

Container Store Group, Inc.  
Form 10-Q  
November 01, 2018  
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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 September 29, 2018

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: 001-36161

THE CONTAINER STORE GROUP, INC.

(Exact name of registrant as specified in its charter)

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Delaware  
(State or other jurisdiction of incorporation or organization)

26-0565401  
(IRS Employer Identification No.)

500 75019  
Freeport  
Parkway,  
Coppell, TX  
(Addresses of principal executive offices) (Zip Codes)

Registrant's telephone number in the United States, including area code, is: (972) 538-6000

(Former name, former address and former fiscal year, if changed since last report)

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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 No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted 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 such files). Yes No

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

Large accelerated filer	Accelerated filer	Non-accelerated filer
Smaller reporting company	Emerging growth company	

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The registrant had 48,913,277 shares of its common stock outstanding as of October 26, 2018.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

The Container Store Group, Inc.

Consolidated balance sheets

(In thousands)	September 29, 2018 (unaudited)	March 31, 2018	September 30, 2017 (unaudited)
Assets			
Current assets:			
Cash	\$ 7,212	\$ 8,399	\$ 10,145
Accounts receivable, net	25,400	25,528	26,083
Inventory	110,801	97,362	109,277
Prepaid expenses	11,021	11,281	11,519
Income taxes receivable	3,394	15	1,456
Other current assets	10,562	11,609	13,021
Total current assets	168,390	154,194	171,501
Noncurrent assets:			
Property and equipment, net	149,259	158,389	162,884
Goodwill	202,815	202,815	202,815
Trade names	226,939	229,401	230,482
Deferred financing costs, net	276	312	335
Noncurrent deferred tax assets, net	1,979	2,404	2,240
Other assets	1,796	1,854	1,696
Total noncurrent assets	583,064	595,175	600,452
Total assets	\$ 751,454	\$ 749,369	\$ 771,953

See accompanying notes.

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The Container Store Group, Inc.

Consolidated balance sheets (continued)

(In thousands, except share and per share amounts)	September 29, 2018 (unaudited)	March 31, 2018	September 30, 2017 (unaudited)
Liabilities and shareholders' equity			
Current liabilities:			
Accounts payable	\$ 62,313	\$ 43,692	\$ 61,224
Accrued liabilities	63,497	70,494	64,144
Revolving lines of credit	1,128	—	—
Current portion of long-term debt	7,052	7,771	9,345
Income taxes payable	1,851	4,580	960
Other current liabilities	702	—	—
Total current liabilities	136,543	126,537	135,673
Noncurrent liabilities:			
Long-term debt	282,289	277,394	301,296
Noncurrent deferred tax liabilities, net	50,630	54,839	79,091
Deferred rent and other long-term liabilities	41,020	41,892	33,012
Total noncurrent liabilities	373,939	374,125	413,399
Total liabilities	510,482	500,662	549,072
Commitments and contingencies (Note 6)			
Shareholders' equity:			
Common stock, \$0.01 par value, 250,000,000 shares authorized; 48,138,907 shares issued at September 29, 2018; 48,072,187 shares issued at March 31, 2018; 48,063,222 shares issued at September 30, 2017	481	481	481
Additional paid-in capital	862,495	861,263	860,196
Accumulated other comprehensive loss	(23,167)	(17,316)	(14,095)
Retained deficit	(598,837)	(595,721)	(623,701)
Total shareholders' equity	240,972	248,707	222,881
Total liabilities and shareholders' equity	\$ 751,454	\$ 749,369	\$ 771,953

See accompanying notes.

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The Container Store Group, Inc.

Consolidated statements of operations

	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 29,	September 30,	September 29,	September 30,
(In thousands, except share and per share amounts)				
(unaudited)	2018	2017	2018	2017
Net sales	\$ 224,453	\$ 218,410	\$ 420,276	\$ 401,478
Cost of sales (excluding depreciation and amortization)	93,878	92,036	174,930	171,494
Gross profit	130,575	126,374	245,346	229,984
Selling, general, and administrative expenses (excluding depreciation and amortization)	105,656	106,332	212,261	202,972
Stock-based compensation	769	510	1,355	1,004
Pre-opening costs	881	1,418	1,227	2,804
Depreciation and amortization	9,128	9,505	18,465	19,047
Other expenses	24	623	217	4,157
Loss on disposal of assets	—	102	40	153
Income (loss) from operations	14,117	7,884	11,781	(153)
Interest expense, net	7,377	5,873	15,285	10,098
Loss on extinguishment of debt	2,082	2,369	2,082	2,369
Income (loss) before taxes	4,658	(358)	(5,586)	(12,620)
Provision (benefit) for income taxes	1,417	517	(2,063)	(4,068)
Net income (loss)	\$ 3,241	\$ (875)	\$ (3,523)	\$ (8,552)
Net income (loss) per common share—basic and diluted	\$ 0.07	\$ (0.02)	\$ (0.07)	\$ (0.18)
Weighted-average common shares—basic	48,138,907	48,058,231	48,138,907	48,053,084
Weighted-average common shares—diluted	48,519,166	48,058,231	48,138,907	48,053,084

See accompanying notes.



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The Container Store Group, Inc.

Consolidated statements of comprehensive income (loss)

(In thousands) (unaudited)	Thirteen Weeks Ended		Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017	September 29, 2018	September 30, 2017
Net income (loss)	\$ 3,241	\$ (875)	\$ (3,523)	\$ (8,552)
Unrealized gain (loss) on financial instruments, net of tax provision (benefit) of \$154, \$652, (\$412) and \$1,546	438	1,010	(1,347)	2,400
Pension liability adjustment	(18)	(70)	135	(180)
Foreign currency translation adjustment	652	2,366	(4,639)	6,328
Comprehensive income (loss)	\$ 4,313	\$ 2,431	\$ (9,374)	\$ (4)

See accompanying notes.

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The Container Store Group, Inc.

Consolidated statements of cash flows

(In thousands) (unaudited)	Twenty-Six Weeks Ended	
	September 29, 2018	September 30, 2017
Operating activities		
Net loss	\$ (3,523)	\$ (8,552)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	18,465	19,047
Stock-based compensation	1,355	1,004
Loss on disposal of assets	40	153
Loss on extinguishment of debt	2,082	2,369
Deferred tax benefit	(2,927)	(4,338)
Non-cash interest	1,418	1,146
Other	—	283
Changes in operating assets and liabilities:		
Accounts receivable	(373)	2,599
Inventory	(17,066)	(2,259)
Prepaid expenses and other assets	1,875	(1,312)
Accounts payable and accrued liabilities	13,304	17,808
Income taxes	(6,083)	(3,261)
Other noncurrent liabilities	(431)	(1,731)
Net cash provided by operating activities	8,136	22,956
Investing activities		
Additions to property and equipment	(10,669)	(13,129)
Proceeds from sale of property and equipment	7	18
Net cash used in investing activities	(10,662)	(13,111)
Financing activities		
Borrowings on revolving lines of credit	45,404	19,694
Payments on revolving lines of credit	(19,267)	(19,694)
Borrowings on long-term debt	272,500	330,000
Payments on long-term debt and capital leases	(294,497)	(329,551)
Payment of debt issuance costs		