

# SECURITIES AND EXCHANGE COMMISSION

## 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. **0000850090-95-000003**

([HTML Version](#) on [secdatabase.com](http://secdatabase.com))

### FILER

#### **ANNTAYLOR INC**

CIK: **850090** | IRS No.: **510297083** | State of Incorporation: **DE** | Fiscal Year End: **0128**  
Type: **10-Q** | Act: **34** | File No.: **001-11980** | Film No.: **95546734**  
SIC: **5621** Women's clothing stores

Business Address  
142 W 57TH ST  
NEW YORK NY 10019  
2125413300

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

FORM 10-Q

(Mark One)

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

Commission file number 1-11980

ANNTAYLOR, INC.

-----  
(Exact name of registrant as specified in its charter)

Delaware

51-0297083

-----  
(State of other jurisdiction of (I.R.S. Employer Identification Number)  
incorporation or organization)

142 West 57th Street, New York, NY

10019

-----  
(Address of principal executive offices) (Zip Code)

(212) 541-3300

-----  
(Registrant's telephone number, including area code)

Indicate by check mark whether 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.

Class	Outstanding as of May 26, 1995
----- Common Stock, \$1.00 par value	----- 1

This registrant meets the conditions set forth in General Instruction H (1)(a) and (b) of Form 10-Q and is therefore filing this form with the reduced disclosure format.

=====

INDEX TO FORM 10-Q

	Page No.
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Condensed Consolidated Statements of Operations for the Quarters Ended April 29, 1995 and April 30, 1994	3
Condensed Consolidated Balance Sheets at April 29, 1995 and January 28, 1995	4
Condensed Consolidated Statements of Cash Flows for the Quarters Ended April 29, 1995 and April 30, 1994	5
Notes to Condensed Consolidated Financial Statements	6
Item 2. Management's Discussion and Analysis of Operations	8

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K	9
--	---

=====

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

ANNTAYLOR, INC.  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
For the Quarters Ended April 29, 1995 and April 30, 1994

(unaudited)

	Quarters Ended	
	April 29, 1995	April 30, 1994
	(in thousands)	
Net sales	\$168,306	\$145,283
Cost of sales	91,355	76,403
Gross profit	76,951	68,880
Selling, general and administrative expenses	62,451	46,973
Amortization of goodwill	2,377	2,377
Operating income	12,123	19,530
Interest expense	4,498	3,456
Other expense, net	57	140
Income before income taxes	7,568	15,934
Income tax provision	4,077	7,874
Net income	\$ 3,491	\$ 8,060

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
April 29, 1995 and January 28, 1995

	April 29, 1995	January 28, 1995
	(unaudited)	
	(in thousands)	
ASSETS		
Current assets		
Cash	\$ 1,132	\$ 1,551
Accounts receivable, net of allowances		

of \$750,000 and \$931,000, respectively	69,021	61,211
Merchandise inventories	110,313	93,705
Prepaid expenses and other current assets	8,668	7,956
Deferred income taxes	3,650	3,650
	-----	-----
Total current assets	192,784	168,073
Property and equipment		
Land	499	499
Leasehold improvements	46,392	43,370
Furniture and fixtures	62,782	59,105
Construction in progress	32,922	24,867
	-----	-----
	142,595	127,841
Less accumulated depreciation and amortization	34,001	31,503
	-----	-----
Net property and equipment	108,594	96,338
Goodwill, net of accumulated amortization of \$59,596,000 and \$57,219,000, respectively	320,654	323,031
Investment in CAT	4,039	3,792
Deferred income taxes	1,600	1,600
Deferred financing costs, net of accumulated amortization of \$1,149,000 and \$956,000, respectively	2,636	2,829
Other assets	2,423	2,591
	-----	-----
Total assets	\$632,730	\$598,254
	=====	=====

#### LIABILITIES AND STOCKHOLDER'S EQUITY

Current liabilities		
Accounts payable	\$39,403	\$36,625
Accrued rent	5,326	5,243
Accrued expenses	26,600	24,024
	-----	-----
Total current liabilities	71,329	65,892
Long-term debt	225,300	200,000
Other liabilities	6,392	6,250
Commitments and contingencies		
Stockholder's equity		
Common stock, \$1.00 par value; 1,000 shares authorized; 1 share issued and outstanding	1	1
Additional paid-in capital	311,221	311,115
Retained earnings	18,487	14,996
	-----	-----
Total stockholder's equity	329,709	326,112
	-----	-----
Total liabilities and stockholder's equity	\$632,730	\$598,254
	=====	=====

