UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended August 1, 2015

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 0-20052

STEIN MART, INC.

(Exact name of registrant as specified in its charter)

Florida	**64-0466198**
(State or other jurisdiction of	**(I.R.S. Employer**
incorporation or organization)	**Identification Number)**
1200 Riverplace Blvd., Jacksonville, Florida	**32207**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (904) 346-1500

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 x 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x 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 ¨	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

The number of shares outstanding of the Registrant s common stock as of August 21, 2015 was 45,684,264.

Table of Contents

STEIN MART, INC.

TABLE OF CONTENTS

Table of Contents

Stein Mart, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

(In thousands, except for share and per share data)

	August 1, 2015	January 31, 2015	August 2, 2014
ASSETS			
Current assets:			
Cash and cash equivalents	$ 11,620	$ 65,314	$ 53,097
Inventories	277,243	285,623	266,215
Prepaid expenses and other current assets	33,815	22,733	26,703
Total current assets	322,678	373,670	346,015
Property and equipment, net of accumulated depreciation and amortization of $178,654, $166,646 and $163,205, respectively	156,072	148,782	147,605
Other assets	30,027	30,639	28,887
Total assets	$ 508,777	$ 553,091	$ 522,507
LIABILITIES AND SHAREHOLDERS EQUITY			
Current liabilities:			
Accounts payable	$ 122,699	$ 129,924	$ 120,635
Current portion of debt	9,167		
Accrued expenses and other current liabilities	64,661	69,213	57,349
Total current liabilities	196,527	199,137	177,984
Long-term debt	161,033		
Deferred rent	37,532	31,284	30,804
Other liabilities	39,709	37,732	37,196
Total liabilities	434,801	268,153	245,984
COMMITMENTS AND CONTINGENCIES			
Shareholders equity:			
Preferred stock - $.01 par value; 1,000,000 shares authorized; no shares issued or outstanding			
Common stock - $.01 par value; 100,000,000 shares authorized; 45,702,328, 44,918,649 and 44,936,387 shares issued and outstanding, respectively	457	449	449
Additional paid-in capital	40,025	34,875	30,650
Retained earnings	33,918	250,046	245,680
Accumulated other comprehensive loss	(424)	(432)	(256)

Total shareholders equity	73,976	284,938	276,523
Total liabilities and shareholders equity	$ 508,777	$ 553,091	$ 522,507

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

Table of Contents

Stein Mart, Inc.

Condensed Consolidated Statements of Income

(Unaudited)

(In thousands, except per share amounts)

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Net sales	$ 311,583	$ 298,157	$ 665,104	$ 627,011
Cost of merchandise sold	222,648	213,913	467,789	438,441
Gross profit	88,935	84,244	197,315	188,570
Selling, general and administrative expenses	81,545	81,451	167,167	162,680
Operating income	7,390	2,793	30,148	25,890
Interest expense, net	807	69	1,493	134
Income before income taxes	6,583	2,724	28,655	25,756
Income tax expense	2,489	987	10,997	9,944
Net income	$ 4,094	$ 1,737	$ 17,658	$ 15,812
Net income per share:				
Basic	$ 0.09	$ 0.04	$ 0.39	$ 0.35
Diluted	$ 0.09	$ 0.04	$ 0.38	$ 0.35
Weighted-average shares outstanding:				
Basic	44,710	43,814	44,661	43,822
Diluted	45,926	44,704	45,846	44,580
Dividends declared per common share	$ 0.075	$ 0.00	$ 5.15	$ 0.125

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

Table of Contents

Stein Mart, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Net income	$ 4,094	$ 1,737	$ 17,658	$ 15,812
Other comprehensive income, net of tax:				
Amounts reclassified from accumulated other comprehensive income	4	2	8	5
Comprehensive income	$ 4,098	$ 1,739	$ 17,666	$ 15,817

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

5

Table of Contents

Stein Mart, Inc.

