SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1994-05-13** | Period of Report: **1994-03-31**
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FILER

SPIEGEL INC

CIK:**276641**| IRS No.: **362593917** | State of Incorp.:**DE** | Fiscal Year End: **1231**
Type: **10-Q** | Act: **34** | File No.: **000-16126** | Film No.: **94528295**
SIC: **5961** Catalog & mail-order houses

Mailing Address
3500 LACEY ROAD
DOWNERS GROVE IL
60515-5432

Business Address
3500 LACEY RD
DOWNERS GROVE IL
60515-5432
7089868800

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UNITED STATES
SECURITIES AND EXCHANGE COMMMISSION
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 quarter ended March 31, 1994

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 0-16126

SPIEGEL, INC.
(Exact name of registrant as specified in its charter)

Delaware	36-2593917
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
3500 Lacey Road, Downers Grove, Illinois	60515-5432
(Address of principal executive offices)	(Zip Code)

708-986-8800
(Registrant's telephone number, including area code)

(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 [ ]

APPLICABLE ONLY TO CORPORATE ISSUERS

The number of shares outstanding of each of the issuer's classes of common stock, as of May 6, 1994 are as follows:

Class A non-voting common stock, $1.00 par value

15,049,644 shares

Class B voting common stock, $1.00 par value
93,141,654 shares.

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SPIEGEL, INC. AND SUBSIDIARIES

Due to the seasonality of the registrant's business, the results for the three month periods are not necessarily indicative of the results for the year. The financial statements have been prepared from the books and records of the registrant. They reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the interim periods. These financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the registrant's Annual Report on Form 10-K, which includes financial statements for the year ended December 31, 1993.

PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Consolidated Balance Sheets, March 31, 1994 and December 31, 1993

Consolidated Statements of Earnings,
Three Months Ended March 31, 1994 and 1993

Consolidated Statements of Cash Flows,
Three Months Ended March 31, 1994 and 1993

Notes to Consolidated Financial Statements

Item 2 - Management's Discussion and Analysis of Financial Condition and
Results of Operations

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Spiegel, Inc. and Subsidiaries
Consolidated Balance Sheets

($000s omitted, except per share amounts)

March 31, 1994 and December 31, 1993

<TABLE>
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	(unaudited) March 31,	December 31,

	1994	1993
<S>	<C>	<C>
ASSETS		
Current assets:		
Cash	$ 53,582	$ 47,389
Receivables, net	950,466	998,525
Inventories, net	446,284	438,869
Prepaid expenses:		
Catalog advertising	50,657	45,509
Other	22,228	14,336
Deferred income tax benefit	48,010	48,037
Total current assets	1,571,227	1,592,665
Property and equipment, net	295,218	288,551
Intangibles, net	188,605	189,454
Other assets	150,525	139,921
	$ 2,205,575	$ 2,210,591
LIABILITIES and STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt,including current maturities	$ 119,153	$ 89,152
Accounts payable	158,267	226,311
Accrued liabilities:		
Salaries and wages	21,739	32,255
General taxes	90,429	97,764
Other accrued liabilities	122,302	142,204
Income taxes	2,845	39,561
Total current liabilities	514,735	627,247
Long-term debt, excluding current maturities	1,076,266	971,683
Deferred income taxes	44,222	44,176
Total liabilities	1,635,223	1,643,106
Stockholders' equity:		
Class A non-voting common stock, $1.00 par value; authorized 16,000,000 shares; issued 15,048,444 shares at March 31, 1994 and 14,599,824 at December 31, 1993	15,048	14,600
Class B voting common stock, $1.00 par value; authorized 94,000,000 shares; issued 93,141,654 shares at March 31, 1994 and December 31, 1993	93,142	93,142
Additional paid-in capital	215,722	209,029
Retained earnings	246,440	250,714

