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. 0000031575-95-000009

FILER

EDISON BROTHERS STORES INC
CIK:**31575**| IRS No.: **430254900** | State of Incorp.:**DE** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-01394** | Film No.: **95546777**
SIC: **5661** Shoe stores

Mailing Address
P O BOX 14020
501 NORTH BROADWAY
ST LOUIS MO 63178

Business Address
501 N BROADWAY
P.O. BOX 14020
ST LOUIS MO 63178
3143316000

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

FORM 10-Q

(Mark One)
/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 1-1394

Edison Brothers Stores, Inc.
(Exact name of registrant as specified in its charter)

Delaware	43-0254900
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

501 N. Broadway, St. Louis, Missouri	63102
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number, including area code (314) 331-6000

Not applicable
Former name, former address and former fiscal year, if changed since last report

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 close of the period covered by this report:

Common Stock, $1 par value - 22,037,490

EDISON BROTHERS STORES, INC. AND SUBSIDIARIES

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Signatures

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PART I FINANCIAL INFORMATION

EDISON BROTHERS STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

<CAPTION>

	April 29, 1995	January 28, 1995	April 30 1994 (restated)
		(In Millions)	
ASSETS			
<S>	<C>	<C>	<C>
Current Assets:			
Cash and short-term investments	$ 53.4	$ 27.0	$ 35.6
Merchandise inventories	351.3	318.4	333.8
Prepaid expenses	9.0	8.2	11.7
Deferred income taxes	8.0	9.6	19.4
Other current assets	19.8	33.9	11.9
Total Current Assets	441.5	397.1	412.4
Property and Equipment, net	344.5	347.0	351.7
Intangible Assets, net	92.0	96.2	99.9
Prepaid Pension Expense	39.6	38.7	36.7
Other Assets	17.0	14.8	14.4
Total Assets	$934.6	$893.8	$915.1

<CAPTION>

LIABILITIES AND COMMON STOCKHOLDERS' EQUITY			
<S>	<C>	<C>	<C>
Current Liabilities:			
Notes payable and commercial paper	$113.4	$115.9	$ 91.3
Current portion of long-term debt	9.0		35.1
Accounts payable, trade	73.8	75.4	74.7
Other current liabilities	62.8	64.9	67.2
Total Current Liabilities	259.0	256.2	268.3
Long-Term Debt	224.4	173.5	158.7
Postretirement Benefits	40.3	40.0	39.0
Other Liabilities	32.3	33.2	39.7

Deferred Income Taxes	4.9	3.7	6.9
Common Stockholders' Equity:			
Common stock, par value $1 per share	22.0	22.0	22.0
Capital in excess of par value	76.7	76.5	76.0
Retained earnings	290.6	303.8	305.9
Foreign currency translation adjustment and other	(15.6)	(15.1)	(1.4)
Total Common Stockholders' Equity	373.7	387.2	402.5
Total Liabilities and Equity	$934.6	$893.8	$915.1

<FN>
See notes to condensed consolidated financial statements.
</FN>
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EDISON BROTHERS STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME

<CAPTION>

	13 Weeks Ended April 29, 1995	13 Weeks Ended April 30, 1994 (restated)
	(In millions, except per share data)	
<S>	<C>	<C>
Net Sales	$ 318.1	$ 326.7
Cost of goods sold, occupancy and buying expenses	218.9	212.9
Store operating and administrative expenses	87.2	88.2
Depreciation and amortization	17.0	17.6
Interest expense, net	5.5	4.9
Total Costs and Expenses	328.6	323.6
Income (Loss) before income taxes	(10.5)	3.1
Provision for income taxes	(4.1)	1.2
Net Income (Loss)	$ (6.4)	$ 1.9
Per Common Share:		
Net Income (Loss)	$ (.29)	$ .09
Cash dividends declared	$ .31	$ .31
Weighted average common shares outstanding (in thousands)	22,028	21,987

<FN>
See notes to condensed consolidated financial statements.
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EDISON BROTHERS STORES, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

