

BED BATH & BEYOND INC
Form 10-Q/A
January 12, 2005

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

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

For the quarterly period ended November 27, 2004

Commission File Number 0-20214

BED BATH & BEYOND INC.

(Exact name of registrant as specified in its charter)

New York
(State of incorporation)

11-2250488
(I.R.S. Employer Identification No.)

650 Liberty Avenue, Union, New Jersey 07083

(Address of principal executive offices) (Zip code)

Registrant's telephone number, including area code: **(908) 688-0888**

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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 is an accelerated filer (as defined by Rule 12b-2 of the Securities Exchange Act). Yes No

Number of shares outstanding of the issuer's Common Stock:

Class	Outstanding at November 27, 2004
Common Stock - \$0.01 par value	302,605,743

EXPLANATORY NOTE

Although the percentages reported for the increase in net sales attributable to new store sales for the third quarter and the previous two quarters in fiscal 2004 were correct and remain unchanged, due to a clerical error the cumulative percentage for the nine months ended November 27, 2004 was approximately 53.6% versus the approximately 59.0% originally reported in the registrant's Quarterly Report on Form 10-Q filed for the quarterly period ended November 27, 2004, as filed on January 4, 2005. This Quarterly Report on Form 10-Q/A amends solely this year to date percentage increase inadvertently reported in Item 2 Management's Discussion and Analysis of Financial Condition and Results of Operations. There are no other amendments to the original report.

BED BATH & BEYOND INC. AND SUBSIDIARIES

INDEX

PART I - FINANCIAL INFORMATION

Item 1. Financial Statements

Consolidated Balance Sheets

November 27, 2004 (unaudited) and February 28, 2004

Consolidated Statements of Earnings

Three Months and Nine Months Ended November 27, 2004 (unaudited)
and November 29, 2003 (unaudited)

Consolidated Statements of Cash Flows

Nine Months Ended November 27, 2004 (unaudited)
and November 29, 2003 (unaudited)

Notes to Consolidated Financial Statements (unaudited)

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

Item 3. Quantitative and Qualitative Disclosures about Market Risk

Item 4. Controls and Procedures

PART II - OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K

Signatures

Exhibit Index

Certifications

BED BATH & BEYOND INC. AND SUBSIDIARIES

*Consolidated Balance Sheets**(in thousands, except per share data)*

	November 27, 2004 <i>(unaudited)</i>	February 28, 2004
Assets		
Current assets:		
Cash and cash equivalents	\$ 781,922	\$ 825,015
Short term investment securities	186,854	41,580
Merchandise inventories	1,213,785	1,012,334
Other current assets	125,639	90,357
Total current assets	2,308,200	1,969,286
Long term investment securities	331,556	210,788
Property and equipment, net	558,496	516,164
Goodwill	147,559	147,269
Other assets	21,148	21,516
	\$ 3,366,959	\$ 2,865,023
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 518,817	\$ 398,650
Accrued expenses and other current liabilities	265,505	273,851
Merchandise credit and gift card liabilities	73,442	63,188
Income taxes payable	27,259	33,845
Total current liabilities	885,023	769,534
Deferred rent and other liabilities	114,756	104,669
Total liabilities	999,779	874,203
Shareholders' equity:		
Preferred stock - \$0.01 par value; authorized - 1,000 shares; no shares issued or outstanding		
Common stock - \$0.01 par value; authorized - 900,000 shares; issued and outstanding - November 27, 2004, 302,606 shares and February 28, 2004, 300,278 shares		
	3,026	3,003
Additional paid-in capital	485,757	433,404
Retained earnings	1,878,397	1,554,413
Total shareholders' equity	2,367,180	1,990,820
	\$ 3,366,959	\$ 2,865,023

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES*Consolidated Statements of Earnings*
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	November 27, 2004	November 29, 2003	November 27, 2004	November 29, 2003
Net sales	\$ 1,305,155	\$ 1,174,740	\$ 3,680,032	\$ 3,180,053
Cost of sales	757,003	687,753	2,144,277	1,866,741
Gross profit	548,152	486,987	1,535,755	1,313,312
Selling, general and administrative expenses	357,174	325,528	1,026,962	905,536
Operating profit	190,978	161,459	508,793	407,776
Interest income	4,889	1,965	11,663	7,219
Earnings before provision for income taxes	195,867	163,424	520,456	414,995
Provision for income taxes	73,940	62,918	196,472	159,773
Net earnings	\$ 121,927	\$ 100,506	\$ 323,984	\$ 255,222
Net earnings per share - Basic	\$ 0.40	\$ 0.34	\$ 1.08	\$ 0.86
Net earnings per share - Diluted	\$ 0.40	\$ 0.33	\$ 1.06	\$ 0.84
Weighted average shares outstanding - Basic	301,409	297,279	300,868	296,018
Weighted average shares outstanding - Diluted	307,557	305,156	306,878	304,122

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Consolidated Statements of Cash Flows
(in thousands, unaudited)

