

CHRISTOPHER & BANKS CORP
Form 10-Q
July 08, 2010
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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 May 29, 2010

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 001-31390

CHRISTOPHER & BANKS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

06 - 1195422
(I.R.S. Employer
Identification No.)

2400 Xenium Lane North, Plymouth, Minnesota
(Address of principal executive offices)

55441
(Zip Code)

(763) 551-5000

(Registrant's telephone number, including area code)

Not Applicable

(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 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
(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

As of June 25, 2010, 35,826,742 shares of the registrant's common stock were outstanding.

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CHRISTOPHER & BANKS CORPORATION

QUARTERLY REPORT ON FORM 10-Q

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Table of Contents**PART I FINANCIAL INFORMATION****ITEM 1.****FINANCIAL STATEMENTS****CHRISTOPHER & BANKS CORPORATION****CONDENSED CONSOLIDATED BALANCE SHEET**

(In thousands)

(Unaudited)

	May 29, 2010	February 27, 2010	May 30, 2009
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 38,730	\$ 37,073	\$ 88,306
Short-term investments	60,962	62,251	
Accounts receivable	5,847	4,245	4,371
Merchandise inventories	34,543	38,496	32,570
Prepaid expenses	2,834	1,642	2,608
Income taxes receivable		394	16,597
Current deferred tax asset	4,017	3,509	4,114
Other current assets	1,562	2,000	
Total current assets	148,495	149,610	148,566
Property, equipment and improvements, net	92,884	96,109	114,759
Long-term investments	15,172	13,622	16,400
Deferred tax asset	8,076	7,631	5,206
Other assets	320	325	3,026
Total assets	\$ 264,947	\$ 267,297	\$ 287,957
<u>LIABILITIES AND STOCKHOLDERS EQUITY</u>			
Current liabilities:			
Accounts payable	\$ 7,443	\$ 13,654	\$ 22,570
Accrued salaries, wages and related expenses	6,563	8,472	7,485
Other accrued liabilities	18,109	19,164	20,362
Other current liabilities	3,704		487
Total current liabilities	35,819	41,290	50,904
Non-current liabilities:			
Deferred lease incentives	18,371	19,578	22,471
Other	12,259	12,699	14,315
Total non-current liabilities	30,630	32,277	36,786
Commitments			
Stockholders equity:			

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Preferred stock \$0.01 par value, 1,000 shares authorized, none outstanding				
Common stock \$0.01 par value, 74,000 shares authorized, 45,621, 45,735 and 45,658 shares issued and 35,830, 35,944 and 35,867 shares outstanding at May 29, 2010, February 27, 2010 and May 30, 2009, respectively	456	457	457	
Additional paid-in capital	114,163	113,584	112,233	
Retained earnings	196,567	192,361	200,289	
Common stock held in treasury, 9,791 shares at cost at May 29, 2010, February 27, 2010, and May 30, 2009, respectively	(112,711)	(112,711)	(112,712)	
Accumulated other comprehensive income	23	39		
Total stockholders' equity	198,498	193,730	200,267	
Total liabilities and stockholders' equity	\$ 264,947	\$ 267,297	\$ 287,957	

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

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CHRISTOPHER & BANKS CORPORATION
CONDENSED CONSOLIDATED INCOME STATEMENT

(In thousands, except per share data)

(Unaudited)

	Three Months Ended	
	May 29, 2010	May 30, 2009
Net sales	\$ 126,235	\$ 120,367
Costs and expenses:		
Merchandise, buying and occupancy	72,857	75,458
Selling, general and administrative	36,199	36,144
Depreciation and amortization	6,530	6,311
Total costs and expenses	115,586	117,913
Operating income	10,649	2,454
Other income	116	115
Income before income taxes	10,765	2,569
Income tax provision	4,425	884
Net income	\$ 6,340	\$ 1,685
Basic earnings per share:		
Net income	\$ 0.18	\$ 0.05
Basic shares outstanding	35,306	35,132
Diluted earnings per share:		
Net income	\$ 0.18	\$ 0.05
Diluted shares outstanding	35,607	35,137
Dividends per share	\$ 0.06	\$ 0.06

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

Table of Contents**CHRISTOPHER & BANKS CORPORATION****CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**

(In thousands)

(Unaudited)

	Three Months Ended	
	May 29, 2010	May 30, 2009
Cash flows from operating activities:		
Net income	\$ 6,340	\$ 1,685
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,530	6,311
Amortization of premium on investments	187	
Excess tax benefit on stock-based compensation	(206)	
Deferred income taxes	(946)	(1,197)
Stock-based compensation expense	638	474
Loss on disposal of furniture, fixtures and equipment	3	77
Gain on investments, net	(18)	
Changes in operating assets and liabilities:		
Sales of trading securities	3,250	
Increase in accounts receivable	(1,602)	(450)
Decrease in merchandise inventories	3,953	6,258
Increase in prepaid expenses	(1,192)	(670)
Decrease in income taxes receivable	601	2,150
Increase in other assets	(2)	(2)
Increase (decrease) in accounts payable	(6,124)	3,813
Increase (decrease) in accrued liabilities	386	(3,844)
Decrease in deferred lease incentives	(1,207)	(1,035)
Decrease in other liabilities	(440)	(113)
Net cash provided by operating activities	10,151	13,457
Cash flows from investing activities:		
Purchases of property, equipment and improvements	(3,395)	(1,849)
Purchases of investments	(22,034)	
Sales of investments	18,776	
Net cash used in investing activities	(6,653)	(1,849)
Cash flows from financing activities:		
Exercise of stock options	87	
Excess tax benefit on stock-based compensation	206	
Dividends paid	(2,134)	(2,116)
Net cash used in financing activities	(1,841)	(2,116)
Net increase in cash and cash equivalents	1,657	9,492
Cash and cash equivalents at beginning of period	37,073	78,814
Cash and cash equivalents at end of period	\$ 38,730	\$ 88,306