<CAPTION>

	13 Weeks Ended	
	April 29, 1995	April 30, 1994 (restated)
	(In Millions)	
<S>	<C>	<C>
Cash Flows from Operating Activities:		
Net Income (Loss)	$ (6.4)	$ 1.9
Adjustments to reconcile net income (loss) to net cash provided (used) by operating activities:		
Depreciation and amortization	17.0	17.6
Deferred income taxes	2.1	
Change in assets and liabilities net of effects from acquisitions:		
Merchandise inventories	(31.7)	(38.4)
Other assets	10.0	(2.0)
Accounts payable, accrued expenses and other liabilities	(3.2)	(1.3)
Other	1.7	1.4
Total Operating Activities	(10.5)	(20.8)
Cash Flows from Investing Activities:		
Capital expenditures	(13.8)	(13.6)
Other	.1	(1.2)
Total Investing Activities	(13.7)	(14.8)
Cash Flows from Financing Activities:		
Principal payments of long-term debt	(.1)	(.5)
Short-term debt (payments) borrowings	(2.5)	46.5
Common stock dividends	(6.8)	(6.8)
Proceeds from long-term debt issuance	60.0	
Other	.2	(.6)
Total Financing Activities	50.8	38.6

Effect of exchange rate changes on cash	(.2)	
Cash Provided	26.4	3.0
Beginning cash and short-term investments	27.0	32.6
Ending cash and short-term investments	$ 53.4	$ 35.6

<FN>
See notes to condensed consolidated financial statements.
</FN>
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EDISON BROTHERS STORES, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. The accompanying unaudited financial statements and notes have been condensed and, therefore, do not contain all disclosures required by generally accepted accounting principles. Reference should be made to the annual financial statements, including the notes thereto, included in the company's Annual Report to Stockholders for the year ended January 28, 1995. In the opinion of the company, all adjustments have been made to present fairly the financial position and the results of operations for the unaudited interim periods. Unless otherwise indicated, all such adjustments are of a normal recurring nature. Certain prior year items have been reclassified to conform to the current year presentation.

2. Interim operating results are not necessarily indicative of those for a full fiscal year because of the seasonal nature of the business.

3. Net income per common share is based on the weighted average common shares outstanding during the period. Shares issuable under the stock option plans would have no material dilutive effect on earnings per common share.

4. Common stock shares authorized total 100,000,000; at April 29, 1995, 27,554,232 shares were issued of which 5,516,742 shares were being held in the company's treasury and 22,037,490 shares were outstanding.

<TABLE>
5. Property and equipment, net is composed of the following:
<CAPTION>

	April 29, 1995	January 28, 1995	April 30, 1994

	(In millions)		
<S>	<C>	<C>	<C>
Cost	$638.5	$633.1	$620.1
Accumulated depreciation and amortization	(294.0)	(286.1)	(268.4)
Net book value	$344.5	$347.0	$351.7

</TABLE>
<TABLE>

6. Intangible assets, net is composed of the following:

<CAPTION>

	April 29, 1995	January 28, 1995	April 30, 1994
		(In millions)	
<S>	<C>	<C>	<C>
Cost	$139.7	$142.5	$145.6
Accumulated amortization	(47.7)	(46.3)	(45.7)
Net book value	$ 92.0	$ 96.2	$ 99.9

</TABLE>

7. The company's financing agreements contain certain restrictions including limitations on dividend payments and the company's acquisition of its capital stock. At April 29, 1995 retained earnings of $35.3 million were free of the most restrictive of these limitations.

8. In accordance with Financial Accounting Standards Board Technical Bulletin 85-3, the company accrues noncash rent expense for leases with scheduled increases in minimum lease payments such that minimum rent expense is recognized on a straight-line basis over the lease term. Minimum rent expense accrued in excess of cash rent payments was $(.3) million and $.4 million for the 13 weeks ended April 29, 1995 and April 30, 1994, respectively.