Condensed Consolidated Statement of Shareholders Equity

(Unaudited)

(In thousands, except per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Shareholders Equity
Balance at January 31, 2015	44,919	$ 449	$ 34,875	$ 250,046	$ (432)	$ 284,938
Net income				17,658		17,658
Other comprehensive income, net of tax					8	8
Common shares issued under stock option plan	33		119			119
Common shares issued under employee stock purchase plan	40		358			358
Reacquired shares	(199)	(1)	(3,059)			(3,060)
Issuance of restricted stock, net	909	9	(9)			
Share-based compensation			4,012			4,012
Tax benefit from equity issuances			3,729			3,729
Cash dividends paid ($5.15 per share)				(232,267)		(232,267)
Cash dividends payable				(1,519)		(1,519)
Balance at August 1, 2015	45,702	$ 457	$ 40,025	$ 33,918	$ (424)	$ 73,976

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

Table of Contents

Stein Mart, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

(In thousands)

	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Cash flows from operating activities:		
Net income	$ 17,658	$ 15,812
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	14,534	14,322
Share-based compensation	4,012	3,545
Store closing charges (benefits)	50	(25)
Impairment of property and other assets		96
Loss on disposal of property and equipment	43	75
Deferred income taxes	(1,781)	891
Tax benefit from equity issuances	3,729	756
Excess tax benefits from share-based compensation	(3,754)	(786)
Changes in assets and liabilities:		
Inventories	8,380	(4,698)
Prepaid expenses and other current assets	(10,626)	149
Other assets	976	(1,473)
Accounts payable	(7,721)	(10,759)
Accrued expenses and other current liabilities	(6,183)	(7,600)
Other liabilities	8,051	5,418
Net cash provided by operating activities	27,368	15,723
Cash flows from investing activities:		
Net acquisition of property and equipment	(19,786)	(22,289)
Net cash used in investing activities	(19,786)	(22,289)
Cash flows from financing activities:		
Proceeds from borrowings	409,423	
Repayments of debt	(239,223)	
Debt issuance costs	(380)	
Cash dividends paid	(232,267)	(5,584)
Excess tax benefits from share-based compensation	3,754	786
Proceeds from exercise of stock options and other	477	413
Repurchase of common stock	(3,060)	(2,806)

Net cash used in financing activities		(61,276)		(7,191)
Net decrease in cash and cash equivalents		(53,694)		(13,757)
Cash and cash equivalents at beginning of year		65,314		66,854
Cash and cash equivalents at end of period	$	11,620	$	53,097
Supplemental disclosures of cash flow information:				
Income taxes paid	$	8,555	$	5,465
Interest paid		1,282		201
Purchases of property and equipment included in accounts payable, accrued expenses and other current liabilities at period end		4,374		2,636

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

Table of Contents

STEIN MART, INC.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

(Dollars in tables in thousands, except per share amounts)

1. Basis of Presentation

The accompanying unaudited Condensed Consolidated Financial Statements have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by GAAP for complete financial statements. In the opinion of management, all adjustments (consisting primarily of normal and recurring adjustments) considered necessary for fair presentation of the Condensed Consolidated Financial Statements have been included. Due to the seasonality of our business, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year. For further information, refer to the Consolidated Financial Statements and footnotes thereto included in our annual report on Form 10-K for the year ended January 31, 2015.

As used herein, the terms we , our , us , Stein Mart and the Company refer to Stein Mart, Inc. and its wholly-owne subsidiaries.

Recent Accounting Pronouncements

In 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, *Revenue from Contracts with Customers*. ASU No. 2014-09 provides a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. ASU No. 2014-09 will require an entity to recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. This update creates a five-step model that requires entities to exercise judgment when considering the terms of the contract(s) which include (i) identifying the contract(s) with the customer, (ii) identifying the separate performance obligations in the contract, (iii) determining the transaction price, (iv) allocating the transaction price to the separate performance obligations, and (v) recognizing revenue when each performance obligation is satisfied. ASU No. 2014-09 is effective for annual and interim reporting periods beginning after December 15, 2017, with early adoption permitted for annual and interim reporting periods beginning after December 15, 2016. The Company has the option to apply the provisions of ASU No. 2014-09 either retrospectively to each prior reporting period presented or retrospectively with the cumulative effect of applying this ASU recognized at the date of initial application. The Company is currently evaluating the impact the adoption of this ASU will have on the Company s consolidated financial statements.

In 2014, the FASB issued ASU No. 2014-15, *Presentation of Financial Statements Going Concern*. ASU No. 2014-15 requires management to perform interim and annual assessments on whether there are conditions or events that raise substantial doubt about the entity s ability to continue as a going concern within one year of the date the financial statements are issued and to provide related disclosures, if required. ASU No. 2014-15 applies to all entities and is effective for annual periods ending after December 15, 2016, and interim periods within annual periods beginning after December 15, 2016. Early application is permitted for annual or interim reporting periods for which the financial statements have not previously been issued. The adoption of ASU No. 2014-15 is not expected to have a material effect on the Company s consolidated financial statements.

