

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934
For the quarterly period ended April 30, 2002

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
(State or other jurisdiction of
incorporation or organization)

31-1095548
(I.R.S. Employer
Identification Number)

2875 Needmore Road, Dayton, Ohio
(Address of principal executive offices)

45414
(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 No

At the close of business on June 6, 2002, the registrant had 12,510,240 shares of Common Stock, par value \$.01 per share, outstanding.

REX STORES CORPORATION AND SUBSIDIARIES

INDEX

	Page
PART I. FINANCIAL INFORMATION	
Item 1. Consolidated Financial Statements	
Consolidated Condensed Balance Sheets.....	3
Consolidated Statements of Income.....	5
Consolidated Statements of Shareholders' Equity.....	7
Consolidated Statements of Cash Flows.....	8
Notes to Consolidated Financial Statements.....	10
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	12
Item 3. Quantitative and Qualitative Disclosure About Market Risk.....	16
PART II. OTHER INFORMATION	
Item 4. Submission of Matters to a Vote of Security Holders.....	17
Item 6. Exhibits and Reports on Form 8-K.....	17

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED CONDENSED BALANCE SHEETS

A S S E T S

	April 30 2002	January 31 2002 (In Thousands)	April 30 2001
ASSETS:			
Cash and cash equivalents	\$ 24,720	\$ 39,441	\$ 2,318
Accounts receivable, net	1,441	2,665	2,241
Merchandise inventory	116,902	101,017	152,128
Prepaid expenses and other	2,377	2,554	4,082
Future income tax benefits	12,614	12,614	9,837
	-----	-----	-----
Total current assets	158,054	158,291	170,606
PROPERTY AND EQUIPMENT, NET	137,962	139,496	135,078
FUTURE INCOME TAX BENEFITS	7,320	7,320	9,523
RESTRICTED INVESTMENTS	2,227	2,222	2,185
	-----	-----	-----
Total assets	\$305,563 =====	\$307,329 =====	\$317,392 =====

LIABILITIES AND SHAREHOLDERS' EQUITY

CURRENT LIABILITIES:			
Notes payable	\$ --	\$ 66	\$ 6,587
Current portion of long-term debt	4,680	5,012	5,140
Current portion of deferred income and deferred gain on sale and leaseback	11,486	11,790	11,456
Accounts payable, trade	37,710	32,619	52,856
Accrued income taxes	2,258	1,373	--
Accrued payroll	3,700	5,856	4,000

Liabilities and Shareholders' Equity (Continued)

Other current liabilities	9,021	9,319	8,560
	-----	-----	-----
Total current liabilities	68,855	66,035	88,599
	-----	-----	-----
LONG-TERM LIABILITIES:			
Long-term mortgage debt	68,975	77,203	84,311
Deferred income	14,621	15,173	16,116
Deferred gain on sale and leaseback	796	945	1,923
	-----	-----	-----
Total long-term liabilities	84,392	93,321	102,350
	-----	-----	-----
SHAREHOLDERS' EQUITY:			
Common stock	277	274	260
Paid-in capital	118,718	116,701	106,194
Retained earnings	138,892	134,708	115,504
Treasury stock	(105,571)	(103,710)	(95,515)
	-----	-----	-----
Total shareholders' equity	152,316	147,973	126,443
	-----	-----	-----
Total liabilities and shareholders' equity	\$305,563	\$307,329	\$317,392
	=====	=====	=====

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

Three Months Ended
April 30
2002 2001
(In Thousands, Except Per Share Amounts)

