FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1998-07-22** | Period of Report: **1998-06-27**
SEC Accession No. 0000927796-98-000216

FILER

LINENS N THINGS INC

CIK:**1023052**| IRS No.: **223463939** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **001-12381** | Film No.: **98669816**
SIC: **5700** Home furniture, furnishings & equipment stores

Mailing Address
6 BRIGHTON RD
CLIFTON NJ 07015

Business Address
6 BRIGHTON RD
CLIFTON NJ 07015
9737781300

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 27, 1998

Commission File Number 1-12381

Linens 'n Things, Inc.
(Exact name of registrant as specified in its charter)

Delaware	22-3463939
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

6 Brighton Road, Clifton, New Jersey	07015
(Address of principal executive offices)	(Zip Code)

(973) 778-1300
(Registrant's telephone number, including area code)

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

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at July 15, 1998
Common Stock, $0.01 par value	38,968,078

INDEX

<TABLE>
<CAPTION>

</TABLE>

<TABLE>
<CAPTION>

LINENS 'N THINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except per share data)

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	June 27, 1998	June 28, 1997	June 27, 1998	June 28, 1997
	(unaudited)		(unaudited)	
<S>	<C>	<C>	<C>	<C>
Net sales	$ 222,094	$ 185,723	$ 440,131	$ 365,634
Cost of sales, including buying and warehousing costs	133,218	113,204	267,925	224,800
Gross profit	88,876	72,519	172,206	140,834
Selling, general and administrative expenses	84,179	70,204	165,312	137,575
Operating profit	4,697	2,315	6,894	3,259
Interest expense (income), net	103	609	(100)	945
Income before provision for income taxes	4,594	1,706	6,994	2,314
Provision for income taxes	1,768	716	2,693	972
Net income	$ 2,826	$ 990	$ 4,301	$ 1,342
Per share of common stock:				
Basic				
Net income	$ 0.07	$ 0.03	$ 0.11	$ 0.03
Weighted average shares outstanding	38,885	38,536	38,824	38,536
Diluted				
Net income	$ 0.07	$ 0.03	$ 0.11	$ 0.03
Weighted average shares outstanding	40,500	39,394	40,354	39,296

</TABLE>
See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>
LINENS 'N THINGS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
As of June 27, 1998, December 31, 1997 and June 28, 1997
(in thousands, except share amounts)

	June 27, 1998	December 31, 1997	June 28, 1997
	(Unaudited)		(Unaudited)
<S>	<C>	<C>	<C>
Assets			
Current assets:			
Cash and cash equivalents	$ 4,858	$ 39,882	$ 3,148
Accounts receivable, net	17,559	13,764	12,776
Inventories	271,265	223,188	208,376
Prepaid expenses and other current assets	15,848	13,058	9,064
Total current assets	309,530	289,892	233,364
Property and equipment, net	158,101	154,480	144,211
Goodwill, net	21,101	21,526	21,951
Deferred charges and other noncurrent assets, net	6,207	6,201	5,953

Total assets	$ 494,939	$ 472,099	$ 405,479
Liabilities and Shareholders' Equity			
Current liabilities:			
Accounts payable	$ 119,888	$ 98,418	$ 73,271
Accrued expenses and other current liabilities	55,291	68,099	46,065
Short-term debt	--	--	840
Total current liabilities	175,179	166,517	120,176
Long-term note	--	--	10,000
Deferred income taxes and other long-term liabilities	32,903	25,547	20,722
Shareholders' equity:			
Preferred stock, $.01 par value; 1,000,000 shares authorized; none issued and outstanding	--	--	--
Common stock, $.01 par value; 60,000,000 shares authorized; 38,898,106 issued and outstanding at June 27, 1998, 38,633,840 at December 31, 1997 and 38,536,916 at June 28, 1997	389	386	385
Additional paid-in capital	208,093	204,514	203,509
Retained earnings	79,436	75,135	50,687
Treasury stock, at cost; 69,868 shares at June 27, 1998	(1,061)	--	--
Total shareholders' equity	286,857	280,035	254,581
Total liabilities and shareholders' equity	$ 494,939	$ 472,099	$ 405,479

</TABLE>

See accompanying notes to consolidated financial statements.

