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DILLARDS INC
Form 8-K
November 08, 2004

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 1, 2004

DILLARD'S, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction
of incorporation)

1-6140
(Commission File Number)

71-038807
(IRS Em
Identifica

1600 CANTRELL ROAD, LITTLE ROCK, ARKANSAS
(Address of principal executive offices)

72201
(Zip Code)

(501) 376-5200
(Registrant's telephone number, including area code)

Not Applicable
(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:

- 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))

Item 2.01. Completion of Acquisition or Disposition of Assets.

On November 1, 2004, Dillard's, Inc. ("Dillard's" or the "Company") and Dillard National Bank, the private label credit card subsidiary of Dillard's ("DNB"), completed the sale of substantially all of the assets of DNB to GE Consumer Finance ("GE Consumer") for approximately \$1.1 billion, which amount includes the assumption of \$400 million of securitization liabilities, the purchase of owned accounts receivable and a premium. Dillard's and GE Consumer have also formed a long-term marketing and servicing alliance under a Private Label Credit Card Program Agreement having an initial term of ten years. Dillard's issued a press release announcing the closing of the disposition and the alliance on November 1, 2004. This press release was previously filed as an exhibit on a current report on Form 8-K filed on November 2, 2004 and is incorporated herein by reference.

Item 9. 01 Financial Statements and Exhibits.

(b) Pro Forma Financial Information.

The following Unaudited Pro Forma Condensed Consolidated Financial Information gives effect to the sale of the Company's private label credit card business and the entering into of a long-term marketing and servicing alliance (the Transaction) with GE Consumer. The Unaudited Pro Forma Condensed Consolidated Balance Sheet Information is derived from the unaudited consolidated balance sheet of the Company as of July 31, 2004 and assumes the Transaction was consummated on July 31, 2004 (as of the last day of the six month period ended July 31, 2004). The Unaudited Pro Forma Consolidated Statements of Operations Information gives effect to the disposition of the private label credit card business for the six month period ended July 31, 2004 and for the fiscal year ended January 31, 2004 as if the disposition occurred on February 2, 2003 (as of the first day of the Company's 2003 fiscal year).

The Unaudited Pro Forma Condensed Consolidated Financial Information is presented for illustrative purposes only, and therefore is not necessarily indicative of the operating results and financial position that might have been achieved had the transaction occurred as of an earlier date, nor is the information necessarily indicative of operating results and financial position that may occur in the future. The Unaudited Pro Forma Condensed Consolidated Financial Information is prepared utilizing the general assumptions that it is no longer necessary to report any of the accounts receivable balances nor is it necessary to report the Transaction as a discontinued operation. The Company is still in the process of finalizing its accounting treatment for the Transaction.

The Unaudited Pro Forma Condensed Consolidated Financial Information does not reflect the use of the net cash proceeds on the Company's ongoing results of operations and its future financial position. The Company anticipates that the net cash proceeds will be used to reduce debt outstanding, repurchase its common stock and for other general corporate purposes.

Under the long-term marketing and servicing alliance, GE Consumer will provide a range of services, including marketing support and customer care, to the cardholders. As part of the alliance, the Company and GE Consumer will share in the income generated by the long-term marketing and serving alliance.

The Unaudited Pro Forma Condensed Consolidated Financial Information should be read in conjunction with the historical consolidated financial statements and notes thereto in (1) the Annual Report on Form 10-K for the year ended January 31, 2004 and (2) the Quarterly Reports on Form 10-Q for the periods ended May 1, 2004 and July 31, 2004.

Forward-looking Statements

The foregoing contains certain forward-looking statements within the definition of federal securities laws. Statements made in this report regarding the Company's anticipated use of proceeds from the Transaction and the anticipated sharing of income under the long-term marketing and servicing alliance are forward-looking statements. The Company cautions that forward-looking statements, as such term is defined in the Private Securities Litigation Reform Act of 1995, contained in this report are based on estimates, projections, beliefs and assumptions of management at the time of such statements and are not guarantees of future performance. The Company disclaims any obligation to update or revise any forward-looking statements based on the occurrence of future events, the receipt of new information, or otherwise. Forward-looking statements of the Company involve risks and uncertainties and are subject to change based on various important factors. Actual future performance, outcomes and results may differ materially from those expressed in forward-looking statements made by the Company and its management as a result of a number of risks, uncertainties and assumptions. Representative examples of those factors (without limitation) include general retail industry conditions and macro-economic conditions; economic and weather conditions for regions in which the Company's stores are located and the effect of these factors on the buying patterns of the Company's

customers; the performance of the related credit card portfolio and the resulting effect on the income shared under the long-term marketing and servicing alliance; the impact of competitive pressures in the department store industry and other retail channels including specialty, off-price, discount, internet, and mail-order retailers; potential disruption from terrorist activity; world conflict and the possible impact on consumer spending patterns; and other economic and demographic changes of similar or dissimilar nature.

