

BUCKLE INC
Form 10-K
April 16, 2008

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 10-K

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

For the Fiscal Year Ended **February 2, 2008**

**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: 001-12951

THE BUCKLE, INC.

(Exact name of Registrant as specified in its charter)

Nebraska

(State or other jurisdiction of incorporation or organization)

47-0366193

(I.R.S. Employer Identification No.)

2407 West 24th Street, Kearney, Nebraska

(Address of principal executive offices)

68845-4915

(Zip Code)

Registrant's telephone number, including area code: **(308) 236-8491**

Securities registered pursuant to Section 12(b) of the Act:

<u>Title of class</u>	<u>Name of Each Exchange on Which Registered</u>
Common Stock, \$0.01 par value	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act.
Yes No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K o.

Indicate by check mark whether the registrant is a large accelerated filer, accelerated filer, non-accelerated filer or smaller reporting company. (See definition of "accelerated filer," "large accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act). Check one.

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 Act). Yes No

The aggregate market value (based on the closing price of the New York Stock Exchange) of the common stock of the registrant held by non-affiliates of the registrant was \$505,850,697.22 on August 4, 2007. For purposes of this response, executive officers and directors are deemed to be the affiliates of the Registrant and the holdings by non-affiliates was computed as 14,760,744 shares.

The number of shares outstanding of the Registrant's Common Stock, as of March 28, 2008, was 30,441,007.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement dated April 25, 2008 for Registrant's 2008 Annual Meeting of Shareholders to be held May 28, 2008 are incorporated by reference in Part III.

The Buckle, Inc.
Form 10-K
February 2, 2008

Table of Contents

	Page
Part I	
Item 1. Business	3
Item 1A. Risk Factors	11
Item 1B. Unresolved Staff Comments	13
Item 2. Properties	13
Item 3. Legal Proceedings	13
Item 4. Submission of Matters to a Vote of Security Holders	14
Part II	
Item 5. Market for Registrant's Common Equity, Related Shareholder Matters and Issuer Purchases of Equity Securities	14
Item 6. Selected Financial Data	15
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations	16
Item 7A. Quantitative and Qualitative Disclosures About Market Risk	16
Item 8. Financial Statements and Supplementary Data	16
Item 9. Changes In and Disagreements With Accountants on Accounting and Financial Disclosure	16
Item 9A. Controls and Procedures	16
Item 9B. Other Information	19
Part III	
Item 10. Directors, Executive Officers and Corporate Governance	19
Item 11. Executive Compensation	19
Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	19
Item 13. Certain Relationships and Related Transactions	19

Item 14. Principal Accountant Fees and Services	19
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Part IV

Item 15. Exhibits and Financial Statement Schedule	19
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2

PART I

ITEM 1 - BUSINESS

The Buckle, Inc. (the "Company") is a retailer of medium to better-priced casual apparel, footwear and accessories for fashion conscious young men and women. As of February 2, 2008, the Company operated 368 retail stores in 38 states throughout the continental United States, excluding the northeast, under the names "Buckle" and "The Buckle." The Company markets a wide selection of mostly brand name casual apparel including denims, other casual bottoms, tops, sportswear, outerwear, accessories and footwear. The Company emphasizes personalized attention to its customers and provides customer services such as free hemming, free gift-wrapping, easy layaways, the Buckle private label credit card and a frequent shopper program. Most stores are located in regional, high-traffic shopping malls and lifestyle centers, and this is the Company's strategy for future expansion. The majority of the Company's central office functions, including purchasing, pricing, accounting, advertising and distribution, are controlled from its headquarters and distribution center in Kearney, Nebraska. However, the Company has had a portion of its men's buying team and marketing team in an office in Kansas City, Missouri for several years and the Company recently relocated its entire men's buying team and the portion its marketing team that was previously in Kansas City, Missouri to new office space in Overland Park, Kansas during fiscal 2007.

Incorporated in Nebraska in 1948, the Company commenced business under the name Mills Clothing, Inc., a conventional men's clothing store with only one location. In 1967, a second store, under the trade name Brass Buckle, was purchased. In the early 1970s, the store image changed to that of a jeans store with a wide selection of denims and shirts. The first branch store was opened in Columbus, Nebraska, in 1976. In 1977, the Company began selling young women's apparel and opened its first mall store. The Company has experienced significant growth over the past ten years, growing from 199 stores at the start of 1998 to 368 stores by the end of fiscal 2007. The Company changed its corporate name to The Buckle, Inc. on April 23, 1991. All references herein to fiscal 2007 refer to the 52-week period ended February 2, 2008. Fiscal 2006 refers to the 53-week period ended February 3, 2007 and fiscal 2005 refers to the 52-week period ended January 28, 2006.