<TABLE>
<CAPTION>

LINENS 'N THINGS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)

	Twenty-Six Weeks Ended	
	June 27, 1998	June 28, 1997
	(Unaudited)	
<S>	<C>	<C>
Cash flows from operating activities:		
Net income	$ 4,301	$ 1,342
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	10,218	8,627
Deferred income taxes	209	1,452
Loss on disposal of assets	517	697
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(3,795)	4,608
Increase in inventories	(48,077)	(6,242)
(Increase) decrease in prepaid expenses and other current assets	(2,151)	1,550
Increase in deferred charges	(354)	--
Increase (decrease) in accounts payable	4,536	(2,605)
Increase (decrease) in accrued expenses and other liabilities	1,580	(4,560)
Net cash (used in) provided by operating activities	(33,016)	4,869
Cash flows from investing activities:		
Additions to property and equipment	(13,584)	(14,274)
Cash flows from financing activities:		
Proceeds from issuance of short-term debt	--	840

Proceeds from common stock issued under stock incentive plans	3,582	--
Increase in treasury stock	(1,061)	--
Increase (decrease) in book overdrafts	9,055	(15,201)
Net cash provided by (used in) financing activities	11,576	(14,361)
Net decrease in cash and cash equivalents	(35,024)	(23,766)
Cash and cash equivalents at beginning of year	39,882	26,914
Cash and cash equivalents at end of period	$ 4,858	$ 3,148

</TABLE>

See accompanying notes to consolidated financial statements.

LINENS 'N THINGS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying consolidated financial statements, except for the December 31, 1997 consolidated balance sheet, are unaudited. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of the Company as of June 27,1998 and June 28,1997 and the results of operations for the respective thirteen and twenty-six weeks then ended and cash flows for the twenty-six weeks then ended. Because of the seasonality of the specialty retailing business, operating results of the Company on a quarterly basis may not be indicative of operating results for the full year.

These consolidated financial statements should be read in conjunction with the Company's audited Consolidated Financial Statements for the year ended December 31, 1997, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission. All significant intercompany accounts and transactions have been eliminated.

The December 31, 1997 consolidated balance sheet amounts have been derived from the Company's audited consolidated balance sheet amounts.

2. Short-Term Borrowing Arrangements

The Company has available a three-year, $90 million senior revolving credit facility agreement, as amended (the "Credit Agreement") with third party institutional lenders expiring March 31, 2001. The amount of borrowings can be increased up to $125 million provided certain terms and conditions contained in the Credit Agreement are met. The Credit Agreement contains certain financial covenants, including those relating to the maintenance of a minimum tangible net worth, a minimum fixed charge coverage ratio, and a maximum leverage ratio, as defined in the Credit Agreement. Interest on all borrowings is determined based upon several alternative rates as stipulated in the Credit Agreement. As of June 27, 1998, the Company was in compliance with all terms and conditions of the Credit Agreement. The Credit Agreement also allows for up to $25 million in borrowings from uncommitted lines of credit outside of the Credit Agreement. As of June 27, 1998, the Company had no borrowings under the Credit Agreement or against the uncommitted lines of credit.

3. Long-Term Note

In conjunction with the initial public offering, the Company issued a four-year, $13.5 million subordinated note (the "Note") to CVS. The Note provided for forgiveness by CVS, at varying amounts, based upon the proceeds from any sales by CVS of the Company's common stock together with the market value of any common stock that CVS continued to own at December 31, 1997. In May 1997, CVS sold 6,267,658 of its remaining shares of Common Stock, on a pre-split basis, representing substantially all of its holdings (at December 31, 1997, CVS owned no shares of the Company's common stock). As a result of the net proceeds received, $3.5 million of the Note was forgiven and contributed as equity by CVS. In July 1997, the Company prepaid the remaining $10.0 million to CVS utilizing cash flows from operations. The Note contained no pre-payment penalties.