Unaudited Pro Forma Condensed Consolidated Balance Sheet Information

(Amounts in Thousands)

	<u>July 31, 2004</u>	<u>Pro Forma Adjustments</u>
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 82,787	\$ 604,914
Accounts receivable	1,036,566	(1,036,156)
Merchandise inventories	1,723,319	-
Other current assets	32,334	(419)
Total current assets	2,875,006	(431,661)
Property and Equipment	3,146,779	(2,242)
Goodwill	36,731	
Other Assets	171,485	(866)
Total Assets	\$ 6,230,001	\$ (434,769)
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade accounts payable and accrued expenses	\$ 731,389	\$ 1,589
Other short term borrowings	122,000	(122,000)
Current portion of long-term debt and capital lease obligations	257,184	-
Federal and state income taxes	113,566	30,831
Total current liabilities	1,224,139	(89,580)
Long-term Debt & Capital Lease Obligations	1,772,223	(400,000)
Other Liabilities	150,407	-
Deferred Income Taxes	616,328	-
Guaranteed Preferred Beneficial Interests in the Company's Subordinated Debentures	200,000	-
Stockholders' Equity:		

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Common Stock	1,174	-
Additional paid-in capital	722,740	-
Accumulated other comprehensive loss	(11,281)	-
Retained earnings	2,222,659	54,811
Less treasury stock, at cost	(668,388)	-
Stockholders' equity	2,266,904	54,811
Total Liabilities and Stockholders' Equity	\$ 6,230,001	\$ (434,769)

Notes to Unaudited Pro Forma Condensed Consolidated Balance Sheet Information:

- (1) To reflect the cash proceeds, net of the required payment of the short-term credit card financing conduit, resulting from the transaction assuming the transaction closed on July 31, 2004
- (2) To reflect the removal of the assets of the Company's private label credit card business, including proprietary credit card receivable, prepaid services, property and equipment and the elimination of deferred financing costs associated with the assumption of the Company's credit card receivable financing conduit.
- (3) To reflect the accrual of certain transaction costs, net of the removal of assumed liabilities of the Company's private label credit card business.
- (4) To reflect the required payment of the outstanding balance of the Company's credit card financing conduit.
- (5) To reflect estimated current and deferred income taxes payable related to the transaction. (6) To reflect the assumption of the long-term credit card financing conduit by GE Consumer. (7) To reflect the estimated after-tax gain on the transaction.

Dillard's, Inc.

Unaudited Pro Forma Consolidated Statement of Operations Information (Amounts in Thousands, Except Per Share Data)

	Six Month Ended July 31, 2004	Remove Historical Amounts (1)	Pro Forma Adjustments
Net Sales	\$3,525,775	\$ -	\$ -
Service Charges, Interest, and Other	116,159	(99,790)	37,315
	3,641,934	(99,790)	37,315
Cost of sales	2,333,346	-	(7,337)
Advertising, selling, administrative and general expenses	1,009,908	(32,313)	(3,743)
Depreciation and amortization	148,486	(284)	-
Rentals	26,658	-	-
Interest and debt expense	75,518	(7,627)	-
Impairment charges	4,680	-	-
	3,598,596	(40,224)	(11,080)

Unaudited Pro Forma Consolidated Statement of Operations Information (Amounts in Thousands, Except Per Share

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Income Before Income Taxes	43,338	(59,566)	48,395
Income Taxes	15,605	(21,444)	17,422
Net income	\$27,733	(38,122)	\$30,973
Earnings Per Share:			
Basic	\$0.33		
Diluted	0.33		

Notes to Pro Forma Consolidated Statement of Operations Information:

- (1) To reflect the removal of the historical operating results of the Company's private label credit card business, including finance charge income and fees, operating expenses, interest associated with the assumed debt, and the associated tax effect at the Company's annual effective tax rate of 36%.
- (2) To reflect the estimated ongoing revenue earned under the long-term marketing and servicing alliance entered into with GE Consumer.
- (3) To reflect the estimated reimbursement of costs under the long-term marketing and servicing alliance entered into with GE Consumer.
- (4) To reflect the tax effect of the above items at the Company's annual effective income tax rate of 36%.

Dillard's, Inc.

Unaudited Pro Forma Consolidated Statement of Operations Information(Amounts in Thousands, Except Per Share Data)

	Year Ended January 31, 2004	Remove Historical Amounts (1)	Pro Forma Adjustments
Net Sales	\$7,598,934	\$ -	\$ -
Service Charges, Interest, and Other	264,734	(211,688)	71,546
	7,863,668	(211,688)	71,546
Cost of sales	5,170,173	-	(15,542)
Advertising, selling, administrative and general expenses	2,097,947	(88,885)	(8,748)
Depreciation and amortization	290,661	(407)	-
Rentals	64,101	-	-
Interest and debt expense	181,065	(13,973)	-
Impairment charges	43,727	-	-
	7,847,674	(103,265)	(24,290)
Income Before Income Taxes	15,994	(108,423)	95,836
Income Taxes	6,650	(39,032)	34,501
Net income	\$9,344	(\$69,391)	\$61,335

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Earnings Per Share:

Basic	\$0.11
Diluted	0.11

Notes to Pro Forma Consolidated Statement of Operations Information:

- (1) To reflect the removal of the historical operating results of the Company's private label business, including finance charge income and fees, operating expenses, interest associated with assumed debt, and the associated tax effect at the Company's annual effective tax rate of 35%.
- (2) To reflect the estimated ongoing revenue earned under the long-term marketing and service agreements entered into with GE Consumer.
- (3) To reflect the estimated reimbursement of costs under the long-term marketing and service agreements entered into with GE Consumer.
- (4) To reflect the tax effect of the above items at the Company's annual effective income tax rate of 35%.

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.

Date: November 5, 2004

THE DILLARD'S, INC.

By: /s/ James I. Freeman

Name: James I. Freeman
Title: Senior Vice-President and Chief
Financial Officer