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

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CHRISTOPHER & BANKS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

NOTE 1 BASIS OF PRESENTATION

The unaudited condensed consolidated financial statements included in this Form 10-Q have been prepared by Christopher & Banks Corporation and its subsidiaries (the Company) pursuant to the rules and regulations of the United States Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed, or omitted, pursuant to such rules and regulations. These unaudited condensed consolidated financial statements should be read in conjunction with the audited financial statements and related notes included in the Company's Annual Report on Form 10-K for the fiscal year ended February 27, 2010.

The results of operations for the interim periods shown in this report are not necessarily indicative of results to be expected for the full fiscal year. In the opinion of management, the information contained herein reflects all adjustments, consisting of only normal adjustments, except as otherwise stated in these notes, necessary to present fairly the Company's financial position as of May 29, 2010, February 27, 2010 and May 30, 2009, and its results of operations and cash flows for the three month periods ended May 29, 2010 and May 30, 2009.

Loyalty Program

During the first quarter of fiscal 2011, the Company launched its Friendship Rewards loyalty program. Under the program, customers accumulate points based on purchase activity. Once a Friendship Rewards member achieves a certain point level, the member earns awards certificates that may be redeemed for merchandise. Points are accrued as unearned revenue and recorded as a reduction of net sales and a current liability as they are accumulated by members and certificates are earned. The liability is recorded net of estimated breakage based on redemption patterns and trends. The reward certificates expire approximately six weeks after issuance.

Recently Adopted Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2009-17, Consolidations, which seeks to improve financial reporting by requiring that entities perform an analysis to determine whether any variable interest or interests that they have give them a controlling financial interest in a variable interest entity. The Company adopted ASU 2009-17 during the first quarter of fiscal 2011. The adoption of ASU 2009-17 had no impact on the Company's financial statements.

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In January 2010, the FASB issued ASU 2010-06, *New Guidance and Clarifications for Improving Disclosures about Fair Value Measurements*. This guidance requires enhanced disclosures regarding transfers in and out of the levels within the fair value hierarchy. Separate disclosures are required for transfers in and out of Level 1 and 2 fair value measurements, and the reasons for the transfers must be disclosed. In the reconciliation for Level 3 fair value measurements, separate disclosures are required for purchases, sales, issuances, and settlements on a gross basis. The new disclosures and clarifications of existing disclosures are effective for interim and annual reporting periods beginning after December 15, 2009, except for the disclosures about purchases, sales, issuances, and settlements in the roll forward of activity in Level 3 fair value measurements, which are effective for interim and annual reporting periods beginning after December 15, 2010. The Company adopted the required disclosure requirements effective February 28, 2010. See Note 10, *Fair Value Measurements*, for the additional disclosures required under the guidance. The Company intends to adopt the remaining Level 3 disclosure requirements effective February 27, 2011. The Company is in the process of evaluating the additional disclosure requirements and does not expect that the additional requirements will have a significant impact on its consolidated financial statements.

Recently Issued Accounting Pronouncements

In October 2009, the FASB issued ASU 2009-13, *Multiple Deliverable Revenue Arrangements*. ASU 2009-13 amends Accounting Standards Codification (ASC) 605-10, *Revenue Recognition*, and addresses accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit, and provides guidance regarding how to measure and allocate arrangement consideration to one or more units of accounting. ASU 2009-13 is effective for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010. Early adoption is permitted, but certain requirements must be met. The Company is in the process of evaluating ASU 2009-13 and does not expect that it will have a significant impact on its consolidated financial statements.

Table of Contents**NOTE 2 INVESTMENTS**

Investments consisted of the following (in thousands):

Description	Amortized Cost	May 29, 2010		Estimated Fair Value
		Unrealized Gains	Unrealized Losses	
Short-term investments:				
Available-for-sale securities:				
Variable rate demand obligations	\$ 22,195	\$	\$	\$ 22,195
Municipal commercial paper	1,000			1,000
Municipal bonds	27,281	8		27,289
U.S. Agency securities	484	1	6	479
Trading securities:				
Auction Rate Securities	9,999			9,999
Total short-term investments	60,959	9	6	60,962
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	9,635	32		9,667
U.S. Agency securities	5,501	5	1	5,505
Total long-term investments	15,136	37	1	15,172
Total investments	\$ 76,095	\$ 46	\$ 7	\$ 76,134

Description	Amortized Cost	February 27, 2010		Estimated Fair Value
		Unrealized Gains	Unrealized Losses	
Short-term investments:				
Available-for-sale securities:				
Variable rate demand obligations	\$ 24,900	\$	\$	\$ 24,900
Municipal commercial paper	1,000			1,000
Municipal bonds	22,999	28	11	23,016
U.S. Agency securities	536	1	2	535
Trading securities:				
Auction Rate Securities	12,800			12,800
Total short-term investments	62,235	29	13	62,251
Long-term investments:				
Available-for-sale securities:				
Municipal bonds	6,572	37	2	6,607
U.S. Agency securities	7,002	13		7,015