	Nine Months Ended	
	November 27, 2004	November 29, 2003
Cash Flows from Operating Activities:		
Net earnings	\$ 323,984	\$ 255,222
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	69,957	60,686
Amortization of bond premium	988	1,079
Tax benefit from exercise of stock options	24,898	43,691
Deferred income taxes	1,607	2,575
(Increase) decrease in assets, net of effect of acquisition:		
Merchandise inventories	(201,451)	(182,532)
Other current assets	(30,417)	(24,799)
Other assets	305	(6,998)
Increase (decrease) in liabilities, net of effect of acquisition:		
Accounts payable	120,167	150,131
Accrued expenses and other current liabilities	(1,823)	25,014
Merchandise credit and gift card liabilities	10,254	8,775
Income taxes payable	(6,586)	(44,523)
Deferred rent and other liabilities	3,410	12,555
Net cash provided by operating activities	315,293	300,876
Cash Flows from Investing Activities:		
Purchase of investment securities	(400,578)	(222,224)
Redemption of investment securities	133,548	252,770
Payment for acquisition, net of cash acquired		(175,487)
Capital expenditures	(112,167)	(79,168)
Net cash used in investing activities	(379,197)	(224,109)
Cash Flows from Financing Activities:		
Proceeds from exercise of stock options	27,478	49,109
Payment of deferred purchase price for acquisition	(6,667)	
Prepayment of acquired debt		(21,215)
Net cash provided by financing activities	20,811	27,894
Net (decrease) increase in cash and cash equivalents	(43,093)	104,661
Cash and cash equivalents:		
Beginning of period	825,015	515,670
End of period	\$ 781,922	\$ 620,331

See accompanying Notes to Consolidated Financial Statements.

BED BATH & BEYOND INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements

(unaudited)

1) Basis of Presentation

The accompanying consolidated financial statements, except for the February 28, 2004 consolidated balance sheet, have been prepared without audit. In the opinion of management, the accompanying consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position of Bed Bath & Beyond Inc. and subsidiaries (the Company) as of November 27, 2004 and February 28, 2004 and the results of its operations for the three months and nine months ended November 27, 2004 and November 29, 2003, respectively, and its cash flows for the nine months ended November 27, 2004 and November 29, 2003, respectively. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements are presented in accordance with the requirements for Form 10-Q and consequently do not include all the disclosures normally required by accounting principles generally accepted in the United States of America. Reference should be made to Bed Bath & Beyond Inc.'s Annual Report on Form 10-K for the fiscal year ended February 28, 2004 for additional disclosures, including a summary of the Company's significant accounting policies.

The Company exhibits less seasonality than many other retail businesses, although sales levels are generally higher in August, November and December and generally lower in February and March.

Operating results of the Company on a quarterly basis may not be indicative of operating results for the full year.

Certain reclassifications have been made to the fiscal 2003 consolidated financial statements to conform to the fiscal 2004 consolidated financial statement presentation.

2) Recently Adopted Accounting Pronouncements

In November 2003, the Financial Accounting Standards Board (FASB) ratified the Emerging Issues Task Force's (EITF) consensus on Issue 03-10, which amends EITF 02-16. This consensus requires that if certain criteria are met, consideration received by a reseller in the form of reimbursement from a vendor for honoring the vendor's sales incentives offered to consumers, such as manufacturer's coupons and rebates offered to consumers, should not be recorded as a reduction of the cost of the reseller's purchases from the vendor. The Company adopted EITF 03-10 at the beginning of fiscal 2004. The adoption of EITF 03-10 did not have a material impact on the Company's consolidated financial statements.

In December 2003, the FASB issued FASB Interpretation (FIN) 46R, Consolidation of Variable Interest Entities. FIN 46R replaces FIN 46 and addresses consolidation by business enterprises of variable interest entities. The provisions of FIN 46R are effective for the first reporting period that

ends after December 15, 2003 for variable interests in those entities commonly referred to as special purpose entities. Application of the provisions of FIN 46R for all other entities is effective for the first reporting period ending after March 15, 2004. The adoption of FIN 46R did not have a material impact on the Company's consolidated financial statements.

3) Stock-Based Compensation

As permitted under Statement of Financial Accounting Standard (SFAS) No. 148, Accounting for Stock-Based Compensation Transition and Disclosure, the Company elected not to adopt the fair value based method of accounting for its stock-based compensation plans, but continues to apply the provisions of Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB No. 25). The Company has complied with the disclosure requirements of SFAS No. 148.

Accordingly, no compensation cost has been recognized in connection with the stock option plans. Set forth below are the Company's net earnings and net earnings per share as reported, and as if compensation cost had been recognized (pro forma) in accordance with the fair value provisions of SFAS No. 148:

(in thousands, except per share data)	Three Months Ended		Nine Months Ended	
	November 27, 2004	November 29, 2003	November 27, 2004	November 29, 2003
Net earnings:				
As reported	\$ 121,927	\$ 100,506	\$ 323,984	\$ 255,222