

TILE SHOP HOLDINGS, INC.
Form 10-Q
November 09, 2012

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 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 September 30, 2012

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: 001-35629

TILE SHOP HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation)	45-5538095 (I.R.S. Employer Identification No.)
14000 Carlson Parkway Plymouth, Minnesota (Address of principal executive offices)	55441 (Zip Code)

(763) 852-2901

(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. (Check one):

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Large accelerated filer Accelerated filer x

Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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

As of November 7, 2012, there were 42,981,985 shares of the registrant's common stock, par value \$0.0001 per share, outstanding.

TILE SHOP HOLDINGS, INC.

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PART I. FINANCIAL INFORMATION**ITEM 1. FINANCIAL STATEMENTS****Tile Shop Holdings, Inc. and Subsidiaries**

Condensed Consolidated Balance Sheets
as of September 30, 2012, and December 31, 2011
(unaudited)

	September 30, 2012	December 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,960,648	\$ 6,283,477
Restricted cash	1,000,000	-
Trade receivables, net	1,096,958	738,814
Inventories	40,662,276	43,743,872
Prepaid expenses	7,450,564	3,838,402
Note receivable from member	-	1,205,134
Deferred tax asset - current	5,216,960	-
Other current assets	428,766	381,631
Total current assets	61,816,172	56,191,330
Property, plant and equipment, net	71,302,603	62,065,287
Deferred tax asset	27,906,640	-
Other assets	804,466	748,876
TOTAL ASSETS	161,829,881	\$ 119,005,493
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,639,145	\$ 10,317,497
Current portion of long term debt	360,000	559,286
Accrued wages and salaries	2,541,262	2,617,219
Other accrued liabilities	4,350,768	3,399,474
Current portion of capital lease obligation	225,399	194,200
Current portion of promissory note including accrued interest	3,805,846	-
Deferred compensation	6,014,470	-
Distributions payable to members	-	4,251,346
Total current liabilities	32,936,890	21,339,022
Long-term debt	1,085,000	2,445,000
Capital lease obligation	1,479,460	1,654,448
Deferred rent	17,751,439	15,583,409
Promissory note	66,271,111	-
Deferred compensation and other liabilities	-	2,836,683

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TOTAL LIABILITIES	119,523,900	43,858,562
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value 0.0001; authorized: 100,000,000 shares; issued: 42,891,985 shares	4,289	3,200
Preferred stock, par value 0.0001; authorized: 10,000,000 shares; issued: 0 shares	-	-
Additional paid-in-capital	18,983,990	8,174,685
Treasury units	-	(261,168)
Retained earnings	23,317,702	67,230,214
Total stockholders' equity	42,305,981	75,146,931
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 161,829,881	\$ 119,005,493

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

Tile Shop Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Income
for the three months and nine months ended September 30, 2012 and 2011
(unaudited)

	Three months ended September 30		Nine months ended September 30	
	2012	2011	2012	2011
Net sales	\$ 44,288,400	\$ 37,083,846	\$ 136,463,028	\$ 115,014,677
Cost of sales	12,196,858	9,872,598	37,025,108	30,297,496
Gross profit	32,091,542	27,211,248	99,437,920	84,717,181
Selling, general and administrative expenses	23,899,183	19,992,329	68,605,613	58,224,776
Deferred compensation expense	2,623,739	373,542	3,896,799	966,439
Income from operations	5,568,620	6,845,377	26,935,508	25,525,966
Interest expense	450,406	97,498	626,023	296,839
Other income (expense)	1,386	6,961	23,052	36,116
Income before income taxes	5,119,600	6,754,840	26,332,537	25,265,243
Benefit (provision) for income taxes	4,722,486	(153,172)	4,298,866	(578,603)
Net income	\$ 9,842,086	\$ 6,601,668	\$ 30,631,403	\$ 24,686,640
Weighted average basic shares outstanding	36,581,888	32,000,000	33,544,079	32,000,000
Weighted average diluted shares outstanding	36,582,944	32,000,000	33,544,079	32,000,000
Basic earnings per share	\$ 0.27	\$ 0.21	\$ 0.91	\$ 0.77
Diluted earnings per share	\$ 0.27	\$ 0.21	\$ 0.91	\$ 0.77
Pro forma computation related to conversion to C Corporation for income tax purposes				
Historical income before income taxes	\$ 5,119,600	\$ 6,754,840	\$ 26,332,537	\$ 25,265,243
Pro forma benefit (provision) for income taxes	(2,150,232)	(2,837,033)	(11,059,666)	(10,611,402)
Pro forma net income	\$ 2,969,368	\$ 3,917,807	\$ 15,272,871	\$ 14,653,841
Pro forma weighted average basic shares outstanding	42,536,387	42,534,884	42,535,391	42,534,884
Pro forma weighted average diluted shares outstanding	42,537,444	42,534,884	42,535,391	42,534,884
Pro forma basic earnings per share	\$ 0.07	\$ 0.09	\$ 0.36	\$ 0.34
Pro forma diluted earnings per share	\$ 0.07	\$ 0.09	\$ 0.36	\$ 0.34

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

Tile Shop Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Stockholders' Equity
for the year ended December 31, 2011 and the nine months ended September 30, 2012
(unaudited)

	Common stock		Additional paid- in- capital	Treasury units	Retained earnings	Total
	Shares	Amount				
Balance at January 1, 2011	32,000,000	\$ 3,200	\$ 8,258,685	\$(261,168)	\$61,436,401	\$69,437,118
Redemption of common units of Tile Shop LLC	-	-	(84,000)	-	(1,400,200)	(1,484,200)
Distributions to members of Tile Shop LLC	-	-	-	-	(24,165,867)	(24,165,867)
Net income	-	-	-	-	31,359,880	31,359,880
Balance at December 31, 2011	32,000,000	3,200	8,174,685	(261,168)	67,230,214	75,146,931
Merger of JWC Acquisition Corp	10,534,884	1,054	1,241,302	-	-	1,242,356
Issuance of promissory note	-	-	(17,282,304)	-	(52,488,806)	(69,771,110)
Distributions to members of Tile Shop LLC	-	-	-	-	(22,055,109)	(22,055,109)
Cancellation of treasury units	-	-	(261,168)	261,168	-	-
Issuance of restricted shares	295,000	30	(30)	-	-	-
Exercise of warrants	52,101	5	599,156	-	-	599,161
Stock based compensation	-	-	835,515	-	-	835,515
Expenses for recapitalization	-	-	(2,146,766)	-	-	(2,146,766)
Deferred income taxes	-	-	27,823,600	-	-	27,823,600
Net income	-	-	-	-	30,631,403	30,631,403
Balance at September 30, 2012	42,881,985	\$ 4,289	\$ 18,983,990	\$0	\$23,317,702	\$42,305,981

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

Tile Shop Holdings, Inc. and Subsidiaries

Condensed Consolidated Statements of Cash Flows
for the nine months ended September 30, 2012 and 2011

(unaudited)