4. Recent Accounting Pronouncement

Effective December 31, 1997, the Company adopted Statement of Financial

Accounting Standards ("SFAS") No. 128, "Earnings per Share" which requires a dual presentation of earnings per share--basic and diluted. Basic earnings per share has been computed by dividing net income by the weighted average number of shares outstanding of 38,885,000 and 38,536,000 for the thirteen weeks ended June 27, 1998 and June 28, 1997, respectively and 38,824,000 and 38,536,000 for the twenty-six weeks ended June 27, 1998 and June 28, 1997, respectively. Diluted earnings per share has been computed by dividing net income by the weighted average number of shares outstanding including the dilutive effects of stock options and deferred stock grants. The weighted average shares outstanding for the diluted earnings per share calculation were 40,500,000 and 39,394,000 for the thirteen weeks ended June 27, 1998 and June 28, 1997, respectively and 40,354,000 and 39,296,000 for the twenty-six weeks ended June 27, 1998 and June 28, 1997, respectively.

5. Stockholders' Equity

On April 14, 1998, the Board of Directors of the Company approved a two-for-one split of its common stock to be effected in the form of a stock dividend. The stock dividend was one additional share of common stock for each outstanding share of common stock and was distributed on May 7, 1998 to shareholders of record on April 24, 1998. Unless otherwise stated, all references to common shares outstanding and earnings per share in the financial statements, notes to consolidated financial statements, and management's discussion and analysis of financial condition and results of operations are on a post-split basis.

Additions to treasury stock represent a contribution of restricted shares of the Company's common stock to the deferred compensation plan (see Note 6 below).

6. Deferred Compensation Plan

The Company has a deferred compensation plan (the "Plan") established to enable key employees of the Company, as designated by the Company, to defer compensation, including stock and stock denominated awards. Participation is voluntary and participants can elect to make contributions to the Plan. Participants are 100% vested in their own deferrals to the Plan at all times. At June 27, 1998 the liability under the Plan, which is reflected in other long-term liabilities, was $5.2 million.

7. The Year 2000 Issue

The Company conducted a comprehensive review of its computer systems to identify the systems that could be affected by the Year 2000 ("Y2K") problem and developed a plan to resolve the issue. The Y2K problem is the result of computer programs being written using two digits rather than four to define the applicable year. Any of the Company's programs that have time-sensitive software may recognize a date using "00" as the year 1900 rather than the year 2000. This could result in a major system failure or miscalculations. Management presently believes that the Company has substantially completed its Y2K conversion for the majority of its computer systems which are now Y2K compliant. However, there can be no assurance that the systems of other companies on which the Company's systems rely also will be timely converted or that any such failure to convert by another company would not have an adverse effect on the Company's systems or operations.

Independent Auditors' Review Report

The Board of Directors and Shareholders
Linens 'n Things, Inc.:

We have reviewed the consolidated balance sheets of Linens 'n Things, Inc. and Subsidiaries as of June 27, 1998 and June 28, 1997, and the related consolidated statements of operations for the thirteen and twenty-six week periods then ended and the related consolidated statements of cash flows for the twenty-six week periods ended June 27, 1998 and June 28, 1997. These consolidated financial statements are the responsibility of the Company's management.

We conducted our review in accordance with standards established by the American Institute of Certified Public Accountants. A review of interim financial information consists principally of applying analytical review procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the consolidated financial statements referred to above for them to be in conformity with generally accepted accounting principles.

We have previously audited, in accordance with generally accepted auditing standards, the consolidated balance sheet of Linens 'n Things, Inc. and Subsidiaries as of December 31, 1997 and the related consolidated statements of operations, shareholders' equity, and cash flows for the year then ended (not presented herein); and in our report dated February 4, 1998, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying consolidated balance sheet as of December 31, 1997, is fairly presented, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

KPMG PEAT MARWICK LLP

New York, New York
July 14, 1998

LINENS 'N THINGS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis should be read in conjunction with the Consolidated Financial Statements of the Company and the notes thereto appearing elsewhere in this document.

Results of Operations

Thirteen Weeks Ended June 27, 1998 Compared with Thirteen Weeks Ended June 28, 1997

Net sales increased 19.6% to $222.1 million for the thirteen weeks ended June 27, 1998, up from $185.7 million for the same period in 1997, primarily as a result of new store openings since June 28, 1997. During 1998, the Company shifted the timing of its semi-annual clearance event, normally held in June to the Fall season. In spite of this shift, comparable store net sales for the thirteen weeks ended June 27, 1998 were consistent with last year at 6.0% for the entire chain. However, comparable store net sales would have been positively impacted for the thirteen weeks ended June 27, 1998 had the Company not shifted its clearance event. Comparable store net sales continued to remain strong across most major geographic regions, particularly in the Northeast.

