

EXPRESS, INC.
Form 10-Q
June 03, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 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 April 30, 2011
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 001-34742

EXPRESS, INC.
(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
Incorporation or Organization)

26-2828128
(I.R.S. Employer
Identification No.)

1 Express Drive
Columbus, Ohio
(Address of principal executive offices)
Telephone: (614) 474-4001
(Registrant's telephone number, including area code)

43230
(Zip 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 such registrants were 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 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 the 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

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Non-accelerated filer (Do not check if a smaller reporting company) 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

The number of outstanding shares of the registrant's common stock was 88,693,706 as of May 31, 2011.

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FORWARD-LOOKING STATEMENTS

This Quarterly Report contains forward-looking statements that are subject to risks and uncertainties. All statements other than statements of historical fact included in this Quarterly Report are forward-looking statements.

Forward-looking statements give our current expectations and projections relating to our financial condition, results of operations, plans, objectives, future performance, and business. You can identify forward-looking statements by the fact that they do not relate strictly to historical or current facts. These statements may include words such as “anticipate,” “estimate,” “expect,” “project,” “plan,” “intend,” “believe,” “may,” “will,” “should,” “can have,” “likely” and other terms of similar meaning in connection with any discussion of the timing or nature of future operating or financial performance or other events. For example, all statements we make relating to our estimated and projected costs, expenditures, cash flows, and financial results, our plans and objectives for future operations, growth or initiatives, strategies, or the expected outcome or impact of pending or threatened litigation are forward-looking statements. All forward-looking statements are subject to risks and uncertainties that may cause actual results to differ materially from those that we expected, including:

- changes in consumer spending and general economic conditions;
- our ability to identify and respond to new and changing fashion trends, customer preferences, and other related factors;
 - fluctuations in our sales and results of operations on a seasonal basis and due to a variety of other factors;
- increased competition from other retailers;
- the success of the malls and shopping centers in which our stores are located;
- our dependence upon independent third parties to manufacture all of our merchandise;
- the availability constraints and price volatility of raw materials used to manufacture our products;
- interruptions of the flow of our merchandise from international manufacturers causing disruptions in our supply chain;
 - shortages of inventory, delayed shipments to our online customers, and harm to our reputation due to difficulties or shut-down of distribution facilities;
- our reliance upon independent third-party transportation providers for substantially all of our product shipments;
- our dependence upon key executive management;
- our growth strategy, including our international expansion plan;
- our dependence on a strong brand image;
- our leasing substantial amounts of space;
- the failure to find store employees that can effectively operate our stores;
- our reliance on Limited Brands to provide us with certain key services for our business;
- our reliance on information systems and any failure, inadequacy, interruption or security failure of those systems;
- claims made against us resulting in litigation;
- changes in laws and regulations applicable to our business;
- our inability to protect our trademarks or other intellectual property rights;
- our substantial indebtedness and lease obligations;
- restrictions imposed by our indebtedness on our current and future operations;
- fluctuations in energy costs;
- changes in taxation requirements or the results of tax audits;
- impairment charges on long-lived assets;
- our failure to maintain adequate internal controls;
- increased costs as a result of being a public company; and
- potential conflicts of interest with our principal stockholders.

We derive many of our forward-looking statements from our operating budgets and forecasts, which are based upon many detailed assumptions. While we believe that our assumptions are reasonable, we caution that it is very difficult to predict the impact of known factors, and, it is impossible for us to anticipate all factors that could affect our actual results. For the discussion of these risks and other risks and uncertainties that could cause actual results to differ

materially from those contained in our forward-looking statements, please refer to “Item 1A. Risk Factors” in our Annual Report on Form 10-K for the year ended January 29, 2011, filed with the Securities and Exchange Commission (“SEC”) on March 22, 2011. The forward-looking statements included in this Quarterly Report are made only as of the date hereof. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events, or otherwise, except as otherwise required by law.

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ITEM 1. FINANCIAL STATEMENTS.EXPRESS, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts in Thousands, Except Per Share Amounts)
(Unaudited)

	April 30, 2011	January 29, 2011
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 180,792	\$ 187,762
Receivables, net	5,519	9,908
Inventories	172,794	185,209
Prepaid minimum rent	22,416	22,284
Other	21,373	22,130
Total current assets	402,894	427,293
PROPERTY AND EQUIPMENT	459,516	448,109
Less: accumulated depreciation	(251,748)	(236,790)
Property and equipment, net	207,768	211,319
TRADENAME/DOMAIN NAME	197,474	197,414
DEFERRED TAX ASSETS	5,513	5,513
OTHER ASSETS	18,697	21,210
Total assets	\$ 832,346	\$ 862,749
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 74,208	\$ 85,843
Deferred revenue	19,280	25,067
Accrued bonus	5,332	14,268
Accrued expenses	88,232	91,792
Accounts payable and accrued expenses – related parties	68,720	79,865
Total current liabilities	255,772	296,835
LONG-TERM DEBT	341,241	366,157
OTHER LONG-TERM LIABILITIES	68,012	69,595
Total liabilities	665,025	732,587
COMMITMENTS AND CONTINGENCIES (Note 11)		
STOCKHOLDERS' EQUITY (Note 1):		
Preferred stock – \$0.01 par value; 10,000 shares authorized; no shares issued or outstanding	—	—
Common stock – \$0.01 par value; 500,000 shares authorized; 88,736 shares issued at April 30, 2011 and January 29, 2011 and 88,685 shares and 88,696 shares outstanding	887	887

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at April 30, 2011 and January 29, 2011, respectively

Additional paid-in capital	79,464	77,318
Retained earnings	86,970	51,957
Treasury stock – at average cost; 51 shares and 40 shares at April 30, 2011 and January 29, 2011, respectively	<u> </u>	<u> </u>
Total stockholders' equity	167,321	130,162
Total liabilities and stockholders' equity	\$832,346	\$862,749

See notes to unaudited consolidated financial statements.

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EXPRESS, INC.
 CONSOLIDATED STATEMENTS OF INCOME
 (Amounts in Thousands, Except Per Share Amounts)
 (Unaudited)

	Thirteen Weeks Ended	
	April 30, 2011	May 1, 2010
NET SALES	\$467,377	\$426,462
COST OF GOODS SOLD, BUYING, AND OCCUPANCY COSTS	289,063	269,256
Gross profit	178,314	157,206
OPERATING EXPENSES:		
Selling, general, and administrative expenses	109,493	102,910
Other operating (income) expense, net	(602) 3,014