Ulta Salon, Cosmetics & Fragrance, Inc.
Form 10-Q
June 07, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549
FORM 10-Q

þ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the Quarterly Period Ended April 30, 2011

or

o **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: 001-33764

ULTA SALON, COSMETICS & FRAGRANCE, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**36-3685240**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
1000 Remington Blvd., Suite 120 Bolingbrook, Illinois	**60440**
(Address of principal executive offices)	(Zip code)

Registrant s telephone number, including area code: (630) 410-4800

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. þ Yes o No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). þ Yes o No

Indicate by checkmark 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. (Check one):

Large accelerated filer þ	Accelerated filer o	Non- accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The number of shares of the registrant s common stock, par value $0.01 per share, outstanding as of May 31, 2011 was 61,197,344 shares.

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Part I Financial Information

Item 1. Financial Statements

Ulta Salon, Cosmetics & Fragrance, Inc.
Balance Sheets

(In thousands)	April 30, 2011 (unaudited)	January 29, 2011	May 1, 2010 (unaudited)
Assets			
Current assets:			
Cash and cash equivalents	$116,811	$111,185	$ 8,670
Receivables, net	15,634	22,292	8,051
Merchandise inventories, net	255,547	218,516	228,082
Prepaid expenses and other current assets	32,513	32,790	29,134
Prepaid income taxes	4,233	10,684	
Deferred income taxes	8,922	8,922	8,060
Total current assets	433,660	404,389	281,997
Property and equipment, net	332,147	326,099	285,766
Total assets	$765,807	$730,488	$567,763
Liabilities and stockholders equity			
Current liabilities:			
Accounts payable	$ 81,510	$ 87,093	$ 60,693
Accrued liabilities	66,488	76,264	54,789
Accrued income taxes			6,740
Total current liabilities	147,998	163,357	122,222
Deferred rent	139,359	134,572	114,051
Deferred income taxes	29,084	30,026	20,952
Total liabilities	316,441	327,955	257,225
Commitments and contingencies (note 3)			

See accompanying notes to financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Balance Sheets (continued)

(In thousands, except per share data)	April 30, 2011 (unaudited)	January 29, 2011	May 1, 2010 (unaudited)
Stockholders equity:			
Common stock, $.01 par value, 400,000 shares authorized; 61,577, 60,707 and 59,095 shares issued; 61,072, 60,202 and 58,590 shares outstanding; at April 30, 2011 (unaudited), January 29, 2011 and May 1, 2010 (unaudited), respectively	$ 616	$ 606	$ 591
Treasury stock-common, at cost	(4,179)	(4,179)	(4,179)
Additional paid-in capital	363,103	339,576	304,965
Retained earnings	89,826	66,530	9,161
Total stockholders equity	449,366	402,533	310,538
Total liabilities and stockholders equity	$765,807	$730,488	$567,763

See accompanying notes to financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Statements of Income
(unaudited)

(In thousands, except per share data)	**Three months ended April 30, 2011**	**Three months ended May 1, 2010**
Net sales	$386,006	$320,196
Cost of sales	251,101	215,661
Gross profit	134,905	104,535
Selling, general and administrative expenses	94,615	80,729
Pre-opening expenses	1,230	474
Operating income	39,060	23,332
Interest expense	173	118
Income before income taxes	38,887	23,214
Income tax expense	15,591	9,553
Net income	$ 23,296	$ 13,661
Net income per common share:		
Basic	$ 0.38	$ 0.23
Diluted	$ 0.37	$ 0.23
Weighted average common shares outstanding:		
Basic	60,554	58,306
Diluted	62,758	60,276

See accompanying notes to financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Statements of Cash Flows
(unaudited)

