

GOTTSCHALKS INC  
Form 10-Q  
September 09, 2008

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

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**FORM 10-Q**

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*(Mark One)*

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

For the quarterly period ended August 2, 2008

Commission file number 1-09100

Gottschalks Inc.

(Exact name of Registrant as specified in its Charter)

Delaware

(State or Other Jurisdiction of Incorporation or Organization)

77-0159791

(I.R.S. Employer Identification Number)

7 River Park Place East  
Fresno, California 93720

(Address of Principal Executive Offices including Zip Code)

(559) 434-4800

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(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 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, 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   
(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

The number of shares of the Registrant's common stock outstanding as of August 29, 2008 was 13,296,115.

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Note: PDF provided as a courtesy

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PART I -- FINANCIAL INFORMATION

Item 1. Financial Statements

GOTTSCHALKS INC.  
 CONDENSED BALANCE SHEETS (UNAUDITED - Note 1)  
 (In thousands of dollars)

	August 2, 2008		February 2, 2008		August 4, 2007
<b><u>ASSETS</u></b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 5,040	\$	4,032	\$	5,424
Receivables, net	3,894		7,049		3,612
Merchandise inventories	146,135		149,310		163,169
Other	14,348		18,984		20,369
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Total current assets	169,417		179,375		192,574
PROPERTY AND EQUIPMENT - NET	138,114		137,931		133,127
OTHER LONG-TERM ASSETS	15,484		14,688		13,192
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	\$ 323,015	\$	331,994	\$	338,893
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<b><u>LIABILITIES AND STOCKHOLDERS' EQUITY</u></b>					
<b>CURRENT LIABILITIES:</b>					
Trade accounts payable and &nbsp;   other current liabilities	\$ 69,538	\$	72,559	\$	76,336
Current portion of long-term obligations	3,557		1,525		1,514
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Total current liabilities	73,095		74,084		77,850
REVOLVING LINE OF CREDIT	106,005		93,899		86,478
LONG-TERM OBLIGATIONS (less current portion)	11,267		12,049		12,817
OTHER LIABILITIES	15,890		21,837		27,188
SUBORDINATED NOTE PAYABLE TO AFFILIATE	14,180		18,180		18,180
COMMITMENTS AND CONTINGENCIES					
STOCKHOLDERS' EQUITY	102,578		111,945		116,380
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	\$ 323,015	\$	331,994	\$	338,893
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See notes to condensed financial statements.

## GOTTSCHALKS INC.

## CONDENSED STATEMENTS OF OPERATIONS (UNAUDITED - Note 1)

(In thousands of dollars, except per share data)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	August 2, 2008	August 4, 2007	August 2, 2008	August 4, 2007
Net sales	\$ 133,695	\$ 144,982	\$ 258,823	\$ 286,770
Net credit revenues	1,975	1,122	3,737	2,229
Net leased department revenues	577	606	1,127	1,255
<b>Total revenues</b>	<b>136,247</b>	<b>146,710</b>	<b>263,687</b>	<b>290,254</b>
Costs and expenses:				
Cost of sales	90,890	96,327	174,590	191,532
Selling, general and administrative expenses	46,526	50,413	92,830	99,647
Depreciation and amortization	4,035	3,687	7,985	7,597
Gain on disposal of assets	(44)	-	(58)	(79)
New store opening costs	139	15	213	15
Store closure costs	12	21	12	53
<b>Total costs and expenses</b>	<b>141,558</b>	<b>150,463</b>	<b>275,572</b>	<b>298,765</b>
Operating loss	(5,311)	(3,753)	(11,885)	(8,511)
Other (income) expense:				
Interest expense	2,086	2,525	4,144	5,110
Miscellaneous income	(123)	(185)	(179)	(264)
	<b>1,963</b>	<b>2,340</b>	<b>3,965</b>	<b>4,846</b>
Loss before income taxes	(7,274)	(6,093)	(15,850)	(13,357)
Income tax benefit	(2,863)	(1,319)	(6,343)	(3,915)
<b>Net loss</b>	<b>\$ (4,411)</b>	<b>\$ (4,774)</b>	<b>\$ (9,507)</b>	<b>\$ (9,442)</b>
Net loss per common share - Basic & diluted	\$ (0.33)	\$ (0.35)	\$ (0.72)	\$ (0.69)
Weighted average number of common shares outstanding - Basic & diluted	13,288	13,682	13,285	13,644

See notes to condensed financial statements.

GOTTSCHALKS INC.  
 CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED - Note 1)  
 (In thousands of dollars)

	Twenty-Six Weeks Ended	
	August 2, 2008	August 4, 2007
<b>OPERATING ACTIVITIES:</b>		
Net loss	\$ (9,507)	\$ (9,442)
Adjustments:		
Stock-based compensation	117	257
Excess tax benefits from exercise of stock options	-	(172)
Depreciation and amortization	7,985	7,597
Deferred income taxes	(6,301)	36
Amortization of deferred income and other deferred items	(434)	52
Net gain on disposal of assets	(58)	(79)
Distributions of earnings from investment in limited partnership	238	238
Changes in assets and liabilities:		
Receivables	3,155	4,586
Merchandise inventories	3,679	6,234
Other current and long-term assets	4,948	(638)
Trade accounts payable and other current liabilities	(2,942)	(1,722)
Long-term liabilities	(526)	-
Net cash provided by operating activities	354	6,947
<b>INVESTING ACTIVITIES:</b>		
Purchases of property and equipment	(8,725)	(7,233)
Proceeds from sale of property and equipment	74	598
Net cash used in investing activities	(8,651)	(6,635)
<b>FINANCING ACTIVITIES:</b>		
Net proceeds under revolving line of credit	12,105	2,716
Principal payments on long-term obligations	(2,747)	(1,938)
Proceeds from exercise of stock options and employee stock purchase plan	25	709
Excess tax benefits from exercise of stock options	-	172
Changes in cash management liability	(78)	(2,598)
Net cash provided by (used in) financing activities	9,305	