NET SALES	\$93,536	\$104,789
COSTS AND EXPENSES:		
Cost of merchandise sold	66,282	75,514
Selling, general and administrative expenses	25,005	26,325
	-----	-----
Total costs and expenses	91,287	101,839
	-----	-----
INCOME FROM OPERATIONS	2,249	2,950
INVESTMENT INCOME	150	63
INTEREST EXPENSE	(1,335)	(1,966)
INCOME FROM LIMITED PARTNERSHIPS	4,636	3,095
	-----	-----
Income before provision for income taxes	5,700	4,142
PROVISION FOR INCOME TAXES	1,425	1,037
	-----	-----
Income before extraordinary item	4,275	3,105
Extraordinary loss from extinguishment of debt, net of income tax effect of \$59	91	--
NET INCOME	4,184	3,105
	=====	=====
WEIGHTED AVERAGE SHARES OUTSTANDING - BASIC	12,297	11,926
	=====	=====
Basic Earnings Before Extraordinary Item	0.35	0.26
Extraordinary Item	(0.01)	--
	-----	-----

BASIC NET INCOME PER SHARE	\$ 0.34 =====	\$ 0.26 =====
WEIGHTED AVERAGE SHARES OUTSTANDING - DILUTED	14,814 =====	13,263 =====
Dilutive Earnings Before Extraordinary Item	0.29	0.24
Extraordinary Item	(0.01)	--
	-----	-----
DILUTED NET INCOME PER SHARE	\$ 0.28 =====	\$ 0.24 =====

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

REX STORES CORPORATION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

	Common Shares				Paid-in Capital	Retained Earnings
	----- Shares	Issued Amount	Treasury Shares	Treasury Amount (In Thousands)		
Balance at April 30, 2001	26,010	\$260	14,616	\$ 95,515	\$106,194	\$115,504
Net income	--	--	--	--	--	19,204
Treasury stock acquired	--	--	576	8,710	--	--
Common stock issued	1,348	14	(79)	(515)	10,507	--
	-----	----	-----	-----	-----	-----
Balance at January 31, 2002	27,358	\$274	15,113	\$103,710	\$116,701	\$134,708
Net income	--	--	--	--	--	4,184
Treasury stock acquired	--	--	121	2,031	--	--
Common stock issued	312	3	(24)	(170)	2,017	--
	-----	----	-----	-----	-----	-----
Balance at April 30, 2002	<u>27,670</u>	<u>\$277</u>	<u>15,210</u>	<u>\$105,571</u>	<u>\$118,718</u>	<u>\$138,892</u>

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

REX STORES CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Three Months Ended April 30	
	2002	2001
	(In Thousands)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 4,184	\$ 3,105
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization, net	1,087	1,054
(Gain) Loss on disposal of fixed assets	253	(35)
Deferred income	(856)	(277)
Income of limited partnerships	(4,636)	(3,095)
Changes in assets and liabilities:		
Accounts receivable	1,224	2,466
Merchandise inventory	(15,885)	(7,978)
Other current assets	175	89
Accounts payable, trade	5,091	5,176
Other current liabilities	(1,569)	(2,546)
	-----	-----
NET CASH USED IN OPERATING ACTIVITIES	(10,932)	(2,041)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Capital expenditures	(253)	(904)
Proceeds from sale of real estate and fixed assets	300	246
Proceeds from sale of partnership interest	4,636	3,095
Restricted investments	(5)	(20)
	-----	-----
NET CASH PROVIDED BY INVESTING ACTIVITIES	4,678	2,417
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Increase (Decrease) in notes payable	(66)	5,845
Payments of long-term debt	(8,560)	(1,089)
Proceeds from long-term debt	--	4,355
Common stock issued	2,020	33
Treasury stock issued	170	64
Treasury stock acquired	(2,031)	(7,953)
	-----	-----

CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)

NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	(8,467)	1,255
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,721)	1,631
CASH AND CASH EQUIVALENTS, beginning of period	39,441	687
CASH AND CASH EQUIVALENTS, end of period	\$ 24,720	\$ 2,318

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

REX STORES CORPORATION AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

April 30, 2002

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, 2002 (fiscal 2001).

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 2001 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.

Certain reclassifications have been made to prior year amounts to conform with their fiscal 2002 presentation.

