

Wet Seal, Inc. has filed for bankruptcy protection... Let's see what the reporting history shows!

Wet Seal Inc

26972 Burbank
FOOTHILL RANCH, CA 92610 United States
Phone: (949) 699-3900 Ticker: [WTSL](#)

Filed for Bankruptcy on 1/15/2015
Case #15-10081, filed in the U.S. Bankruptcy Court for the District of Delaware

Latest Financial Statements as of 11/1/2014

Business Summary

The Wet Seal, Inc. is a multi-channel specialty retailer selling fashion apparel and accessory items designed for female customers aged 13 to 34 years old through the Company stores and e-commerce websites. The Company operates throughout the United States, primarily mall-based, chains of retail stores under the names Wet Seal and Arden B. The Company maintains a Web-based store located at www.wetseal.com, offering Wet Seal merchandise comparable to that carried at its stores. The Company also maintains a Web-based store located at www.ardenb.com, offering Arden B merchandise comparable to that carried in its stores. Its e-commerce stores are designed to serve as an extension of the in-store experience and offer an expanded selection of merchandise, with the goal of growing both e-commerce and in-store sales.

(Source: 10-K)

Employees: 1,698 (as of 2/1/2014) Federal Tax Id: 330415940

Credit Scores

FRISK® Score	1	1/16/2015
Probability of bankruptcy range: 9.99% - 50.00%		
Z" Score	-15.47 (Fiscal Danger)	11/1/2014

Auditor Information

Last Audit:	2/1/2014
Auditors:	Deloitte & Touche LLP
Opinion:	Unqualified

DBT Index

10/2014	11/2014	12/2014
5	4	3

(Includes DBT Indexes from Subsidiaries)

Net Sales(millions)

Period	11/13	2/14	5/14	8/14	11/14
Net Sales	114.9	124.8	212.0	104.3	

Working Capital (millions)

Period	11/13	2/14	5/14	8/14	11/14
Working Capital	60.50	41.92	49.58	34.21	6.01

The FRISK® predicts the likelihood of bankruptcy over a 12-month horizon, with 95% accuracy!

Third Quarter and Year-to-Date Results

Sales for the 13 weeks ended 11/1/2014 decreased 9.21% to \$104.30 million from last year's comparable period amount of \$114.88 million. Sales for the 39 weeks ended 11/1/2014 decreased 11.70% to \$316.33 million from \$358.25 million for the same period last year.

Gross profit margin decreased 47.70% for the period to 13.73% of revenues from 23.83% of revenues for the same period last year. Gross profit margin decreased 41.35% for the year-to-date period to 28.17% of revenues from 28.17% of revenues for the comparable 39 week period last year.

Selling, general and administrative expenses for the period increased 8.55% to \$38.05 million compared with \$35.05 million for the same period last year. Selling, general and administrative expenses for the 39 weeks ended 11/1/2014 increased 1.44% to \$105.55 million from \$104.05 million for the same period last year.

Operating income for the period decreased 192.16% to (\$36.31) million compared with operating income of (\$12.43) million for the same period last year. Operating income for the year-to-date period decreased 713.99% to (\$75.69) million compared with operating income of (\$9.30) million for the equivalent 39 weeks last year.

Net loss for the period increased 141.07% to (\$35.94) million compared with net loss of (\$14.91) million for the same period last year. Net loss for the year-to-date period increased 635.42% to (\$79.73) million compared with net loss of (\$10.84) million for the equivalent 39 weeks last year.

Net cash from operating activities was (\$39.99) million for the 39 week period, compared to net cash from operating activities of (\$3.53) million for last year's comparable period.

Working capital at 11/1/2014 of \$6.01 million decreased 85.68% from the prior year end's balance of \$41.92 million, and decreased 90.07% from \$60.50 million at the end of last year's same period.

Inventories increased by \$369.00 thousand for the year-to-date period, compared to an \$8.80 million increase in the prior year's comparable period.

Accounts payable increased by \$1.84 million for the year-to-date period, compared to a \$7.65 million increase in the prior year's comparable period.