9. Income for the first quarter of 1994 has been restated and reduced by $.4 million ($.3 million after tax or 1 cent per share) to reflect as annual compensation expense certain amounts payable under a contingent earn-out related to a 1989 business acquisition; such amounts were previously considered as additional purchase price to be reflected upon payment in 1995. In addition, 1994 beginning retained earnings have been reduced by $3.9 million to reflect the effect of restatement for years prior to 1994.

10. During the first quarter of 1995, the company increased long-term debt by $60.0 million through borrowings under its credit agreement. The additional borrowings mature in June of 1997. All of the $113.4 million of short-term debt at the end of the first quarter of 1995 was composed of notes payable to banks. Of that amount, $84.8 million was borrowed under informal credit arrangements.

EDISON BROTHERS STORES, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS

FINANCIAL CONDITION

During the first quarter of 1995 the Company retained excess cash from operations. The result was a $26.4 million increase in cash and short-term investments during the quarter. Merchandise inventory increased during the first quarter of 1995 by $32.9 million compared with year-end 1994 and by $17.5 million compared with the end of the first quarter of 1994. The quarter-to-quarter increase was caused by increasing stock in chains experiencing greater customer demand (e.g. Bakers and Jeans West) and acquisitions for the Repp Ltd. chain. Partially offsetting the increases were decreases achieved through reductions in merchandise purchases and through sales encouraged by promotional markdowns in chains experiencing weakened customer acceptance of their merchandise, such as 5-7-9 Shops, J. Riggings and Zeidler & Zeidler/Webster. In addition to the factors noted above, during the first quarter of 1995 inventories were increased from year-end 1994 as part of a normal seasonal restocking following the higher sales of Christmas and the January clearance sales. Store opening/closing activity during the first quarter of 1995 was a net reduction of 19 stores and, therefore, did not have a significant effect on inventory levels for the period. The decrease in other assets was caused by collection of amounts due the Company related to recovery of certain countervailing duties.

During the first quarter of 1995, long-term debt increased by $50.9 million which represented borrowing under a bank lending agreement net of $9.0 million reclassified as current portion of long-term debt. The funds were used principally during the early weeks of the quarter to increase inventory in anticipation of Easter-holiday sales. The decrease in Common Stockholders' Equity since year-end 1994 reflects the first quarter of 1995 net loss and dividend payment. Shortly after the end of the first quarter of 1995, the Company announced, effective with the second quarter of 1995, a reduction in its quarterly dividend from 31 to 11 cents per share.

Cash flow from operations improved by $10.3 million during the first quarter of 1995 compared with the first quarter of 1994. The improvement resulted primarily from the collection of amounts owing to the Company in the other assets category discussed earlier and a smaller first quarter increase in inventory in 1995 than 1994. These positive factors were partially offset by the decline in income.

The Company has available a $125.0 million credit facility, of which $21.5 million was unused at the end of the first quarter of 1995. During the first quarter of 1995 the Company amended its principal loan agreements, including this credit facility, to provide for greater operating flexibility and to ensure convenant compliance during the first quarter of 1995.

In addition to the $125.0 million credit facility, the Company uses short-term financing from several banks on an uncommitted as-needed basis throughout the year for working capital and other requirements. At the end of the first quarter of 1995, the outstanding balance of such short-term bank financing was $84.8 million.

As noted in the Management's Discussion and Analysis contained in the Company's annual report on Form 10-K for the year ended January 28, 1995, as amended, the Company is pursuing a refinancing plan which is expected to involve the sale of up to $300.0 million of debt securities to the public. The Company has filed a shelf registration statement for such offering with the Securities and Exchange Commission which became effective on June 8, 1995. It is the Company's present intention to use the proceeds of this offering to refinance all of its outstanding uncommitted bank lines, a portion of the debt outstanding under its credit facility and all of its existing senior notes. Based on discussions with the banks providing its short-term uncommitted financing, the Company expects these lenders to continue to extend credit to the Company until the refinancing plan is completed.