During the thirteen weeks ended June 27, 1998, the Company opened eight superstores and closed four stores, as compared with opening seven superstores and closing four stores during the same period in 1997. At June 27, 1998, the Company operated 178 stores, of which 163 were superstores, as compared with 168 stores, of which 138 were superstores, at June 28, 1997. Store square footage increased approximately 17% to 5,787,000 at June 27, 1998 compared with 4,964,000 at June 28, 1997.

For the thirteen weeks ended June 27, 1998, net sales of "things" merchandise increased approximately 30% over the same period in 1997, while net sales of "linens" merchandise increased approximately 15% over the same period in 1997. This is consistent with the Company's strategy to increase the penetration of "things" merchandise. The increase in net sales of "things" merchandise is the result of the continued maturation of this business as well as the overall expansion of the product categories in existing stores.

Gross profit for the thirteen weeks ended June 27, 1998 was $88.9 million, or 40.0% of net sales, compared with $72.5 million, or 39.0% of net sales, for the same period in 1997. The increase in gross profit was due to improvements in the selling mix as well as lower markdowns due to the shift in the clearance event from the second quarter to the Fall season. These improvements were partially offset by a slight increase in logistics expense as a percentage of net sales.

Selling, general and administrative expenses ("SG&A") for the thirteen weeks ended June 27, 1998 were $84.2 million, or 37.9% of net sales, compared with $70.2 million, or 37.8% of net sales, for the same period in 1997. This increase as a percentage of net sales is primarily a function of the shift in the clearance event which impacted expenses by reducing sales leverage. In addition, although advertising expenses were reduced by shifting the clearance event to the Fall season, this savings was offset by additional selling expense as the Company continues to improve guest service levels through increased staffing. Management believes the improvement in guest service has contributed to the strong comparable store net sales performance. In addition, the Company incurred $500,000 of costs in the second quarter relating to the implementation of the tax planning initiatives designed to reduce the Company's effective tax rate, which was previously announced on February 4, 1998.

Operating profit for the thirteen weeks ended June 27, 1998 increased to $4.7 million, or 2.1% of net sales, compared with $2.3 million, or 1.2% of net sales, for the same period in 1997.

The Company incurred net interest expense of approximately $103,000 (including commitment fees in connection with the Credit Agreement) for the thirteen weeks ended June 27, 1998 compared with approximately $609,000 for the same period in 1997. The savings in interest expense compared to the same period in 1997 was primarily due to the fact that the Company was in a net average borrowing position of $1.3 million for the thirteen weeks ended June 27, 1998 as compared with $25.0 million for the same period in 1997. Also contributing to the savings were lower fees from renegotiation of the $90 million Credit Agreement which was amended effective March 31, 1998. The reduction in net average borrowings is a result of the elimination of the $13.5 million note to CVS ($10.0 million payment and $3.5 million forgiveness from CVS), as well as improved operating performance. See "Liquidity and Capital Resources."

The Company's income tax expense for the thirteen weeks ended June 27, 1998 was $1.8 million as compared with $0.7 million for the same period in 1997. Through tax planning initiatives, the Company expects to reduce its effective tax rate to approximately 38.5% for the year ending December 31, 1998, as compared with 42.0% for the year ended December 31, 1997. The effect of this reduction in tax rate is expected to be maintained going forward.

Net income for the thirteen weeks ended June 27, 1998 increased to $2.8 million or $0.07 per share, compared with $990,000, or $0.03 per share, for the same period in 1997. Both per share amounts are adjusted for the stock split as indicated in Note 5 to the consolidated financial statements.

Twenty-Six Weeks Ended June 27, 1998 Compared with Twenty-Six Weeks Ended June 28,1997

Net sales increased 20.4% to $440.1 million for the twenty-six weeks ended June 27, 1998 as compared with $365.6 million for the same period in 1997, primarily as a result of new store openings since June 28, 1997. Comparable store net sales for the twenty-six weeks ended June 27, 1998 increased 6.7% for the entire chain as compared with 5.9% for the same period in 1997. During the twenty-six weeks ended June 27, 1998, the Company opened eleven superstores and closed nine stores, as compared with having opened eight superstores and closed nine stores during the same period in 1997.