Total stockholders' equity	570,352	567,485
	$ 2,205,575	$ 2,210,591

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

Spiegel, Inc. and Subsidiaries
Consolidated Statements of Earnings

($000s omitted, except per share amounts)

Three Months Ended March 31, 1994 and 1993
(unaudited)

<TABLE>
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	Three Months Ended March 31, 1994	1993
<S>	<C>	<C>
Net sales and other revenues:		
Net sales	$ 548,723	$ 439,007
Finance revenue	58,232	47,701
Other revenue	15,179	13,575
	622,134	500,283
Cost of sales and operating expenses:		
Cost of sales, including buying and occupancy expenses	368,613	306,179
Selling, general and administrative expenses	224,171	171,320
	592,784	477,499
Operating income	29,350	22,784
Interest expense	17,706	17,687
Earnings before income taxes	11,644	5,097
Income taxes	5,100	2,197
Net earnings	$ 6,544	$ 2,900

Net earnings per common share	$ 0.06	$ 0.03
Weighted average number of common shares outstanding	108,152,215	104,018,576

</TABLE>

See accompanying notes to consolidated financial statements.

Spiegel, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

($000s omitted)

Three Months Ended March 31, 1994 and 1993
(unaudited)

<TABLE>
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<S>	Three Months Ended March 31, 1994 <C>	1993 <C>
Net cash provided by (used in) operating activities	$ (98,724)	$ (62,996)
Cash flows from investing activities:		
Net additions to property and equipment	(15,386)	(15,591)
Net additions to other assets	(10,604)	(6,943)
Net cash used in investing activities	(25,990)	(22,534)
Cash flows from financing activities:		
Borrowings of debt	158,500	96,750
Payments of debt	(23,916)	(1,416)
Dividends paid	(10,818)	(11,443)
Issuance of common stock	6,894	0
Exercise of stock options	247	175
Net cash provided by financing activities	130,907	84,066

Net change in cash and cash equivalents	6,193	(1,464)
Cash and cash equivalents at beginning of period	47,389	3,604
Cash and cash equivalents at end of period	$ 53,582	$ 2,140
Supplemental cash flow information:		
Cash paid during the year for:		
Interest	$ 14,802	$ 13,382
Income taxes	$ 41,843	$ 21,406

</TABLE>

See accompanying notes to consolidated financial statements.

Spiegel, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
($000s omitted, except share amounts)
(unaudited)

(1) Adjustments

The financial statements reflect all adjustments which are, in the opinion of management, necessary to a fair presentation of the results for the periods presented.

(2) Reclassifications

Certain prior year amounts have been reclassified to conform to the current presentation.

(3) Stockholders' Equity

In January, the underwriters exercised their option to purchase an additional 400,000 shares of Class A non-voting common stock as part of the secondary offering of common stock completed in December 1993. Accordingly, common stock was increased $400 representing the par value of the shares and additional paid-in capital was increased by $6,494 for the difference between the proceeds from the issuance and the par value.

(4)

Investments in Debt and Equity Securities

The Company adopted the provisions of Statement of Financial Accounting Standards (SFAS) No. 115, Accounting for Certain Investments in Debt and Equity Securities, which requires the classification of debt and equity securities into one of three categories; held-to-maturity, trading securities or available-for-sale. The Company's debt and equity securities are recorded in the consolidated balance sheet as cash equivalents and other assets. These securities are being held-to-maturity and thus, there is no financial statement impact to adopting SFAS No. 115.

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Item 2.

Management's Discussion and Analysis
of Financial Condition and Results of Operations

Three Months Ended March 31, 1994 Compared With Three Months Ended March 31, 1993

Net sales for the three months ended March 31, 1994 increased 25% to $548,723 compared to $439,007 for the three months ended March 31, 1993. This increase was the result of the continued positive response to merchandise offerings at Spiegel and Eddie Bauer and to the acquisition of New Hampton, which was completed in August 1993. Additionally, strong retail sales increases were experienced at Eddie Bauer with their comparable store sales increasing 12%. The acquisition of New Hampton also contributed to the sales increase.