(In thousands)	Three months ended April 30, 2011	Three months ended May 1, 2010
Operating activities		
Net income	$ 23,296	$ 13,661
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	17,510	15,918
Deferred income taxes	(942)	
Non-cash stock compensation charges	2,808	1,735
Excess tax benefits from stock-based compensation	(8,736)	(724)
Loss on disposal of property and equipment	477	197
Change in operating assets and liabilities:		
Receivables	6,658	5,426
Merchandise inventories	(37,031)	(21,134)
Prepaid expenses and other assets	277	1,138
Income taxes	15,187	(3,317)
Accounts payable	(5,583)	4,306
Accrued liabilities	(14,271)	(7,722)
Deferred rent	4,787	333
Net cash provided by operating activities	4,437	9,817
Investing activities		
Purchases of property and equipment	(19,540)	(7,698)
Net cash used in investing activities	(19,540)	(7,698)
Financing activities		
Proceeds from issuance of common stock under stock plans	11,993	1,810
Excess tax benefits from stock-based compensation	8,736	724
Net cash provided by financing activities	20,729	2,534
Net increase in cash and cash equivalents	5,626	4,653
Cash and cash equivalents at beginning of period	111,185	4,017
Cash and cash equivalents at end of period	$ 116,811	$ 8,670
Supplemental cash flow information		
Cash paid for income taxes	$ 1,346	$ 12,870

Noncash investing and financing activities:		
Change in property and equipment included in accrued liabilities	$ 4,495	$ 3,322

See accompanying notes to financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Statement of Stockholders Equity
(unaudited)

(In thousands, except per share data)	Common Stock Issued Shares	Common Stock Amount	Treasury Common Stock Treasury Shares	Treasury Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Total Stockholders Equity
Balance January 29, 2011	60,707	$606	(505)	$(4,179)	$339,576	$66,530	$402,533
Common stock options exercised	870	10			11,983		11,993
Net income for the three months ended April 30, 2011						23,296	23,296
Excess tax benefits from stock-based compensation					8,736		8,736
Stock compensation charge					2,808		2,808
Balance April 30, 2011	61,577	$616	(505)	$(4,179)	$363,103	$89,826	$449,366

See accompanying notes to financial statements.

Ulta Salon, Cosmetics & Fragrance, Inc.
Notes to Financial Statements
(unaudited)

1. Business and basis of presentation

Ulta Salon, Cosmetics & Fragrance, Inc. (Company or Ulta) was incorporated in the state of Delaware on January 9, 1990, to operate specialty retail stores selling cosmetics, fragrance, haircare and skincare products, and related accessories and services. The stores also feature full-service salons. As of April 30, 2011, the Company operated 394 stores in 40 states, as shown in the table below:

State	Number of stores
Alabama	7
Arizona	23
Arkansas	3
California	33
Colorado	11
Connecticut	3
Delaware	1
Florida	29
Georgia	18
Illinois	34
Indiana	8
Iowa	4
Kansas	1
Kentucky	3
Louisiana	3
Maine	2
Maryland	6
Massachusetts	5
Michigan	11
Minnesota	9
Mississippi	3
Missouri	3
Nebraska	2
Nevada	6
New Jersey	12
New Mexico	1
New York	13
North Carolina	13
Ohio	11
Oklahoma	7
Oregon	4
Pennsylvania	17
Rhode Island	1
South Carolina	6
Tennessee	5
Texas	52
Utah	3
Virginia	11

Washington	6
Wisconsin	4
Total	**394**

The accompanying unaudited financial statements and related notes have been prepared in accordance with U.S. generally accepted accounting principles (GAAP) for interim financial information and with the instructions to Form 10-Q and the U.S. Securities and Exchange Commission s Article 10, Regulation S-X. In the opinion of management, the accompanying financial statements reflect all adjustments, which are of a normal recurring nature, necessary to fairly state the financial position and results of operations and cash flows for the interim periods presented.

The Company s business is subject to seasonal fluctuation. Significant portions of the Company s net sales and net income are realized during the fourth quarter of the fiscal year due to the holiday selling season. The results for the three months ended April 30, 2011 are not necessarily indicative of the results to be expected for the fiscal year ending January 28, 2012, or for any other future interim period or for any future year.