In April 2015, the FASB issued ASU No. 2015-03, *Interest Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs*. ASU No. 2015-03 states that entities that have historically presented debt issuance costs as an asset, related to a recognized debt liability, will be required to present those costs as a direct deduction from the carrying amount of that debt liability. This presentation will result in debt issuance cost being presented the same way debt discounts have historically been handled. ASU No. 2015-03 does not change the recognition, measurement, or subsequent measurement guidance for debt issuance costs. This guidance is effective for annual reporting periods beginning after December 15, 2016, and interim periods within annual reporting periods beginning after December 15, 2016. Early adoption is permitted. The Company expects this new guidance will reduce total assets and total long-term debt on its consolidated balance sheets by amounts classified as deferred debt issuance costs, but does not expect this update to have any other effect on its consolidated financial statements.

Table of Contents

2. Accrued Expenses and Other Current Liabilities

The major components of accrued expenses and other current liabilities are as follows:

	August 1, 2015	January 31, 2015	August 2, 2014
Compensation and employee benefits	$ 11,013	$ 12,519	$ 9,195
Unredeemed gift and merchandise return cards	7,996	10,614	7,154
Property taxes	12,149	12,805	11,077
Accrued vacation	7,241	7,241	6,976
Other	26,262	26,034	22,947
Accrued expenses and other current liabilities	$ 64,661	$ 69,213	$ 57,349

3. Fair Value Measurements

We have historically had money market fund investments classified as cash equivalents, which are Level 1 assets because fair value is based on readily available market prices. The fair value of these assets was $53.7 million at January 31, 2015 and $41.2 million at August 2, 2014. We did not have money market fund investments at August 1, 2015.

As the Company s primary debt obligations are variable rate, there are no significant differences between the estimated fair value (Level 2 measurements) and the carrying value of the Company s debt obligations at August 1, 2015. The Company did not have outstanding debt at January 31, 2015 and August 2, 2014.

4. Debt

On February 3, 2015, we entered into a $250 million senior secured revolving credit facility pursuant to a second amended and restated credit agreement with Wells Fargo Bank (the Credit Agreement) that will mature in February 2020 and a secured $25 million master loan agreement with Wells Fargo Equipment Finance, Inc. (the Equipment Term Loan and, together with the Credit Agreement, the Credit Facilities) that will mature in February 2018. The Credit Facilities replace the Company s former $100 million senior secured revolving credit facility which was set to mature on February 28, 2017. Borrowings under the Credit Facilities were initially used for a special dividend, but subsequently may be used for working capital, capital expenditures and other general corporate purposes. During 2015, debt issuance costs associated with the Credit Facilities were capitalized in the amount of $0.4 million and will be amortized over their respective terms.

Long-term debt consisted of the following at August 1, 2015:

Revolving credit facility	$ 145,200
Equipment term loan	25,000
Total debt	170,200
Current maturities	(9,167)

Long-term debt	$ 161,033

The aggregate maturities of long-term debt subsequent to August 1, 2015 for the following fiscal years:

2015	$ 4,167
2016	10,000
2017	10,833
2018	
2019	
Thereafter	145,200
Total	$ 170,200

The total amount available under the Credit Agreement is the lesser of the Aggregate Commitment or 100% of eligible credit card receivables and the Net Recovery Percentage of inventories less reserves. At August 1, 2015, the Company had $145.2 million of outstanding borrowings under the Credit Agreement and $6.4 million of outstanding letters of credit, which reduced the Company s availability under the Credit Agreement to $98.4 million.

Table of Contents

The Credit Facilities contain customary representations and warranties, affirmative and negative covenants (including, in the Credit Agreement, the requirement of a 1 to 1 consolidated fixed charge coverage ratio upon the occurrence and during the continuance of any Covenant Compliance Event, as defined in the Credit Agreement), and events of default for facilities of this type, and are cross-collateralized and cross-defaulted. Collateral for the Credit Facilities consist of substantially all of our personal property. Wells Fargo Bank has a first lien on all collateral other than equipment, and Wells Fargo Equipment Finance has a first lien on equipment. At August 1, 2015, the Company was in compliance with all debt covenants.