For the twenty-six weeks ended June 27, 1998, net sales of "things" merchandise increased approximately 25% over the same period in 1997, while net sales of "linens" merchandise increased approximately 15% over the same period in 1997. This is consistent with the Company's strategy to increase the penetration of "things" merchandise. The increase in net sales of "things" merchandise is the result of the continued maturation of this business, as well as the overall expansion of the product categories in existing stores.

Gross profit for the twenty-six weeks ended June 27, 1998 was $172.2 million, or 39.1% of net sales, compared with $140.8 million, or 38.5% of net sales, for the same period in 1997. The increase in gross profit was due to improvements in the selling mix as well as lower markdowns due to the shift in the clearance event from the second quarter to the fall season. These improvements were partially offset by a slight increase in logistics expense as a percentage of net sales. Gross margin for both "linens" and "things" merchandise increased consistent with the Company's consolidated results.

SG&A expenses for the twenty-six weeks ended June 27, 1998 were $165.3 million, or 37.6% of net sales, compared with $137.6 million, or 37.6% of net sales, for the same period in 1997. The SG&A expense rate for the twenty-six weeks ended June 27, 1998 was impacted by the shift in the clearance event which impacted expenses by reducing sales leverage. In addition, the Company incurred $1.0 million of expenses relating to the implementation of the tax planning initiatives designed to reduce the effective tax rate, which was previously announced on February 4, 1998.

Operating profit for the twenty-six weeks ended June 27, 1998 increased to $6.9 million, or 1.6% of net sales, as compared with $3.3 million, or 0.9% of net sales, for the same period in 1997.

Net interest income (net of commitment fees in connection with the $90 million Credit Agreement) for the twenty-six weeks ended June 27, 1998 was approximately $100,000 compared with net interest expense of approximately $945,000 during the same period in 1997. The savings in interest expense compared to the same period in 1997 was primarily due to the fact that the Company was in a net average investment position of $12.4 million during the twenty-six week period ending June 27, 1998 as compared with a net average borrowing position of $16.6 million for the same period in 1997. Also contributing to the savings were lower fees from renegotiation of the $90 million Credit Agreement which was amended effective March 31, 1998. The reduction in net average borrowings is a result of the elimination of the $13.5 million note to CVS ($10.0 million payment and $3.5 million forgiveness from CVS), as well as improved operating performance. See "Liquidity and Capital Resources."

The Company's income tax expense for the twenty-six weeks ended June 27, 1998 was $2.7 million compared with $972,000 for the same period in 1997. Through tax planning initiatives, the Company expects to reduce its effective tax rate to approximately 38.5% for the year ending December 31, 1998, as compared with 42.0% for the year ended December 31, 1997. The effect of this reduction in tax rate is expected to be maintained going forward.

Net income for the twenty-six weeks ended June 27, 1998 was $4.3 million, or $0.11 per share, compared with $1.3 million, or $0.03 per share, for the same period in 1997.

Liquidity and Capital Resources

The Company's capital requirements are primarily investments in new stores, new store inventory purchases and seasonal working capital, as well as a second distribution center which is currently planned to open in the second quarter of 1999. These requirements are funded through a combination of internally generated cash from operations, credit extended by suppliers and short-term borrowings.

The Company has available a $90 million three year revolving credit facility, as amended, expiring March 31, 2001, which can be increased up to $125 million provided certain terms and conditions contained in the Credit Agreement are met. This agreement allows for up to $25 million in borrowings from uncommitted lines of credit. Management currently believes that the Company's cash flows from operations, credit extended by suppliers, the revolving credit facility and the uncommitted lines of credit will be sufficient to handle anticipated capital expenditures and working capital requirements in the foreseeable future.

Net cash used in operating activities for the twenty-six weeks ended June 27, 1998 was $33.0 million compared with net cash provided by operating activities of $4.9 million for the same period in 1997. This change is primarily a result of an increase in inventory levels of $48.1 million, an increase of 30%, which was due to the shift in the clearance event to the Fall season, as well as an increase in the number of stores and store inventory levels in order to support the comparable store net sales growth. This increase was offset by an increase in accounts payable over last year which was due to increased inventory levels and the timing of vendor payments.

