FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 31, 2000

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 0-13283

REX Stores Corporation
(Exact name of registrant as specified in its charter)

Delaware	31-1095548
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)
2875 Needmore Road, Dayton, Ohio	45414
(Address of principal executive offices)	(Zip Code)

(937) 276-3931
(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, and (2) has been subject to such filing requirements for the past 90 days. Yes (X) No ( )

At the close of business on December 12, 2000, the registrant had 5,591,172 shares of Common Stock, par value $.01 per share, outstanding.

REX STORES CORPORATION AND SUBSIDIARIES

INDEX

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

A S S E T S

	October 31 2000	January 31 2000	October 31 1999
		(In Thousands)	
ASSETS:			
Cash and cash equivalents	$ 3,661	$ 25,609	$ 4,915
Accounts receivable, net	1,256	2,569	1,864
Merchandise inventory	185,358	139,267	172,712
Prepaid expenses and other	6,089	2,097	1,767
Equity investment in limited partnerships	--	--	407
Future income tax benefits	9,837	9,837	9,366
Total current assets	206,201	179,379	191,031
PROPERTY AND EQUIPMENT, NET	134,645	113,802	110,386
FUTURE INCOME TAX BENEFITS	8,835	8,835	8,109
RESTRICTED INVESTMENTS	2,143	2,020	1,962
Total assets	$351,824	$304,036	$311,488

LIABILITIES AND SHAREHOLDERS' EQUITY

	October 31 2000	January 31 2000	October 31 1999
CURRENT LIABILITIES:			
Notes payable	$ 77,958	$ --	$ 295
Current portion of long-term debt	3,895	3,303	2,278
Current portion, deferred income and deferred gain on sale and leaseback	11,158	11,219	11,201
Accounts payable, trade	44,111	46,252	54,910
Accrued income taxes	--	1,572	748
Accrued payroll	5,318	6,947	5,658

Liabilities and Shareholders' Equity (Continued)

Other current liabilities	9,372	9,330	10,594
Total current liabilities	151,812	78,623	85,684
LONG-TERM LIABILITIES:			
Long-term debt	55,837	46,200	42,756
Deferred income	15,971	16,423	15,904
Deferred gain on sale and leaseback	2,335	2,953	3,159
Total long-term liabilities	74,143	65,576	61,819
SHAREHOLDERS' EQUITY:			
Common stock	115	115	115
Paid-in capital	105,892	105,303	102,214
Retained earnings	103,750	93,663	84,019
Treasury stock	(83,888)	(39,244)	(22,363)
Total shareholders' equity	125,869	159,837	163,985
Total liabilities and shareholders' equity	$351,824	$304,036	$311,488

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

	Three Months Ended October 31		Nine Months Ended October 31	
	2000	1999	2000	1999
	(In Thousands, Except Per Share Amounts)			
NET SALES	$105,144	$102,432	$313,935	$309,227
COSTS AND EXPENSES:				
Cost of merchandise sold	76,611	74,651	227,881	224,134
Selling, general and administrative expenses	25,149	24,088	74,621	71,382
Total costs and expenses	101,760	98,739	302,502	295,516
INCOME FROM OPERATIONS	3,384	3,693	11,433	13,711
INVESTMENT INCOME	34	60	249	249
INTEREST EXPENSE	(2,609)	(1,471)	(5,658)	(4,226)
INCOME FROM LIMITED PARTNERSHIPS	3,006	1,173	7,425	1,969
GAIN ON SALE OF REAL ESTATE	--	787	--	787
Income before provision for income taxes and extraordinary item	3,815	4,242	13,449	12,490
PROVISION FOR INCOME TAXES	954	1,061	3,362	3,124
Income before extraordinary item	2,861	3,181	10,087	9,366
Extraordinary loss from extinguishment of debt, net of income tax effect of $239	--	717	--	717
NET INCOME	$ 2,861	$ 2,464	$ 10,087	$ 8,649

Consolidated Statements of Income (continued)

