FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**
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FILER

BROADWAY STORES INC
CIK:**750217**| IRS No.: **940457907** | State of Incorp.:**DE** | Fiscal Year End: **0202**
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SIC: **5311** Department stores

Business Address
3880 N MISSION RD
LOS ANGELES CA 90031
2132272000

UNITED STATES

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

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 1-8765

BROADWAY STORES, INC.
(EXACT NAME OF REGISTRANT AS SPECIFIED IN ITS CHARTER)

DELAWARE (STATE OR OTHER JURISDICTION OF INCORPORATION OR ORGANIZATION)	94-0457907 (I.R.S. EMPLOYER IDENTIFICATION NO.)
3880 NORTH MISSION ROAD LOS ANGELES, CALIFORNIA (ADDRESS OF PRINCIPAL EXECUTIVE OFFICES)	90031 (ZIP CODE)

REGISTRANT'S TELEPHONE NUMBER, INCLUDING AREA CODE:
(213) 227-2000

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 .

Indicated by check mark whether the registrant has filed all documents and reports required to be filed by Section 12, 13 or 15(d) of Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes X . No .

As of May 31, 1995, approximately 45,978,350 shares of the registrant's common stock were outstanding.

BROADWAY STORES, INC.

FORM 10-Q INDEX

BROADWAY STORES, INC.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

INTRODUCTION

The discussion of results of operations that follows is based upon the Company's consolidated financial statements set forth on pages 4 to 7. The discussion of liquidity and capital resources is based upon the Company's current financial position.

RECENT DEVELOPMENTS

On April 20, 1995, the Company announced that in response to several unsolicited offers and inquiries the Board of Directors approved a plan to explore the sale of certain stores in peripheral, non-California markets. Approximately 88% of revenues are currently derived from California store locations and it may be in the shareholders' best interest for the Company to focus exclusively on California areas in which it has a dominant presence. The Company is systematically exploring this matter.

RESULTS OF OPERATIONS

For the thirteen week period ended April 29, 1995, total sales were $423.9 million, a decrease of 1.7% compared to sales of $431.1 million for the thirteen week period ended April 30, 1994. Disappointing sales results continue to reflect difficulties in the California economy and weak demand in the women's apparel business. Excluding sales of four stores which were temporarily closed in 1994 as a result of the Northridge earthquake, sales, on a same store basis, decreased 6.8%.

For the quarter, the Company posted a $12.2 million loss, before interest and taxes, and a net loss of $43.3 million, or $0.92 per share. In the first quarter of 1994, the Company reported earnings before interest and taxes of $4.6 million and a net loss of $18.0 million, or $0.38 per share. The decrease in the current quarter reflects the impact of lower sales and a continuing promotional environment.

Cost of goods sold including occupancy and buying costs was $324.8 million, 76.6% of sales in the current year first quarter compared to $319.4 million, 74.1% in the comparable prior year period. The deterioration reflects an increase in the level of markdowns taken and the impact of higher depreciation and other occupancy costs on a lower sales base.

Selling, general and administrative expenses were $135.9 million, 32.1% of sales in the current quarter compared to $129.7 million, 30.1% of sales in the comparable prior year period. The expense increase relates largely to higher sales promotion and selling and support services costs incurred in the current period.

Finance charge revenue totaling $24.6 million in the current quarter and $22.5 million in the comparable prior year period, continues to reflect the positive impact of the fall 1993 payment terms changes which reduced the minimum monthly payment requirements on the company's short term

revolving charge accounts. The improvements in credit revenue significantly outweigh the related increases in bad debt costs experienced on higher receivables balances outstanding.

Interest expense increased $8.6 million to $31.1 million this year compared to $22.5 million in the first quarter of 1994. The increase was due to both higher average borrowings and rising interest rates.

Limitations on the Company's ability to record income tax benefits for net operating loss carry forwards for financial statement purposes resulted in no income tax benefit being recognized in the current and prior year first quarter periods.

Due to the seasonal nature of the retail business wherein a significant portion of sales for the year are generated in the fourth quarter, the Company follows the practice of allocating certain fixed buying and occupancy costs among quarters within the fiscal year to match these costs with the associated seasonal sales revenue. Operating results, on a pre-tax basis, reflect the reallocation of such buying and occupancy costs, resulting in benefits of $5.0 million and $6.9 million being reflected in the operating results for the current and prior year first quarter periods.

The seasonal nature of the retail business also results in a significant portion of the earnings from operations for the year being generated in the fourth quarter. Interim operating results are thus not necessarily indicative of earnings from operations that will be realized for the full fiscal year.

