

BIG 5 SPORTING GOODS Corp  
Form 10-Q  
August 01, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, DC 20549

FORM 10-Q

(Mark One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended July 1, 2018

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: 000-49850

BIG 5 SPORTING GOODS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	95-4388794
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2525 East El Segundo Boulevard

El Segundo, California	90245
(Address of Principal Executive Offices)	(Zip Code)

Registrant's telephone number, including area code: (310) 536-0611

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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 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, a smaller reporting company, or 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 (Do not check if a smaller reporting company) 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

There were 21,431,124 shares of common stock, with a par value of \$0.01 per share outstanding as of July 24, 2018.

BIG 5 SPORTING GOODS CORPORATION

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## BIG 5 SPORTING GOODS CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except share amounts)

	July 1, 2018	December 31, 2017
<b>ASSETS</b>		
Current assets:		
Cash	\$5,898	\$7,170
Accounts receivable, net of allowances of \$62 and \$79, respectively	12,024	10,886
Merchandise inventories, net	345,622	313,905
Prepaid expenses	19,668	18,930
Total current assets	383,212	350,891
Property and equipment, net	73,053	77,265
Deferred income taxes	13,444	14,172
Other assets, net of accumulated amortization of \$1,622 and \$1,575, respectively	3,578	2,732
Total assets	\$473,287	\$445,060
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$112,594	\$113,740
Accrued expenses	59,947	68,226
Current portion of capital lease obligations	1,784	1,754
Total current liabilities	174,325	183,720
Deferred rent, less current portion	15,512	15,948
Capital lease obligations, less current portion	2,452	2,800
Long-term debt	90,651	45,000
Other long-term liabilities	10,259	10,523
Total liabilities	293,199	257,991
Commitments and contingencies		
Stockholders' equity:		
Common stock, \$0.01 par value, authorized 50,000,000 shares; issued 25,081,337 and 24,919,624 shares, respectively; outstanding 21,431,124 and 21,345,159 shares, respectively	250	249
Additional paid-in capital	117,323	116,495
Retained earnings	105,042	112,424
Less: Treasury stock, at cost; 3,650,213 and 3,574,465 shares, respectively	(42,527 )	(42,099 )
Total stockholders' equity	180,088	187,069
Total liabilities and stockholders' equity	\$473,287	\$445,060

See accompanying notes to unaudited condensed consolidated financial statements.

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# **BIG 5 SPORTING GOODS CORPORATION**

## **UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(In thousands, except per share data)

	13 Weeks Ended		26 Weeks Ended	
	July 1,	July 2,	July 1,	July 2,
	2018	2017	2018	2017
Net sales	\$239,951	\$243,671	\$474,129	\$496,275
Cost of sales	164,680	164,363	326,132	333,345
Gross profit	75,271	79,308	147,997	162,930
Selling and administrative expense	74,656	74,188	148,144	148,832
Operating income (loss)	615	5,120	(147 )	14,098
Interest expense	793	380	1,449	648
(Loss) income before income taxes	(178 )	4,740	(1,596 )	13,450
Income taxes	70	1,962	(39 )	5,346
Net (loss) income	\$(248 )	\$2,778	\$(1,557 )	\$8,104
Earnings per share:				
Basic	\$(0.01 )	\$0.13	\$(0.07 )	\$0.37
Diluted	\$(0.01 )	\$0.13	\$(0.07 )	\$0.37
Dividends per share	\$0.15	\$0.15	\$0.30	\$0.30
Weighted-average shares of common stock				
outstanding:				
Basic	20,985	21,746	20,964	21,715
Diluted	20,985	21,871	20,964	21,923

See accompanying notes to unaudited condensed consolidated financial statements.

## BIG 5 SPORTING GOODS CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY

(In thousands, except share amounts)

	Common Stock Shares	Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock, At Cost	Total
Balance as of January 1, 2017	22,012,651	\$ 248	\$ 114,797	\$ 124,363	\$(34,371)	\$ 205,037
Net income	—	—	—	8,104	—	8,104
Dividends on common stock (\$0.30 per share)	—	—	—	(6,616 )	—	(6,616 )
Issuance of nonvested share awards	203,112	2	(2 )	—	—	—
Exercise of share option awards	4,150	—	28	—	—	28
Share-based compensation	—	—	1,170	—	—	1,170
Forfeiture of nonvested share awards	(15,945 )	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(54,012 )	(1 )	(804 )	—	—	(805 )
Purchases of treasury stock	(10,500 )	—	—	—	(136 )	(136 )
Balance as of July 2, 2017	22,139,456	\$ 249	\$ 115,189	\$ 125,851	\$(34,507)	\$ 206,782
Balance as of December 31, 2017	21,345,159	\$ 249	\$ 116,495	\$ 112,424	\$(42,099)	\$ 187,069
Net loss	—	—	—	(1,557 )	—	(1,557 )
Cumulative adjustment from change in accounting principle, net of tax	—	—	—	575	—	575
Dividends on common stock (\$0.30 per share)	—	—	—	(6,400 )	—	(6,400 )
Issuance of nonvested share awards	213,062	2	(2 )	—	—	—
Exercise of share option awards	6,564	—	31	—	—	31
Share-based compensation	—	—	1,164	—	—	1,164
Forfeiture of nonvested share awards	(4,570 )	—	—	—	—	—
Retirement of common stock for payment of withholding tax	(53,343 )	(1 )	(365 )	—	—	(366 )
Purchases of treasury stock	(75,748 )	—	—	—	(428 )	(428 )
Balance as of July 1, 2018	21,431,124	\$ 250	\$ 117,323	\$ 105,042	\$(42,527)	\$ 180,088

See accompanying notes to unaudited condensed consolidated financial statements.

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## BIG 5 SPORTING GOODS CORPORATION

## UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

	26 Weeks Ended	
	July 1,	July 2,
	2018	2017
Cash flows from operating activities:		
Net (loss) income	\$(1,557 )	\$8,104
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation and amortization	9,553	9,473
Share-based compensation	1,164	1,170
Amortization of debt issuance costs	46	88
Deferred income taxes	521	2,059
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,138 )	75
Merchandise inventories, net	(31,717 )	(34,397 )
Prepaid expenses and other assets	84	(1,662 )
Accounts payable	10,747	11,361
Accrued expenses and other long-term liabilities	(9,583 )	(15,673 )
Net cash used in operating activities	(21,880 )	(19,402 )
Cash flows from investing activities:		
Purchases of property and equipment	(5,160 )	(7,153 )
Net cash used in investing activities	(5,160 )	(7,153 )
Cash flows from financing activities:		
Principal borrowings under revolving credit facility	136,796	135,281
Principal payments under revolving credit facility	(91,145 )	(97,361 )
Changes in book overdraft	(11,771 )	(4,311 )
Principal payments under capital lease obligations	(893 )	(746 )
Proceeds from exercise of share option awards	31	28
Purchases of treasury stock	(428 )	(136 )
Tax withholding payments for share-based compensation	(366 )	(805 )
Dividends paid	(6,456 )	(6,662 )
Net cash provided by financing activities	25,768	25,288
Net decrease in cash	(1,272 )	(1,267 )
Cash at beginning of period	7,170	7,895
Cash at end of period	\$5,898	\$6,628
Supplemental disclosures of non-cash investing and financing activities:		