Finance revenues increased 22% during the quarter due primarily to a $172 million or 17% increase in Preferred Card receivables over the March 31, 1993 levels. The overall strength of the net sales helped drive this increase. In February, the Company successfully introduced Preferred Credit to New Hampton customers.

The gross profit margin on net sales increased to 32.8% for the three months ended March 31, 1994 compared to 30.3% for the comparable 1993 period. The continued strong response to the Company's value pricing strategy and increased contribution from Spiegel Catalog's private-label merchandise programs helped drive this improvement. Additionally, lower levels of promotional activity in the Eddie Bauer retail stores added to the improved margins.

Selling, general and administrative expenses as a percent of total revenues for the three months ended March 31, 1994 and 1993 were 36.0% and 34.2%, respectively. This increase was primarily driven by the Company's continued strategy of increasing market share through aggressive new catalog customer acquisition programs.

Interest expense for the three months ended March 31, 1994 remained relatively flat as increases in average borrowing levels were offset by lower overall effective interest rates. The Company's consolidated tax rate was 43.8% compared to the 1993 rate of 43.1%. This increase reflects the change in the federal statutory corporate tax rate from 34% to 35% enacted during the third quarter of 1993.

Seasonality and Quarterly Fluctuations

The Company, like other retailers, has experienced and expects to continue to experience seasonal fluctuations in its merchandise sales and net income. Historically, a disproportionate amount of the Company's net sales and a majority of its net earnings have been realized during the fourth quarter. Accordingly, the results for the individual quarters are not necessarily indicative of the results to be expected for the entire year.

Liquidity and Capital Resources

The Company has historically met its operating and cash requirements through funds generated from operations, the issuance of debt and the sale of customer accounts receivable. Total customer receivables sold were $330 million at March 31, 1994 and December 31, 1993.

Cash used in operating activities was $99 million for the three months ended March 31, 1994 compared to $63 million for the comparable period last year. This increase in cash requirements is primarily the result of the higher customer receivable levels. Additionally, timing differences in inventory receipts between Fall 1993 and the first quarter of 1994 resulted in increased expenditures during the quarter compared to last year. Capital expenditures for the new catalog distribution facility being constructed in Groveport, OH have continued during first quarter 1994. This new distribution facility will consolidate the majority of the catalog distribution functions of Spiegel and Eddie Bauer. Through March 31, 1994, total project-to-date expenditures related to the new distribution facility were $112 million. Estimates for the total costs of this facility continue to be approximately $135 million, with equipment financing provided through an operating lease. Distribution activities are scheduled to commence for Eddie Bauer during the third quarter of 1994 with Spiegel operations being transferred in early 1995. At the present time, the Company has no plans to consolidate the distribution functions of its recently acquired New Hampton subsidiary. In addition to the catalog distribution facility, capital spending continues in the Eddie Bauer retail division with ongoing store additions and remodels in process.

During the third quarter of 1993, the Company recorded a $39 million nonrecurring charge to effect the estimated costs for closure of certain of the Company's existing catalog distribution facilities. This charge consisted of termination benefits, disposal of certain fixed assets and other related costs. The Company expects a portion of these costs will be paid in 1994 with the remaining costs paid out in 1995, with the exception of the write-off of property and equipment of $6.5 million, which is a noncash item. As of March 31, 1994, no material expenditures have been made relating to this charge.

The Company believes that its cash on hand, together with cash flows anticipated to be generated from operations, borrowings under its existing credit facilities and other available sources of credit, will be adequate to fund the Company's capital and operating requirements for the foreseeable future, including expenditures related to distribution facilities and new store openings.

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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.

SPIEGEL, INC.

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Signature	Title	Date
<C>	<S>	<C>
/s/ James W. Sievers	Vice President	May 13, 1994
James W. Sievers	(Chief Financial Officer)	

</TABLE>