Borrowings under the Credit Agreement shall be either Base Rate Loans or LIBO Rate Loans. LIBO Rate Loans bear interest equal to the Adjusted LIBO Rate plus the Applicable Margin (125 to 175 basis points) depending on the Quarterly Average Excess Availability. Base Rate Loans bear interest equal to the highest of (a) the Federal Funds Rate plus one-half of one percent (0.50%), (b) the Adjusted LIBO Rate plus one percent (1.00%), or (c) the Wells Fargo prime rate, plus the Applicable Margin (25 to 75 basis points).

Borrowings under the Equipment Term Loan shall be LIBO Rate plus 2%.

The weighted average interest rate for amounts outstanding under the Credit Agreement and Equipment Term Loan were 1.74 percent and 2.19 percent, respectively, as of August 1, 2015.

5. Shareholders Equity

Dividends

During 2015, we paid a special cash dividend of $5.00 per common share on February 27, 2015 and two quarterly dividends of $0.075 per common share on April 17, 2015 and July 17, 2015. In 2014, we paid quarterly dividends of $0.05 per common share on April 18, 2014 and $0.075 per common share on July 18, 2014.

Stock Repurchase Plan

During the 26 weeks ended August 1, 2015, we repurchased 198,973 shares of our common stock at a total cost of $3.1 million. During the 26 weeks ended August 2, 2014, we repurchased 222,494 shares of our common stock at a total cost of $2.8 million. Stock repurchases were for tax withholding amounts due on the vesting of employee stock awards and during the first half of 2015 included no shares purchased on the open market under our previously authorized stock repurchase plan. As of August 1, 2015, there are 284,137 shares that can be repurchased pursuant to the Board of Director s current authorization.

6. Earnings Per Share

We calculate earnings per common share (EPS) using the two-class method. Unvested share-based payment awards that contain non-forfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of EPS. Our restricted stock awards in 2013 and prior are considered participating securities because they contain non-forfeitable rights to dividends.

Table of Contents

The following table presents the calculation of basic and diluted EPS (shares in thousands):

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Basic Earnings Per Common Share:				
Net income	$ 4,094	$ 1,737	$ 17,658	$ 15,812
Income allocated to participating securities	34	24	113	309
Net income available to common shareholders	$ 4,060	$ 1,713	$ 17,545	$ 15,503
Basic weighted-average shares outstanding	44,710	43,814	44,661	43,822
Basic earnings per share	$ 0.09	$ 0.04	$ 0.39	$ 0.35
Diluted Earnings Per Common Share:				
Net income	$ 4,094	$ 1,737	$ 17,658	$ 15,812
Income allocated to participating securities	34	24	163	306
Net income available to common shareholders	$ 4,060	$ 1,713	$ 17,495	$ 15,506
Basic weighted-average shares outstanding	44,710	43,814	44,661	43,822
Incremental shares from share-based compensation plans	1,216	890	1,185	758
Diluted weighted-average shares outstanding	45,926	44,704	45,846	44,580
Diluted earnings per share	$ 0.09	$ 0.04	$ 0.38	$ 0.35

Options to acquire shares totaling approximately 0.5 million and 0.3 million shares of common stock that were outstanding during the second quarters of 2015 and 2014, respectively, were not included in the computation of diluted earnings per common share. Options excluded were those that had exercise prices greater than the average market price of the common shares such that inclusion would have been anti-dilutive. For the first half of 2015 and 2014, options to acquire shares of approximately 0.2 million shares of common stock, each, were not included in the computation of diluted earnings per share for the aforementioned reasons.

7. Commitments and Contingencies

On July 24, 2013, the Securities and Exchange Commission (the SEC) informed us that it was conducting an investigation of the Company and made a request for voluntary production of documents and information. The request is focused on our restatement of 2012 and prior consolidated financial statements and our 2013 change in auditors. We are cooperating fully with the SEC in this matter. We have recognized $0.2 million and $1.3 million of expenses related to the SEC investigation during the first half of 2015 and 2014, net of expected insurance recoveries, respectively. A protracted investigation could impose substantial costs, regardless of its outcome. There can be no assurance that any final resolution of this investigation will not have a material and adverse effect on the Company s financial condition and results of operations.

We are involved in various routine legal proceedings incidental to the conduct of our business. Management, based upon the advice of outside legal counsel, does not believe that any of these legal proceedings will have a material adverse effect on our financial condition, results of operations or cash flows.

Table of Contents

STEIN MART, INC.

