

Destination Maternity Corp  
Form 10-Q  
May 08, 2009  
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**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 March 31, 2009

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 0-21196

**Destination Maternity Corporation**

(Exact name of registrant as specified in its charter)

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

**13-3045573**  
(IRS Employer Identification No.)

**456 North 5th Street, Philadelphia, Pennsylvania**  
(Address of principal executive offices)

**19123**  
(Zip code)

**Registrant's telephone number, including area code (215) 873-2200**

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 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.

Large accelerated filer

Accelerated filer

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 Act). Yes  No

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

Common Stock, \$.01 par value 6,103,747 shares outstanding as of April 30, 2009

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**DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES**

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED BALANCE SHEETS**

(in thousands, except share and per share amounts)

(unaudited)

	March 31, 2009	September 30, 2008
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 17,422	\$ 12,148
Trade receivables	7,681	7,085
Inventories	79,842	88,056
Deferred income taxes	8,154	8,154
Prepaid expenses and other current assets	4,776	6,777
Total current assets	117,875	122,220
Property, plant and equipment, net	65,095	66,098
Assets held for sale		207
Other assets:		
Goodwill		50,389
Deferred financing costs, net of accumulated amortization of \$460 and \$358	750	929
Other intangible assets, net of accumulated amortization of \$2,088 and \$2,105	840	695
Deferred income taxes	15,782	15,411
Other non-current assets	314	299
Total other assets	17,686	67,723
Total assets	\$ 200,656	\$ 256,248
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Line of credit borrowings	\$	\$
Current portion of long-term debt	1,240	1,860
Accounts payable	18,012	20,937
Accrued expenses and other current liabilities	42,742	37,806
Total current liabilities	61,994	60,603
Long-term debt	66,867	76,786
Deferred rent and other non-current liabilities	31,530	29,391
Total liabilities	160,391	166,780
Commitments and contingencies (Note 12)		

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Stockholders' equity:

Preferred stock, 1,656,381 shares authorized:

Series B junior participating preferred stock, \$.01 par value; 300,000 shares authorized, none outstanding

Common stock, \$.01 par value; 20,000,000 shares authorized, 6,104,138 and 6,070,813 shares issued and outstanding, respectively

	61	61
Additional paid-in capital	83,618	83,274
Retained earnings (deficit)	(41,325)	7,505
Accumulated other comprehensive loss	(2,089)	(1,372)

Total stockholders' equity	40,265	89,468
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Total liabilities and stockholders' equity	\$ 200,656	\$ 256,248
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The accompanying notes are an integral part of these Consolidated Financial Statements.

**Table of Contents****DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES****CONSOLIDATED STATEMENTS OF OPERATIONS**

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended March 31,		Six Months Ended March 31,	
	2009	2008	2009	2008
Net sales	\$ 130,082	\$ 139,005	\$ 264,894	\$ 281,881
Cost of goods sold	60,227	69,319	127,184	140,233
Gross profit	69,855	69,686	137,710	141,648
Selling, general and administrative expenses	66,019	67,471	132,009	137,163
Store closing, asset impairment and asset disposal expenses	164	868	166	1,754
Restructuring charges			171	
Goodwill impairment expense	3,389		50,389	
Operating income (loss)	283	1,347	(45,025)	2,731
Interest expense, net	1,162	1,858	2,556	3,724
Loss on extinguishment of debt		38	66	38
Loss before income taxes	(879)	(549)	(47,647)	(1,031)
Income tax provision (benefit)	1,036	(159)	1,183	(289)
Net loss	\$ (1,915)	\$ (390)	\$ (48,830)	\$ (742)
Net loss per share Basic and diluted	\$ (0.32)	\$ (0.07)	\$ (8.17)	\$ (0.13)
Average shares outstanding Basic and diluted	5,994	5,937	5,980	5,894

The accompanying notes are an integral part of these Consolidated Financial Statements.

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## DESTINATION MATERNITY CORPORATION AND SUBSIDIARIES

## CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY

## AND COMPREHENSIVE LOSS

(in thousands)

(unaudited)

	Common Stock		Additional Paid-in Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Loss	Total	Comprehensive Loss	
	Number of Shares	Amount					Quarter	Year to Date
Balance as of September 30, 2008	6,071	\$ 61	\$ 83,274	\$ 7,505	\$ (1,372)	\$ 89,468		
Net loss				(48,830)		(48,830)	\$ (1,915)	\$ (48,830)
Amortization of prior service cost for retirement plans, net of tax					62	62	31	62
Change in fair value of interest rate swap, net of tax					(779)	(779)	153	(779)
<b>Comprehensive loss</b>							<b>\$ (1,731)</b>	<b>\$ (49,547)</b>
Stock-based compensation	35		1,088			1,088		
Tax benefit shortfall from stock option exercises and restricted stock vesting			(732)			(732)		
Repurchase and retirement of common shares	(2)		(12)			(12)		
Balance as of March 31, 2009	6,104	\$ 61	\$ 83,618	\$ (41,325)	\$ (2,089)	\$ 40,265		
Balance as of September 30, 2007	5,963	\$ 60	\$ 81,047	\$ 8,820	\$ (1,404)	\$ 88,523		
Net loss				(742)		(742)	\$ (390)	\$ (742)
Amortization of prior service cost for retirement plans, net of tax					81	81	56	81
Change in fair value of interest rate swap, net of tax					(1,488)	(1,488)	(867)	(1,488)
Unrealized loss on investments, net of tax					(83)	(83)	(49)	(83)
<b>Comprehensive loss</b>							<b>\$ (1,250)</b>	<b>\$ (2,232)</b>

Cumulative effect of adoption of FIN  
No. 48, Note 9