

BARNES & NOBLE INC

FORM 8-K (Current report filing)

Filed 11/30/17 for the Period Ending 11/30/17

| | |
|-------------|---|
| Address | 122 FIFTH AVE NEW YORK, NY, 10011 |
| Telephone | 2126333300 |
| CIK | 0000890491 |
| Symbol | BKS |
| SIC Code | 5940 - Retail-Miscellaneous Shopping Goods Stores |
| Industry | Other Specialty Retailers |
| Sector | Consumer Cyclical |
| Fiscal Year | 05/29 |

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

FORM 8-K

**CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934**

Date of report (Date of earliest event reported) November 30, 2017

BARNES & NOBLE, INC.
(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of Incorporation)

1-12302 06-1196501
(Commission File Number) (IRS Employer Identification No.)

122 Fifth Avenue, New York, NY 10011
(Address of Principal Executive Offices) (Zip Code)

(212) 633-3300
(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (*see* General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company

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.

Item 2.02 Results of Operations and Financial Condition

On November 30, 2017, Barnes & Noble, Inc. (the “Company”) issued a press release announcing its financial results for the second quarter ended October 28, 2017 (the “Press Release”). A copy of the Press Release is attached hereto as Exhibit 99.1.

The information in this Form 8-K and the Exhibit attached hereto pertaining to the Company’s financial results shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, nor shall it be deemed incorporated by reference in any filing under the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

Use of Non-GAAP Financial Information

To supplement the Company’s consolidated financial statements presented in accordance with generally accepted accounting principles (“GAAP”), in the Press Release attached hereto as Exhibit 99.1, the Company uses the non-GAAP financial measure of EBITDA (defined by the Company as earnings before interest, taxes, depreciation and amortization).

The Company’s management reviews this non-GAAP measure internally to evaluate the Company’s performance and manage its operations. The Company believes that the inclusion of EBITDA results provide investors useful and important information regarding the Company’s operating results. The non-GAAP measure included in the Press Release attached hereto as Exhibit 99.1 has been reconciled to the comparable GAAP measure as required under SEC rules regarding the use of non-GAAP financial measures. The Company urges investors to carefully review the GAAP financial information included as part of the Company’s Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and quarterly earnings releases.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

99.1 Press Release of Barnes & Noble, Inc., dated November 30, 2017

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 hereunto duly authorized.

BARNES & NOBLE, INC.
(Registrant)

By: /s/ Allen W. Lindstrom
Allen W. Lindstrom
Chief Financial Officer

Date: November 30, 2017

Barnes & Noble, Inc.

EXHIBIT INDEX

| <u>Exhibit Number</u> | <u>Description</u> |
|------------------------------|--|
| 99.1 | Press Release of Barnes & Noble, Inc., dated November 30, 2017 |

Barnes & Noble Reports Fiscal 2018 Second Quarter Financial Results***Reiterates Full-Year Guidance***

NEW YORK--(BUSINESS WIRE)--November 30, 2017-- **Barnes & Noble, Inc. (NYSE:BKS)** today reported sales and earnings for its fiscal 2018 second quarter ended October 28, 2017.

Total sales for the second quarter were \$791.1 million, declining 7.9% as compared to the prior year. Comparable store sales decreased 6.3%, with approximately half of this decline attributable to last year's release of *Harry Potter and The Cursed Child*. The balance of the decline was primarily due to non-book categories.

“Comparable sales improved throughout the second quarter and into November,” said Demos Parneros, Chief Executive Officer of Barnes & Noble, Inc. “Book sales continued to strengthen, and we saw improved traffic and conversion trends. As a result of the improving trends, we will continue to place a greater emphasis on books, while further narrowing our non-book assortment. We expect these improvements to continue as we head into the holiday season which, coupled with cost reductions, will enable us to achieve EBITDA of \$180 million.”

