

SHOE CARNIVAL INC  
Form 10-Q  
September 09, 2015  
UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**Form 10-Q**

**Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended **August 1, 2015**

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: 0-21360

**Shoe Carnival, Inc.**

*(Exact name of registrant as specified in its charter)*

**Indiana**

*(State or other jurisdiction of  
incorporation or organization)*

**35-1736614**

*(IRS Employer Identification Number)*

**7500 East Columbia Street**

**Evansville, IN**

*(Address of principal executive offices) (Zip code)*

**47715**

**(812) 867-6471**

*(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 website, 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 definitions of "large accelerated filer", "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 Exchange Act).

Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

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

Number of Shares of Common Stock, \$.01 par value, outstanding at September 3, 2015 were 20,475,483.

**SHOE CARNIVAL, INC.  
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**PART I - FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS**

**SHOE CARNIVAL, INC.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**Unaudited**

(In thousands, except share data)	August 1, 2015	January 31, 2015	August 2, 2014
<b>Assets</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$39,503	\$61,376	\$32,686
Accounts receivable	2,449	2,928	3,808
Merchandise inventories	349,037	287,877	337,648
Deferred income taxes	1,154	957	852
Other	9,093	5,991	12,876
<b>Total Current Assets</b>	<b>401,236</b>	<b>359,129</b>	<b>387,870</b>
Property and equipment-net	105,817	101,294	100,648
Deferred income taxes	7,003	4,227	7,164
Other noncurrent assets	381	366	432
<b>Total Assets</b>	<b>\$514,437</b>	<b>\$465,016</b>	<b>\$496,114</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Current Liabilities:</b>			
Accounts payable	\$95,934	\$67,999	\$105,721
Accrued and other liabilities	20,740	15,123	19,396
<b>Total Current Liabilities</b>	<b>116,674</b>	<b>83,122</b>	<b>125,117</b>
Deferred lease incentives	30,411	29,908	26,426
Accrued rent	11,137	10,505	10,115
Deferred compensation	10,313	9,901	9,105
Other	370	382	202
<b>Total Liabilities</b>	<b>168,905</b>	<b>133,818</b>	<b>170,965</b>
<b>Shareholders' Equity:</b>			
Common stock, \$.01 par value, 50,000,000 shares authorized, 20,633,952 shares, 20,673,234 shares and 20,673,234 shares issued, respectively	206	207	207
Additional paid-in capital	65,218	67,389	68,329
Retained earnings	283,349	270,686	259,334
Treasury stock, at cost, 173,468 shares, 380,890 shares and 146,214 shares, respectively	(3,241 )	(7,084 )	(2,721 )
<b>Total Shareholders' Equity</b>	<b>345,532</b>	<b>331,198</b>	<b>325,149</b>

Total Liabilities and Shareholders' Equity	\$514,437	\$465,016	\$496,114
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See notes to condensed consolidated financial statements.

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**SHOE CARNIVAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**Unaudited**

(In thousands, except per share data)	Thirteen Weeks Ended August 1, 2015	Thirteen Weeks Ended August 2, 2014	Twenty-six Weeks Ended August 1, 2015	Twenty-six Weeks Ended August 2, 2014
Net sales	\$227,822	\$222,073	\$480,589	\$457,843
Cost of sales (including buying, distribution and occupancy costs)	161,548	159,854	339,626	326,042
Gross profit	66,274	62,219	140,963	131,801
Selling, general and administrative expenses	58,397	57,955	116,056	112,328
Operating income	7,877	4,264	24,907	19,473
Interest income	(31 )	(3 )	(34 )	(9 )
Interest expense	42	41	84	83
Income before income taxes	7,866	4,226	24,857	19,399
Income tax expense	3,049	1,642	9,644	7,664
Net income	\$4,817	\$2,584	\$15,213	\$11,735
Net income per share:				
Basic	\$0.24	\$0.13	\$0.76	\$0.58
Diluted	\$0.24	\$0.13	\$0.76	\$0.58
Weighted average shares:				
Basic	19,593	19,856	19,590	19,908
Diluted	19,606	19,869	19,604	19,923
Cash dividends declared per share	\$0.065	\$0.06	\$0.125	\$0.12

See notes to condensed consolidated financial statements.

**SHOE CARNIVAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY**  
**Unaudited**

(In thousands)	Common Stock		Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock	Total
	Issued	Treasury					
Balance at January 31, 2015	20,673	(381 )	\$ 207	\$ 67,389	\$270,686	\$(7,084 )	\$331,198
Dividends declared (\$0.125 per share)					(2,550 )		(2,550 )
Stock-based compensation income tax benefit				32			32
Employee stock purchase plan purchases		5		31		97	128
Restricted stock awards	(39 )	205	(1 )	(3,791 )		3,792	0
Shares surrendered by employees to pay taxes on restricted stock		(2 )				(46 )	(46 )
Stock-based compensation expense				1,557			1,557
Net income					15,213		15,213
Balance at August 1, 2015	20,634	(173 )	\$ 206	\$ 65,218	\$283,349	\$(3,241 )	\$345,532

See notes to condensed consolidated financial statements.

