and administrative expenses	28,686	27,697	87,294	86,789
Depreciation and amortization	4,765	4,114	13,492	12,352
Operating loss from continuing operations	(7,204)	(4,339)	(14,921)	(7,549)
Interest expense, net	620	440	1,512	1,330
Loss from continuing operations, before income taxes	(7,824)	(4,779)	(16,433)	(8,879)
Income tax expense (benefit) (Note 10)	(596)	(2,256)	3,422	(3,684)
Net loss from continuing operations before equity method investments	(7,228)	(2,523)	(19,855)	(5,195)
Net income (loss) on equity method investments	113	(171)	112	(252)
Loss from continuing operations	(7,115)	(2,694)	(19,743)	(5,447)
Loss from discontinued operations	(22)	(81)	(229)	(151)
Net loss	(7,137)	(2,775)	(19,972)	(5,598)
Less net loss attributable to noncontrolling interest	(197)		(218)	
Net loss attributable to Books-A-Million	\$ (6,940)	\$ (2,775)	\$ (19,754)	\$ (5,598)

Net loss per share:
Basic and Diluted

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Net loss from continuing operations attributable to Books-A-Million	\$ (0.47)	\$ (0.18)	\$ (1.33)	\$ (0.36)
Net loss from discontinued operations attributable to Books-A-Million	(0.00)	(0.00)	(0.01)	(0.01)
Net loss per common share attributable to Books-A-Million	\$ (0.47)	\$ (0.18)	\$ (1.34)	\$ (0.37)
Weighted average number of shares outstanding basic and diluted	14,657	15,286	14,725	15,331

See notes to condensed consolidated financial statements.

Table of Contents**BOOKS-A-MILLION, INC. AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)****(In thousands)****(Unaudited)**

	Thirteen Weeks Ended		Thirty-nine Weeks Ended	
	November 2, 2013	October 27, 2012	November 2, 2013	October 27, 2012
Net loss	\$ (7,137)	\$ (2,775)	\$ (19,972)	\$ (5,598)
Other comprehensive income, net of tax:				
Foreign currency translation adjustments	81		43	
Total other comprehensive income, net of tax	81		43	
Total comprehensive loss	(7,056)	(2,775)	(19,929)	(5,598)
Comprehensive loss attributable to noncontrolling interest	(197)		(218)	
Comprehensive loss attributable to Books-A-Million	\$ (6,859)	\$ (2,775)	\$ (19,711)	\$ (5,598)

See notes to condensed consolidated financial statements.

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BOOKS-A-MILLION, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Thirty-nine Weeks Ended	
	November 2, 2013	October 27, 2012
Cash Flows from Operating Activities:		
Net loss	(19,972)	(5,598)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	13,492	12,352
Amortization of debt issuance costs	197	184
Amortization of lease rights	167	133
Stock-based compensation	594	493
Loss on impairment of assets	251	75
Loss (gain) on disposal of property and equipment	(116)	125
Deferred income taxes	3,517	(584)
Excess tax expense from stock-based compensation	16	11
Bad debt expense (recovery)	58	(177)
Net loss (income) on equity method investment	(112)	252
(Increase) decrease in assets, net of acquisition:		
Accounts receivable	(1,725)	798
Related party receivables	51	127
Inventories	(30,667)	(27,045)
Prepayments and other assets	(2,526)	(2,797)
Noncurrent assets		(44)
(Decrease) in liabilities, net of acquisition:		
Trade accounts payable	(2,037)	(7,956)
Related party accounts payable	(282)	(2,579)
Accrued income taxes	(520)	(305)
Accrued expenses and deferred rent	(6,934)	(3,050)
Total adjustments	(26,576)	(29,987)
Net cash used in operating activities	(46,548)	(35,585)
Cash Flows from Investing Activities:		
Capital expenditures	(23,119)	(14,363)
Proceeds from disposal of property and equipment	836	
Acquisition of equity method investment	(1,819)	
Acquisition of controlling interest in Yogurt Mountain Holding, LLC, net of cash acquired	(48)	

Net cash used in investing activities	(24,150)	(14,363)
Cash Flows from Financing Activities:		
Short-term borrowings	205,542	192,660
Repayments of short term borrowings	(141,157)	(147,660)
Proceeds from the issuance of long-		