The consolidated second quarter net loss was \$30.1 million, or \$0.41 per share, compared to a loss of \$20.4 million, or \$0.29 per share, in the prior year. The consolidated operating loss was \$52.2 million for the quarter.

The Company incurred an EBITDA loss of \$25.0 million for the quarter, primarily due to the comparable store sales decline.

Outlook

For fiscal 2018, the Company expects comparable sales to decline in the low single digits and full year consolidated EBITDA to be approximately \$180 million. The Company expects comparable store sales to be approximately flat for the balance of the fiscal year. Additionally, the company plans to reduce costs by \$40 million for the full fiscal year.

Conference Call

A conference call with Barnes & Noble, Inc.'s senior management will be webcast beginning at 10:00 A.M. ET on Thursday, November 30, 2017, and is accessible at investors.barnesandnobleinc.com.

Barnes & Noble, Inc. will report fiscal 2018 third quarter results on or about March 1, 2018.

About Barnes & Noble, Inc.

Barnes & Noble, Inc. (NYSE:BKS) is the nation's largest retail bookseller, and a leading retailer of content, digital media and educational products. The Company operates 632 Barnes & Noble bookstores in 50 states, and one of the Web's premier e-commerce sites, BN.com (www.bn.com). The Nook Digital business offers a lineup of popular NOOK[®] tablets and eReaders and an expansive collection of digital reading and entertainment content through the NOOK Store[®]. The NOOK Store features more than 4.5 million digital books in the US (www.nook.com), plus periodicals and comics, and offers the ability to enjoy content across a wide array of popular devices through Free NOOK Reading Apps[™] available for Android[™], iOS[®] and Windows[®].

General information on Barnes & Noble, Inc. can be obtained by visiting the Company's corporate website at www.barnesandnobleinc.com.

BKS – Financial

Forward-Looking Statements

This press release contains certain forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended) and information relating to Barnes & Noble that are based on the beliefs of the management of Barnes & Noble as well as assumptions made by and information currently available to the management of Barnes & Noble. When used in this communication, the words “anticipate,” “believe,” “estimate,” “expect,” “intend,” “plan,” “will,” “forecasts,” “projections,” and similar expressions, as they relate to Barnes & Noble or the management of Barnes & Noble, identify forward-looking statements.

Such statements reflect the current views of Barnes & Noble with respect to future events, the outcome of which is subject to certain risks, including, among others, the general economic environment and consumer spending patterns, decreased consumer demand for Barnes & Noble’s products, low growth or declining sales and net income due to various factors, including store closings, higher-than-anticipated or increasing costs, including with respect to store closings, relocation, occupancy (including in connection with lease renewals) and labor costs, the effects of competition, the risk of insufficient access to financing to implement future business initiatives, risks associated with data privacy and information security, risks associated with Barnes & Noble’s supply chain, including possible delays and disruptions and increases in shipping rates, various risks associated with the digital business, including the possible loss of customers, declines in digital content sales, risks and costs associated with ongoing efforts to rationalize the digital business, risks associated with the eCommerce business, including the possible loss of eCommerce customers and declines in eCommerce sales, the risk that financial and operational forecasts and projections are not achieved, the performance of Barnes & Noble’s initiatives including but not limited to new store concepts and eCommerce initiatives, unanticipated adverse litigation results or effects, potential infringement of Barnes & Noble’s intellectual property by third parties or by Barnes & Noble of the intellectual property of third parties, and other factors, including those factors discussed in detail in Item 1A, “Risk Factors,” in Barnes & Noble’s Annual Report on Form 10-K for the fiscal year ended April 29, 2017, and in Barnes & Noble’s other filings made hereafter from time to time with the SEC.

Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to Barnes & Noble or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph. Barnes & Noble undertakes no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise after the date of this communication.

BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Statements of Operations
(In thousands, except per share data)
(Unaudited)

| | 13 weeks ended October 28, 2017 | 13 weeks ended October 29, 2016 | 26 weeks ended October 28, 2017 | 26 weeks ended October 29, 2016 |
|---|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Sales | \$ 791,117 | \$ 858,548 | \$ 1,644,433 | \$ 1,772,430 |
| Cost of sales and occupancy | 562,422 | 603,173 | 1,162,257 | 1,239,516 |
| Gross profit | 228,695 | 255,375 | 482,176 | 532,914 |
| Selling and administrative expenses | 253,728 | 254,646 | 496,023 | 522,537 |
| Depreciation and amortization | 27,199 | 29,994 | 53,597 | 61,031 |
| Operating loss | (52,232) | (29,265) | (67,444) | (50,654) |
| Interest expense, net | 2,678 | 1,961 | 4,718 | 3,590 |
| Loss before taxes | (54,910) | (31,226) | (72,162) | (54,244) |
| Income taxes | (24,816) | (10,817) | (31,290) | (19,419) |
| Net loss | \$ (30,094) | \$ (20,409) | \$ (40,872) | \$ (34,825) |
| Loss per common share: | | | | |
| Basic | \$ (0.41) | \$ (0.29) | \$ (0.56) | \$ (0.49) |
| Diluted | \$ (0.41) | \$ (0.29) | \$ (0.56) | \$ (0.49) |
| Weighted average common shares outstanding: | | | | |
| Basic | 72,597 | 72,212 | 72,525 | 72,558 |
| Diluted | 72,597 | 72,212 | 72,525 | 72,558 |
| Dividends declared per common share | \$ 0.15 | \$ 0.15 | \$ 0.30 | \$ 0.30 |
| Percentage of sales: | | | | |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of sales and occupancy | 71.1% | 70.3% | 70.7% | 69.9% |
| Gross profit | 28.9% | 29.7% | 29.3% | 30.1% |
| Selling and administrative expenses | 32.1% | 29.7% | 30.2% | 29.5% |
| Depreciation and amortization | 3.4% | 3.5% | 3.3% | 3.4% |
| Operating loss | -6.6% | -3.4% | -4.1% | -2.9% |
| Interest expense, net | 0.3% | 0.2% | 0.3% | 0.2% |
| Loss before taxes | -6.9% | -3.6% | -4.4% | -3.1% |
| Income taxes | -3.1% | -1.3% | -1.9% | -1.1% |
| Net loss | -3.8% | -2.4% | -2.5% | -2.0% |

BARNES & NOBLE, INC. AND SUBSIDIARIES
Segment Information
(In thousands)
(Unaudited)

