

REX STORES CORP
Form 10-Q
September 09, 2008

**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 July 31, 2008

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 001-09097

REX STORES CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

31-1095548
(I.R.S. Employer
Identification Number)

2875 Needmore Road, Dayton, Ohio
(Address of principal executive offices)

45414
(Zip Code)

(937) 276-3931
(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 ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definition of []large accelerated filer[], []accelerated filer[] and []smaller reporting company[] in Rule 12b-2 of the Exchange Act.

Edgar Filing: REX STORES CORP - Form 10-Q

Large accelerated filer ()

Accelerated filer (X)

Non-accelerated filer () (Do not check if a smaller reporting company)

Smaller reporting company ()

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes () No (X)

At the close of business on September 8, 2008 the registrant had 10,087,216 shares of Common Stock, par value \$.01 per share, outstanding.

Edgar Filing: REX STORES CORP - Form 10-Q
REX STORES CORPORATION AND SUBSIDIARIES

INDEX

	Page	
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)	
	Consolidated Condensed Balance Sheets	3
	Consolidated Condensed Statements of Income	4
	Consolidated Condensed Statements of Shareholders' Equity	5
	Consolidated Condensed Statements of Cash Flows	7
	Notes to Consolidated Condensed Financial Statements	8
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	29
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	42
Item 4.	Controls and Procedures	43
PART II. OTHER INFORMATION		
Item 1.	Legal Proceedings	43
Item 1A.	Risk Factors	43
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds	44
Item 6.	Exhibits	44

PART I. FINANCIAL INFORMATION**Item 1. Financial Statements****REX STORES CORPORATION AND SUBSIDIARIES
Consolidated Condensed Balance Sheets
Unaudited**

	July 31, 2008	January 31, 2008	July 31, 2007
	(In Thousands)		
Assets			
Current assets:			
Cash and cash equivalents	\$ 79,608	\$ 127,716	\$ 90,293
Restricted cash	2,774	-	-
Accounts receivable, net	3,509	1,877	3,128
Synthetic fuel receivable	-	573	3,851
Inventory, net	59,457	49,933	84,256
Prepaid expenses and other	2,432	2,492	2,932
Deferred taxes	10,312	10,599	6,562
Total current assets	158,092	193,190	191,022
Property and equipment, net	202,193	136,505	78,575
Assets held for sale, net	92	-	1,064
Other assets	13,578	14,803	23,595
Goodwill	1,322	1,322	1,322
Deferred taxes	21,929	21,929	23,533
Equity method investments	40,505	38,748	28,212
Investments in debt instruments	-	-	32,675
Restricted investments	2,496	2,481	2,443
Total assets	\$ 440,207	\$ 408,978	\$ 382,441
Liabilities and shareholders' equity			
Current liabilities:			
Current portion of long-term debt and capital lease obligations	\$ 6,609	\$ 4,101	\$ 2,183
Accounts payable, trade	49,688	27,253	42,923
Deferred income	13,144	14,448	15,085
Deferred gain on sale and leaseback	1,389	1,436	2,068
Other current liabilities	7,140	13,617	9,381
Total current liabilities	77,970	60,855	71,640
Long-term liabilities:			
Long-term debt and capital lease obligations	62,127	35,224	19,122
Deferred income	15,173	17,172	17,653
Deferred gain on sale and leaseback	3,746	4,493	6,163
Derivative financial instruments	839	2,601	-
Other	1,152	4,313	940
Total long-term liabilities	83,037	63,803	43,878
Minority interest in consolidated subsidiaries	27,539	27,729	11,764
Shareholders' equity:			
Common stock	299	298	298
Paid-in capital	142,584	141,357	143,214
Retained earnings	288,361	285,629	265,106
Treasury stock	(179,583)	(170,693)	(163,176)

Edgar Filing: REX STORES CORP - Form 10-Q

Accumulated other comprehensive income, net of tax	-	-	9,717
Total shareholders' equity	251,661	256,591	255,159
Total liabilities and shareholders' equity	\$ 440,207	\$ 408,978	\$ 382,441

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

REX STORES CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements Of Income
Unaudited

