

CHRISTOPHER & BANKS CORP

Form 10-Q

October 11, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

(Mark One)

x

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

For the quarterly period ended September 1, 2007

OR

o

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

For the transition period from to .

Commission File No. **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 Number)

2400 Xenium Lane North, Plymouth, Minnesota

(Address of principal executive offices)

55441

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-Q

(Zip Code)

(763) 551-5000

(Registrant's telephone number, including area code)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

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 October 5, 2007, 35,418,625 shares of the registrant's common stock were outstanding.

CHRISTOPHER & BANKS CORPORATION

QUARTERLY REPORT ON FORM 10-Q

INDEX

PART I

FINANCIAL INFORMATION

| | Page |
|----------------|---|
| Item 1. | Unaudited Consolidated Condensed Financial Statements: |
| | <u>Consolidated Condensed Balance Sheet</u> |
| | <u>As of September 1, 2007, March 3, 2007 and August 26, 2006</u> 3 |
| | <u>Consolidated Condensed Statement of Income</u> |
| | <u>For the Three Months Ended September 1, 2007 and August 26, 2006</u> 4 |
| | <u>Consolidated Condensed Statement of Income</u> |
| | <u>For the Six Months Ended September 1, 2007 and August 26, 2006</u> 5 |
| | <u>Consolidated Condensed Statement of Cash Flows</u> |
| | <u>For the Six Months Ended September 1, 2007 and August 26, 2006</u> 6 |
| | <u>Notes to Consolidated Condensed Financial Statements</u> 7 |
| <u>Item 2.</u> | <u>Management's Discussion and Analysis of</u> |
| | <u>Financial Condition and Results of Operations</u> 13 |
| <u>Item 3.</u> | <u>Quantitative and Qualitative Disclosures</u> |
| | <u>About Market Risk</u> 19 |
| <u>Item 4.</u> | <u>Controls and Procedures</u> 20 |

PART II

OTHER INFORMATION

| | | |
|-----------------|--|----|
| <u>Item 1.</u> | <u>Legal Proceedings</u> | 20 |
| <u>Item 1A.</u> | <u>Risk Factors</u> | 20 |
| <u>Item 2.</u> | <u>Unregistered Sales of Equity Securities and Use of Proceeds</u> | 21 |
| <u>Item 3.</u> | <u>Defaults Upon Senior Securities</u> | 21 |
| <u>Item 4.</u> | <u>Submission of Matters to a Vote of Security Holders</u> | 21 |
| <u>Item 5.</u> | <u>Other Information</u> | 22 |
| <u>Item 6.</u> | <u>Exhibits</u> | 23 |
| | <u>Signatures</u> | 24 |
| | <u>Index to Exhibits</u> | 25 |

CHRISTOPHER & BANKS CORPORATION

CONSOLIDATED CONDENSED BALANCE SHEET

Edgar Filing: CHRISTOPHER & BANKS CORP - Form 10-Q

(Unaudited)

