

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

Filing Date: **2004-05-18** | Period of Report: **2004-05-18**  
SEC Accession No. **0001157523-04-004953**

([HTML Version](#) on [secdatabase.com](#))

### FILER

#### STAPLES INC

CIK: **791519** | IRS No.: **042896127** | State of Incorporation: **DE** | Fiscal Year End: **0127**  
Type: **8-K** | Act: **34** | File No.: **000-17586** | Film No.: **04814700**  
SIC: **5940** Miscellaneous shopping goods stores

Mailing Address  
500 STAPLES DR  
FRAMINGHAM MA 01702

Business Address  
500 STAPLES DRIVE  
P O BOX 9328  
FRAMINGHAM MA 01702  
5082535000

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

-----  
FORM 8-K

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

Date of Report (Date of earliest event reported): May 18, 2004

STAPLES, INC.

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

Delaware

0-17586

04-2896127

-----  
(State or other juris-  
diction of incorporation

(Commission  
File Number)

(IRS Employer  
Identification No.)

Five Hundred Staples Drive, Framingham, MA

01702

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

(Zip Code)

Registrant's telephone number, including area code: 508-253-5000

-----  
(Former name or former address, if changed since last report)

Item 12. Results of Operations and Financial Condition

On May 18, 2004, Staples, Inc. announced its financial results for the quarter ended May 1, 2004. The full text of the press release issued in connection with the announcement is attached as Exhibit 99.1 to this Current Report on Form 8-K.

The information in this Form 8-K and the Exhibit attached hereto shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934 (the "Exchange Act") or otherwise subject to the liabilities of that section, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933 or the Exchange Act, except as expressly set forth by specific reference in such a filing.

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 hereunto duly authorized.

Date: May 18, 2004

Staples, Inc.

By: /s/ Jack VanWoerkom

-----  
Jack VanWoerkom  
Executive Vice President, General  
Counsel and Secretary

EXHIBIT INDEX

Exhibit No.

Description

-----

-----

99.1

Press release dated May 18, 2004

Staples, Inc. Reports First Quarter 2004 Sales Increased 12 Percent;  
Earnings Per Share Exceed Analyst Consensus By 3 Cents

FRAMINGHAM, Mass.--(BUSINESS WIRE)--May 18, 2004--

North American Retail Comparable Sales Rose to an Industry-Leading  
Five Percent

North American Delivery Sales Accelerated in the First Quarter,  
Growing 11 Percent

Staples, Inc. (Nasdaq: SPLS) announced today the results for its first quarter ended May 1, 2004. Total company sales for the quarter grew to \$3.45 billion, an increase of 12 percent versus \$3.09 billion for the same quarter of the prior year. North American Retail comparable sales increased five percent and North American Delivery sales rose 11 percent.

The company achieved net income of \$126 million for the quarter, or earnings per share of \$0.25, on a diluted basis, exceeding analyst consensus of \$0.22. This represents a 39 percent increase over pro forma earnings per share of \$0.18 reported for the first quarter of 2003. On a GAAP basis, net income grew 400 percent from the \$25 million or \$0.05 per share reported for the first quarter of 2003. First quarter 2003 GAAP results included a \$62 million adjustment, or \$0.13 per share, for the application of EITF 02-16.

"Our associates delivered another terrific quarter, with all segments of the business exceeding expectations," said Ron Sargent, president and CEO. "We're gaining market share and differentiating our company as a result of our focus on customer satisfaction and execution."

Highlights of Staples' performance for the first quarter include:

- Customer service improvements resulted in the highest retail Mystery Shop and delivery Perfect Order scores in the company's history.
- North American Retail grew sales 10 percent and operating profit 40 percent.
- North American Delivery benefited from investments made in 2003, growing sales 11 percent and operating profit 24 percent.
- Europe grew sales 20 percent and achieved significant improvement in profitability in both the retail and delivery businesses. Operating profit rose 137 percent.

-- The company generated \$128 million in free cash flow.

"Delivering on our promise to make buying office products easy for our customers, coupled with executing our strategy to drive return on net assets, remain Staples' recipe for achieving superior performance and differentiation," said Sargent.

#### Outlook

For the second quarter of 2004, Staples expects to achieve 20 percent earnings per share growth, consistent with current consensus. Second quarter revenues are expected to increase in the high single-digits, with North American Retail comparable sales in the low single-digits.