WEIGHTED AVERAGE NUMBER OF COMMON SHARES OUTSTANDING	5,944	8,110	6,525	7,692
Basic Net Income Per Share Before Extraordinary Item	0.48	0.39	1.55	1.22
Extraordinary Item	--	(0.09)	--	(0.09)
BASIC NET INCOME PER SHARE	$ 0.48	$ 0.30	$ 1.55	$ 1.13
WEIGHTED AVERAGE NUMBER OF COMMON AND COMMON EQUIVALENT SHARES OUTSTANDING	6,498	9,224	7,173	8,551
Diluted Net Income Per Share Before Extraordinary Item	$ 0.44	$ 0.35	$ 1.41	$ 1.10
Extraordinary Item	--	(0.08)	--	(0.08)
DILUTED NET INCOME PER SHARE	$ 0.44	$ 0.27	$ 1.41	$ 1.02

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares					
	Issued		Treasury		Paid-in	Retained
	Shares	Amount	Shares	Amount	Capital	Earnings
	(In Thousands)					
Balance at October 31, 1999	11,467	$ 115	2,284	$22,363	$102,214	$ 84,019
Common stock issued	28	--	--	--	3,089	--
Treasury stock acquired	--	--	1,142	16,881	--	--
Net income	--	--	--	--	--	9,644
Balance at January 31, 2000	11,495	$ 115	3,426	$39,244	$105,303	$ 93,663
Common stock issued	56	--	(10)	(121)	589	--
Treasury stock acquired	--	--	2,430	44,765	--	--
Net income	--	--	--	--	--	10,087
Balance at October 31, 2000	11,551	$ 115	5,846	$83,888	$105,892	$103,750

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Nine Months Ended October 31 2000	1999
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$10,087	$8,649
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization, net	2,893	2,556
Equity in losses of limited partnerships	--	1,431
Deferred income	(513)	(1,733)
Changes in assets and liabilities:		
Accounts receivable	1,313	433
Merchandise inventory	(46,091)	(40,710)
Other current assets	(3,997)	267
Accounts payable, trade	(2,141)	2,236
Other liabilities	(3,160)	2,054
NET CASH USED IN OPERATING ACTIVITIES	(41,609)	(24,817)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	25,205)	(14,852)
Capital disposals	856	943
Restricted investments	(123)	(134)
NET CASH USED IN INVESTING ACTIVITIES	(24,472)	(14,043)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase in notes payable	77,958	295
Payments of long-term debt	(3,393)	(21,641)
Long-term debt borrowings	13,623	8,083
Common stock issued	589	46,628
Treasury stock issued	121	1,728
Treasury stock acquired	(44,765)	(3,230)

NET CASH PROVIDED BY FINANCING ACTIVITIES	44,133	31,863
NET DECREASE IN CASH AND CASH EQUIVALENTS	(21,948)	(6,997)
CASH AND CASH EQUIVALENTS, beginning of period	25,609	11,912
CASH AND CASH EQUIVALENTS, end of period	$ 3,661	$4,915

[FN]

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

REX STORES CORPORATION AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

October 31, 2000

Note 1. Consolidated Financial Statements

The consolidated financial statements included in this report have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission and include, in the opinion of management, all adjustments necessary to state fairly the information set forth therein. Any such adjustments were of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States have been omitted pursuant to such rules and regulations, although the Company believes that the disclosures are adequate to make the information presented not misleading. It is suggested that these unaudited consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended January 31, 2000 (fiscal 1999).

Note 2. Accounting Policies

The interim consolidated financial statements have been prepared in accordance with the accounting policies described in the notes to the consolidated financial statements included in the Company's 1999 Annual Report on Form 10-K. While management believes that the procedures followed in the preparation of interim financial information are reasonable, the accuracy of some estimated amounts is dependent upon facts that will exist or calculations that will be accomplished at fiscal year end. Examples of such estimates include changes in the LIFO reserve (based upon the Company's best estimate of inflation to date), management bonuses and the provision for income taxes. Any adjustments pursuant to such estimates during the quarter were of a normal recurring nature.