These interim financial statements and the related notes should be read in conjunction with the financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended January 29, 2011. All amounts are stated in thousands, with the exception of per share amounts and number of stores.

2. Summary of significant accounting policies

Information regarding the Company s significant accounting policies is contained in Note 2, Summary of significant accounting policies, to the financial statements in the Company s Annual Report on Form 10-K for the year ended January 29, 2011. Presented below in this and the following notes is supplemental information that should be read in conjunction with Notes to Financial Statements in the Annual Report.

Fiscal quarter

The Company s quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31, and January 31. The Company s first quarters in fiscal 2011 and 2010 ended on April 30, 2011 and May 1, 2010, respectively.

Share-based compensation

The Company measures share-based compensation cost on the grant date, based on the fair value of the award, and recognizes the expense over the requisite service period for awards expected to vest. The Company estimated the grant date fair value of stock options using a Black-Scholes valuation model using the following assumptions for the periods indicated:

	Three months ended	
	April 30, 2011	May 1, 2010
Volatility rate	54.4%	55.0%
Average risk-free interest rate	2.8%	3.1%
Average expected life (in years)	6.3	6.3
Dividend yield	None	None

The Company granted 45 and 109 stock options during the three months ended April 30, 2011 and May 1, 2010, respectively. The weighted-average grant date fair value of these options was $26.11 and $12.68, respectively.

The Company recorded stock compensation expense of $2,808 and $1,735 for the three months ended April 30, 2011 and May 1, 2010, respectively. At April 30, 2011, there was approximately $21,279 of unrecognized compensation expense related to unvested options and restricted stock.

3. Commitments and contingencies

Leases The Company leases stores, distribution and office facilities, and certain equipment. Original non-cancelable lease terms range from three to ten years, and store leases generally contain renewal options for additional years. A number of the Company s store leases provide for contingent rentals based upon sales. Contingent rent amounts were insignificant in the three months ended April 30, 2011 and May 1, 2010. Total rent expense under operating leases was $21,857 and $19,459 for the three months ended April 30, 2011 and May 1, 2010, respectively.

General litigation In May 2010, a putative employment class action lawsuit was filed against the Company and certain unnamed defendants in state court in California. The plaintiff and members of the proposed class are alleged to be (or have been) non-exempt hourly employees. The suit alleges that Ulta violated various provisions of the California labor laws and failed to provide plaintiff and members of the proposed class with full meal periods, paid rest breaks, certain wages, overtime compensation and premium pay. The suit seeks to recover damages and penalties as a result of these alleged practices. On June 21, 2010, the Company filed its answer to the lawsuit. On January 12, 2011, the Company and plaintiffs engaged in a voluntary mediation. Although the Company continues to deny plaintiffs allegations, in the interest of putting certain of the claims behind it, the Company agreed in principle to settle all claims of the putative class consisting of non-exempt hourly hair designers in the salon department within the California retail stores. The settlement, which is not an admission of liability, is subject to final documentation and Court approval. Counsel for the plaintiffs has agreed to dismiss without prejudice the claims of all other putative class members. The proposed settlement amount is not material.

The Company is also involved in various legal proceedings that are incidental to the conduct of its business. In the opinion of management, the amount of any liability with respect to these proceedings, either individually or in the aggregate, will not be material.

4. Notes payable

The Company s credit facility is with Wells Fargo Bank, National Association, as Administrative Agent, Collateral Agent and a Lender thereunder, JPMorgan Chase Bank, N.A. as a Lender, and PNC Bank, National Association, as a Lender. The facility provides maximum credit of $200,000 through May 31, 2013 and is available for working capital and general corporate purposes. The facility provides maximum borrowings equal to the lesser of $200,000 or a percentage of eligible owned inventory, and contains a $10,000 subfacility for letters of credit. The new credit facility agreement contains a restrictive financial covenant requiring the Company to maintain tangible net worth of not less than $200,000. The Company s tangible net worth was $449,366 at April 30, 2011. Substantially all of the Company s assets are pledged as collateral for outstanding borrowings under the facility. Outstanding borrowings will bear interest at the prime rate or Libor plus 2.00% and the unused line fee is 0.25%.

