

Citi Trends Inc  
Form 10-Q  
December 10, 2018  
Table of Contents

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 3, 2018

OR

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

Commission File Number 000-51315

CITI TRENDS, INC.

(Exact name of registrant as specified in its charter)

DELAWARE

52-2150697

Edgar Filing: Citi Trends Inc - Form 10-Q

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

104 Coleman Boulevard  
Savannah, Georgia 31408  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code (912) 236-1561

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 every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer Non-Accelerated Filer

Smaller Reporting Company

Emerging Growth Company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

Edgar Filing: Citi Trends Inc - Form 10-Q

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Class	Outstanding as of November 26, 2018
Common Stock, \$.01 par value	12,927,252 shares

---

Table of Contents

CITI TRENDS, INC.

FORM 10-Q

TABLE OF CONTENTS

	PAGE NUMBER
<u>PART I FINANCIAL INFORMATION</u>	
<u>Item 1 Financial Statements</u>	
<u>Condensed Consolidated Balance Sheets (unaudited) November 3, 2018 and February 3, 2018</u>	3
<u>Condensed Consolidated Statements of Operations (unaudited) Thirty-nine weeks ended November 3, 2018 and October 28, 2017</u>	4
<u>Condensed Consolidated Statements of Operations (unaudited) Thirteen weeks ended November 3, 2018 and October 28, 2017</u>	4
<u>Condensed Consolidated Statements of Cash Flows (unaudited) Thirty-nine weeks ended November 3, 2018 and October 28, 2017</u>	5
<u>Notes to the Condensed Consolidated Financial Statements (unaudited)</u>	6
<u>Item 2 Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 3 Quantitative and Qualitative Disclosures About Market Risk</u>	17
<u>Item 4 Controls and Procedures</u>	17
<u>PART II OTHER INFORMATION</u>	
<u>Item 1 Legal Proceedings</u>	18
<u>Item 1A Risk Factors</u>	18
<u>Item 2 Unregistered Sales of Equity Securities and Use of Proceeds</u>	18
<u>Item 3 Defaults Upon Senior Securities</u>	18
<u>Item 4 Mine Safety Disclosures</u>	18
<u>Item 5 Other Information</u>	18
<u>Item 6 Exhibits</u>	19
<u>SIGNATURES</u>	20



Table of Contents

## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements.

Citi Trends, Inc.

Condensed Consolidated Balance Sheets

November 3, 2018 and February 3, 2018

(Unaudited)

(in thousands, except share data)

	November 3, 2018	February 3, 2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 28,378	\$ 48,451
Short-term investment securities	42,939	31,500
Inventory	139,699	137,701
Prepaid and other current assets	15,282	15,694
Total current assets	226,298	233,346
Property and equipment, net of accumulated depreciation of \$241,997 and \$229,699 as of November 3, 2018 and February 3, 2018, respectively	55,643	61,777
Long-term investment securities	10,320	25,451
Deferred tax asset	7,222	5,777
Other assets	725	720
Total assets	\$ 300,208	\$ 327,071
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 68,342	\$ 75,947
Accrued expenses	14,744	13,762
Accrued compensation	11,092	17,013
Income tax payable	19	1,916
Layaway deposits	2,087	532
Total current liabilities	96,284	109,170
Other long-term liabilities	8,001	8,433
Total liabilities	104,285	117,603

Stockholders' equity:

Common stock, \$0.01 par value. Authorized 32,000,000 shares; 15,828,170 shares issued as of November 3, 2018 and 15,777,946 shares issued as of February 3, 2018; 12,927,252 shares outstanding as of November 3, 2018 and 13,743,776 shares outstanding as of February 3, 2018	157	156
Paid in capital	91,248	90,605
Retained earnings	169,765	158,927
Treasury stock, at cost; 2,900,918 shares held as of November 3, 2018 and 2,034,170 shares held as of February 3, 2018	(65,247)	(40,220)
Total stockholders' equity	195,923	209,468
Commitments and contingencies (note 10)		
Total liabilities and stockholders' equity	\$ 300,208	\$ 327,071

See accompanying notes to the condensed consolidated financial statements (unaudited).

Table of Contents

Citi Trends, Inc.

Condensed Consolidated Statements of Operations

Thirty-Nine Weeks Ended November 3, 2018 and October 28, 2017

(Unaudited)

(in thousands, except per share data)

	Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017
Net sales	\$ 568,395	\$ 543,098
Cost of sales (exclusive of depreciation shown separately below)	(350,231)	(334,659)
Selling, general and administrative expenses	(186,478)	(181,439)
Depreciation	(14,250)	(13,863)
Asset impairment	(1,122)	(77)
Income from operations	16,314	13,060
Interest income	979	617
Interest expense	(114)	(112)
Income before income taxes	17,179	13,565
Income tax expense	(3,152)	(4,238)
Net income	\$ 14,027	\$ 9,327
Basic net income per common share	\$ 1.06	\$ 0.66
Diluted net income per common share	\$ 1.06	\$ 0.65
Weighted average number of shares outstanding		
Basic	13,224	14,221
Diluted	13,269	14,270
Cash dividends declared per share	\$ 0.24	\$ 0.22

Citi Trends, Inc.

Condensed Consolidated Statements of Operations

Thirteen Weeks Ended November 3, 2018 and October 28, 2017

(Unaudited)

(in thousands, except per share data)

Thirteen Weeks Ended



Edgar Filing: Citi Trends Inc - Form 10-Q

	November 3, 2018	October 28, 2017
Net sales	\$ 175,364	\$ 176,943
Cost of sales (exclusive of depreciation shown separately below)	(110,420)	(110,094)
Selling, general and administrative expenses	(61,189)	(61,118)
Depreciation	(4,600)	(4,976)
Asset impairment	(180)	—
(Loss) Income from operations	(1,025)	755
Interest income	321	216
Interest expense	(39)	(38)
(Loss) income before income taxes	(743)	933
Income tax benefit (expense)	237	(286)
Net (loss) income	\$ (506)	\$ 647
Basic net (loss) income per common share	\$ (0.04)	\$ 0.05
Diluted net (loss) income per common share	\$ (0.04)	\$ 0.05
Weighted average number of shares outstanding		
Basic	12,780	13,563
Diluted	12,780	13,614
Cash dividends declared per share	\$ 0.08	\$ 0.08

See accompanying notes to the condensed consolidated financial statements (unaudited).

Table of Contents

Citi Trends, Inc.

## Condensed Consolidated Statements of Cash Flows

Thirty-Nine Weeks Ended November 3, 2018 and October 28, 2017

(Unaudited)

(in thousands)

	Thirty-Nine Weeks Ended	
	November 3, 2018	October 28, 2017
Operating activities:		
Net income	\$ 14,027	\$ 9,327
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	14,250	13,863
Asset impairment	1,122	77
Loss on disposal of property and equipment	76	-
Deferred income taxes	(1,445)	1,062
Insurance proceeds related to operating activities	475	1,187
Noncash stock-based compensation expense	1,686	1,191
Changes in assets and liabilities:		
Inventory	(2,188)	508
Prepaid and other current assets	127	(1,822)
Other assets	(5)	(2)
Accounts payable	(7,632)	(7,402)
Accrued expenses and other long-term liabilities	77	(743)
Accrued compensation	(5,921)	5,158
Income tax payable/receivable	(1,897)	510
Layaway deposits	1,555	