

MICHAELS STORES INC  
Form 8-K  
March 08, 2002

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 12, 2001

MICHAELS STORES, INC.  
(Exact Name of Registrant as Specified in its Charter)

|   |  |  |
|---|--|--|
| DELAWARE<br>(State or Other Jurisdiction<br>of Incorporation) | 001-09338<br>(Commission<br>File Number) | 75-1943604<br>(IRS Employer<br>Identification No.) |
|---|--|--|

|   |                          |
|---|--------------------------|
| 8000 BENT BRANCH DRIVE<br>IRVING, TEXAS<br>(Address of Principal Executive Offices) | 75063-6041<br>(Zip Code) |
|---|--------------------------|

Registrant's telephone number, including area code: (972) 409-1300

ITEM 5. OTHER EVENTS.

(a) SELECTED FINANCIAL DATA.

On October 31, 2001, the Board of Directors of Michaels Stores, Inc. (the "Company") declared a two-for-one common stock split effected in the form of a stock dividend to stockholders of record as of the close of business on November 12, 2001, payable on November 26, 2001. The selected financial data set forth below reflects earnings per share amounts adjusted to reflect the stock split on a retroactive basis.

FISCAL YEAR

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|   | 2000        | (1) | (2) | 1999        | 1998        | 1997        | 1996        |
|---|-------------|-----|-----|-------------|-------------|-------------|-------------|
| (IN THOUSANDS EXCEPT PER SHARE AND STORE DATA)    |             |     |     |             |             |             |             |
| <b>RESULTS OF OPERATIONS:</b>                     |             |     |     |             |             |             |             |
| Net sales.....                                    | \$2,249,440 |     |     | \$1,882,522 | \$1,573,965 | \$1,456,524 | \$1,382,811 |
| Operating income (loss).....                      | 148,417     |     |     | 122,672     | 89,112      | 68,942      | 10,000      |
| Net income (loss).....                            | 78,589      |     |     | 62,301      | 43,601      | 30,077      | 1,000       |
| Diluted earnings (loss) per common share (4)..... | 1.15        |     |     | 1.00        | 0.71        | 0.52        | 0.01        |
| <b>BALANCE SHEET DATA:</b>                        |             |     |     |             |             |             |             |
| Cash and equivalents.....                         | \$ 28,191   |     |     | \$ 77,398   | \$ 96,124   | \$ 162,283  | \$ 162,283  |
| Merchandise inventories.....                      | 663,700     |     |     | 615,065     | 501,239     | 385,580     | 385,580     |
| Total current assets.....                         | 729,816     |     |     | 722,987     | 621,928     | 573,183     | 573,183     |
| Total assets.....                                 | 1,158,436   |     |     | 1,096,703   | 962,650     | 908,494     | 908,494     |
| Working capital.....                              | 440,808     |     |     | 452,011     | 391,227     | 358,691     | 358,691     |
| Long-term debt.....                               | 125,145     |     |     | 224,635     | 230,896     | 234,889     | 234,889     |
| Total liabilities.....                            | 453,790     |     |     | 529,905     | 481,671     | 466,583     | 466,583     |
| Stockholders' equity.....                         | 704,646     |     |     | 566,798     | 480,979     | 441,911     | 441,911     |
| <b>OTHER FINANCIAL DATA:</b>                      |             |     |     |             |             |             |             |
| Cash flow from operating activities....           | \$ 146,758  |     |     | \$ 60,770   | \$ 6,038    | \$ 77,907   | \$ 77,907   |
| Cash flow from investing activities....           | (120,084)   |     |     | (90,759)    | (59,567)    | (38,988)    | (38,988)    |
| Cash flow from financing activities....           | (75,881)    |     |     | 11,263      | (12,630)    | 64,295      | 64,295      |
| EBITDA (5).....                                   | 217,425     |     |     | 184,251     | 143,255     | 117,589     | 117,589     |
| <b>STORES OPEN AT END OF YEAR:</b>                |             |     |     |             |             |             |             |
| Michaels.....                                     | 628         |     |     | 559         | 496         | 452         | 452         |
| Aaron Brothers.....                               | 119         |     |     | 95          | 78          | 74          | 74          |
| Star Wholesale.....                               | 1           |     |     | -           | -           | -           | -           |
| Total stores open at end of year.....             | 748         |     |     | 654         | 574         | 526         | 526         |

- (1) Fiscal 2000 and 1996 were both 53-week fiscal years. All other fiscal years included in the above table were 52-week fiscal years.
- (2) Fiscal 2000 net income and diluted earnings per common share include the cumulative effect of a change in accounting principle, net of tax, in the amount of \$1.9 million, or \$0.06 per diluted share. EBITDA for fiscal 2000 includes the pretax cumulative effect of a change in accounting principle of \$3.1 million. See Note 2 of Notes to Consolidated Financial Statements included in the Company's Annual Report on Form 10-K for the fiscal year ended February 3, 2001.
- (3) Operating income in fiscal 1996 includes the effect of an unusual pre-tax charge of \$41.2 million for costs associated with the sale to liquidate merchandise that was eliminated following store resets, markdowns on discontinued furniture and other home decor merchandise, and reserves for the closure of four stores and the write-down of leasehold improvements in three stores.

- (4) On October 31, 2001, the Company's Board of Directors declared a two-for-one common stock split effected in the form of a stock dividend

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to stockholders of record as of the close of business on November 12, 2001, payable on November 26, 2001. All references to earnings per share amounts in the above table have been adjusted to reflect the stock split on a retroactive basis.

- (5) EBITDA is calculated as income before income taxes plus interest, depreciation, and amortization. EBITDA is presented because it is a widely accepted financial indicator of a company's ability to incur and service debt, but is not a financial measurement recognized by generally accepted accounting principles, and therefore, may not be comparable to similarly titled measures used by other entities. EBITDA should not be considered by an investor as an alternative to net income, as an indicator of the operating performance of the Company, or as an alternative to cash flow as a measure of liquidity.

(b) LITIGATION.

On February 1, 2002, the Company issued a press release announcing that its subsidiary, Aaron Brothers, Inc., has reached a tentative agreement to settle the COLLINS V. AARON BROTHERS, INC. lawsuit previously disclosed in the Company's periodic filings with the Securities and Exchange Commission. The settlement is subject to final documentation and court approval.

A copy of the press release is filed as Exhibit 99.1 to this Form 8-K.

ITEM 7. FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(c) EXHIBITS.

| Exhibit<br>Number<br>----- | Description<br>-----                   |
|----------------------------|--|
| 99.1                       | Press Release, dated February 1, 2002. |

### 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

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undersigned hereunto duly authorized.

MICHAELS STORES, INC.

By: /s/ Bryan M. DeCordova

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Bryan M. DeCordova, Executive Vice  
President -- Chief Financial Officer

Date: March 8, 2002

4

INDEX TO EXHIBITS

| Exhibit<br>Number<br>----- | Description<br>-----                   |
|----------------------------|--|
| 99.1                       | Press Release, dated February 1, 2002. |

5