FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**
SEC Accession No. 0000064923-95-000006

(HTML Version on secdatabase.com)

FILER

MERCANTILE STORES CO INC

CIK:**64923**| IRS No.: **510032941** | State of Incorp.:**DE** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-03339** | Film No.: **95546804**
SIC: **5311** Department stores

Mailing Address
9450 SEWARD ROAD
FAIRFIELD OH 45014

Business Address
1100 N MARKET ST
WILMINGTON DE 19801
3025751816

MERCANTILE STORES COMPANY, INC.
9450 SEWARD ROAD
FAIRFIELD, OHIO 45014-2230

June 13, 1995

Securities and Exchange Commission
Washington, D.C. 20549

Gentlemen:

Pursuant to the requirements of the Securities Exchange Act of 1934, we are transmitting herewith the attached Form 10-Q.

Sincerely,

James M. McVicker
Senior Vice President and
Chief Financial Officer

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 29, 1995

| | 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 1-3339

MERCANTILE STORES COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware	51-0032941
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification No.)
9450 Seward Road Fairfield, Ohio	45014
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code: (513) 881-8000

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 X No

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

36,844,050 shares of Common Stock at $.14 2/3 par value
as of June 13, 1995

Total number of sequentially number pages in this filing, including exhibits thereto: 12

MERCANTILE STORES COMPANY, INC.

AND SUBSIDIARY COMPANIES

FORM 10-Q

INDEX

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements:

PART II - OTHER INFORMATION

<TABLE>

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED BALANCE SHEETS
(In thousands)

<CAPTION>

<S>	April 29, 1995 <C>	January 28, 1995 <C>
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 97,724	$ 114,237
Receivables:		
Customer, net	547,271	592,402
Other	16,618	27,836
Inventories	544,712	468,782
Other current assets	17,592	15,488

Total Current Assets	1,223,917	1,218,745
Investments & Other Noncurrent Assets	77,248	73,878
Deferred Income Taxes	1,061	300
Property and Equipment, net	679,748	688,806
Total Assets	$1,981,974	$1,981,729
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Accounts payable	$ 160,446	$ 121,667
Notes payable and current maturities of long-term debt	5,198	5,210
Accrued income taxes	13,821	32,381
Taxes other than income	22,355	17,101
Accrued payroll	20,250	24,224
Other current liabilities	52,117	61,132
Total Current Liabilities	274,187	261,715
Long-term Debt	258,467	261,187
Other Long-term Liabilities	57,977	58,276
Stockholders' Equity	1,391,343	1,400,551
Total Liabilities & Stockholders' Equity	$1,981,974	$1,981,729

<FN>
The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED STATEMENTS OF INCOME
(in thousands, except per share data)

<CAPTION>

	Thirteen Weeks Ended April 29, 1995	April 30, 1994
<S>	<C>	<C>
Revenues	$602,858	$592,509

Cost of goods sold (including occupancy and central buying expenses)	427,006	421,380
Gross Profit	175,852	171,129
Expenses and Other Income:		
Selling, general and administrative expenses	159,994	150,719
Provision for divisional consolidation	-	5,000
Interest expense, net	3,976	7,173
Other income	(4,682)	(6,687)
	159,288	156,205
Income before Provision for Income Taxes	16,564	14,924
Provision for income taxes	6,613	5,920
Income before Cumulative Effect of Accounting Change	9,951	9,004
Cumulative effect of accounting change for postemployment benefits (net of income taxes of $ 700)	-	(1,100)
Net Income	$ 9,951	$ 7,904
Net Income Per Share (based on 36,844,050 shares outstanding):		
Income before cumulative effect of accounting change	$ .27	$ .24
Cumulative effect of accounting change for postemployment benefits	-	(.03)
Net Income Per Share	$ .27	$ .21
Dividends Declared Per Share	$ .52	$ .51

<FN>
The accompanying notes are an integral part of these statements.
</TABLE>

<TABLE>

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(In thousands)