As of April 30, 2011 and January 29, 2011, the Company had no borrowings outstanding under the credit facility.

5. Fair Value Measurements

The carrying value of cash and cash equivalents, accounts receivable, and accounts payable approximates their estimated fair values due to the short maturities of these instruments.

On February 3, 2008, the Company adopted the ASC rules for fair value measurements and disclosures. The adoption had no impact on the Company s financial statements. The new rules established a three-tier hierarchy for fair value measurements, which prioritizes the inputs used in measuring fair value as follows:

Level 1 observable inputs such as quoted prices for identical instruments in active markets.

Level 2 inputs other than quoted prices in active markets that are observable either directly or indirectly through corroboration with observable market data.

Level 3 unobservable inputs in which there is little or no market data, which would require the Company to develop its own assumptions.

As of April 30, 2011, the Company held financial liabilities of $1,826 related to its non-qualified deferred compensation plan. The liabilities have been categorized as Level 2 as they are based on third-party reported net asset values which are based primarily on quoted market prices of underlying assets of the funds within the plan.

6. Net income per common share

The following is a reconciliation of net income and the number of shares of common stock used in the computation of net income per basic and diluted share:

	Three months ended	
	April 30, 2011	**May 1, 2010**
Net income	$23,296	$13,661
Denominator for basic net income per share weighted-average common shares	60,554	58,306
Dilutive effect of stock options and non-vested stock	2,204	1,970
Denominator for diluted net income per share	62,758	60,276
Net income per common share:		
Basic	$ 0.38	$ 0.23
Diluted	$ 0.37	$ 0.23

The denominators for diluted net income per common share for the three months ended April 30, 2011 and May 1, 2010 exclude 189 and 803 employee stock options, respectively, due to their anti-dilutive effects.

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

The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our financial statements and related notes included elsewhere in this quarterly report. This discussion contains forward-looking statements within the meaning of Section 21E of the Securities Exchange Act of 1934 and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995, which reflect our current views with respect to, among other things, future events and financial performance. You can identify these forward-looking statements by the use of forward-looking words such as outlook, believes, expects, plans, estimates, or other comparable words. Any forward-looking statements contained in this Form 10-Q are based upon our historical performance and on current plans, estimates and expectations. The inclusion of this forward-looking information should not be regarded as a representation by us or any other person that the future plans, estimates or expectations contemplated by us will be achieved. Such forward-looking statements are subject to various risks and uncertainties, which include, without limitation: the impact of weakness in the economy; changes in the overall level of consumer spending; changes in the wholesale cost of our products; the possibility that we may be unable to compete effectively in our highly competitive markets; the possibility that our continued opening of new stores could strain our resources and have a material adverse effect on our business and financial performance; the possibility that new store openings and existing locations may be impacted by developer or co-tenant issues; the possibility that the capacity of our distribution and order fulfillment infrastructure may not be adequate to support our recent growth and expected future growth plans; the possibility of material disruptions to our information systems; weather conditions that could negatively impact sales; and other risk factors detailed in our public filings with the Securities and Exchange Commission (the SEC), including risk factors contained in Item 1A, Risk Factors of our Annual Report on Form 10-K for the year ended January 29, 2011. We assume no obligation to update any forward-looking statements as a result of new information, future events or developments. References in the following discussion to we , us , our , the Company , Ulta and similar references mean Ulta Salon, Cosmetics & Fragrance, Inc. unless otherwise expressly stated or the context otherwise requires.

Overview

We were founded in 1990 as a discount beauty retailer at a time when prestige, mass and salon products were sold through separate distribution channels. After extensive research, we recognized an opportunity to better satisfy how a woman wanted to shop for beauty products, which led to what we believe to be our unique combination of beauty superstore and specialty store attributes. We believe our strategy provides us with the competitive advantages that have contributed to our strong financial performance.

