

ROSS STORES INC
Form 10-Q
December 10, 2014

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 November 1, 2014

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: 0-14678

Ross Stores, Inc.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of incorporation or organization)

94-1390387

(I.R.S. Employer Identification No.)

5130 Hacienda Drive, Dublin, California

(Address of principal executive offices)

94568-7579

(Zip Code)

Registrant's telephone number, including area code

(925) 965-4400

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

N/A

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 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).

Yes 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 the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

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

The number of shares of Common Stock, with \$.01 par value, outstanding on November 20, 2014 was 208,486,401.

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Condensed Consolidated Statements of Earnings

(\$000, except stores and per share data, unaudited)	Three Months Ended		Nine Months Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Sales	\$2,598,820	\$2,398,122	\$8,008,979	\$7,489,313
Costs and Expenses				
Cost of goods sold	1,882,185	1,746,235	5,734,387	5,368,823
Selling, general and administrative	410,002	381,860	1,185,029	1,125,021
Interest expense (income), net	777	(152)	577	(118)
Total costs and expenses	2,292,964	2,127,943	6,919,993	6,493,726
Earnings before taxes	305,856	270,179	1,088,986	995,587
Provision for taxes on earnings	113,136	98,561	412,792	376,236
Net earnings	\$192,720	\$171,618	\$676,194	\$619,351
Earnings per share				
Basic	\$0.94	\$0.81	\$3.26	\$2.90
Diluted	\$0.93	\$0.80	\$3.22	\$2.86
Weighted average shares outstanding (000)				
Basic	205,866	211,986	207,460	213,743
Diluted	207,965	214,803	209,741	216,662
Dividends				
Cash dividends declared per share	\$0.20	\$0.17	\$0.60	\$0.34
Stores open at end of period	1,366	1,285	1,366	1,285

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

Condensed Consolidated Statements of Comprehensive Income

(\$000, unaudited)	Three Months Ended		Nine Months Ended	
	November 1, 2014	November 2, 2013	November 1, 2014	November 2, 2013
Net earnings	\$192,720	\$171,618	\$676,194	\$619,351
Other comprehensive (loss) income:				
Unrealized loss on investments, net of tax	(18) (3) (65) (149
Comprehensive income	\$192,702	\$171,615	\$676,129	\$619,202

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

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Condensed Consolidated Balance Sheets

(\$000, unaudited)	November 1, 2014	February 1, 2014	November 2, 2013
Assets			
Current Assets			
Cash and cash equivalents	\$571,578	\$423,168	\$372,270
Short-term investments	—	12,006	12,016
Accounts receivable	75,895	62,612	72,819
Merchandise inventory	1,495,013	1,257,155	1,430,467
Prepaid expenses and other	143,665	101,991	145,646
Deferred income taxes	16,342	10,227	16,871
Total current assets	2,302,493	1,867,159	2,050,089
Property and Equipment			
Land and buildings	951,774	478,973	478,330
Fixtures and equipment	1,892,552	1,678,397	1,644,815
Leasehold improvements	834,318	813,972	798,626
Construction-in-progress	228,476	510,221	376,497
	3,907,120	3,481,563	3,298,268
Less accumulated depreciation and amortization	1,705,500	1,606,264	1,557,389
Property and equipment, net	2,201,620	1,875,299	1,740,879
Long-term investments	3,634	3,710	4,212
Other long-term assets	161,495	150,629	151,543
Total assets	\$4,669,242	\$3,896,797	\$3,946,723
Liabilities and Stockholders' Equity			
Current Liabilities			
Accounts payable	\$1,131,717	\$779,455	\$908,797
Accrued expenses and other	395,126	359,929	349,894
Accrued payroll and benefits	240,081	235,324	238,006
Income taxes payable	—	18,349	—
Total current liabilities	1,766,924	1,393,057	1,496,697
Long-term debt	398,339	150,000	150,000
Other long-term liabilities	278,254	287,567	279,654
Deferred income taxes	38,429	58,871	79,245
Commitments and contingencies			
Stockholders' Equity			
Common stock	2,088	2,134	2,152
Additional paid-in capital	1,003,776	935,591	926,823
Treasury stock	(160,237) (121,559) (120,822
Accumulated other comprehensive income	324	389	436
Retained earnings	1,341,345	1,190,747	1,132,538
Total stockholders' equity	2,187,296	2,007,302	1,941,127
Total liabilities and stockholders' equity	\$4,669,242	\$3,896,797	\$3,946,723

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

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Condensed Consolidated Statements of Cash Flows

	Nine Months Ended	
(\$000, unaudited)	November 1, 2014	November 2, 2013
Cash Flows From Operating Activities		
Net earnings	\$676,194	\$619,351
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	170,321	149,411
Stock-based compensation	38,776	35,672
Deferred income taxes	(26,557)	(1,520)
Tax benefit from equity issuance	30,648	27,678
Excess tax benefit from stock-based compensation	(30,073)	(26,998)
Change in assets and liabilities:		
Merchandise inventory	(237,858)	(221,230)
Other current assets	(53,561)	(63,749)
Accounts payable	353,184	138,821
Other current liabilities	67,769	(876)
Other long-term, net	(6,861)	24,661
Net cash provided by operating activities	981,982	681,221
Cash Flows From Investing Activities		
Additions to property and equipment	(551,545)	(423,211)
Increase in restricted cash and investments	(4,764)	(2,832)
Purchases of investments	—	(12,012)
Proceeds from investments	12,022	1,150
Net cash used in investing activities	(544,287)	(436,905)
Cash Flows From Financing Activities		
Excess tax benefit from stock-based compensation	30,073	26,998
Net proceeds from issuance of long-term debt	246,200	—
Issuance of common stock related to stock plans	18,405	16,069
Treasury stock purchased	(38,678)	(29,114)
Repurchase of common stock	(418,478)	(421,345)
Dividends paid	(126,807)	(111,415)
Net cash used in financing activities	(289,285)	(518,807)
Net increase (decrease) in cash and cash equivalents	148,410	(274,491)
Cash and cash equivalents:		
Beginning of period	423,168	646,761
End of period	\$571,578	\$372,270
Supplemental Cash Flow Disclosures		
Interest paid	\$	