Notes to Consolidated Financial Statements (Continued)

Note 3. Stock Option Plans

The following summarizes options granted, exercised and canceled or expired during the nine months ended October 31, 2000:

	Shares Under Stock Option Plans
Outstanding at January 31, 2000 ($8.125 to $22.6875 per share)	2,649,517
Granted ($21.4063 to $22.8125 per share)	217,013
Exercised ($8.125 to $17.25 per share)	(66,690)
Canceled ($10.375 to $22.8125 per share)	(21,600)
Outstanding at October 31, 2000 ($8.125 to $22.8125 per share)	2,778,240

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

We are a leading specialty retailer in the consumer electronics/appliance industry. As of October 31, 2000, we operated 251 stores in 36 states, predominantly in small to medium-sized markets under the trade name "REX".

Fiscal Year

All references in this report to a particular fiscal year are to REX's fiscal year ended January 31. For example, "fiscal 1999" means the period February 1, 1999 to January 31, 2000. In the past, we referred to this period as "fiscal 2000."

Results of Operations

The following table sets forth, for the periods indicated, the relative percentages that certain income and expense items bear to net sales:

	Three Months Ended October 31		Nine Months Ended October 31	
	2000	1999	2000	1999
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	72.9	72.9	72.6	72.5
Gross profit	27.1	27.1	27.4	27.5
Selling, general and administrative expenses	23.9	23.5	23.8	23.1
Income from operations	3.2	3.6	3.6	4.4
Interest, net	(2.5)	(1.4)	(1.7)	(1.3)
Income from limited partnerships	2.9	1.1	2.4	0.6
Gain on sale of real estate	--	0.8	--	0.3
Income before income taxes	3.6	4.1	4.3	4.0
Provision for income taxes	0.9	1.0	1.1	1.0

Income before extraordinary item	2.7%	3.1%	3.2%	3.0%
Extraordinary loss from early extinguishment of debt	--	0.7	--	0.2
Net Income	2.7%	2.4%	3.2%	2.8%

Comparison of Three and Nine Months Ended October 31, 2000 and 1999

Net sales in the third quarter ended October 31, 2000 were $105.1 million compared to $102.4 million in the prior year's third quarter, representing an increase of $2.7 million or 2.6%. This increase was primarily due to sales from the net increase of 23 stores since the third quarter of fiscal 1999, partially offset by a decline of 7.0% in comparable store sales.

The leading contributors to the decline in comparable store sales for the third quarter were the appliance category which negatively impacted comparable store sales by 3.8%, and the video category which negatively impacted comparable store sales by 3.4%. The appliance category has been impacted by an increasingly competitive environment. The video category has been impacted by declining average selling prices and increased competition from other retail stores. Other categories which also contributed to the negative comparable store sales for the quarter were the audio category and smaller screen televisions (27 inch and smaller), which negatively impacted comparable store sales by 1.7% and 1.2%, respectively. Our strongest product category for the third quarter of fiscal 2000 was larger screen televisions (30 inch and larger), which positively impacted comparable store sales by 3.0%

Net sales for the first nine months of fiscal 2000 were $313.9 million compared to $309.2 million for the first nine months of fiscal 1999, representing an increase of $4.7 million or 1.5%. This increase was caused by a net increase of 23 stores since the third quarter of fiscal 1999, partially offset by a decline of 5.6% in comparable store sales for the first nine months of fiscal 2000. The decline in comparable store sales for the first nine months of fiscal 2000 was largely caused by the appliance category, which negatively impacted comparable store sales by 7.1%. The decline in appliance sales was primarily caused by unseasonably cool weather during the summer months in the northeastern and midwestern parts of the United States which depressed air conditioner sales and an increasingly competitive environment. Other categories which negatively impacted comparable store sales for the first nine months were video by 3.0%, audio by 1.5% and smaller screen televisions (27 inch and smaller) by 1.3%. These categories have been impacted by declining average selling prices and increased competition. Our strongest product category for the first nine months was larger screen televisions (30 inch and larger), which positively impacted comparable store sales by 7.3%

As of October 31, 2000, we had 251 stores compared to 228 stores one year earlier. For the first nine months of fiscal 2000 there were 18 stores opened and five closed. In the prior year's comparable period there were three stores opened and three closed.