Notes to Consolidated Financial Statements (Continued)

Note 3. Stock Option Plans

The following summarizes options granted, exercised and canceled or expired during the three months ended April 30, 2002:

	Shares Under Stock Option Plans
Outstanding at January 31, 2002 (\$3.61 to \$10.37 per share)	6,881,610
Granted (\$14.745 per share)	329,000
Exercised (\$3.61 to \$10.14 per share)	(336,000)
Canceled or expired (\$4.61 to \$10.14 per share)	(20,250)

Outstanding at April 30, 2002 (\$3.61 to \$14.745 per share)	6,854,360
	=====

Note 4. Early Extinguishment of Debt

In the first quarter of fiscal 2002, the Company paid off approximately \$7.0 million in mortgage debt. As a result, the Company expensed unamortized financing costs of approximately \$150,000 as an extraordinary loss before an income tax benefit of approximately \$59,000.

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 April 30, 2002 we operated 255 stores in 37 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 2002" means the period February 1, 2002 to January 31, 2003.

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 April 30	
	2002	2001
Net sales	100.0%	100.0%
Cost of merchandise sold	70.9	72.1
	-----	-----
Gross profit	29.1	27.9
Selling, general and administrative expenses	26.7	25.1
	-----	-----
Income from operations	2.4	2.8
Investment income	0.2	0.1
Interest expense	(1.4)	(1.9)
Income from limited partnerships	4.9	3.0
	-----	-----
Income before provision for income taxes	6.1	4.0
Provision for income taxes	1.5	1.0
	-----	-----
Income before extraordinary item	4.6	3.0
Extraordinary loss from early extinguishment of debt	0.1	--
	-----	-----
Net income	4.5	3.0
	=====	=====

Comparison of Three Months Ended April 30, 2002 and 2001

Net sales in the first quarter ended April 30, 2002 were \$93.5 million compared to \$104.8 million in the prior year's comparable period, representing a decrease of \$11.3 million or 10.7%. This decrease was primarily due to a decline in comparable store sales of 8.8%. The decline was also partially caused by a net reduction of nine stores since the end of the first quarter of last fiscal year.

All major product categories contributed to the negative comparable store sales. The video category contributed 4.9%, the audio category contributed 2.4%, the appliance category contributed 1.1% and the television category contributed 0.7%. The other category positively impacted comparable store sales by 0.3% primarily due to stronger sales of ready to assemble furniture.

As of April 30, 2002, we had 255 stores compared to 264 stores one year earlier. We did not open any stores and closed seven stores during the first quarter of fiscal 2002. There were four stores opened and two closed during the first quarter of fiscal 2001.

Gross profit of \$27.3 million (29.1% of net sales) in the first quarter of fiscal 2002 was 6.9% lower than the \$29.3 million (27.9% of net sales) recorded in the first quarter of fiscal 2001. The increase in gross profit as a percentage of sales was primarily caused by a shift in sales toward higher gross profit margin products, more favorable pricing from vendors and less aggressive retail pricing in the stores.

Selling, general and administrative expenses for the quarter ended April 30, 2002 were \$25.0 million (26.7% of net sales), a 5.0% decrease from \$26.3 million (25.1% of net sales) for the first quarter of fiscal 2001. The reduction in expenditures primarily relates to less advertising dollars spent due to limited expenditures on radio and television advertising in the current year and the reduction in the number of stores in operation.

Interest expense was \$1.3 million (1.4% of net sales) for the first quarter of fiscal 2002 versus \$2.0 million (1.9% of net sales) for the first quarter of fiscal 2001. This decline was primarily caused by a reduction in the amount of mortgage debt outstanding and restructuring a large portion of the remaining mortgage debt to lower floating interest rates.

