

MICHAELS STORES INC
Form 10-Q
August 30, 2013
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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

WASHINGTON, DC 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 August 3, 2013

OR

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 001-09338

MICHAELS STORES, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

75-1943604
(I.R.S. employer
identification number)

8000 Bent Branch Drive

Irving, Texas 75063

(Address of principal executive offices, including zip code)

(972) 409-1300

(Registrant's telephone number, including area code)

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 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 <input type="radio"/>	Accelerated filer <input type="radio"/>
Non-accelerated filer <input checked="" type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input type="radio"/>

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

As of August 26, 2013, 100 shares of the Registrant's Common Stock were outstanding.

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*The Registrant has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934, but is not required to file such reports under such sections.

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Part I FINANCIAL INFORMATION

Item 1. Financial Statements.

MICHAELS STORES, INC.

CONSOLIDATED BALANCE SHEETS

(in millions, except share data)

(Unaudited)

	August 3, 2013	February 2, 2013	July 28, 2012
ASSETS			
Current assets:			
Cash and equivalents	\$ 51	\$ 56	\$ 113
Merchandise inventories	905	865	922
Prepaid expenses and other	96	86	89
Deferred income taxes	37	37	42
Income tax receivable	34	3	27
Total current assets	1,123	1,047	1,193
Property and equipment, at cost			
	1,542	1,502	1,438
Less accumulated depreciation and amortization	(1,195)	(1,164)	(1,112)
Property and equipment, net	347	338	326
Goodwill			
	94	94	95
Debt issuance costs, net of accumulated amortization of \$54, \$54, and \$82, respectively			
	40	46	51
Deferred income taxes			
	13	13	18
Other assets			
	5	3	3
Total non-current assets	152	156	167
Total assets	\$ 1,622	\$ 1,541	\$ 1,686
LIABILITIES AND STOCKHOLDERS DEFICIT			
Current liabilities:			
Accounts payable	\$ 289	\$ 263	\$ 277
Accrued liabilities and other	338	367	351
Current portion of long-term debt	238	150	1
Deferred income taxes	4	4	1
Income taxes payable	1	40	2
Total current liabilities	870	824	632
Long-term debt			
	2,882	2,891	3,363
Deferred income taxes			
	2	2	11
Other long-term liabilities			
	81	83	86
Total long-term liabilities	2,965	2,976	3,460
Total liabilities	3,835	3,800	4,092

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Commitments and contingencies

Stockholders' deficit:

Common Stock, \$0.10 par value, 100 shares authorized; 100 shares issued and outstanding

Additional paid-in capital	60	61	62
Accumulated deficit	(2,277)	(2,326)	(2,474)
Accumulated other comprehensive income	4	6	6
Total stockholders' deficit	(2,213)	(2,259)	(2,406)
Total liabilities and stockholders' deficit	\$ 1,622	\$ 1,541	\$ 1,686

See accompanying notes to consolidated financial statements.

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MICHAELS STORES, INC.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in millions)

(Unaudited)

	Quarter Ended		Six Months Ended	
	August 3,	July 28,	August 3,	July 28,
	2013	2012	2013	2012
Net sales				