ITEM 2. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

As used herein, the terms we, our, us, Stein Mart and the Company refer to Stein Mart, Inc. and its wholly-owne subsidiaries.

Forward-Looking Statements

This report contains forward-looking statements which are subject to certain risks, uncertainties or assumptions and may be affected by certain factors, including, but not limited to the matters discussed in Item 1A. Risk Factors of our Form 10-K for the fiscal year ended January 31, 2015. Wherever used, the words plan, expect, anticipate, believe, estimate and similar expressions identify forward-looking statements. Should one or more of these risks, uncertainties or other factors materialize, or should underlying assumptions prove incorrect, actual results, performance or achievements may vary materially from any future results, performance or achievements expressed or implied by such forward-looking statements. Forward-looking statements are based on beliefs and assumptions of our management and on information currently available to such management. Forward-looking statements speak only as of the date they are made, and we undertake no obligation to publicly update or revise our forward-looking statements in light of new information or future events. Undue reliance should not be placed on such forward-looking statements, which are based on current expectations. Forward-looking statements are not guarantees of performance.

Overview

We are a national retailer offering the fashion merchandise, service and presentation of a better department or specialty store at prices comparable to off-price retail chains. Our focused assortment of merchandise features current-season moderate to better fashion apparel for women and men, as well as accessories, shoes and home fashions.

Financial Overview for the 13 and 26 weeks ended August 1, 2015

Net sales were $311.6 million for the 13 weeks ended August 1, 2015, an increase from $298.2 million for the 13 weeks ended August 2, 2014, and $665.1 million for the 26 weeks ended August 1, 2015, an increase from $627.0 million for the 26 weeks ended August 2, 2014.

Comparable store sales for the 13 weeks ended August 1, 2015 increased 3.0 percent compared to the 13 weeks ended August 2, 2014, and for the 26 weeks ended August 1, 2015 increased 4.0 percent compared to the 26 weeks ended August 2, 2014.

Net income was $4.1 million or $0.09 per diluted share for the 13 weeks ended August 1, 2015, compared to net income of $1.7 million or $0.04 per diluted share for the 13 weeks ended August 2, 2014.

Net income was $17.7 million or $0.38 per diluted share for the 26 weeks ended August 1, 2015 compared to net income of $15.8 million or $0.35 per diluted share for the 26 weeks ended August 2, 2014.

On February 27, 2015, the Company paid a special cash dividend of $5.00 per common share. The payment made in connection with this dividend was approximately $226 million, and was funded by existing cash and initial borrowings of $185 million on our $275 million Credit Facilities.

We had $170.2 million of direct borrowings on our Credit Facilities as of August 1, 2015 and no direct borrowings as of January 31, 2015 and August 2, 2014.

Stores

The following table sets forth the stores activity for the 13 and 26 weeks ended August 1, 2015 and August 2, 2014.

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Stores at beginning of period	270	263	270	264
Stores opened during the period		2	1	3
Stores closed during the period	(1)		(2)	(2)
Stores at the end of period	269	265	269	265

Table of Contents

Results of Operations

The following table sets forth each line item of our Condensed Consolidated Statements of Income expressed as a percentage of net sales:

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of merchandise sold	71.5%	71.7%	70.3%	69.9%
Gross profit	28.5%	28.3%	29.7%	30.1%
Selling, general and administrative expenses	26.1%	27.4%	25.1%	26.0%
Income from operations	2.4%	0.9%	4.6%	4.1%
Interest expense, net	0.3%	0.0%	0.2%	0.0%
Income before income taxes	2.1%	0.9%	4.4%	4.1%
Income tax expense	0.8%	0.3%	1.7%	1.6%
Net income	1.3%	0.6%	2.7%	2.5%

Thirteen and Twenty-Six Weeks Ended August 1, 2015, Compared to the Thirteen and Twenty-Six Weeks Ended August 2, 2014 (dollar amounts in thousands):

Net Sales

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	Increase	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014	Increase
Net sales	$ 311,583	$ 298,157	$ 13,426	$ 665,104	$ 627,011	$ 38,093
Sales percent increase:						
Total net sales			4.5%			6.1%
Comparable store sales			3.0%			4.0%

The increase in comparable stores sales for the 13 and 26 weeks ended August 1, 2015 was driven by increases in the number of transactions, average unit retail prices, and average units per transaction. Comparable store sales reflect stores open throughout the period and prior fiscal year and include e-commerce sales. E-commerce sales contributed approximately 0.8 percent to the comparable store sales for the 13 and 26 weeks ended August 1, 2015. Comparable store sales do not include leased department commissions.