Results for the first quarter of fiscals 2002 and 2001 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%. Effective July

31, 2000, we sold an additional portion of our ownership interest in that partnership, reducing our ownership percentage from 17% to 8%. Effective May 31, 2001, we sold our remaining 8% ownership interest. We expect to receive cash payments from the sale on a quarterly basis through 2007 which will range from 74.25% to 82.5% of the federal income tax credits attributable to the interest sold. Below is a table summarizing the income from the sales, net of certain expenses.

	Three Months Ended April 30	
	2002	2001
	(In thousands)	
February 1, 1999 sale	1,850	1,807
July 31, 2000 sale	1,350	1,288
May 31, 2001 sale	1,436	--
	-----	-----
	4,636	3,095
	=====	=====

Our effective tax rate was 25% for the first quarter of fiscal 2002 and 2001 after reflecting our share of federal income tax credits earned by the limited partnerships.

In the first quarter of fiscal 2002, we recorded an extraordinary loss from the early extinguishment of debt of \$91,000, net of the income tax effect of \$59,000 as a result of paying off mortgage loans totaling \$7.0 million.

As a result of the foregoing, for the first quarter of fiscal 2002 net income was \$4.2 million, a 34.7% increase from \$3.1 million for the first quarter of fiscal 2001.

Liquidity and Capital Resources

Net cash used in operating activities was \$10.9 million for the first quarter of fiscal 2002, compared to usage of \$2.0 million for the first quarter of fiscal 2001. For the first quarter of fiscal 2002, cash was provided by net income of \$4.2 million, adjusted for the impact of a \$4.6 million gain on our installment sales of the limited partnership interest and non-cash items of \$231,000 which consisted of deferred income and depreciation and amortization. Cash was also provided by an increase of \$5.1 million in accounts payable and a decrease of \$1.2 million in accounts receivable. The primary

uses of cash were an increase of \$15.9 million in inventory due to seasonal air conditioner purchases and other inventory purchases and a decrease of \$1.6 million in other liabilities primarily due to the timing of payment for compensation and taxes.

At April 30, 2002, working capital was \$89.2 million compared to \$92.3 million at January 31, 2002. The ratio of current assets to current liabilities was 2.3 to 1 at April 30, 2002 and 2.4 to 1 at January 31, 2002.

We received proceeds of \$4.6 million during the first quarter of fiscal 2002 from installment sales of a portion of our ownership interest in a limited partnership.

Cash used in financing activities totaled \$8.5 million for the first quarter of fiscal 2002. The primary use of cash was for payments on long-term mortgage debt of approximately \$8.6 million for the early extinguishment of debt for eight retail store locations and scheduled repayments.

At April 30, 2002 we had authorization from the Board of Directors to purchase 1,158,300 shares of our common stock.

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, 2002 (File No. 0-13283).

Item 3. Quantitative and Qualitative Disclosure About Market Risk

No material changes since January 31, 2002.

PART II. OTHER INFORMATION

Item 4. Submission of Matters to a Vote of Security Holders.

The annual meeting of shareholders of REX Stores Corporation was held on June 3, 2002, at which the following matter was submitted to a vote of shareholders:

1. Election of six directors.

Nominee	For	Withheld
Stuart Rose	10,094,252	1,478,262
Lawrence Tomchin	9,968,052	1,604,462
Robert Davidoff	11,489,467	83,047
Edward Kress	11,474,789	97,725
Lee Fisher	11,489,467	83,047
Alexander Schwartz, Jr	11,489,467	83,047

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

(a) Exhibits. No exhibits are filed with this report.

(b) Reports on Form 8-K. No reports on Form 8-K were filed during the quarter ended April 30, 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 undersigned, thereunto duly authorized.

REX STORES CORPORATION
Registrant

June 6, 2002

STUART A. ROSE
Stuart A. Rose
Chairman of the Board
(Chief Executive Officer)

June 6, 2002

DOUGLAS L. BRUGGEMAN
Douglas L. Bruggeman
Vice President, Finance and
Treasurer
(Principal Financial and
Chief Accounting Officer)