The Company's principal executive offices and distribution center are located at 2407 West 24th Street, Kearney, Nebraska 68845. The Company's telephone number is (308) 236-8491. The Company publishes its corporate web site at www.buckle.com.

Available Information

The Company's annual reports on Form 10-K, along with all other reports and amendments filed with or furnished to the Securities and Exchange Commission, are publicly available free of charge on the Investor Information section of the Company's website at www.buckle.com as soon as reasonably practicable after the Company files such materials with, or furnishes them to, the Securities and Exchange Commission. The Company's corporate governance policies, ethics code and Board of Directors' committee charters are also posted within this section of the website. The information on the Company's website is not part of this or any other report The Buckle, Inc. files with, or furnishes to, the Securities and Exchange Commission.

Marketing and Merchandising

The Company's marketing and merchandising strategy is designed to create customer loyalty by offering a wide selection of key brand name and private label merchandise and providing a broad range of value-added services. The Company believes it provides a unique specialty apparel store experience with merchandise designed to appeal to the fashion conscious 12 to 24-year old. The merchandise mix includes denims, casual bottoms, tops, sportswear, outerwear, accessories and footwear. Denim is a significant contributor to total sales (43.2% of fiscal 2007 net sales) and is a key to the Company's merchandising strategy. The Company believes it attracts customers with its wide

selection of key brands plus private label denim and a wide variety of fits, finishes and styles. Shirts and tops are also significant contributors to total sales (36.1% of fiscal 2007 net sales). The Company strives to provide a continually changing selection of the latest casual fashions.

The percentage of net sales over the past three fiscal years of the Company's major product lines are set forth in the following table:

	Percentage of Net Sales		
	Fiscal 2007	Fiscal 2006	Fiscal 2005
Denims	43.2%	44.6%	42.7%
Tops (including sweaters)	36.1	31.0	29.8
Accessories	7.7	9.2	10.2
Footwear	5.6	7.0	8.1
Sportswear/fashions	4.3	3.9	3.1
Outerwear	2.0	2.3	3.5
Casual bottoms	1.0	1.9	2.5
Other	0.1	0.1	0.1
	100.0%	100.0%	100.0%

Brand name merchandise accounted for approximately 70% of the Company's sales during fiscal 2007. The remaining balance is comprised of private label merchandise that is manufactured to the Company's specifications. The Company's merchandisers continually work with manufacturers and vendors to produce brand name merchandise that they believe is unique in color and style. While the brands offered by the Company change to meet current customer preferences, the Company currently offers brands such as Lucky Brand Dungarees, Big Star, Silver, Hurley, Affliction, Fossil, MEK, Billabong, Guess, Quiksilver/Roxy, 7 Diamonds, OBEY and Manchester. The Company expects that brand name merchandise will continue to constitute the majority of sales.

Management believes the Company provides a unique store environment by maintaining a high level of personalized service and by offering a wide selection of fashionable, quality merchandise. The Company believes it is essential to create an enjoyable shopping environment and, in order to fulfill this mission, it employs highly motivated employees who provide personal attention to customers. Each salesperson is educated to help create a complete look for the customer by helping them find the best fits and showing merchandise as coordinating outfits. The Company also incorporates specialized services such as free alterations, free gift wrapping, layaways, a frequent shopper card, the Buckle private label credit card and a special order system that allows stores to obtain specifically requested merchandise from other Company stores. Customers are encouraged to use the Company's layaway plan, which allows customers to make a partial payment on merchandise that is then held by the store until the balance is paid. For the past three fiscal years, an average of approximately 2% - 3% of net sales has been made on a layaway basis.

Merchandising and pricing decisions are made centrally; however, the Company's distribution system allows for variation in the mix of merchandise distributed to each store. This allows individual store inventories to be tailored to reflect differences in customer buying patterns at various locations. In addition, to assure a continually fresh look in its stores, the Company ships new merchandise daily to most stores. The Company also has a transfer program that shifts certain merchandise to locations where it is selling best. This distribution and transfer system helps to maintain customer satisfaction by providing in-stock popular items and reducing the need to mark down slow-moving merchandise at a particular location. The Company believes the reduced markdowns justify the incremental distribution costs associated with the transfer system. The Company does not hold storewide off-price sales at anytime.

The Company continually evaluates its store design as part of the overall shopping experience and feels the fiscal 2002 re-design continues to be very well received by guests and developers. This store design contains warm woods, real brick finishes and an appealing ceiling and lighting layout that creates a comfortable environment for the guest to shop. The Company has been able to modify the store design for specialized venues including lifestyle centers and larger mall fronts. The signature Buckle-B icon and red color are used throughout the store on fixtures, graphic images and print materials to reinforce the brand identity. To enhance selling and product presentation, new tables and

fixtures have been added to the Company's signature store design in each of the last three fiscal years. The new tables and fixtures were also rolled out to select existing stores to update their looks as well.