LIQUIDITY AND CAPITAL RESOURCES

Borrowing Facilities. The Company's working capital financing requirements are provided by a Credit Facility and Receivables Facility which mature in October, 1996. Subject to collateral limitations, the facilities provide for up to $225.0 million in credit financing and up to $575.0 million to finance the Company's proprietary credit card receivables portfolio. As of April 29, 1995, $88.8 million in advances and $52.9 million in letters of credit were outstanding under the Credit Facility and $451.4 million of borrowings, the maximum available, were outstanding under the Receivables Facility. An additional $64.0 million of receivables were financed through subordinated asset backed notes which mature in 1999.

The Credit Facility contains a number of operating and financial covenants, as well as significant negative covenants. The Credit Facility includes covenants for material adverse changes, minimum aggregate net cash flow and earnings before interest, taxes, depreciation and amortization ("EBITDA"). In addition, the Credit Facility prohibits the Company from paying dividends on its stock and places limitations on the Company's capital expenditures. The Company is currently in compliance with all covenants under the Credit Facility. The credit agreement and the Company's agreements with its other principal secured creditors also contain other covenants and requirements. On March 7, 1995, the Company, in conjunction with revising its capital program, amended the Credit Facility to provide greater flexibility with respect to earnings.

A substantial portion of the Company's debt is at variable interest rates. Assuming that the average borrowings and all other variables would have remained constant, an increase (or decrease) of one percent in the interest rates applicable to the variable rate portion of the Company's debt would have increased (or decreased) the Company's interest expense for the first quarter by approximately $1.6 million.

Capital Expenditures. In 1994 the Company remodeled more than 3.5 million square feet in 27 stores at a cost of approximately $110 million. Current year capital expenditures are expected to approximate $40 million and will be focused on interior improvements. During the first quarter, $8.4 million was spent on such projects.

The Company's ability to fund its capital expenditure program and to implement its business strategy will depend on cash flow from operations and the continued availability of borrowings under the Credit Facility. Operating cash flow will be affected by, among other things, the timing of results from the Company's business strategy, sales during the holiday season, and general competitive and economic conditions. The Company believes that the operating cash flow and amounts available under the Credit Facility will be sufficient to fund the major elements of its business strategy. Although the Company is currently in compliance with all covenants in the Credit Facility, there can be no assurance that the Company will remain in compliance in the future, which could effect borrowing availability under the Credit Facility. The Company is currently negotiating to modify its covenants under the Credit Facility in order to provide greater financial and operating flexibility. Additionally, the Company continuously evaluates increasing or decreasing the number of stores, the terms of its Credit Facility and Receivables Facility and other operating and financing alternatives.

BROADWAY STORES, INC.

CONSOLIDATED STATEMENT OF EARNINGS
(In thousands, except per share data)
(Unaudited)

<TABLE>
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THIRTEEN WEEKS ENDED

	April 29, 1995	April 30, 1994
<S>	<C>	<C>
Sales	$423,911	$431,077
Finance charge revenue	24,594	22,537
Cost of goods sold, including occupancy and buying costs	324,753	319,366
Selling, general, and administrative expenses	135,915	129,695
Earnings (loss) from operations before interest expense and income taxes	(12,163)	4,553
Interest expense, net	31,135	22,513
Pretax loss	(43,298)	(17,960)
Income taxes	0	0
Net loss	$(43,298)	$(17,960)
Loss per common share	$ (0.92)	$ (0.38)

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

BROADWAY STORES, INC.

CONSOLIDATED BALANCE SHEET
(In thousands)
(Unaudited)

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	April 29, 1995	January 28, 1995	April 30, 1994
<S>	<C>	<C>	<C>
Assets			
Current assets			
Cash	$ 17,440	$ 18,318	$ 18,414
Accounts receivable, net	595,937	664,825	572,014
Merchandise inventories	435,443	504,522	405,508
Other current assets	18,637	11,613	21,215
	1,067,457	1,199,278	1,017,151

Property and equipment, net	887,353	888,258	810,353
Other assets	37,183	39,540	37,957
	$1,991,993	2,127,076	1,865,461
Liabilities and Shareholders' Equity			
Current liabilities			
Notes payable	$ 88,752	$ 11,740	$
Current installments	6,750	6,750	3,460
Accounts payable	98,656	175,622	129,690
Accrued expenses	109,114	141,027	150,422
Current income taxes	914	1,002	1,116
	304,186	336,141	284,688
Receivables based financing	515,443	573,138	339,561
Other secured long-term debt	522,118	522,517	520,366
Convertible subordinated notes	143,750	143,750	143,750
Capital lease obligations	40,727	41,524	43,933
Other liabilities	108,565	109,504	122,341
Deferred income taxes	14,850	14,850	14,850
Shareholders' equity			
Preferred stock, $.01 par value	8	9	9
Common stock, $.01 par value	469	469	467
Other paid-in capital	502,039	502,038	501,001
Accumulated deficit	(160,162)	(116,864)	(105,505)
	342,354	385,652	395,972
	$1,991,993	$2,127,076	$1,865,461