We are currently the largest beauty retailer that provides one-stop shopping for prestige, mass and salon products and salon services in the United States. We combine the unique elements of a beauty superstore with the distinctive environment and experience of a specialty retailer. Key aspects of our beauty superstore strategy include our ability to offer our customers a broad selection of over 21,000 beauty products across the categories of cosmetics, fragrance, haircare, skincare, bath and body products and salon styling tools, as well as salon haircare products. We focus on delivering a compelling value proposition to our customers across all of our product categories. Our stores are conveniently located in high-traffic, primarily off-mall locations such as power centers and lifestyle centers with other destination retailers. As of April 30, 2011, we operated 394 stores across 40 states.

The continued growth of our business and any future increases in net sales, net income and cash flows are dependent on our ability to execute our growth strategy, including growing our store base, expanding our product, brand and service offerings, enhancing our loyalty program, broadening our marketing channels, expanding our e-commerce business and improving our profitability by leveraging our fixed costs. We believe that the steadily expanding U.S. beauty products and services industry, the shift in distribution of prestige beauty products from department stores to specialty retail stores, coupled with Ulta s competitive strengths, positions us to capture additional market share in the industry through successful execution of our growth strategy.

Comparable store sales is a key metric that is monitored closely within the retail industry. Our comparable store sales have fluctuated in the past and we expect them to continue to fluctuate in the future. A variety of factors affect our comparable store sales, including general U.S. economic conditions, changes in merchandise strategy or mix, and timing and effectiveness of our marketing activities, among others.

Over the long-term, our growth strategy is to increase total net sales through increases in our comparable store sales and by opening new stores. Gross profit as a percentage of net sales is expected to increase as a result of our ability to expand merchandise margin and leverage our supply chain infrastructure and fixed store costs with comparable store sales increases and operating efficiencies. We plan to continue to improve our operating results by leveraging our fixed costs and decreasing our selling, general and administrative expenses, as a percentage of our net sales.

General economic conditions

Economic conditions in the U.S. have begun to show signs of improvement, however, the recovery has been sluggish and economic growth weak. The U.S. credit markets have also stabilized and credit availability has improved compared to the recent recessionary period. Consumer spending habits are affected by levels of unemployment, unsettled financial markets, weakness in housing and real estate, higher interest rates, fuel and energy costs, and consumer perception of economic conditions, among others. While the U.S. retail and credit market environments are currently stable, sudden negative changes in one or more of the factors that affect consumer spending could adversely affect consumer spending levels which could lead to reduced consumer demand for our merchandise and adversely affect our sales levels and financial performance.

Current business trends

We recorded an 11.1% comparable store sales increase during the first quarter of fiscal 2011. We do not expect the low double digit comparable store sales increases, which began in first quarter fiscal 2010, to continue into the future. Our long-term annual net income growth target of 25% to 30% is based on comparable store sales increases of 3% to 5%.

Basis of presentation

The company has determined its operating segments on the same basis that it uses to internally evaluate performance. We have combined our three operating segments: retail stores, salon services and e-commerce, into one reportable segment because they have a similar class of consumer, economic characteristics, nature of products and distribution methods.

Net sales include store and e-commerce merchandise sales as well as salon service revenue. We recognize merchandise revenue at the point of sale (POS) in our retail stores and the time of shipment in the case of Internet sales. Merchandise sales are recorded net of estimated returns. Salon service revenue is recognized at the time the service is provided. Gift card sales revenue is deferred until the customer redeems the gift card. Company coupons and other incentives are recorded as a reduction of net sales.

Comparable store sales reflect sales for stores beginning on the first day of the 14th month of operation. Therefore, a store is included in our comparable store base on the first day of the period after one year of operations plus the initial one month grand opening period. Non-comparable store sales include sales from new stores that have not yet completed their 13th month of operation and stores that were closed for part or all of the period in either year as a result of remodel activity. Remodeled stores are included in comparable store sales unless the store was closed for a portion of the current or prior period. E-commerce merchandise sales are excluded from comparable store sales. There may be variations in the way in which some of our competitors and other retailers calculate comparable or same store sales. As a result, data herein regarding our comparable store sales may not be comparable to similar data made available by our competitors or other retailers.

