

Edgar Filing: Ascena Retail Group, Inc. - Form 10-Q

Ascena Retail Group, Inc.
Form 10-Q
December 02, 2014

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 October 25, 2014

or
☐ TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT
OF 1934

Commission File Number: 0-11736

ASCENA RETAIL GROUP, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

30-0641353
(I.R.S. Employer
Identification No.)

933 MacArthur Boulevard, Mahwah, New Jersey
(Address of principal executive offices)

07430
(Zip Code)

(551) 777-6700
(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 ☐

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 ☒ 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 ☒

The Registrant had 162,601,126 shares of common stock outstanding as of November 28, 2014.

INDEX

PART I. FINANCIAL INFORMATION (Unaudited)

	Page
Item 1.	Condensed Financial Statements:
	Condensed Consolidated Balance Sheets <u>3</u>
	Condensed Consolidated Statements of Operations <u>4</u>
	Condensed Consolidated Statements of Comprehensive Income <u>5</u>
	Condensed Consolidated Statements of Cash Flows <u>6</u>
	Notes to Condensed Consolidated Financial Statements <u>7</u>
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations <u>15</u>
Item 3.	Quantitative and Qualitative Disclosures About Market Risk <u>26</u>
Item 4.	Controls and Procedures <u>26</u>

PART II. OTHER INFORMATION

Item 1.	Legal Proceedings <u>27</u>
Item 1A.	Risk Factors <u>27</u>
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds <u>27</u>
Item 6.	Exhibits <u>28</u>
Signatures	<u>29</u>

ASCENA RETAIL GROUP, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS

	October 25, 2014 (millions, except per share data) (unaudited)	July 26, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 164.1	\$ 156.9
Short-term investments	5.0	30.4
Inventories	626.0	553.2
Deferred tax assets	64.5	46.7
Prepaid expenses and other current assets	137.1	136.4
Total current assets	996.7	923.6
Property and equipment, net	1,138.0	1,110.6
Goodwill	581.4	581.4
Other intangible assets, net	434.7	435.4
Other assets	82.5	72.8
Total assets	\$ 3,233.3	\$ 3,123.8
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 249.9	\$ 253.2
Accrued expenses and other current liabilities	330.2	308.9
Deferred income	63.2	63.5
Income taxes payable	12.0	6.3
Total current liabilities	655.3	631.9
Long-term debt	236.0	172.0
Lease-related liabilities	247.8	248.5
Deferred income taxes	156.3	147.7
Other non-current liabilities	140.8	186.0
Commitments and contingencies (Note 10)		
Total liabilities	1,436.2	1,386.1
Equity:		
Common stock, par value \$0.01 per share; 162.4 million and 161.8 million shares issued and outstanding	1.6	1.6
Additional paid-in capital	650.5	642.2
Retained earnings	1,149.6	1,096.1
Accumulated other comprehensive loss	(4.6)	(2.2)
Total equity	1,797.1	1,737.7
Total liabilities and equity	\$ 3,233.3	\$ 3,123.8

See accompanying notes.

3

ASCENA RETAIL GROUP, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

	Three Months Ended	
	October 25, 2014	October 26, 2013
	(millions, except per share data) (unaudited)	
Net sales	\$1,194.2	\$1,196.6
Cost of goods sold	(499.7) (503.4
Gross margin	694.5	693.2
Other costs and expenses:		
Buying, distribution and occupancy costs	(214.4) (207.6
Selling, general and administrative expenses	(354.5) (348.1
Acquisition-related, integration and restructuring costs	(9.0) (5.3
Depreciation and amortization expense	(50.5) (46.6
Total other costs and expenses	(628.4) (607.6
Operating income	66.1	85.6
Interest expense	(1.7) (1.5
Interest and other income, net	0.1	—
Income from continuing operations before provision for income taxes	64.5	84.1
Provision for income taxes from continuing operations	(11.0) (29.8
Income from continuing operations	53.5	54.3
Loss from discontinued operations, net of taxes ^(a)	—	(1.7
Net income	\$53.5	\$52.6
Net income per common share - basic:		
Continuing operations	\$0.33	\$0.34
Discontinued operations	—	(0.01
Total net income per basic common share	\$0.33	\$0.33
Net income per common share – diluted:		
Continuing operations	\$0.32	