

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended October 29, 1994 Commission file number 1-8897

CONSOLIDATED STORES CORPORATION

A Delaware Corporation  
IRS No. 06-1119097  
1105 North Market Street, Suite 1300  
P.O. Box 8985  
Wilmington, Delaware 19899  
(302) 478-4896

Indicate 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, and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

The number of shares of Common Stock \$.01 par value per share, outstanding as of November 29, 1994, was 46,823,933 and there were no shares of Non-Voting Common Stock, \$.01 par value per share outstanding at that date.

CONSOLIDATED STORES CORPORATION  
QUARTERLY REPORT ON FORM 10-Q

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CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands)

	October 29, 1994	January 29, 1994*
=====		
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 16,258	\$ 24,873
Accounts receivable	6,997	4,865
Inventories	385,634	252,880
Prepaid expenses and deferred income taxes	34,728	28,211
-----		
Total current assets	443,617	310,829
-----		
Property and equipment - net	162,664	147,848
Other assets	6,351	9,543
-----		
	\$612,632	\$468,220
=====		
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Notes payable and current maturities of long-term obligations	\$ 34,600	\$ --
Accounts payable	119,147	81,545
Accrued liabilities and income taxes	36,777	54,755
-----		
Total current liabilities	190,524	136,300
-----		
Long-term obligations, less current maturities	120,000	50,000
Deferred income taxes and other liabilities	25,150	23,385
Stockholders' equity:		
Preferred stock - authorized 2,000,000 shares, \$.01 par value; none issued	--	--
Common stock - authorized 90,000,000 shares, \$.01 par value; shares issued 46,807,273 and 46,485,428, respectively	468	465
Non-voting common stock - authorized 8,000,000 shares, \$.01 par value; none issued	--	--
Additional paid-in capital	93,212	89,817
Retained earnings	182,647	165,479
Other adjustments	631	2,774
-----		
Total stockholders' equity	276,958	258,535
-----		
	\$612,632	\$468,220
=====		

\* Condensed from audited financial statements.

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(In thousands, except earnings per share data)

	Thirteen weeks ended		Thirty-nine weeks ended	
	October 29, 1994	October 30, 1993	October 29, 1994	October 30, 1993
=====	=====	=====	=====	=====
Sales	\$310,108	\$261,058	\$825,200	\$705,678
Costs and expenses:				
Cost of sales	174,484	145,999	470,239	398,007
Selling and administrative expenses	119,188	102,117	321,297	279,593
Interest expense	2,600	1,713	5,382	4,575
Other - net	149	(106)	(817)	(1,039)
-----	-----	-----	-----	-----
	296,421	249,723	796,101	681,136
-----	-----	-----	-----	-----
Income before income taxes	13,687	11,335	29,099	24,542
Income taxes	5,612	4,533	11,931	9,819
-----	-----	-----	-----	-----
Net income	\$ 8,075	\$ 6,802	\$ 17,168	\$ 14,723
=====	=====	=====	=====	=====
Income per common and common equivalent share	\$ .17	\$ .14	\$ .36	\$ .31
=====	=====	=====	=====	=====
Weighted average number of common and common equivalent shares outstanding	48,076	48,026	48,037	47,913
=====	=====	=====	=====	=====

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

	Thirty-nine weeks ended	
	October 29, 1994	October 30, 1993
=====		
Cash provided by (used for) operations:		
Net income	\$ 17,168	\$ 14,723
Items not effecting cash:		
Depreciation and amortization	18,793	17,051
Deferred income taxes	(3,442)	1,491
Other	591	7,419
Changes in assets and liabilities	(115,283)	(93,134)
Net cash used for operations	(82,173)	(52,450)
-----		
Cash provided by (used for) investment activities:		
Capital expenditures	(34,860)	(35,738)
Other	(15)	308
Net cash used for investment activities	(34,875)	(35,430)
-----		
Cash provided by financing activities:		
Net proceeds from credit agreements	104,600	63,500
Exercise of stock options	726	811
Increase in deferred credits	3,107	--
Net cash provided by financing activities	108,433	64,311
-----		
Decrease in cash	\$ (8,615)	\$(23,569)
=====		
Supplemental Data		
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Income taxes paid	\$ 24,752	\$ 14,642
Interest paid	\$ 7,595	\$ 6,053