| | September 1, 2007 | March 3, 2007 | August 26, 2006 |
|--|----------------------|------------------|--------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 47,421,468 | \$ 53,991,398 | \$ 82,423,025 |
| Short-term investments | 43,450,000 | 48,275,000 | 44,325,000 |
| Accounts receivable | 5,713,892 | 4,481,624 | 5,264,056 |
| Merchandise inventories | 50,164,552 | 52,354,944 | 44,427,051 |
| Prepaid expenses | 10,970,362 | 10,666,421 | 6,258,297 |
| Other current assets | 8,813,608 | 5,334,636 | 6,018,272 |
| Total current assets | 166,533,882 | 175,104,023 | 188,715,701 |
| Property, equipment and improvements, net | 132,583,350 | 127,776,442 | 124,592,473 |
| Goodwill | 3,587,052 | 3,587,052 | 3,587,052 |
| Intangible assets | 520,699 | 575,281 | 629,863 |
| Other assets | 2,544,876 | 280,299 | 280,488 |
| Total assets | \$ 305,769,859 | \$ 307,323,097 | \$ 317,805,577 |
| <u>LIABILITIES AND STOCKHOLDERS EQUITY</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 12,407,603 | \$ 16,287,931 | \$ 10,826,707 |
| Accrued salaries, wages and related expenses | 8,158,886 | 7,574,930 | 8,730,714 |
| Other accrued liabilities | 20,046,848 | 22,387,281 | 17,807,559 |
| Total current liabilities | 40,613,337 | 46,250,142 | 37,364,980 |
| Non-current liabilities: | | | |
| Deferred lease incentives | 23,332,654 | 23,646,261 | 21,659,041 |
| Deferred rent obligations | 11,429,871 | 10,678,341 | 10,292,713 |
| Other | 3,607,544 | 983,137 | 1,710,605 |
| Total non-current liabilities | 38,370,069 | 35,307,739 | 33,662,359 |
| Commitments | | | |
| Stockholders equity: | | | |
| Preferred stock \$0.01 par value, 1,000,000 shares authorized, none outstanding | | | |
| Common stock \$0.01 par value, 74,000,000 shares authorized, 44,950,343, 45,038,310 and 44,866,525 shares issued and 35,772,325, 36,521,451 and 38,037,789 shares outstanding at September 1, 2007, March 3, 2007 and August 26, 2006, respectively | 449,503 | 450,383 | 448,665 |
| Additional paid-in capital | 107,812,881 | 106,806,885 | 101,511,980 |
| Retained earnings | 224,233,794 | 213,264,385 | 206,593,855 |
| Common stock held in treasury, 9,178,018, 8,516,859 and 6,828,736 shares at cost at September 1, 2007, March 3, 2007 and August 26, 2006, respectively | (105,709,725) | (94,756,437) | (61,776,262) |
| Total stockholders equity | 226,786,453 | 225,765,216 | 246,778,238 |
| Total liabilities and stockholders equity | \$ 305,769,859 | \$ 307,323,097 | \$ 317,805,577 |

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

CHRISTOPHER & BANKS CORPORATION

CONSOLIDATED CONDENSED STATEMENT OF INCOME

(Unaudited)

| | Three Months Ended | |
|---|----------------------|--------------------|
| | September 1, 2007 | August 26, 2006 |
| Net sales | \$ 141,127,615 | \$ 131,553,342 |
| Costs and expenses: | | |
| Merchandise, buying and occupancy, exclusive of depreciation and amortization | 90,594,806 | 78,802,797 |
| Selling, general and administrative | 40,626,872 | 36,111,556 |
| Depreciation and amortization | 5,510,041 | 5,017,119 |
| Total costs and expenses | 136,731,719 | 119,931,472 |
| Operating income | 4,395,896 | 11,621,870 |
| Interest income | 1,160,228 | 1,325,425 |
| Income before income taxes | 5,556,124 | 12,947,295 |
| Income tax provision | 2,166,888 | 5,023,550 |
| Net income | \$ 3,389,236 | \$ 7,923,745 |
| Basic earnings per common share: | | |
| Net income | \$ 0.09 | \$ 0.21 |
| Basic shares outstanding | 35,846,747 | 37,401,006 |
| Diluted earnings per common share: | | |
| Net income | \$ 0.09 | \$ 0.21 |
| Diluted shares outstanding | 35,948,514 | 38,049,065 |
| Dividends per share | \$ 0.06 | \$ 0.04 |

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

CHRISTOPHER & BANKS CORPORATION

CONSOLIDATED CONDENSED STATEMENT OF INCOME

(Unaudited)

| | Six Months Ended | |
|---|----------------------|--------------------|
| | September 1, 2007 | August 26, 2006 |
| Net sales | \$ 290,498,949 | \$ 274,083,631 |
| Costs and expenses: | | |
| Merchandise, buying and occupancy, exclusive of depreciation and amortization | 177,510,927 | 157,364,637 |
| Selling, general and administrative | 79,705,995 | 72,192,257 |
| Depreciation and amortization | 10,805,168 | 9,998,738 |
| Total costs and expenses | 268,022,090 | 239,555,632 |
| Operating income | 22,476,859 | 34,527,999 |
| Interest income | 2,219,251 | 2,286,956 |
| Income before income taxes | 24,696,110 | 36,814,955 |
| Income tax provision | 9,631,483 | 14,284,202 |
| Net income | \$ 15,064,627 | \$ 22,530,753 |
| Basic earnings per common share: | | |
| Net income | \$ 0.42 | \$ |