Net cash used in investing activities during the twenty-six weeks ended June 27, 1998 was $13.6 million compared with $14.3 million for the same period in 1997. This decrease from the same period in 1997 is associated with the timing and number of the Company's new store openings.

Net cash provided by financing activities during the twenty-six weeks ended June 27, 1998 was $11.6 million compared with net cash used in financing activities of $14.4 million for the same period in 1997. Net cash provided during the twenty-six weeks ended June 27, 1998 was primarily the result of the timing and settlement of vendor payments as well as the proceeds received from common stock issued under stock incentive plans. Net cash used during the twenty-six weeks ended June 28, 1997 was primarily the result of the timing of the settlement of vendor payments.

LINENS `N THINGS, INC. AND SUBSIDIARIES
MANAGEMENT'S DISCUSSION AND ANALYSIS
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Inflation

The Company does not believe that its operating results have been materially affected by inflation during the preceding three years. There can be no assurance, however, that the Company's operating results will not be affected by inflation in the future.

Seasonality

The Company's business is subject to substantial seasonal variations. Historically, the Company has realized a significant portion of its net sales and net income for the year during the third and fourth quarters. The Company's quarterly results of operations may also fluctuate significantly as a result of a variety of other factors, including the timing of new store openings. The Company believes this is the general pattern associated with its segment of the retail industry. Consequently, comparisons between quarters are not necessarily meaningful and the results for any quarter are not necessarily indicative of future results.

Forward-Looking Statements

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of The Private Securities Litigation Reform Act of 1995. The statements are made a number of times throughout the document and may be identified by forward-looking terminology as "expect," "believe," "may," "will," "intend" or similar statements or variations of such terms. Such forward-looking statements involve certain material risks and uncertainties including levels of sales, store traffic, acceptance of product offerings and fashions, competitive pressures from other superstore retailers and from department stores which carry other products including certain designer products not carried by the Company's stores, availability of suitable future store locations and schedule of store expansion plans. These and other important factors that may cause actual results to differ materially from such forward-looking statements are included in the "Risk Factors" section of the Company's Registration Statement on Form S-1 as filed with the Securities and Exchange Commission on May 29, 1997, and may be contained in subsequent reports filed with the Securities and Exchange Commission. You are urged to consider such factors. The Company assumes no obligation for updating any such forward-looking statements.

PART II - OTHER INFORMATION

Item 6 - Exhibits and Reports on Form 8-K

(a) EXHIBIT INDEX

Exhibit Number	Description
11	Computation of Net Income Per Common Share
15	Letter re unaudited interim financial information
27	Financial Data Schedule (filed electronically with SEC only)

(b) Reports on Form 8-K:

The Company filed a report on Form 8-K dated April 14, 1998 (date of earliest event reported) reporting that the Board of Directors approved a two-for-one split of the Company's common stock to be effected in the form of a stock dividend.

Additionally, the Company filed a report on Form 8-K dated March 31, 1998 (date of earliest event reported) reporting that the Company entered into a credit agreement with The Bank of New York and BNY Capital Markets, Inc. which amends and restates its previous credit agreement dated as of November 20, 1996.

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.

LINENS 'N THINGS, INC.
(Registrant)

WILLIAM T. GILES
By:-----------------------------------
William T. Giles
Chief Financial Officer
(Duly authorized officer and
principal financial officer)

Date: July 22, 1998

<TABLE>
<CAPTION>

EXHIBIT 11

LINENS 'N THINGS, INC. AND SUBSIDIARIES
COMPUTATION OF NET INCOME PER COMMON SHARE
(in thousands, except per share data)

	For the Thirteen Weeks Ended		For the Twenty-Six Weeks Ended	
	June 27, 1998	June 28, 1997	June 27, 1998	June 28, 1997
	(Unaudited)		(Unaudited)	
<S>	<C>	<C>	<C>	<C>
Basic				
Weighted-average number of shares outstanding	38,885	38,536	38,824	38,536
Net income applicable to common shares	$ 2,826	$ 990	$ 4,301	$ 1,342
Per-share amounts				
Net income per share	$0.07	$0.03	$0.11	$0.03
Diluted				
Weighted-average number of shares outstanding	40,500	39,394	40,354	39,296
Net income applicable to common shares	$ 2,826	$ 990	$ 4,301	$ 1,342
Per-share amounts				
Net income per share	$0.07	$0.03	$0.11	$0.03