Comparable store sales is a critical measure that allows us to evaluate the performance of our store base as well as several other aspects of our overall strategy. Several factors could positively or negatively impact our comparable store sales results:

- the general national, regional and local economic conditions and corresponding impact on customer spending levels;
- the introduction of new products or brands;
- the location of new stores in existing store markets;
- competition;
- our ability to respond on a timely basis to changes in consumer preferences;
- the effectiveness of our various marketing activities; and

- the number of new stores opened and the impact on the average age of all of our comparable stores.

Cost of sales includes:

- the cost of merchandise sold, including all vendor allowances, which are treated as a reduction of merchandise costs;

- warehousing and distribution costs including labor and related benefits, freight, rent, depreciation and amortization, real estate taxes, utilities and insurance;
- store occupancy costs including rent, depreciation and amortization, real estate taxes, utilities, repairs and maintenance, insurance, licenses and cleaning expenses;
- salon payroll and benefits;
- customer loyalty program expense; and
- shrink and inventory valuation reserves.

Our cost of sales may be negatively impacted as we open an increasing number of stores. Changes in our merchandise mix may also have an impact on cost of sales. This presentation of items included in cost of sales may not be comparable to the way in which our competitors or other retailers compute their cost of sales.

Selling, general and administrative expenses include:

- payroll, bonus and benefit costs for retail and corporate employees;
- advertising and marketing costs;
- occupancy costs related to our corporate office facilities;
- stock-based compensation expense;
- depreciation and amortization for all assets except those related to our retail and warehouse operations, which are included in cost of sales; and
- legal, finance, information systems and other corporate overhead costs.

This presentation of items in selling, general and administrative expenses may not be comparable to the way in which our competitors or other retailers compute their selling, general and administrative expenses.

Pre-opening expenses include non-capital expenditures during the period prior to store opening for new, remodeled and relocated stores including rent during the construction period for new and relocated stores, store set-up labor, management and employee training and grand opening advertising.

Interest expense includes interest costs and unused facility fees associated with our credit facility, which is structured as an asset based lending instrument. Our interest expense will fluctuate based on the seasonal borrowing requirements associated with acquiring inventory in advance of key holiday selling periods and fluctuation in the variable interest rates we are charged on outstanding balances. Our credit facility may be used to fund seasonal inventory needs and new and remodel store capital requirements in excess of our cash flow from operations. Our credit facility interest is based on a variable interest rate structure which can result in increased cost in periods of rising interest rates.

Income tax expense reflects the federal statutory tax rate and the weighted average state statutory tax rate for the states in which we operate stores.

Results of operations

Our quarterly periods are the 13 weeks ending on the Saturday closest to April 30, July 31, October 31 and January 31. The Company s first quarters in fiscal 2011 and 2010 ended on April 30, 2011 and May 1, 2010, respectively. Our quarterly results of operations have varied in the past and are likely to do so again in the future. As such, we believe that period-to-period comparisons of our results of operations should not be relied upon as an indication of our future performance.

The following tables present the components of our results of operations for the periods indicated:

	Three months ended		Three months ended	
	April 30, 2011	**May 1, 2010**	**April 30, 2011**	**May 1, 2010**
	(Dollars in thousands)		**(Percentage of net sales)**	
Net sales	$ 386,006	$ 320,196	100.0%	100.0%
Cost of sales	251,101	215,661	65.1%	67.4%
Gross profit	134,905	104,535	34.9%	32.6%
Selling, general and administrative expenses	94,615	80,729	24.5%	25.2%
Pre-opening expenses	1,230	474	0.3%	0.1%
Operating income	39,060	23,332	10.1%	7.3%
Interest expense	173	118	0.0%	0.0%
Income before income taxes	38,887			