As part of the refinancing plan, the Company has also entered into a commitment letter with a major money center bank to arrange a new $300.0 million committed facility that would replace all of the Company's existing bank facilities. This proposed new facility would provide for a $125.0 million, three-year revolving credit facility and a $175.0 million letter of credit facility. The Company believes that this new $300.0 million facility would provide it with adequate capital resources to meet its working capital and general corporate needs.

As previously announced, the Company expects to spin off its Dave & Buster's operations via a distribution to the Company's shareholders during the second quarter of 1995. For the first quarter of 1995, Dave & Buster's reported net income of $.9 million and as of April 29, 1995 has total assets of $51.3 million and a net book value of $27.9 million. For fiscal years 1994 and 1993 Dave & Buster's reported net income of $2.4 million and $1.2 million, respectively. At the end of 1994 and 1993 Dave & Buster's had total assets of $49.0 million and $43.4 million, respectively, and a net book value of $27.7 million and $25.0 million, respectively.

OPERATING RESULTS

Net sales for the first quarter of 1995 decreased by 2.6% from the comparable period of 1994. Same-store sales decreased by 2.0% for the Company as a whole with the apparel segment reporting a 2.8% decline and footwear a 1.4% increase. The Company attributed much of the same-store decrease to the highly promotional and competitive apparel business. A contributing factor to the total sales decline was the net reduction of 111 under-performing retail stores between the end of first quarter 1994 and the end of first quarter 1995. The Company is continuing to study the possibility of closing a significant additional number of under-performing stores, the majority of which are in the Oaktree chain. Although no decision has been made as to the number and timing of closings, the Company is evaluating the operating results, long-term potential and other criteria of the group of stores under consideration for closing and, if appropriate, will establish a reserve to cover the cost of closing those units. The amount of such a reserve is difficult to estimate because of several unknown factors including the exact number of stores to be closed and the amount of payments to landlords which might be required to terminate certain leases. Because of the significant number of stores being considered, the Company believes that if a closing plan is initiated, the one-time charge to income to reserve for costs to be incurred for closing the stores would be material. However, the Company would not expect that charge to exceed $20.0 million.

First quarter costs of goods sold, including occupancy and buying expenses, as a percentage of sales were 68.8% and 65.2% for 1995 and 1994, respectively. The decline in gross margin resulting from markdowns taken in the competitive promotional environment caused over 70% of the increase. Promotional markdowns were particularly heavy in the suit and sports coat product lines of the Company's menswear chains. Assuming markdowns during the 1995 period had been incurred as a percentage of sales at the 1994 level, the 1995 gross margin would have been nearly $9.0 million higher. The Company attributes the highly promotional retail environment to a lack of fashion excitement and cautious consumer spending on soft goods. Increased direct cost of merchandise and shrinkage, approximately 1.0% of sales in the aggregate, accounted for the remainder of the increased 1995 costs of goods sold. As a percentage of sales, occupancy and buying costs were about equal for the two periods, halting a negative trend that had occurred throughout 1994.

Store operating and administrative expenses as a percentage of sales were 27.4% and 27.0% during the first quarters of 1995 and 1994, respectively. The store expense component as a percentage of sales increased by less than ten basis points in 1995 as compared with the 1994 first quarter, evidence of the Company's ongoing efforts to tightly control such costs. Higher administrative expenses as a percentage of sales accounted for the balance of the increase. The cause of the administrative expense increase was split evenly between the loss of positive sales leverage and an increase in expense of less than $.6 million. The decrease in depreciation and amortization is attributed in part to the curtailment of capital expenditures over the past few years and in part to maturation of the intangible assets in shorter-lived categories such as lease rights. The increase in net interest expense is primarily attributable to increased short and long-term bank debt. The average daily balance of such debt was $170.4 million during first quarter 1995 compared with $81.4 million for the same period of 1994. The increase reflected the Company's greater reliance on such debt for working capital, capital expenditures and long-term debt repayment normally funded to a greater extent by funds from operations. The higher short and long-term bank interest expense was partially offset by higher interest income and lower long-term interest expense, the latter due to the retirement of $35.0 million of senior notes during 1994.