4

Marketing and Advertising

In fiscal 2007, the Company spent \$6.4 million or 1.0% of net sales on seasonal marketing campaigns, advertising, promotions, online marketing and in-store point of sale materials. Seasonal image and promotional signage is presented in store window displays and on merchandising presentations throughout the store to complement the product and reinforce the brand's image. Promotions such as sweepstakes, gift with purchase offers and special events are offered to enhance the guest's shopping experience. Seasonal image guides, featuring current fashion trends and product selection, are distributed in the stores, at special events and in new markets. Magazine advertising in leading teen publications is used during key seasons to introduce new merchandise, build awareness and brand the Buckle's image. Editorial product placement in national and regional magazines creates exposure for seasonal merchandise and the Buckle's private label brands. The Buckle partners with key merchandise vendors on joint advertising and promotional opportunities that expand the marketing reach and position the Buckle as the destination store for these specialty branded fashions.

The Company also offers programs to strengthen its relationships with loyal guests. The Company continues to support a frequent shopper program (the Buckle Primo Card), a rewards program designed to build customer loyalty. Private label credit card marketing is another avenue for marketing to loyal guests. The Company extends exclusive benefits to active Buckle Cardholders such as bonus rewards and special targeted mailings. The Buckle continues to build on its B-Rewards incentive program, which is offered exclusively to Buckle Cardholders. Qualifying Cardholders are mailed B-Rewards merchandise certificates at the end of each Rewards period inviting them back into the store at the start of the next season. The Company successfully added a student credit card program for all stores in July 2006 and in October 2007 launched the Buckle Black credit card program. The Buckle Black program is an exclusive account for the company's most loyal cardholders. To qualify for the Buckle Black program, existing cardholders must make at least \$500 in purchases during a 12 month period using their account. These guests receive special benefits including free ground shipping on special orders and online purchases. The Buckle Card marketing program is partially funded by WFNNB, a third-party bank that owns the Buckle Card accounts.

The Company publishes a corporate web site at www.buckle.com. The Company's web site serves as a second retail touch-point for cross-channel marketing, reaching a growing online audience. Buckle.com is an eCommerce enabled channel with an interactive, entertaining, informative and brand building environment where guests can shop, enter sweepstakes, fill out a wish list, find out about career opportunities and read the Company's latest financial news. The Company has an opt-in email database. National email campaigns are sent bi-monthly and targeted weekly messages are sent notifying guests of the latest store promotions and product offerings. Search engine and affiliate marketing programs are managed to increase online and in-store traffic as well as conversion rates. Buckle's online store was launched April 26, 1999 as a marketing tool, to extend the Company's brand beyond the physical locations. Offering a growing selection of its merchandise online, the Company presents the online store as a "taste test" in new markets as well as a cross-channel tool in existing markets, which means guests can shop both in the physical stores and via the online store. On October 19, 2006, the Company launched a redesigned Buckle.com on the Escalate E-Commerce platform. The new Buckle.com includes enhanced search features, which allow guests to shop by special attributes, including brand and size.

Store Operations

The Company has an Executive Vice President of Sales, a Vice President of Sales, 24 district managers and 66 area managers. The majority of the district managers and each of the area managers also serve as manager of their home base store. In general, each store has one manager, one or two assistant managers, one to three additional full-time salespeople and up to 20 part-time salespeople. Most stores have peak levels of staff during the back-to-school and Christmas seasons. Almost every location also employs a seamstress.

The Company places great importance on educating quality personnel. In addition to sharing career opportunities with current Buckle employees, the Company also recruits interns and management trainees from college campuses. A majority of the Company's store managers, all of its area and district managers and most of its upper level management are former salespeople, including the President and CEO, Dennis H. Nelson, and Chairman, Daniel J. Hirschfeld. Recognizing talent and promoting managers from within allows the Company to build a strong foundation for management.

Store managers receive compensation in the form of a base salary and incentive bonuses. District and area managers also receive added incentives based upon the performance of stores in their district/area. Store managers perform sales training for new employees at the store level. Salespeople displaying particular talent are generally assigned to stores operated by district managers for training to become a store manager.

The Company has established a comprehensive program stressing the prevention and control of shrinkage losses. Steps taken to reduce shrinkage include monitoring cash refunds, voids, inappropriate discounts, employee sales and returns-to-vendor. The Company also has electronic article surveillance systems in all of the Company's stores as well as surveillance camera systems in approximately 99% of the stores. As a result, the Company achieved a merchandise shrinkage rate of 0.5% of net sales for fiscal 2007, 0.7% of net sales for fiscal 2006 and 0.6% for fiscal year 2005.