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

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1 - Basis of Presentation

The condensed consolidated balance sheet at October 29, 1994, and the condensed consolidated statements of income and statements of cash flows for the thirteen and thirty-nine week periods ended October 29, 1994, have been prepared by the Company without audit. In the opinion of management, all adjustments necessary to present fairly the financial position, results of operations, and cash flows at October 29, 1994, and for all periods presented have been made. Such adjustments consisted only of normal recurring items.

Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been omitted or condensed. It is suggested that the condensed consolidated financial statements be read in conjunction with the financial statements and notes thereto included in the Company's Annual Report for the year ended January 29, 1994. The results of operations for the period ended October 29, 1994, may not necessarily be indicative of the operating results for the full year.

Note 2 - Earnings Per Common and Common Equivalent Share

Earnings per common and common equivalent share are based on the weighted average number of shares outstanding during each period which includes the additional number of shares which would have been issued upon exercise of stock options assuming that the Company used the proceeds received to purchase additional shares at market value.

CONSOLIDATED STORES CORPORATION AND SUBSIDIARIES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

TRENDS. The Company is a leading retailer and wholesaler of closeout merchandise. At October 29, 1994, retail operations were conducted through 483 ODD LOTS/BIG LOTS and 22 iTZADEAL! specialty retail stores, 158 ALL FOR ONE single price point retail stores and 82 TOY LIQUIDATORS/TOYS UNLIMITED STORES (TOYS) discount toy stores. In comparison, there were 428 ODD LOTS/BIG LOTS and 173 ALL FOR ONE stores in operation at the end of the 1993 third quarter. Wholesale operations are conducted under the name of CONSOLIDATED INTERNATIONAL and WISCONSIN TOY. It is anticipated 55 net new ODD LOTS/BIG LOTS and 20 to 30 iTZADEAL! stores will be opened in fiscal 1994. A summary of change in the number of stores in operation is presented below.

	Beginning of Year	Opened	Closed	Format Conversion*	End of Quarter
<hr/>					
1994					
ODD LOTS/BIG LOTS	432	65	(14)	--	483
ALL FOR ONE	177	--	(8)	(11)	158
iTZADEAL!	--	11	--	11	22
TOYS**	--	82	--	--	82
<hr/>					
	609	158	(22)	--	745
<hr/>					
1993					
ODD LOTS/BIG LOTS	381	61	(14)	--	428
ALL FOR ONE	160	16	(3)	--	173
iTZADEAL!	--	--	--	--	--
TOYS	--	--	--	--	--
<hr/>					
	541	77	(17)	--	601
<hr/>					

\* Converted from ALL FOR ONE single price point format to iTZADEAL! merchandising concept.

\*\* Acquired certain assets on May 18, 1994.

The Company's retail business is somewhat seasonal. Due to the holiday season, the fourth quarter generally reflects higher net sales and net income than the other quarters. The first quarter is usually the least profitable reflecting the traditional slow retail sales period following the holiday season. Quarterly fluctuations in inventory balances are normal reflecting the opportunistic purchases available at any given time and the expansion of the Company's store base. Historically, on a per store basis, inventory levels are lower at the end of the fiscal year and build through the remaining three quarters of the year to a peak level in the third quarter. Accounts payable generally follow a trend similar to inventories.