</TABLE>

EXHIBIT 15

Accountants' Acknowledgment

Linens 'n Things, Inc.
Clifton, New Jersey

Board of Directors:

Re: Registration Statements Numbers 333-26819,
333-26827 and 333-55803 on Form S-8

With respect to the subject registration statements, we acknowledge our awareness of the use therein of our report dated July 14, 1998 related to our review of interim financial information.

Pursuant to Rule 436(c) under the Securities Act of 1933, such report is not considered a part of a registration statement prepared or certified by an accountant or a report prepared or certified by an accountant within the meaning of sections 7 and 11 of the Act.

KPMG PEAT MARWICK LLP

New York, New York
July 22, 1998

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
Appendix A to item 601(c) of Regulation S-K
Commercial and Industrial Companies
Article 5 of Regulation S-X
(in thousands, except per share data)
</LEGEND>

<S> <C>
<PERIOD-TYPE> 6-MOS
<FISCAL-YEAR-END> DEC-31-1998
<PERIOD-END> JUN-27-1998
<CASH> 4,858
<SECURITIES> 0
<RECEIVABLES> 17,559
<ALLOWANCES> 0
<INVENTORY> 271,265
<CURRENT-ASSETS> 309,530
<PP&E> 216,519
<DEPRECIATION> 58,418
<TOTAL-ASSETS> 494,939
<CURRENT-LIABILITIES> 175,179
<BONDS> 0
<PREFERRED-MANDATORY> 0
<PREFERRED> 0
<COMMON> 389
<OTHER-SE> 286,468
<TOTAL-LIABILITY-AND-EQUITY> 494,939
<SALES> 440,131
<TOTAL-REVENUES> 440,131
<CGS> 267,925
<TOTAL-COSTS> 165,312
<OTHER-EXPENSES> 0
<LOSS-PROVISION> 0
<INTEREST-EXPENSE> (100)
<INCOME-PRETAX> 6,994
<INCOME-TAX> 2,693
<INCOME-CONTINUING> 4,301
<DISCONTINUED> 0
<EXTRAORDINARY> 0
<CHANGES> 0
<NET-INCOME> 4,301
<EPS-PRIMARY> 0.11
<EPS-DILUTED> 0.11

</TABLE>

<TABLE> <S> <C>

<ARTICLE> 5
<LEGEND>
Appendix A to item 601(c) of Regulation S-K
Commercial and Industrial Companies
Article 5 of Regulation S-X
(in thousands, except per share data)
</LEGEND>

<S>	<C>
<PERIOD-TYPE>	6-MOS
<FISCAL-YEAR-END>	DEC-31-1997
<PERIOD-END>	JUN-28-1997
<CASH>	3,148
<SECURITIES>	0
<RECEIVABLES>	12,776
<ALLOWANCES>	0
<INVENTORY>	208,376
<CURRENT-ASSETS>	233,364
<PP&E>	188,549
<DEPRECIATION>	44,338
<TOTAL-ASSETS>	405,479
<CURRENT-LIABILITIES>	120,176
<BONDS>	0
<PREFERRED-MANDATORY>	0
<PREFERRED>	0
<COMMON>	385
<OTHER-SE>	254,196
<TOTAL-LIABILITY-AND-EQUITY>	405,479
<SALES>	365,634
<TOTAL-REVENUES>	365,634
<CGS>	224,800
<TOTAL-COSTS>	137,575
<OTHER-EXPENSES>	0
<LOSS-PROVISION>	0
<INTEREST-EXPENSE>	945
<INCOME-PRETAX>	2,314
<INCOME-TAX>	972
<INCOME-CONTINUING>	1,342
<DISCONTINUED>	0
<EXTRAORDINARY>	0
<CHANGES>	0
<NET-INCOME>	1,342
<EPS-PRIMARY>	0.03
<EPS-DILUTED>	0.03

</TABLE>