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

BROADWAY STORES, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS
(In thousands)
(Unaudited)

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	THIRTEEN WEEKS ENDED	
	April 29, 1995	April 30, 1994
<S>	<C>	<C>
Operating activities		
Loss from operations	$ (43,298)	$(17,960)
Adjustments to reconcile loss from operations to net operating cash flows		
Depreciation and amortization	12,636	10,009
Changes in operating assets and liabilities		
Customer receivables, net	56,190	34,610

Merchandise inventories	69,079	22,123
Accounts payable and accrued expenses	(108,879)	(45,027)
Other, net	3,705	(2,966)
Net cash provided (used) by operating activities	(10,567)	789
Investing activities		
Purchases of property and equipment	(8,432)	(7,354)
Financing activities		
Net change in financing under receivables based facility	(57,695)	7,379
Net change in financing under working capital facility	77,012	
Retirements of long-term debt and capital lease obligations	(1,196)	(807)
Issuances of common stock		215
Net cash provided by financing activities	18,121	6,787
Net increase (decrease) in cash	(878)	222
Cash at the beginning of the period	18,318	18,192
Cash at the end of the period	$ 17,440	$ 18,414

</TABLE>

See Accompanying Notes to Consolidated Financial Statements.

BROADWAY STORES, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

BASIS OF REPORTING

The consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q of the Securities and Exchange Commission and should be read in the context of the Summary of Significant Accounting Policies and Financial Review contained in the Company's Annual Report on Form 10-K for the fifty-two week period ended January 28, 1995. In the opinion of the Company's management, these statements contain all adjustments, all of which are of a normal recurring nature, necessary for the amounts shown to be fairly stated as of April 29, 1995 and April 30, 1994 and for the thirteen week periods then ended. The Balance Sheet as of January 28, 1995 is as included in the Company's Form 10-K report for the year ended January 28, 1995.

EARNINGS PER SHARE OF COMMON STOCK

Earnings per share are computed on the basis of the weighted average number of shares outstanding during the period, including dilutive stock options and all 35.0 million shares of Common Stock expected to be issued in accordance with the plan of reorganization (the "POR") approved in connection with the Company's emergence from bankruptcy on October 8, 1992 (the "Emergence Date"). As of April 29, 1995, 1.0 million shares of common stock remain to be issued in accordance with the POR.

INVENTORIES

The last-in, first-out ("LIFO") method of accounting resulted in charges to cost of goods sold of $1.0 million and $0.5 million for the thirteen week periods ended April 29, 1995 and April 30, 1994. If all inventories had been valued on a first-in, first-out basis, they would have been lower by $13.3 million, $14.3 million and $10.3 million at April 29, 1995, January 28, 1995 and April 30, 1994 respectively.

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

No material change has occurred in the litigation described in "Item 3: Legal Proceedings" on pages 16 and 17 of the Company's Form 10-K for the year ended January 28, 1995.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

11.1/*/ Computation of Earnings Per Share.

27.1/*/ Financial Data Schedule.

/*/ Exhibit filed with this Form 10-Q.

(b) Reports on Form 8-K:

March 6, 1995...... Filing of Eighth Amendment to Credit Agreement, dated as of March 3, 1995 among Broadway Stores, Inc., a Delaware Corporation previously known as Carter Hawley Hale Stores, Inc., the financial institutions parties thereto and General Electric Capital Corporation, a New York Corporation, as agent for the Lenders.

SIGNATURES

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.

BROADWAY STORES, INC.

Date June 12, 1995	/s/ J.C. HAECKEL
	J.C. Haeckel, Executive Vice President and Chief Financial Officer (Principal Financial Officer)
Date June 12, 1995	/s/ J.D. DAVIES
	J.D. Davies, Vice President, Accounting (Principal Accounting Officer)

EXHIBIT 11.1

BROADWAY STORES, INC.

COMPUTATION OF EARNINGS PER SHARE
(In thousands, except per share data)

<TABLE>
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<S>	THIRTEEN WEEKS ENDED April 29, 1995 <C>	April 30, 1994 <C>
Net loss used to compute earnings per common share........................	$(43,298)	$(17,960)
Weighted average number of common shares outstanding during this period /(1)/.....	46,941	46,826
Loss per common share......................	$ (.92)	$ (.38)

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(1) The weighted average number of shares outstanding reflects all shares of Common Stock expected to be issued in accordance with the POR as if they had been issued on the Emergence Date.

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