| | 13 weeks ended October 28, 2017 | 13 weeks ended October 29, 2016 | 26 weeks ended October 28, 2017 | 26 weeks ended October 29, 2016 |
|--|------------------------------------|------------------------------------|------------------------------------|------------------------------------|
| Sales | | | | |
| Retail | \$ 769,709 | \$ 830,719 | \$ 1,599,745 | \$ 1,712,432 |
| NOOK | 25,964 | 35,042 | 55,464 | 76,090 |
| Elimination | (4,556) | (7,213) | (10,776) | (16,092) |
| Total | <u>\$ 791,117</u> | <u>\$ 858,548</u> | <u>\$ 1,644,433</u> | <u>\$ 1,772,430</u> |
| Gross Profit | | | | |
| Retail | \$ 214,436 | \$ 238,935 | \$ 453,326 | \$ 497,222 |
| NOOK | 14,259 | 16,440 | 28,850 | 35,692 |
| Total | <u>\$ 228,695</u> | <u>\$ 255,375</u> | <u>\$ 482,176</u> | <u>\$ 532,914</u> |
| Selling and Administrative Expenses | | | | |
| Retail | \$ 239,630 | \$ 235,460 | \$ 467,951 | \$ 476,152 |
| NOOK | 14,098 | 19,186 | 28,072 | 46,385 |
| Total | <u>\$ 253,728</u> | <u>\$ 254,646</u> | <u>\$ 496,023</u> | <u>\$ 522,537</u> |
| EBITDA | | | | |
| Retail | \$ (25,194) | \$ 3,475 | \$ (14,625) | \$ 21,070 |
| NOOK | 161 | (2,746) | 778 | (10,693) |
| Total | <u>\$ (25,033)</u> | <u>\$ 729</u> | <u>\$ (13,847)</u> | <u>\$ 10,377</u> |
| Depreciation and Amortization | | | | |
| Retail | \$ (24,117) | \$ (24,558) | \$ (47,196) | \$ (49,520) |
| NOOK | (3,082) | (5,436) | (6,401) | (11,511) |
| Total | <u>\$ (27,199)</u> | <u>\$ (29,994)</u> | <u>\$ (53,597)</u> | <u>\$ (61,031)</u> |
| Operating Loss | | | | |
| Retail | \$ (49,311) | \$ (21,083) | \$ (61,821) | \$ (28,450) |
| NOOK | (2,921) | (8,182) | (5,623) | (22,204) |
| Total | <u>\$ (52,232)</u> | <u>\$ (29,265)</u> | <u>\$ (67,444)</u> | <u>\$ (50,654)</u> |
| Net Loss | | | | |
| Operating loss | \$ (52,232) | \$ (29,265) | \$ (67,444) | \$ (50,654) |
| Interest expense, net | (2,678) | (1,961) | (4,718) | (3,590) |
| Income taxes | 24,816 | 10,817 | 31,290 | 19,419 |
| Total | <u>\$ (30,094)</u> | <u>\$ (20,409)</u> | <u>\$ (40,872)</u> | <u>\$ (34,825)</u> |
| Percentage of sales: | | | | |
| Gross Margin | | | | |
| Retail | 27.9% | 28.8% | 28.3% | 29.0% |
| NOOK | 66.6% | 59.1% | 64.6% | 59.5% |
| Total | <u>28.9%</u> | <u>29.7%</u> | <u>29.3%</u> | <u>30.1%</u> |
| Selling and Administrative Expenses | | | | |
| Retail | 31.1% | 28.3% | 29.3% | 27.8% |
| NOOK | 65.9% | 68.9% | 62.8% | 77.3% |
| Total | <u>32.1%</u> | <u>29.7%</u> | <u>30.2%</u> | <u>29.5%</u> |
| EBITDA | | | | |
| Retail | -3.3% | 0.4% | -0.9% | 1.2% |
| NOOK | 0.8% | -9.9% | 1.7% | -17.8% |
| Total | <u>-3.2%</u> | <u>0.1%</u> | <u>-0.8%</u> | <u>0.6%</u> |
| Depreciation and Amortization | | | | |
| Retail | -3.1% | -3.0% | -3.0% | -2.9% |
| NOOK | -14.4% | -19.5% | -14.3% | -19.2% |
| Total | <u>-3.4%</u> | <u>-3.5%</u> | <u>-3.3%</u> | <u>-3.4%</u> |
| Operating Loss | | | | |
| Retail | -6.4% | -2.5% | -3.9% | -1.7% |
| NOOK | -13.6% | -29.4% | -12.6% | -37.0% |
| Total | <u>-6.6%</u> | <u>-3.4%</u> | <u>-4.1%</u> | <u>-2.9%</u> |

BARNES & NOBLE, INC. AND SUBSIDIARIES
Consolidated Balance Sheets
(In thousands)
(Unaudited)