	Three Months Ended July 31,		Six Months Ended July 31,	
	2008	2007	2008	2007
	(In Thousands, Except Per Share Amounts)			
Net sales and revenue	\$ 67,370	\$ 47,915	\$ 114,198	\$ 96,481
Cost of sales (excluding retail segment depreciation)	54,078	32,694	87,531	65,861
Gross profit	13,292	15,221	26,667	30,619
Selling, general and administrative expenses	(13,192)	(14,690)	(27,524)	(29,251)
Interest income	519	1,976	1,373	3,261
Interest expense	(897)	(34)	(1,018)	(104)
Loss on early termination of debt	-	-	-	(60)
Gains on sale of real estate, net	-	72	-	61
Equity in income of unconsolidated ethanol affiliates	874	412	1,922	1,521
Income from synthetic fuel investments	-	3,406	670	10,131
Unrealized and realized gains on derivative financial instruments, net	960	-	1,428	-
Income from continuing operations before provision for income taxes, minority interest and discontinued operations	1,556	6,363	3,518	15,641
Provision for income taxes	468	2,563	994	6,161
Minority interest	(36)	54	187	(41)
Income from continuing operations	1,052	3,854	2,711	9,431
Loss from discontinued operations, net of tax	(41)	(587)	(173)	(1,511)
Gain on disposal of discontinued operations, net of tax	195	2,543	194	5,421
Net income	\$ 1,206	\$ 5,810	\$ 2,732	\$ 13,341
Weighted average shares outstanding □ basic	10,510	10,625	10,618	10,541
Basic income per share from continuing operations	\$ 0.10	\$ 0.36	\$ 0.26	\$ 0.91
Basic loss per share from discontinued operations	-	(0.05)	(0.02)	(0.14)
Basic income per share on disposal of discontinued operations	0.01	0.24	0.02	0.51
Basic net income per share	\$ 0.11	\$ 0.55	\$ 0.26	\$ 1.27
Weighted average shares outstanding □ diluted	11,146	11,989	11,396	11,911
Diluted income per share from continuing operations	\$ 0.09	\$ 0.32	\$ 0.24	\$ 0.77
Diluted loss per share from discontinued operations	-	(0.05)	(0.02)	(0.14)
Diluted income per share on disposal of discontinued operations	0.02	0.21	0.02	0.41
Diluted net income per share	\$ 0.11	\$ 0.48	\$ 0.24	\$ 1.11

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

REX STORES CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements Of Shareholders' Equity
Unaudited

	Common Shares		Treasury		Paid-in Capital	Retained Earnings	Total Shareholders' Equity
	Shares	Amount	Shares	Amount			
	(In Thousands)						
Balance at January 31, 2008	29,813	\$ 298	19,094	\$ (170,693)	\$ 141,357	\$ 285,629	\$ 256,591
Net income						2,732	2,732
Treasury stock acquired			706	(9,052)			(9,052)
Stock based compensation					686		686
Stock options exercised and related tax effects	40	1	(18)	162	541	-	704
Balance at July 31, 2008	29,853	\$ 299	19,782	\$ (179,583)	\$ 142,584	\$ 288,361	\$ 251,661

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

REX STORES CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements Of Shareholders' Equity
Unaudited

	Common Shares Issued		Treasury		Paid-in Capital	Retained Earnings	Accumulated Comprehensive Income	Total Shareholders' Equity
	Shares	Amount	Shares	Amount				
	(In Thousands)							
Balance at January 31, 2007	29,513	\$ 295	19,089	\$ (161,092)	\$ 139,337	\$ 252,249	\$ -	\$ 230,789
Net income						13,344		13,344
Cumulative effect of adopting FIN 48						(287)		(287)
Treasury stock acquired			195	(3,780)				(3,780)
Stock based compensation					717			717
Stock options exercised and related tax effects	238	3	(198)	1,696	3,160			4,859
Minority interest distribution						(200)		(200)
Unrealized holding gains, net of tax	-	-	-	-	-	-	9,717	9,717
Balance at July 31, 2007	29,751	\$ 298	19,086	\$ (163,176)	\$ 143,214	\$ 265,106	\$ 9,717	\$ 255,159

The accompanying notes are an integral part of these unaudited consolidated condensed financial statements.

REX STORES CORPORATION AND SUBSIDIARIES
Consolidated Condensed Statements Of Cash Flows
Unaudited

	Six Months Ended July 31,	
	2008	2007
	(In Thousands)	
Cash flows from operating activities:		
Net income	\$ 2,732	\$ 13,344
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	2,075	1,501
Income from equity method investments	(1,922)	(1,522)
Income from synthetic fuel investments	(670)	(10,139)
Gain on disposal of real estate and property and equipment	(228)	(8,992)
Dividends received from equity method investees	400	525
Deferred income	(4,097)	