Gross Profit

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	Increase	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014	Increase/ (Decrease)
Gross profit	$ 88,935	$ 84,244	$ 4,691	$ 197,315	$ 188,570	$ 8,745
Percentage of net sales	28.5%	28.3%	0.2%	29.7%	30.1%	(0.4)%

For the 13 weeks ended August 1, 2015, gross profit as a percent of sales increased as a result of higher markup and slightly lower markdowns, partially offset by higher occupancy costs.

For the 26 weeks ended August 1, 2015, gross profit as a percentage of sales decreased as a result of higher markdowns in the first quarter of 2015 to clear fall merchandise, the timing and amount of buying and distribution expenses allocated to cost of sales, higher fulfillment costs on our increasing e-commerce sales, and slightly higher occupancy costs, partially offset by higher markup.

Selling, General and Administrative Expenses (SG&A)

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	Increase/ (Decrease)	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014	Increase/ (Decrease)
Selling, general and administrative expenses	$ 81,545	$ 81,451	$ 94	$ 167,167	$ 162,680	$ 4,487
Percentage of net sales	26.1%	27.4%	(1.3)%	25.1%	26.0%	(0.9)%

For the 13 weeks ended August 1, 2015, SG&A expenses as a percentage of sales decreased primarily due to lower professional fees related to the SEC investigation, as well as improved leverage of store selling and advertising costs and slightly lower healthcare costs.

For the 26 weeks ended August 1, 2015, SG&A expenses as a percentage of sales decreased primarily due to the aforementioned items and are partially offset by higher earnings-based incentive compensation expense.

Interest Expense

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	Increase	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014	Increase
Interest expense	$ 807	$ 69	$ 738	$ 1,493	$ 134	$ 1,359
Percentage of net sales	0.3%	0.0%	0.3%	0.2%	0.0%	0.2%

Interest expense increased for the 13 and 26 weeks ended August 1, 2015 due to borrowings in 2015 on our Credit Facilities.

Income Taxes

	13 Weeks Ended August 1, 2015	13 Weeks Ended August 2, 2014	Increase	26 Weeks Ended August 1, 2015	26 Weeks Ended August 2, 2014	Increase/ (Decrease)
Income tax expense	$ 2,489	$ 987	$ 1,502	$ 10,997	$ 9,944	$ 1,053
Effective tax rate	37.8%	36.2%	1.6%	38.4%	38.6%	(0.2)%

Liquidity and Capital Resources

Capital requirements and working capital needs are funded through a combination of internally generated funds, available cash, credit terms from vendors, and our $250 million senior secured revolving credit facility pursuant to a second amended and restated credit agreement with Wells Fargo Bank. See Note 4 of the Condensed Consolidated Financial Statements for further discussion. Working capital is used to support store inventories and capital investments for system improvements, new store openings and to maintain existing stores. Historically, our investments in working capital are lowest in August and September, after our heavy spring selling season and in February after the holiday selling season. Investments in working capital are highest in April, October and November as we begin procuring and paying for merchandise to support our heavy spring and holiday seasons. As of August 1, 2015, we had cash and cash equivalents of $11.6 million and $170.2 million in borrowings under our Credit Facilities.

Net cash provided by operating activities was $27.4 million for the 26 weeks ended August 1, 2015 compared to net cash provided by operating activities of $15.7 million for the 26 weeks ended August 2, 2014. The increase in cash provided by operating activities was primarily due to fewer investments in inventory and changes in accounts payables and higher net income, partially offset by other non-cash changes.

Net cash used in investing activities is for capital expenditures and was $19.8 million for the 26 weeks ended August 1, 2015 compared to $22.3 million for the 26 weeks ended August 2, 2014. Capital expenditures were lower for the 26 weeks ended August 1, 2015 primarily due to fewer information technology related projects in 2015 compared to 2014.

Net cash used in financing activities was $61.3 million for the 26 weeks ended August 1, 2015 compared to cash used in financing activities of $7.2 million for the 26 weeks ended August 2, 2014. During 2015, we had proceeds from borrowings of $409.4 million and repayments of debt for $239.2 million. Borrowings under the Credit Facilities were initially used to pay a $5 per share special dividend, but were subsequently used for working capital, capital expenditures and other general corporate purposes. We paid cash dividends of $232.3 million during the 26 weeks ended August 1, 2015. See Note 5 of the Notes to the Condensed Consolidated Financial Statements for further discussion. In addition, we repurchased shares of common stock for $3.1 million. During 2014, we paid cash dividends of $5.6 million and repurchased shares of common stock for $2.8 million.