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

For the Quarters Ended April 29, 1995 and April 30, 1994

(unaudited)

	Quarters Ended	
	----- April 29, 1995	April 30, 1994 -----
	(in thousands)	
Operating activities:		
Net income	\$3,491	\$8,060
Adjustments to reconcile net income to net cash (used by) provided by operating activities:		
Equity earnings in CAT	(247)	(150)
Provision for loss on accounts receivable	122	298
Depreciation and amortization	3,566	2,583
Amortization of goodwill	2,377	2,377
Amortization of deferred financing costs	193	348
Amortization of deferred compensation	26	45
Loss on disposal of property and equipment	277	46
(Increase) decrease in:		
Receivables	(7,932)	(8,986)
Merchandise inventories	(16,608)	(11,713)
Prepaid expenses and other current assets	(401)	2,270
Increase in:		
Accounts payable	2,778	601
Accrued expenses	1,274	7,489
Other non-current assets and liabilities, net	312	244
	-----	-----
Net cash (used by) provided by operating activities	(10,772)	3,512
Investing activities:		
Purchases of property and equipment	(16,412)	(4,883)
	-----	-----
Net cash used by investing activities	(16,412)	(4,883)
Financing activities:		
Increase in bank overdrafts	1,385	1,598
Borrowing under line of credit agreement	27,000	1,000
Parent company contribution	80	1,677
Net repayments of receivables facility	(1,700)	(2,434)
Payment of financing costs	---	(122)

Net cash provided by financing activities	26,765	1,719
Net (decrease) increase in cash	(419)	348
Cash, beginning of period	1,551	292
Cash, end of period	\$1,132	\$ 640
Supplemental Disclosures of Cash Flow Information:		
Cash paid during the period for interest	\$1,489	\$ 973
Cash paid during the period for income taxes	\$1,587	\$ 631

See accompanying notes to condensed consolidated financial statements.

ANNTAYLOR, INC.  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
(unaudited)

1. Basis of Presentation

The condensed consolidated financial statements are unaudited but, in the opinion of management, contain all adjustments (which are of a normal recurring nature) necessary to present fairly the financial position, results of operations and cash flows for the periods presented. All significant intercompany accounts and transactions have been eliminated.

The results of operations for the 1995 interim period shown in this report are not necessarily indicative of results to be expected for the fiscal year.

The January 28, 1995 condensed consolidated balance sheet amounts have been derived from the previously audited consolidated balance sheet of AnnTaylor, Inc..

Certain fiscal 1994 amounts have been reclassified to conform to the 1995 presentation.

It is not considered necessary to include detailed footnote information as of April 29, 1995 and April 30, 1994. The financial information set forth herein should be read in conjunction with the Notes to the Company's Consolidated Financial Statements contained in the AnnTaylor, Inc. 1994 Annual Report on Form 10-K.

## 2. Long-term Debt

-----

The following summarizes long-term debt outstanding at April 29, 1995:

	(in thousands)
Revolving Credit Agreement	\$ 91,000
8-3/4% Notes	100,000
Revolving Receivables Facility	34,300
	-----
Total long-term debt	\$225,300
	=====

At April 29, 1995, the Company and AnnTaylor Funding, Inc. were not in compliance with one financial covenant under the revolving credit agreement and the receivables financing agreement relating to the Company's fixed charge coverage ratio, which event of noncompliance was waived by Bank of America, NT & SA, as agent for the lenders under the revolving credit agreement, and by the parties to the receivables financing agreement.

## Item 2. Management's Discussion and Analysis of Operations

-----

### Results of Operations

#### Quarters Ended

-----  
April 29, 1995      April 30, 1994  
-----

#### Number of Stores:

Open at beginning of period	262	231
Opened during period	15	5
Expanded during period*	12	2
Closed during period	(2)	(2)
Open at end of period	275	234

#### Type of Stores Open at End of Period:

AnnTaylor Stores	240	223
AnnTaylor Factory Stores	23	11
Ann Taylor Loft stores	6	---
AnnTaylor Studio stores	6	---

-----

\* Expanded stores are excluded from comparable store sales for the first year following expansion.