| | <u>October 28, 2017</u> | <u>October 29, 2016</u> |
|---|-------------------------|-------------------------|
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 11,324 | \$ 11,365 |
| Receivables, net | 73,903 | 75,744 |
| Merchandise inventories, net | 1,177,080 | 1,218,822 |
| Prepaid expenses and other current assets | 141,244 | 129,404 |
| Total current assets | <u>1,403,551</u> | <u>1,435,335</u> |
| Property and equipment: | | |
| Land and land improvements | 2,541 | 2,541 |
| Buildings and leasehold improvements | 1,076,591 | 1,062,377 |
| Fixtures and equipment | 1,644,472 | 1,592,849 |
| | <u>2,723,604</u> | <u>2,657,767</u> |
| Less accumulated depreciation and amortization | 2,451,675 | 2,369,074 |
| Net property and equipment | <u>271,929</u> | <u>288,693</u> |
| Goodwill | 207,381 | 211,276 |
| Intangible assets, net | 309,860 | 310,543 |
| Other non-current assets | 9,967 | 11,916 |
| Total assets | <u>\$ 2,202,688</u> | <u>\$ 2,257,763</u> |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 656,620 | \$ 717,220 |
| Accrued liabilities | 280,905 | 311,150 |
| Gift card liabilities | 327,217 | 344,044 |
| Total current liabilities | <u>1,264,742</u> | <u>1,372,414</u> |
| Long-term debt | 242,833 | 191,423 |
| Deferred taxes | 83,785 | 54,290 |
| Other long-term liabilities | 95,155 | 110,844 |
| Shareholders' equity: | | |
| Common stock; \$0.001 par value; 300,000 shares authorized; 112,226 and 111,560 shares issued, respectively | 112 | 112 |
| Additional paid-in capital | 1,745,822 | 1,741,120 |
| Accumulated other comprehensive income | 315 | 198 |
| Retained earnings | (108,383) | (81,319) |
| Treasury stock, at cost, 39,580 and 39,741 shares, respectively | (1,121,693) | (1,131,319) |
| Total Barnes & Noble, Inc. shareholders' equity | <u>516,173</u> | <u>528,792</u> |
| Commitments and contingencies | - | - |
| Total liabilities and shareholders' equity | <u>\$ 2,202,688</u> | <u>\$ 2,257,763</u> |

BARNES & NOBLE, INC. AND SUBSIDIARIES

Earnings (Loss) Per Share
(In thousands, except per share data)
(Unaudited)

| | <u>13 weeks ended</u> <u>October 28, 2017</u> | <u>13 weeks ended</u> <u>October 29, 2016</u> | <u>26 weeks ended</u> <u>October 28, 2017</u> | <u>26 weeks ended</u> <u>October 29, 2016</u> |
|--|--|--|--|--|
| Numerator for basic loss per share: | | | | |
| Net loss | \$ (30,094) | \$ (20,409) | \$ (40,872) | \$ (34,825) |
| Less allocation of dividends to participating securities | (27) | (188) | (38) | (391) |
| Net loss available to common shareholders | <u>\$ (30,121)</u> | <u>\$ (20,597)</u> | <u>\$ (40,910)</u> | <u>\$ (35,216)</u> |
| Numerator for diluted loss per share: | | | | |
| Net loss available to common shareholders | <u>\$ (30,121)</u> | <u>\$ (20,597)</u> | <u>\$ (40,910)</u> | <u>\$ (35,216)</u> |
| Denominator for basic and diluted loss per share: | | | | |
| Basic and diluted weighted average common shares | 72,597 | 72,212 | 72,525 | 72,558 |
| Loss per common share: | | | | |
| Basic | <u>\$ (0.41)</u> | <u>\$ (0.29)</u> | <u>\$ (0.56)</u> | <u>\$ (0.49)</u> |
| Diluted | <u>\$ (0.41)</u> | <u>\$ (0.29)</u> | <u>\$ (0.56)</u> | <u>\$ (0.49)</u> |

BARNES & NOBLE, INC. AND SUBSIDIARIES
Non-GAAP Reconciliation & Forward-Looking Statement
(In millions)
(Unaudited)

| | <u>Forward-Looking</u> <u>Fiscal 2018</u> |
|-------------------------------|--|
| EBITDA | \$ 180 |
| Depreciation and amortization | (100) |
| Operating income | <u>\$ 80</u> |

CONTACT:

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