Gross profit of $28.5 million (27.1% of net sales) in the third quarter of fiscal 2000 was $700,000 higher than the $27.8 million (27.1% of net sales) recorded in the third quarter of fiscal 1999. Gross profit for the first nine months of fiscal 2000 was $86.1 million (27.4%), a $1.0 million increase from $85.1 million (27.5% of net sales) for the comparable period of fiscal 1999.

Selling, general and administrative expenses for the third quarter of fiscal 2000 were $25.1 million (23.9% of net sales), a 4.4% increase over the $24.1 million (23.5% of net sales) for the third quarter of fiscal 1999. Selling, general and administrative expenses for the first nine months of fiscal 2000 were $74.6 million (23.8% of net sales), a 4.5% increase from $71.4 million (23.1% of net sales)for the first nine months of fiscal 1999. The increase in expense is primarily attributable to an increase in advertising cost for new stores and increased expenditures for radio and television advertising. Expenses also increased for occupancy and other store costs related to the additional store locations over the prior year.

Interest expense increased to $2.6 million (2.5% of net sales) for the third quarter of fiscal 2000 from $1.5 million (1.4% of net sales) for the third quarter of fiscal 1999. Interest expense for the first nine months of fiscal 2000 was $5.7 million (1.8% of net sales) compared to $4.2 million (1.4% of net sales) for the first nine months of fiscal 1999. The increase in interest expense is primarily due to higher borrowings on the line of credit to fund higher inventory levels, store construction costs and the stock buyback program.

Results for the third quarter and first nine months of fiscals 2000 and 1999 also reflect the impact of our equity investment in two limited partnerships which produce synthetic fuels. Effective February 1, 1999, we entered into an agreement to sell a portion of our investment in one of the limited partnerships, which resulted in the reduction in our ownership interest from 30% to 17%. We expect to receive cash payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to 75% of the federal income tax credits attributable to the 13% interest sold, subject to certain annual maximums.

Effective July 31, 2000, we sold an additional portion of our investment in the above limited partnership, reducing our ownership interest from 17% to 8%. We received and reported income of $1.5 million from the sale in the second quarter of fiscal 2000. We also expect to receive cash payments from the sale on a quarterly basis through 2007. These payments are contingent upon and equal to 82.5% of the federal income tax credits attributable to the 9% interest sold, subject to certain annual maximums.

Income from the limited partnerships was $3.0 million for the third quarter of fiscal 2000, which consisted of $1.8 million of income from the 1999 sale and $1.5 million from the 2000 sale, partially offset by a charge of $256,000 to reflect our equity share of the partnerships' losses. Income from the limited partnerships was $1.2 million for the third quarter of fiscal 1999, which consisted of $1.5 million of income generated from the 1999 sale, partially offset by a charge of $374,000 to reflect our equity share of the partnerships' losses. For the first nine months of fiscal 2000, we reported income from the limited partnerships of $7.4 million, which consisted of $4.7 million of income from the 1999 sale and $3.0 million from the 2000 sale, partially offset by a charge of $300,000 to reflect our equity share of the partnerships' losses. Income from the limited partnerships was $2.0 million for the first nine months of fiscal 1999, which consisted of $3.4 million of income generated by the 1999 sale, partially offset by a charge of $1.4 million to reflect our equity share of the partnerships' losses. Our initial investment has been reduced to zero as of January 31, 2000 because of cumulative losses recorded using the equity method of accounting. Consequently, beginning in fiscal 2000 we only record our share of equity losses to the extent we make capital call contributions.

During the third quarter of fiscal 1999, we reported the sale of a shopping center in which we had previously operated a retail store. We recorded a gain of $787,000 from the sale of this real estate.

Our effective rate was 25% for all periods presented after reflecting our share of federal income tax credits earned by the limited partnerships under Section 29 of the Internal Revenue Code.

During the third quarter of fiscal 1999, we recorded an extraordinary loss from the early extinguishment of debt of $717,000, net of the income tax effect of $239,000. In October 1999, we paid off approximately $18.9 million of mortgage debt with proceeds from a secondary stock offering completed September 29, 1999.