<CAPTION>

	Thirteen Weeks Ended	
	April 29, 1995	April 30, 1994

<S> <C> <C>

Cash Flows From Operating Activities:		
Net Income	$ 9,951	$ 7,904
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	21,354	22,227
Deferred income taxes	(1,241)	(847)
Equity in unremitted earnings of affiliated companies	(17)	(106)
Provision for divisional consolidation	-	5,000
Postretirement benefits costs	-	200
Cumulative effect of accounting change, net of taxes	-	1,100
Net pension benefit	(3,651)	(3,912)
Change in inventories	(75,930)	(69,125)
Change in accounts receivable	56,349	32,671
Change in accounts payable	38,779	22,206
Net change in other working capital	(37,683)	(17,911)
Net cash provided by (used in) operating activities	7,911	(593)
Cash Flows From Investing Activities:		
Cash payments for property and equipment	(12,296)	(16,035)
Net change in other noncurrent assets and liabilities	(1)	(2,036)
Net cash used in investing activities	(12,297)	(18,071)
Cash Flows From Financing Activities:		
Payments of notes payable and long-term debt	(2,732)	(4,072)
Dividends paid	(9,395)	(9,395)
Net cash used in financing activities	(12,127)	(13,467)
Net decrease in cash and cash equivalents	(16,513)	(32,131)
Beginning cash and cash equivalents	114,237	194,544
Ending cash and cash equivalents	$ 97,724	$ 162,413
Supplemental Cash Flow Information:		
Interest paid	$ 9,251	$ 12,558
Income taxes paid	$ 26,410	$ 25,555

<FN>

The accompanying notes are an integral part of these statements.

</TABLE>

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS

1. Accounting Policies

The consolidated condensed financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission with respect to Form 10-Q. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the Company believes that the disclosures made herein are adequate to make the information not misleading. It is suggested that these consolidated condensed financial statements be read in conjunction with the financial statements and the notes thereto included in the Company's latest annual report on Form 10-K.

Interim statements are subject to possible adjustments in connection with the annual audit of the Company's accounts for the full fiscal year 1995. In the Company's opinion, all adjustments (consisting only of normal recurring adjustments) necessary for fair statement presentation have been included.

Because of seasonality, the results of operations for the periods presented are not necessarily indicative of the results expected for the year ending February 3, 1996.

2. Short-term Investments

Short-term investments which have a maturity of ninety days or less are considered cash equivalents.

3. Customer Receivables

Customer receivables are classified as current assets and include some amounts which are due after one year, consistent with industry practice. Customer receivables at April 29, 1995 and January 28, 1995 are net of an allowance for doubtful accounts of $9.2 million and $4.2 million, respectively.

4. Merchandise Inventories

All retail inventories are valued by the retail method and stated on the last-in, first-out (LIFO) basis which is lower than market. Since amounts for inventories under the LIFO method are based on an annual determination of quantities and costs, the inventories at interim periods are based on certain estimates relating to quantities and costs as of the fiscal year-end.

(Continued)

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
NOTES TO CONSOLIDATED CONDENSED
FINANCIAL STATEMENTS
(Continued)

5. Revenues
Revenues include sales of leased departments. In the 1995 quarter, revenues also include finance charge income of approximately $3 million earned on Maison Blanche (MB) customer receivables serviced by the Company. In the 1994 quarter, this finance charge income accrued to the Company under a Trust Agreement and was classified as a component of other income.

6. Provision for Divisional Consolidation
During the first quarter of 1994, the Company recorded a $5.0 million charge for the consolidation of the Joslins division, centered in Denver, Colorado, with the Jones Store Company division, headquartered in Kansas City, Missouri. The provision was made to cover severance pay for the displacement of approximately 175 associates, early retirement costs for certain qualifying associates and relocation costs. The consolidation of these operations was completed during the first quarter of 1994.