As a result of achieving earnings per share of \$0.03 above expectations in the first quarter, we now expect to deliver more than 20 percent earnings growth for the full year. The company will continue to invest in profitable growth for the future and is comfortable with the existing analyst consensus for earnings per share for the remainder of the year.

#### About Staples

Staples, Inc. invented the office superstore concept in 1986 and today is the world's largest office products retailer. With 60,000 talented associates, the company is committed to making it easy to buy a wide range of office products, including supplies, technology, furniture, and business services. With 2003 sales of \$13 billion, Staples serves consumers and businesses ranging from home-based businesses to Fortune 500 companies in the US, Belgium, Canada, France, Germany, Italy, the Netherlands, Portugal, Spain, Sweden, and the United Kingdom. Headquartered outside of Boston, Staples operates approximately 1,600 office superstores and also serves its customers through mail order catalog, e-commerce and contract businesses. More information is available at [www.staples.com](http://www.staples.com).

Certain information contained in this news release constitutes forward-looking statements for purposes of the safe harbor provisions of The Private Securities Litigation Reform Act of 1995. Actual results may differ materially from those indicated by such forward-looking statements as a result of risks and uncertainties, including but not limited to: our market is highly competitive and we may not continue to compete successfully; we may be unable to continue to open new stores successfully; our growth may continue to strain operations, which could adversely affect our business and financial results; our operating results may be impacted by changes in the economy; our stock price may fluctuate based on market expectations; our quarterly operating results are subject to significant fluctuation and are impacted by the extent to which sales in new stores result in the loss of sales in existing stores, the mix of products sold,

pricing actions of competitors, the level of advertising and promotional expenses and seasonality; our expanding international operations expose us to the unique risks inherent in foreign operations; our debt level and operating lease commitments could impact our ability to obtain future financing and continue our growth strategy; a California wage and hour class action lawsuit; and those other factors discussed in our quarterly report on Form 10-Q for the quarter ended May 1, 2004, and any subsequent periodic reports filed by us with the SEC. In addition, any forward-looking statements represent our estimates only as of today and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, even if our estimates change.

STAPLES, INC. AND SUBSIDIARIES  
Consolidated Balance Sheets  
(Dollar Amounts in Thousands, Except Share Data)

	May 1, 2004 (Unaudited)	January 31, 2004
	-----	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 389,818	\$ 457,465
Short-term investments	1,028,475	934,275
Receivables, net	411,490	410,330
Merchandise inventories, net	1,377,415	1,465,989
Deferred income taxes	98,011	96,247
Prepaid expenses and other current assets	101,647	114,598
	-----	-----
Total current assets	3,406,856	3,478,904
Property and equipment:		
Land and buildings	598,684	601,063
Leasehold improvements	688,823	692,837
Equipment	1,056,703	1,045,605
Furniture and fixtures	539,684	533,104
	-----	-----
Total property and equipment	2,883,894	2,872,609
Less accumulated depreciation and amortization	1,408,642	1,367,308
	-----	-----
Net property and equipment	1,475,252	1,505,301
Lease acquisition costs, net of accumulated amortization	45,230	44,227
Intangible assets, net of accumulated amortization	207,553	209,541

Goodwill	1,202,007	1,202,007
Other assets	57,097	63,066
	-----	-----
Total assets	\$6,393,995	\$6,503,046
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$1,058,596	\$1,110,631
Accrued expenses and other current liabilities	849,039	822,453
Debt maturing within one year	180,920	190,150
	-----	-----
Total current liabilities	2,088,555	2,123,234
Long-term debt	549,871	567,433
Deferred tax liability	12,888	7,563
Other long-term obligations	148,985	141,916
Stockholders' equity:		
Preferred stock - authorized 5,000,000 shares of \$.01 par value; no shares issued	-	-
Common stock - authorized 2,100,000,000 shares of \$.0006 par value; issued 528,883,406 shares at May 1, 2004 and 527,121,843 shares at January 31, 2004	317	316
Additional paid-in capital	1,968,224	1,933,379
Cumulative foreign currency translation adjustments	61,373	81,002
Retained earnings	2,235,480	2,209,302
Treasury stock at cost - 32,225,898 shares at May 1, 2004 and 27,927,347 shares at January 31, 2004	(671,698)	(561,099)
	-----	-----
Total stockholders' equity	3,593,696	3,662,900
	-----	-----
Total liabilities and stockholders' equity	\$6,393,995	\$6,503,046
	=====	=====