**SHOE CARNIVAL, INC.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**Unaudited**

(In thousands)	Twenty-six Weeks Ended August 1, 2015	Twenty-six Weeks Ended August 2, 2014
<b>Cash Flows From Operating Activities</b>		
Net income	\$ 15,213	\$ 11,735
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization	11,378	9,518
Stock-based compensation	1,752	1,812
Loss on retirement and impairment of assets	422	267
Deferred income taxes	(2,973 )	(3,382 )
Lease incentives	2,628	3,060
Other	(1,804 )	(42 )
Changes in operating assets and liabilities:		
Accounts receivable	230	529
Merchandise inventories	(61,160 )	(52,847 )
Accounts payable and accrued liabilities	34,369	47,439
Other	(3,116 )	(8,918 )
Net cash (used in) provided by operating activities	(3,061 )	9,171
<b>Cash Flows From Investing Activities</b>		
Purchases of property and equipment	(16,679 )	(19,730 )
Proceeds from note receivable	250	250
Net cash used in investing activities	(16,429 )	(19,480 )
<b>Cash Flows From Financing Activities</b>		
Proceeds from issuance of stock	128	155
Dividends paid	(2,497 )	(2,430 )
Excess tax benefits from stock-based compensation	32	35
Purchase of common stock for treasury	0	(3,000 )
Shares surrendered by employees to pay taxes on restricted stock	(46 )	(18 )
Net cash used in financing activities	(2,383 )	(5,258 )
Net decrease in cash and cash equivalents	(21,873 )	(15,567 )
Cash and cash equivalents at beginning of period	61,376	48,253
Cash and Cash Equivalents at End of Period	\$ 39,503	\$ 32,686
<b>Supplemental disclosures of cash flow information:</b>		
Cash paid during period for interest	\$ 83	\$ 82
Cash paid during period for income taxes	\$ 13,056	\$ 12,074
Capital expenditures incurred but not yet paid	\$ 1,241	\$ 2,544

See notes to condensed consolidated financial statements.

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**SHOE CARNIVAL, INC.**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**Unaudited**

**Note 1 - Basis of Presentation**

In our opinion, the accompanying Unaudited Condensed Consolidated Financial Statements and notes have been prepared in accordance with the rules and regulations of the Securities and Exchange Commission (the "SEC") for interim financial information and contain all normal recurring adjustments necessary to present fairly our financial position and the results of our operations and our cash flows for the periods presented. Certain information and disclosures normally included in the notes to consolidated financial statements have been condensed or omitted according to the rules and regulations of the SEC, although we believe that the disclosures are adequate to make the information presented not misleading. The results of operations for the interim periods are not necessarily indicative of the results to be expected for the full year. The unaudited Condensed Consolidated Financial Statements should be read in conjunction with the audited consolidated financial statements and the notes thereto contained in our Annual Report on Form 10-K for the fiscal year ended January 31, 2015.

**Note 2 - Net Income Per Share**

The following tables set forth the computation of basic and diluted earnings per share as shown on the face of the accompanying Condensed Consolidated Statements of Income:

	Thirteen Weeks Ended					
	August 1, 2015			August 2, 2014		
	(In thousands, except per share data)					
	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
<b>Basic Earnings per Share:</b>						
Net income	\$4,817			\$2,584		
Amount allocated to participating securities	(94 )			(47 )		
Net income available for basic common shares and basic earnings per share	\$4,723	19,593	\$ 0.24	\$2,537	19,856	\$ 0.13
<b>Diluted Earnings per Share:</b>						
Net income	\$4,817			\$2,584		
Amount allocated to participating securities	(94 )			(47 )		
Adjustment for dilutive potential common shares	0	13		0	13	
Net income available for diluted common shares and diluted earnings per share	\$4,723	19,606	\$ 0.24	\$2,537	19,869	\$ 0.13



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Twenty-six Weeks Ended  
 August 1, 2015 August 2, 2014  
 (In thousands, except per share data)

<u>Basic Earnings per Share:</u>	Net Income	Shares	Per Share Amount	Net Income	Shares	Per Share Amount
Net income	\$15,213			\$11,735		
Amount allocated to participating securities	(292 )			(207 )		
Net income available for basic common shares and basic earnings per share	\$14,921	19,590	\$ 0.76	\$11,528	19,908	\$ 0.58
 <u>Diluted Earnings per Share:</u>						
Net income	\$15,213			\$11,735		
Amount allocated to participating securities	(292 )			(207 )		
Adjustment for dilutive potential common shares	0	14		0	15	