7. Accounting Change
During the first quarter of 1994, the Company adopted Statement of Financial Accounting Standards No. 112, "Employers' Accounting for Postemployment Benefits," which requires employers to recognize an obligation for postemployment benefits provided to former or inactive employees after employment but before retirement. The cumulative effect of this accounting change resulted in a charge of $1.1 million, or $.03 per share, after tax benefits of $.7 million.

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

Material Changes in the Results of Operations For the First Quarter of 1995 Compared to the First Quarter of 1994

Revenues were $603 million for the first quarter of 1995. Sales were $600 million, reflecting an increase of 1.2% over the 1994 quarter. Sales in comparable units increased .7% during the period, as business continued to be sluggish in this highly competitive retail environment.

Cost of good sold, as a percent to total revenue, decreased from 71.1% to 70.8%. This decline was substantially attributable to the inclusion of finance charge revenue in the 1995 quarter. Merchandise margins improved by .2% over 1994 but were offset by a .3% increase in costs associated with lower margin leased department sales which increased 15% in the period.

Selling, general and administrative expenses (SG&A), as a percent to total revenue, increased to 26.5% from the 25.4% level of 1994. The increase was primarily attributable to start up costs associated with the Company's assumption of full responsibility for managing its private label credit program at the end of the second quarter of 1995. The private label credit program is currently being managed by an affiliate of Citibank and that service agreement will be terminated effective July 31, 1995. Credit center operating expenses charged to SG&A in 1995 included a $5 million charge (.8% of total revenue) for the partial establishment of a bad debt reserve; and additional personnel costs (.1% of total revenue) for staffing requirements in anticipation of fully taking over the credit program on July 31 of this year. It is anticipated that the credit center will experience somewhat higher operating costs in the second quarter of this year as the expense of finalizing staffing requirements is incurred and the bad debt reserve is fully established. Payroll and payroll related expenses, exclusive of the credit center, declined by .1% and were offset by a .2% increase in marketing and media expenses.

During the first quarter of 1994, the Company recorded a $5 million provision for the consolidation of the Joslins division, centered in Denver, Colorado, with the Jones Store Company division, headquartered in Kansas City, Missouri. The provision covered severance pay, early retirement costs and relocation costs.

Interest expense, net, decreased $3 million in the quarter. The decline in the quarter was primarily the result of the scheduled payment of $110 million of structured debt, bearing an average coupon of 10.4%, during the second quarter of 1994.

(Continued)

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION

Material Changes in the Results of Operations For the First Quarter of 1995 Compared to the First Quarter of 1994

Other income declined approximately $2 million in the quarter. The primary elements of this caption in 1995 are the Company's share of finance charge income from the private label credit program which it shares under the terms of a service agreement with Citibank and the Company's share of joint venture income. Other income in the 1994 quarter also included the Company's share of finance charge income earned on the MB customer receivables. The termination of this credit program was concluded in the second quarter of 1994, and the MB customer receivables are currently being serviced by the Company. The finance charge income associated with these MB accounts has been classified as a component of revenue in 1995, resulting in the decline in other income between periods.

The Company's effective tax rate was relatively consistent for both reported periods.

During the first quarter of 1994, the Company adopted SFAS No. 112, "Employers' Accounting for Postemployment Benefits." The cumulative effect of this accounting change resulted in an after tax charge to net income of $1.1 million, or $.03 per share.

Material Changes in Financial Condition From Janaury 28, 1995 to April 29, 1995

The retail business is highly seasonal with approximately one-third of annual sales being generated in the fourth quarter which encompasses the important Christmas selling season. As a result, significant variations can occur when comparing financial condition at the above indicated dates.

The decrease in cash and cash equivalents of $16 million during the period was attributable, primarily, to $12 million of payments for capital expenditures and $12 million used for financing activities. This cash outflow was partially offset by $8 million of cash generated by operations.