STAPLES, INC. AND SUBSIDIARIES  
Consolidated Statements of Income  
(Amounts in Thousands, Except Per Share Data)

(Unaudited)  
13 Weeks Ended

-----	-----
May 1, 2004	May 3, 2003

Sales	\$3,452,155	\$3,091,288
Cost of goods sold and occupancy costs	2,516,530	2,379,211
	-----	-----
Gross profit	935,625	712,077
Operating and other expenses:		
Operating and selling	585,597	536,156
Pre-opening	1,683	1,237
General and administrative	144,442	126,506
Amortization of intangibles	1,989	1,943
Interest and other expense, net	3,912	6,940
	-----	-----
Total operating and other expenses	737,623	672,782
	-----	-----
Income before income taxes	198,002	39,295
Income tax expense	72,271	14,539
	-----	-----
Net income	\$ 125,731	\$ 24,756
	=====	=====
Earnings Per Share:		
Basic earnings per common share:	\$ 0.25	\$ 0.05
	=====	=====
Diluted earnings per common share:	\$ 0.25	\$ 0.05
	=====	=====
Number of shares used in computing basic earnings per common share:	495,193	470,930
	=====	=====
Number of shares used in computing diluted earnings per common share:	506,457	477,821
	=====	=====
Dividends declared per common share	\$ 0.20	-
	=====	=====

NOTE: Certain 2003 amounts have been reclassified to reflect changes in accounting for coupons as a result of EITF 03-10, which had no impact on net income.

STAPLES, INC. AND SUBSIDIARIES  
Consolidated Statements of Cash Flows  
(Dollar Amounts in Thousands)

	(Unaudited)	
	13 Weeks Ended	
	May 1, 2004	May 3, 2003
	-----	-----
Operating Activities:		
Net income	\$ 125,731	\$ 24,756
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	67,639	70,798
Deferred tax benefit	(2,542)	(37,461)
Other	12,144	13,792
Changes in assets and liabilities:		
Increase in receivables	(5,953)	(28,043)
Decrease in merchandise inventories	74,609	121,111
Decrease in prepaid expenses and other assets	12,984	9,254
Decrease in accounts payable	(41,730)	(98,487)
Decrease in accrued expenses and other liabilities	(62,592)	(97,852)
Increase in other long-term obligations	2,558	1,798
	-----	-----
Net cash provided by (used in) operating activities	182,848	(20,334)
Investing Activities:		
Acquisition of property and equipment	(55,140)	(43,876)
Purchase of short-term investments	(94,205)	-
Proceeds from sale of short-term investments	-	95,175
	-----	-----
Net cash (used in) provided by investing activities	(149,345)	51,299
Financing Activities:		
Proceeds from sale of capital stock	18,912	15,825
Payments on borrowings	(2,557)	(326,427)
(Purchase) reissuance of treasury stock	(110,599)	24
	-----	-----
Net cash used in financing activities	(94,244)	(310,578)
Effect of exchange rate changes on cash and cash equivalents	(6,906)	4,743
Net decrease in cash and cash equivalents	(67,647)	(274,870)
Cash and cash equivalents at beginning of period	457,465	495,889
	-----	-----
Cash and cash equivalents at end of period	\$ 389,818	\$ 221,019
	=====	=====

STAPLES, INC. AND SUBSIDIARIES  
Segment Reporting  
(Dollar Amounts in Thousands)

	(Unaudited)	
	13 Weeks Ended	
	May 1, 2004	May 3, 2003
	-----	-----
Sales:		
North American Retail	\$1,982,383	\$1,798,761
North American Delivery	1,007,916	908,011
European Operations	461,856	384,516
	-----	-----
Total sales	\$3,452,155	\$3,091,288
	=====	=====
Business Unit Income:		
North American Retail	\$ 106,114	\$ 75,703
North American Delivery	73,105	58,912
European Operations	22,695	9,595
	-----	-----
Total business unit income	\$ 201,914	\$ 144,210
Interest and other expense, net	(3,912)	(6,940)
Impact of change in accounting principle	-	(97,975)
	-----	-----
Income before income taxes	\$ 198,002	\$ 39,295
	=====	=====

CONTACT: Staples, Inc.  
Media Contact:  
Paul Capelli/Deborah Hohler, 508-253-8530/8509  
or  
Investor Contact:  
Laurel Lefebvre/Katy Nash, 508-253-4080/7342