EDISON BROTHERS STORES, INC. AND SUBSIDIARIES

PART II OTHER INFORMATION

Items 1 through 5 of Part II are not applicable.

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

(a) Bylaws of the Company, as amended February 21, 1995 were filed as an Exhibit to the Company's annual report on Form 10-K for the year ended January 28, 1995, and are incorporated herein by reference.

(b) The Company's Certificate of Incorporation, as amended June 28, 1990, was filed as an Exhibit to the Company's annual report on Form 10-K for the year ended February 2, 1991, and is incorporated herein by reference.

(c) Exhibit 4(a), Credit Agreement dated as of June 4, 1993 between Edison Brothers Stores, Inc. and a number of financial institutions relating to a $150 million revolving credit facility, is incorporated by reference from the Company's Registration Statement on Form S-3 (No. 33-58609) filed with the Commission.

(d) Exhibit 4(b), First Amendment to Credit Agreement dated as of January 24, 1994 amending the Credit Agreement dated June 4, 1993, is incorporated by reference from the Company's Registration Statement on Form S-3 (No. 33-58609) filed with the Commission.

(e) Exhibit 4(c), Second Amendment to Credit Agreement dated as of February 17, 1994 amending the Credit Agreement dated June 4, 1993, is incorporated by reference from the Company's Registration Statement on Form S-3 (No. 33-58609) filed with the Commission.

(f) Exhibit 4(d), Third Amendment to Credit Agreement dated as of March

29, 1995 amending the Credit Agreement dated June 4, 1993, is incorporated by reference from the Company's Registration Statement on Form S-3 (No. 33-58609) filed with the Commission.

(g) Exhibit 10, description of a restricted stock grant by Edison Brothers Stores, Inc. to Alan D. Miller, Chairman, President and Chief Executive Officer of the company, is incorporated by reference from the Company's Registration Statement on Form S-3 (No. 33-58609), as amended, filed with the Commission.

(h) Exhibit 11, computation of per share earnings, is on page 11 of this Form 10-Q.

(i) Exhibit 27, Financial Data Schedule, is on page 12 of this Form 10-Q.

(j) There were no reports on Form 8-K filed during the quarter ended April 29, 1995.

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.

EDISON BROTHERS STORES, INC.

Date: June 13, 1995

By/s/ David B. Cooper, Jr.
Executive Vice President and
Chief Financial Officer

<TABLE>

EXHIBIT 11 - COMPUTATION OF PER SHARE EARNINGS

EDISON BROTHERS STORES, INC.
AND SUBSIDIARIES

<CAPTION>

	13 Weeks Ended April 29, 1995	13 Weeks Ended April 30, 1994 (restated)
	(In thousands, except per share data)	
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Income (Loss) from continuing operations	$(6,388)	$ 1,946
Preferred stock dividends	(1)	(7)
Net Income (Loss) applicable to common stock	$(6,389)	$ 1,939
SIMPLE AND PRIMARY		
Weighted average shares outstanding	22,028	21,987
Net effect of dilutive stock options - based on the treasury method		129
TOTAL	22,028	22,116
Per common share amounts: Simple		
Net Income (Loss) applicable to common stock	$ (.29)	$ .09
Per common share amounts: Primary		
Net Income (Loss) applicable to common stock	$ (.29)	$ .09
FULLY DILUTED		
Weighted average shares outstanding	22,028	21,987
Net effect of dilutive stock options - based on the treasury method	4	140
TOTAL	22,032	22,127
Per common share amounts: Fully diluted		
Net Income (Loss) applicable to common stock	$ (.29)	$ .09

</TABLE>

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This schedule contains summary financial information extracted from the condensed consolidated balance sheet as of April 29, 1995 and the condensed consolidated statement of income for the 13 weeks ended April 29, 1995 and is qualified in its entirety by reference to such financial statements.
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