As a result of the foregoing, net income for the third quarter of fiscal 2000 was $2.9 million, a 16.1% increase from $2.5 million for the third quarter of fiscal 1999. Net income for the first nine months of fiscal 2000 was $10.1 million, a 16.6% increase from $8.6 million for the first nine months of fiscal 1999.

Liquidity and Capital Resources

Net cash used in operating activities was $41.6 million for the first nine months of fiscal 2000, compared to $24.8 million for the first nine months of fiscal 1999. For the first nine months of fiscal 2000, operating cash flow was provided by net income of $10.1 million, adjusted for the net impact of non-cash items of $2.4 million which consist primarily of depreciation and deferred income. The primary use of cash was an increase in inventory of $46.1 million due to seasonal inventory needs and to support our store expansion program. Cash was also used by a reduction in accounts payable of $2.1 million due to the timing of inventory purchases and payments to vendors. The other uses of cash were an increase in other assets of $4.0 million and a decrease in other liabilities of $3.2 million primarily due to the timing of payments of income taxes and compensation. Cash was also provided by a decrease in accounts receivables of $1.3 million.

At October 31, 2000, working capital was $54.4 million compared to $100.8 million at January 31, 2000. The ratio of current assets to current liabilities was 1.4 to 1 at October 31, 2000 and 2.3 to 1 at January 31, 2000.

Capital expenditures through October 31, 2000 totaled $25.2 million and primarily relate to the acquisition of store sites and other construction expenditures associated with planned fiscal 2000 store openings and for three stores to be opened in fiscal 2001. We opened 30 new stores in fiscal 2000, including 12 stores subsequent to October 31, 2000. We expect to expend approximately an additional $2.0 to $2.5 million for these store sites during the remainder of this fiscal year. For fiscal 2001 we plan to open approximately 10 to 15 new stores as opposed to the previously planned 35 to 40 stores. We expect capital expenditures for these 10 to 15 stores to be approximately an additional $4.0 to $8.0 million depending upon the number of leased or owned locations. We plan to fund the new store openings with cash generated from operations and investments and additional mortgage debt.

Cash provided by financing activities totaled approximately $44.1 million for the first nine months of fiscal 2000. The primary source of cash was borrowings of $78.0 million on the line of credit. A total of approximately $41.1 million was available for borrowings on the line of credit as of October 31, 2000. We also received proceeds of $13.6 million from long-term debt borrowings related to mortgage financing for 18 store locations. The primary use of cash was for the acquisition of treasury stock. We purchased a total of 2,430,000 shares of our common stock for $44.8 million during the first nine months of fiscal 2000. As of October 31, 2000, we had authorization to purchase an additional 927,900 shares. Subsequent to the end of the quarter, we purchased an additional 116,200 shares for $2.0 million.

Forward-Looking Statements

This Form 10-Q contains or may contain forward-looking statements as defined in the Private Securities Litigation Reform Act of 1995. The words "believes", "estimates", "plans", "expects", "intends", "anticipates" and similar expressions as they relate to the Company or its management are intended to identify such forward-looking statements. Forward-looking statements are inherently subject to risks and uncertainties. Factors that could cause actual results to differ materially from those in the forward-looking statements are set forth in Exhibit 99 to the Company's Annual Report on Form 10-K for the fiscal year ended January 31, 2000 (File No. 0-13283).

Item 3. Quantitative and Qualitative Disclosure About Market Risk

No material changes since January 31, 2000.

PART II. OTHER INFORMATION

Item 6. Exhibits and Reports on Form 8-K.

(a) Exhibits. The following exhibits are filed with this report:

27 Financial Data Schedule

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended October 31, 2000.

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.

	REX STORES CORPORATION Registrant
December 12, 2000	STUART A. ROSE Stuart A. Rose Chairman of the Board (Chief Executive Officer)
December 12, 2000	DOUGLAS L. BRUGGEMAN Douglas L. Bruggeman Vice President, Finance and Treasurer (Principal Financial and Chief Accounting Officer)

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REX STORES CORPORATION
1,000
U.S. DOLLARS

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JAN-31-2001
FEB-1-2000
OCT-31-2000
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