

BOOKS A MILLION INC
Form 10-Q
September 09, 2010

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: July 31, 2010

- OR -

Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transaction 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
Incorporation or Organization)

63-0798460
(IRS Employer 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)

NONE
(Former name, Former Address and Former Fiscal Year, if changed since last period)

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

Edgar Filing: BOOKS A MILLION INC - Form 10-Q

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):

filer Large accelerated
Accelerated filer
Reporting Company Non-accelerated filer Smaller
(Do not check if a 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 September 7, 2010 were 15,539,853 shares.

BOOKS-A-MILLION, INC. AND SUBSIDIARIES

INDEX TO FORM 10-Q

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements (Unaudited)	
<u>Condensed Consolidated Balance Sheets as of July 31, 2010 and January 30, 2010</u>	3
<u>Condensed Consolidated Statements of Income for the thirteen and twenty-six weeks ended July 31, 2010 and August 1, 2009</u>	4
<u>Condensed Consolidated Statement of Changes in Stockholders' Equity for the twenty-six weeks ended July 31, 2010</u>	5
<u>Condensed Consolidated Statements of Cash Flows for the twenty-six weeks ended July 31, 2010 and August 1, 2009</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	16
Item 3. <u>Quantitative and Qualitative Disclosures about Market Risk</u>	22
Item 4. <u>Controls and Procedures</u>	22
PART II. OTHER INFORMATION	
Item 1. <u>Legal Proceedings</u>	22
Item 1A. <u>Risk Factors</u>	23
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	23
Item 3. <u>Defaults Upon Senior Securities</u>	23
Item 4. <u>Reserved</u>	23
Item 5. <u>Other Information</u>	23
Item 6. <u>Exhibits</u>	24

Index

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 (In thousands except per share and share amounts)
 (Unaudited)

	July 31, 2010	January 30, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$5,165	\$6,602
Accounts receivable, net	4,640	5,211
Other receivables	1,920	265
Related party receivables	103	584
Inventories	203,143	201,510
Prepayments and other	3,828	2,942
Total current assets	218,799	217,114
Property and equipment		
Gross property and equipment	239,434	240,834
Less accumulated depreciation and amortization	(185,486)	(187,693)
Property and equipment, net	53,948	53,141
Deferred income taxes	2,743	2,200
Other assets (Note 13)	3,963	1,043
Total assets	\$279,453	\$273,498
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Trade accounts payable	\$91,527	\$88,843
Related party accounts payable	3,868	1,814
Accrued expenses	33,916	36,583
Accrued income taxes	--	4,824
Deferred income taxes	11,306	10,146
Short-term borrowings (Note 9)	14,160	--
Total current liabilities	154,777	142,210
Long-term debt (Note 9)	--	6,360
Deferred rent	8,539	8,319
Liability for uncertain tax positions	1,975	1,901
Total non-current liabilities	10,514	16,580
Commitments and contingencies (Note 4)	--	--
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, 21,579,198 and 21,269,303	216	213

Edgar Filing: BOOKS A MILLION INC - Form 10-Q

shares issued and 15,640,292 and 15,648,222
 shares outstanding at July 31, 2010 and January
 30, 2010, respectively

Additional paid-in capital	92,901	92,044
Treasury stock at cost (5,938,906 and 5,621,081 shares at July 31, 2010 and January 30, 2010, respectively)	(49,477)	(47,342)
Retained earnings	70,522	69,793
Total stockholders' equity	114,162	114,708
Total liabilities and stockholders' equity	\$279,453	\$273,498

See notes to condensed consolidated financial statements.

Index

BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (In thousands, except per share data)
 (Unaudited)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	July 31, 2010	August 1, 2009	July 31, 2010	August 1, 2009
Net sales	\$ 120,048	\$ 122,443	\$ 237,016	\$ 240,612
Cost of products sold (including warehouse distribution and store occupancy costs)	83,551	86,321	165,345	169,213
Gross profit	36,497	36,122	71,671	71,399
Operating, selling and administrative expenses	29,539	29,911	57,794	58,079
Depreciation and amortization	3,768	3,604	7,331	7,187
Operating income	3,190	2,607	6,546	6,133
Interest expense, net	157	143	279	319
Income before income taxes	3,033	2,464	6,267	5,814
Income tax provision	1,137	956	2,367	2,247
Net income	\$ 1,896	\$ 1,508	\$ 3,900	\$ 3,567
Basic earnings per common share	\$ 0.12	\$ 0.10	\$ 0.25	\$ 0.23
Diluted earnings per common share	\$ 0.12	\$ 0.10	\$ 0.25	\$ 0.23
Weighted average common shares outstanding:				
Basic	15,723	15,759	15,742	15,776
Diluted	15,729	15,768	15,749	15,782
Dividends declared per share	\$ 0.05	\$ 0.05	\$ 0.10	\$ 0.10

See notes to condensed consolidated financial statements.

Index

BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
 (In thousands)
 (Unaudited)

	Common Stock		Additional	Treasury Stock		Retained	Total
	Shares	Amount	Paid-In Capital	Shares	Amount	Earnings	Stockholders' Equity
Balance January 30, 2010	21,269	\$ 213	\$ 92,044	5,621	\$ (47,342)	\$ 69,793	\$ 114,708
Purchase of treasury stock	--	--	--	318	(2,135)	--	(2,135)
Net income	--	--	--	--	--	3,900	3,900
Dividends paid	--	--	--	--	--	(3,171)	(3,171)
Issuance of restricted stock	271	3	714	--	--	--	717
Issuance of stock for employee stock purchase plan	37	--	91	--	--	--	91
Tax benefit from stock-based compensation	--	--	47	--	--	--	47
Exercise of stock options	2	--	5	--	--	--	5
Balance July 31, 2010	21,579	\$ 216	\$ 92,901	5,939	\$ (49,477)	\$ 70,522	\$ 114,162

See notes to condensed consolidated financial statements.

Index

BOOKS-A-MILLION, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 (In thousands)
 (Unaudited)

	Twenty-Six Weeks Ended	
	July 31, 2010	August 1, 2009
Cash Flows from Operating Activities:		
Net income	\$3,900	\$3,567
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,331	7,187
Stock-based compensation	716	613
Forfeiture of stock-based compensation	--	(659)
Loss on impairment of assets	81	366
Loss on sale of property and equipment	138	158
Deferred income taxes	617	154
Excess tax benefit from stock-based compensation	(47)	(14)
Bad debt expense	327	81
(Increase) decrease in assets:		
Accounts receivable and other receivables	(1,407)	(86)
Related party receivables	481	637
Inventories	(1,633)	(357)
Prepayments and other	(886)	512
Noncurrent assets	19	(5)
Increase (decrease) in liabilities:		
Accounts payable	2,684	3,608
Related party payables	2,054	