The average store is approximately 5,000 square feet (of which the Company estimates an average of approximately 80% is selling space), and stores range in size from 2,600 square feet to 8,475 square feet.

Purchasing and Distribution

The Company has an experienced buying team. The buying team includes the President, Vice President of Women's Merchandising, Vice President of Men's Merchandising, six women's buyers and five men's buyers. The two Vice Presidents of Merchandising have over 50 years of combined experience with the Company. The experience and leadership within the buying team contributes significantly to the Company's success by enabling the buying team to react quickly to changes in fashion and by providing extensive knowledge of sources for both branded and private label goods.

The Company purchases products from manufacturers within the United States as well as from agents who source goods from foreign manufacturers. The Company's merchandising team shops and monitors U.S. fashion centers (in New York and on the West Coast) to stay abreast of the latest trends. The Company continually monitors fabric selection, quality and delivery schedules. The Company has not experienced any material difficulties with merchandise manufactured in foreign countries. The Company does not have long-term or exclusive contracts with any brand name manufacturer, private label manufacturer or supplier. The Company plans its private label production with several private label vendors three to six months in advance of product delivery. The Company requires its vendors to sign and adhere to its Code of Conduct and Standards of Engagement, which addresses adherence to legal requirements regarding employment practices and health, safety and environmental regulations.

In fiscal 2007, Koos Manufacturing, Inc. (the Company that produces part of our private label product as well as the Big Star branded merchandise) and Lucky Brand Dungarees made up 25.7% and 10.5% of the Company's net sales, respectively. No other vendor accounted for more than 10% of the Company's sales. Other current significant vendors include Silver, Hurley, Affliction, Fossil, MEK, Billabong, Guess, Quiksilver/Roxy, 7 Diamonds, OBEY and Manchester. The Company continually strives to offer brands that are currently popular with its customers and, therefore, the Company's suppliers and purchases from specific vendors may vary significantly from year to year.

The Buckle stores generally carry the same merchandise, with quantity and seasonal variations based upon historical sales data, climate and perceived local customer demand. The Company uses a centralized receiving and distribution center located within the corporate headquarters building in Kearney, Nebraska. Merchandise is received daily in Kearney where it is sorted, tagged with bar-coded tickets (unless the vendor UPC code can be used or the merchandise is pre-ticketed) and packaged for distribution to individual stores primarily via United Parcel Service. The Company's goal is to ship the majority of its merchandise out to the stores within one to two business days of receipt. This system allows stores to receive new merchandise almost daily, creating excitement within the store and providing customers with a reason to shop often.

The Company completed an 82,200 square foot expansion to its corporate headquarters facility during fiscal 2005. This expansion houses the Company's online fulfillment and customer service center and provides additional space for the supplies and returns-to-vendor departments. The online fulfillment center occupies approximately 100,000 square feet of space on three levels. The Company plans to renovate the space vacated by supplies and returns during fiscal 2008 to add new office space. The current distribution center should allow for handling of up to 450 stores. The Company has developed an effective computerized system for tracking merchandise from the time it is checked in at

the Company's distribution center until it arrives at the stores and is sold to a customer. The system's function is to insure that store shipments are delivered accurately and promptly, to account for inventory and to assist in allocating merchandise among stores. Management can track, on a daily basis, which merchandise is selling at specific locations and direct transfers of merchandise from one store to another as necessary. This allows stores to carry a reduced inventory while at the same time satisfying customer demands.

6

To reduce inter-store shipping costs and provide timely restocking of in-season merchandise, the Company warehouses a portion of initial shipments for later distribution. Sales reports are then used to replenish, on a basis of one to three times each week, those stores that are experiencing the greatest success selling specific styles, colors and sizes of merchandise. This system is also designed to prevent an over-crowded look in the stores at the beginning of a season.

Store Locations and Expansion Strategies

As of April 1, 2008, the Company operated 371 stores in 38 states, including 3 stores opened during fiscal 2008. The existing stores are in 4 downtown locations, 9 strip centers, 27 lifestyle centers and 331 shopping malls. The Company anticipates opening approximately 19 new stores in fiscal 2008. For fiscal 2008, 11 of the new stores are expected to be located in higher traffic shopping malls and 8 of the new stores are expected to be located in lifestyle centers. The following table lists the location of existing stores as of April 1, 2008:

Location of Stores

State	Number of Stores	State	Number of Stores	State	Number of Stores
Alabama	7	Louisiana	8	Oregon	4
Arizona	10	Michigan	18	Pennsylvania	