The Company's net sales in the first quarter of 1995 increased to \$168,306,000 from \$145,283,000 in the first quarter of 1994, an increase of \$23,023,000 or 15.8%. The increase in net sales was attributable to the opening of new stores and the expansion of existing stores, offset by the closing of two stores and a 0.7% decrease in comparable store sales in the first quarter of 1995. The decrease in comparable store sales was due primarily to negative comparable sales in the dress department.

Gross profit as a percentage of net sales decreased to 45.7% in the first quarter of 1995 from 47.4% in the first quarter of 1994. This decrease was attributable to increased cost of goods sold as a percentage of net sales resulting from markdowns associated with increased promotional activities.

Selling, general and administrative expenses represented 37.1% of net sales in the first quarter of 1995 compared to 32.3% of net sales in the first quarter of 1994. The 4.8% increase is primarily attributable to higher tenancy, store maintenance and store selling costs as a percentage of sales (approximately 70% of the increase), additional catalog expense relating to the Company's test of its catalog as a mail order vehicle (approximately 15% of the increase) and higher merchandising and design expense (approximately 15% of the increase). The Company has decided to return its catalog format to principally an advertising vehicle, rather than a mail order business, commencing Fall 1995.

As a result of the foregoing, operating income decreased to \$12,123,000, or 7.2% of net sales, in the first quarter of 1995 from \$19,530,000, or 13.4% of net sales, in the first quarter of 1994. Amortization of goodwill was \$2,377,000 in the first quarter of 1995 and 1994. Operating income, without giving effect to such amortization in either year, was \$14,500,000, or 8.6% of net sales, in the 1995 period and \$21,907,000, or 15.1% of net sales, in the 1994 period.

Interest expense was \$4,498,000, including \$193,000 of non-cash interest expense, in the first quarter of 1995, and \$3,456,000, including \$348,000 of non-cash interest expense, in the first quarter of 1994. The increase in interest expense is primarily attributable to higher interest rates and higher outstanding indebtedness in 1995.

The income tax provision was \$4,077,000, or 53.9% of income

before income taxes, in the first quarter of 1995 compared to \$7,874,000, or 49.4% of income before income taxes, in the first quarter of 1994. The effective income tax rate for both periods was higher than the statutory rate primarily because of non-deductible goodwill amortization.

As a result of the foregoing factors, the Company had net income of \$3,491,000, or 2.1% of net sales, for the first quarter of 1995 compared to \$8,060,000, or 5.5% of net sales, for the first quarter of 1994.

=====  
PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits:  
None

(b) Reports on Form 8-K:  
None

=====  
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.

AnnTaylor, Inc.

Date: June 13, 1995

By: /s/ Paul E. Francis

-----  
Paul E. Francis  
Executive Vice President -  
Finance and Administration  
(Chief Financial Officer)

Date: June 13, 1995

By: /s/ Walter J. Parks

-----  
Walter J. Parks  
Senior Vice President -

Finance  
(Principal Accounting Officer)

<TABLE> <S> <C>

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY OF FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND CONDENSED CONSOLIDATED BALANCE SHEETS AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

</LEGEND>

<CIK> 0000850090

<NAME> ANNTAYLOR INC.

<MULTIPLIER> 1,000

<S>	<C>
<PERIOD-TYPE>	3-MOS
<FISCAL-YEAR-END>	FEB-03-1996
<PERIOD-END>	APR-29-1995
<CASH>	1,132
<SECURITIES>	0
<RECEIVABLES>	69,771
<ALLOWANCES>	750
<INVENTORY>	110,313
<CURRENT-ASSETS>	192,784
<PP&E>	142,595
<DEPRECIATION>	34,001
<TOTAL-ASSETS>	632,730
<CURRENT-LIABILITIES>	71,329
<BONDS>	0
<COMMON>	1
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<OTHER-SE>	329,708
<TOTAL-LIABILITY-AND-EQUITY>	632,730
<SALES>	168,306
<TOTAL-REVENUES>	168,306
<CGS>	91,355
<TOTAL-COSTS>	91,355
<OTHER-EXPENSES>	64,885
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	4,498
<INCOME-PRETAX>	7,568
<INCOME-TAX>	4,077
<INCOME-CONTINUING>	0
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	3,491
<EPS-PRIMARY>	0
<EPS-DILUTED>	0

</TABLE>