SALES. Net sales in the third quarter of 1994 increased 18.8% to \$310.1 million from \$261.1 million. For the thirty-nine weeks ended October 29, 1994, net sales increased 16.9% to \$825.2 million. Reflected in the quarterly and year-to-date sales gains are increases in net retail sales of 18.5% and 16.6%, respectively. The year to date sales volume reflects the negative impact in each first

RESULTS OF OPERATIONS - (Continued)

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quarter of severe winter storms in many of the Company's market areas in addition to the expansion of the Company's retail store base. For 1994 comparable store sales for stores open two full years at the beginning of fiscal 1994 increased 2.0% in the third quarter and were even for the thirty-nine week period. In the prior year comparable store sales increased 4.0% in the third quarter and were a positive 2.2% for the year to date period.

GROSS PROFIT. Gross profit, as a percentage of net sales, was 43.7% for the third quarter of 1994 and 43.0% for the year-to-date period. In contrast gross profit percentages in the preceding year were 44.1% and 43.6%, respectively. Retail gross profit in the third quarter of 1994 and 1993 were 44.2% and 44.6%, respectively. For the first nine months of 1994 retail gross profit was 43.4% compared to 44.0% in the prior year. The decline in gross profit percentage is primarily attributable to markdowns associated with softlines offset slightly by benefits realized from inventory control programs.

SELLING AND ADMINISTRATIVE EXPENSES. Selling and administrative expenses as a percent of net sales were 38.4% and 39.1% in the third quarters of 1994 and 1993, respectively. For the thirty-nine week periods of 1994 and 1993 selling and administrative expenses were 38.9% and 39.6% of net sales. The improvement reflects the reduction of previously recognized operating expenses, leverage from store growth on corporate fixed expenses, the benefits of implemented cost controls, and general operating efficiencies.

INTEREST EXPENSE. Interest expense increased \$0.9 million in the third quarter of 1994 compared to the same 1993 period. This rise reflects an increase in the weighted average seasonal borrowings and higher effective interest rates on seasonal borrowings offset to some extent by the benefit of capitalized interest associated with the construction of a addition to the Company's warehouse facility.

INCOME TAXES. The Company's effective income tax rate has increased from 40.0% in fiscal 1993 to 41.0% in 1994. The increase represents higher tax rates in certain states which the Company operates, the utilization of state operating loss carryforwards and a reduction in the benefits from Targeted Jobs Tax Credits.

LIQUIDITY AND CAPITAL RESOURCES

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Financing for store expansion, capital expenditure programs, and seasonal operating requirements are financed by internally generated funds and available credit facilities. The Company has a \$90 million revolving credit facility through June 1, 1996, and a \$50 million letter of credit facility through June 1, 1995. Seasonal increases in the revolving credit and letter of credit facility to \$110 million and \$75 million, respectively are available. Additional uncommitted credit facilities totaling \$55 million are utilized as needed. Availability under all credit agreements, including seasonal increases, at October 29, 1994, totaled \$100.3 million. The Company believes that sufficient amounts of capital resources are available, or readily obtainable, to achieve both short-term plans and long-term goals.



## PART II - OTHER INFORMATION

- Item 1. Legal Proceedings. Not applicable.
- Item 2. Changes in securities. Not applicable.
- Item 3. Defaults Upon Senior Securities. Not applicable.
- Item 4. Submission of Matters to a Vote of Security Holders.

No matter was submitted during the third quarter of the fiscal year covered by this report to a vote of security holders.

- Item 5. Other Information. Not applicable.
- Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits.

Exhibit No.	Document
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27	Financial Data Schedule
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(b) Reports on Form 8-K. None

## SIGNATURES

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 thereunto duly authorized.

CONSOLIDATED STORES CORPORATION

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(Registrant)

Dated: November 29, 1994

By: /s/ Michael J. Potter

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Senior Vice President, Chief  
Financial Officer and Chief  
Accounting Officer

9-MOS  
JAN-28-1995  
OCT-29-1994  
16,258  
0  
6,997  
0  
385,634  
443,617  
274,908  
112,244  
612,632  
190,524  
120,000  
468  
0  
0  
276,490  
612,632  
825,200  
825,200  
470,239  
470,239  
(817)  
0  
5,382  
29,099  
11,931  
17,168  
0  
0  
0  
17,168  
.36  
.36