Net customer receivables decreased $45 million in the period due to a combination of the normal pay down of peak year-end balances and a 3.3% decline in the ratio of private label credit sales to total sales. The decrease also reflects a $5 million bad debt provision made in the quarter as a result of the termination of the service agreement with Citibank effective July 31, 1995. An additional $5 million bad debt provision will be recorded during the second quarter of 1995.

The decrease in other receivables of $11 million was primarily attributable to the contractual arrangement with Citibank under which the Company's share of finance charge income is remitted by the bank in the first quarter of the ensuing year.

Inventories increased $76 million during the period primarily due to the normal replenishment of inventory levels following the Christmas promotional and January clearance periods, as well as the impact of the sluggish business envionment. The increase of $39 million in accounts payable was related to the replenishment of inventory levels.

(Continued)

MERCANTILE STORES COMPANY, INC. AND SUBSIDIARY COMPANIES
MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS
AND FINANCIAL CONDITION
(Continued)

Material Changes in Financial Condition From Janaury 28, 1995 to April 29, 1995

Accrued income taxes declined $19 million. This was primarily due to payments of federal and state income taxes, partially offset by provision for taxes on current year income.

There have been no material changes in the Company's capital expenditure requirements from those outlined in the 1994 Annual Report.

The Company satisfies short-term financing needs primarily through internally generated funds. In addition, the Company has available a committed $175 million revolving credit facility and uncommitted lines of credit which total $85 million. At April 29, 1995 and January 28, 1995, no balances were outstanding under these lines of credit. The Company maintained significant cash balances throughout the first quarter, and it was not necessary to use these lines of credit in the period. On May 31, 1995, the Company gave notice of its intention to terminate the revolving credit facility effective July 31, 1995. The Company is presently negotiating with several financial institution to secure a new revolving credit facility.

On April 5, 1995, the Board of Directors increased the indicated annual dividend rate from $1.02 per share to $1.06 per share. The first payment at the new quarterly rate of $.26-1/2 will be made on June 15, 1995 to holders of record of the common stock at the close of business on May 31, 1995.

PART II - OTHER INFORMATION

Item 4 - Submission of Matters to a Vote of Security Holders

(a) There were no matters submitted to a vote of security holders during the quarterly period ended April 29, 1995.

Item 6 - Exhibits and reports on form 8-K

(a) Exhibit 27 - Financial Data Schedule (filed electronically).

(b) There were no reports on Form 8-K filed for the quarterly period ended April 29, 1995.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

MERCANTILE STORES COMPANY, INC.
(Registrant)

June 13, 1995
(Date)

s/ James M. McVicker
(James M. McVicker, Senior Vice President,
and Chief Financial Officer)

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
THE SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONSOLIDATED CONDENSED BALANCE SHEETS, STATEMENTS OF INCOME AND STATEMENTS OF CASH FLOWS FOR THE PERIOD ENDED APRIL 29, 1995 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.
</LEGEND>
<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	JAN-28-1995
<PERIOD-START>	JAN-29-1995
<PERIOD-END>	APR-29-1995
<CASH>	97,724
<SECURITIES>	0
<RECEIVABLES>	556,474
<ALLOWANCES>	9,203
<INVENTORY>	544,712
<CURRENT-ASSETS>	1,223,917
<PP&E>	1,098,968
<DEPRECIATION>	419,220
<TOTAL-ASSETS>	1,981,974
<CURRENT-LIABILITIES>	274,187
<BONDS>	0
<COMMON>	5,403
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	1,385,940
<TOTAL-LIABILITY-AND-EQUITY>	1,981,974
<SALES>	599,901
<TOTAL-REVENUES>	602,858
<CGS>	427,006
<TOTAL-COSTS>	427,006
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	5,367
<INCOME-PRETAX>	16,564
<INCOME-TAX>	6,613
<INCOME-CONTINUING>	9,951
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	9,951
<EPS-PRIMARY>	.27
<EPS-DILUTED>	.27

</TABLE>