Critical Accounting Policies and Estimates

We discuss our critical accounting policies and estimates in Item 7, Management s Discussion and Analysis of Financial Condition and Results of Operations, in our Annual Report on Form 10-K for the year ended January 31, 2015. We have made no significant change in our critical accounting policies since January 31, 2015.

Recent Accounting Pronouncement

Recently issued accounting pronouncements are discussed in Note 1 of the Notes to the Condensed Consolidated Financial Statements.

Table of Contents

Seasonality and Inflation

Our business is seasonal. Sales and profitability are historically higher in the first and fourth quarters of the fiscal year, which include the spring and holiday seasons. Therefore, results for any quarter are not necessarily indicative of the results that may be achieved for a full fiscal year.

Although we expect that our operations will be influenced by general economic conditions, we do not believe that inflation has had a material effect on our results of operations. However, there can be no assurance that our business will not be affected by such factors in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

For information regarding our exposure to certain market risk, see Quantitative and Qualitative Disclosures About Market Risk in Part II, Item 7A of our annual report on Form 10-K for the year ended January 31, 2015. There were no material changes to our market risk during the quarter ended August 1, 2015.

ITEM 4. CONTROLS AND PROCEDURES

Under the supervision and with the participation of our management, including the Chief Executive Officer and Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures, as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act), as of the end of the period covered by this report. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective as of August 1, 2015 to provide reasonable assurance that information required to be disclosed in our reports under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and that such information is accumulated and communicated to our management as appropriate to allow timely decisions regarding required disclosure.

There were no changes in the Company s internal control over financial reporting (as that term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company s internal control over financial reporting.

PART II OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

Legal proceedings are discussed in Note 7 of the Notes to the Condensed Consolidated Financial Statements.

ITEM 1A. RISK FACTORS

There have been no significant changes in our risk factors from those described in our annual report on Form 10-K for the year ended January 31, 2015.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information regarding repurchases of our common stock during the quarter ended August 1, 2015:

ISSUER PURCHASES OF EQUITY SECURITIES

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number of shares that may yet be purchased under the plans or programs (1)
May 3, 2015 May 30, 2015	532	$ 11.52	532	292,438
May 31, 2015 July 4, 2015	6,764	10.87	6,764	285,674
July 5, 2015 August 1, 2015	1,537	10.28	1,537	284,137
Total	8,833	$ 10.80	8,833	284,137

(1) Our Open Market Repurchase Program is conducted pursuant to authorizations made from time to time by our Board of Directors.

ITEM 3. DEFAULTS UPON SENIOR SECURITIES

Not applicable.

Table of Contents

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

ITEM 5. OTHER INFORMATION

On June 19, 2015, the Company entered into an immaterial amendment of its credit card program agreement with Synchrony Bank. A copy of this amendment is attached hereto as Exhibit 10.1.

ITEM 6. EXHIBITS

10.1	First Amendment to Amended and Restated Co-Brand and Private Label Credit Card Program Agreement dated June 19, 2015 by and between Synchrony Bank and Stein Mart, Inc.
31.1	Certification of Chief Executive Officer Pursuant to Rule 13a-14(a) or 15d-14(a)
31.2	Certification of Chief Financial Officer Pursuant to Rule 13a-14(a) or 15d-14(a)
32.1	Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2	Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350
101	Interactive data files from Stein Mart, Inc. s Quarterly Report on Form 10-Q for the quarter ended August 1, 2015, formatted in XBRL (eXtensible Business Reporting Language): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Income, (iii) the Condensed Consolidated Statements of Comprehensive Income, (iv) the Condensed Consolidated Statement of Shareholders Equity, (v) the Condensed Consolidated Statements of Cash Flows, and (vi) the Notes to Condensed Consolidated Financial Statements

Table of Contents

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this Form 10-Q to be signed on its behalf by the undersigned thereunto duly authorized.

	STEIN MART, INC.
Date: September 3, 2015	By: /s/ Jay Stein **Jay Stein** Chairman of the Board and Chief Executive Officer
	/s/ Gregory W. Kleffner **Gregory W. Kleffner** Executive Vice President and Chief Financial Officer

17