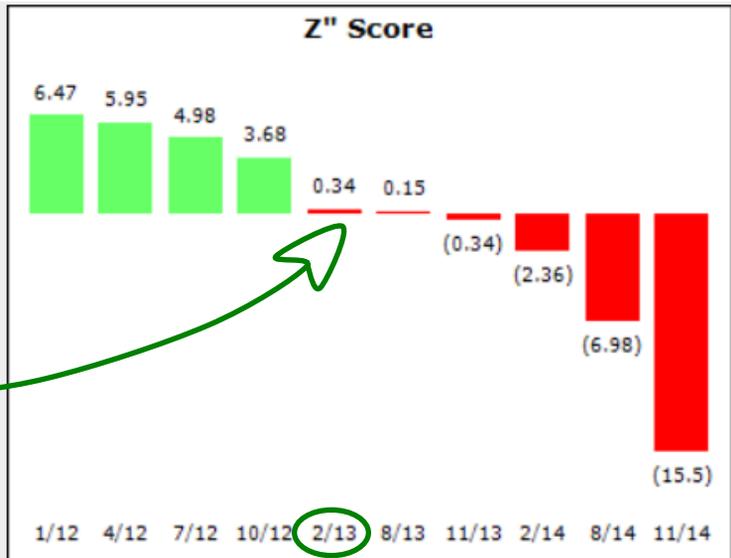
LEGEND:

Financially sound: 2.60 or higher

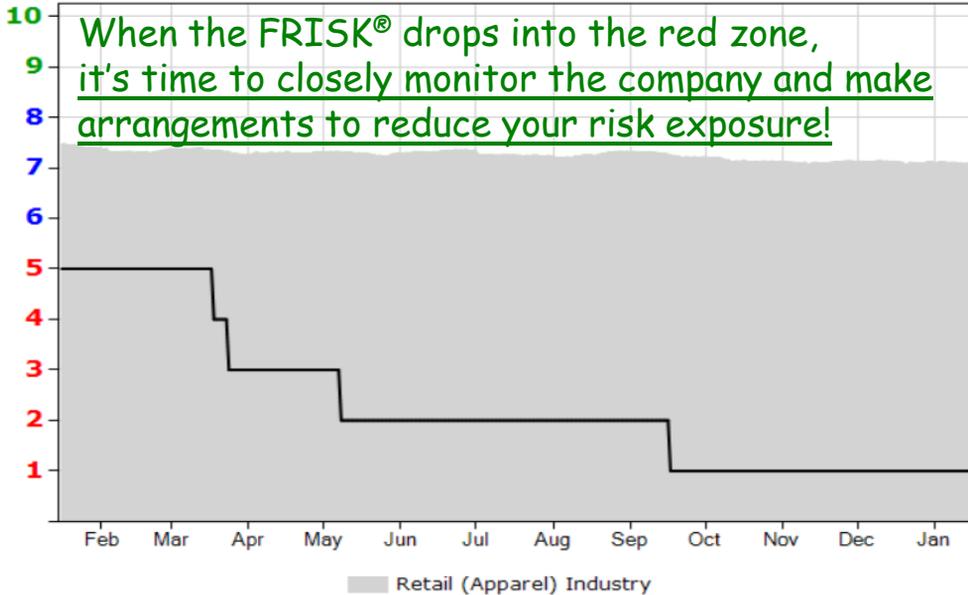
Neutral: 1.10 to 2.60

Fiscal danger: less than 1.10

The Altman Z" first signals financial trouble in early 2013, declining rapidly thereafter, as the Company's financial position weakens...



The current FRISK® score is 1 (probability of bankruptcy* 9.99% - 50%), below its 13-month average and below its industry average.



The FRISK® Score is reported on a 1 to 10 scale:

	FRISK®	Probability of bankruptcy within 12 months	
		From	To
Best	10	0.00%	0.12%
	9	0.12%	0.27%
	8	0.27%	0.34%
	7	0.34%	0.55%
	6	0.55%	0.87%
Worst	5	0.87%	1.40%
	4	1.40%	2.10%
	3	2.10%	4.00%
	2	4.00%	9.99%
	1	9.99%	50.00%

Among other factors, the new and improved version of FRISK® now looks at a company's market capitalization!

In the case of Wet Seal, Inc...



... the market capitalization plummeted 97% in the last 12 months, as the Company edged closer to bankruptcy...

Such dramatic declines in market value should sound alarm bells

...plus looking at our News Alerts you would have seen...

News Summary				
<input checked="" type="radio"/> CRMZ Selected <input type="radio"/> Moody's <input type="radio"/> Fitch <input type="radio"/> All				
Page 1 2 3 4 5 6 7 Next Page				
#	Date	Source	Headline	
1	1/16/2015	Business Wire	Wet Seal Files for Chapter 11 Bankruptcy Protection	i
2	1/13/2015	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Completion of Acquisition or Disposition of Assets, Financial Statements and Exhibits	i
3	1/9/2015	CRMZ News Service	Teen Clothing Chain Wet Seal Hires Restructuring Lawyers	i
4	1/8/2015	CRMZ News Service	Clothing Retailer Wet Seal to Close 66% of Its Stores	i
5	1/7/2015	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet	i
6	1/7/2015	PR Newswire	Post-Earnings Review - Wet Seal	i
7	1/7/2015	Business Wire	Wet Seal Announces Store Closures	i
8	1/6/2015	CRMZ News Service	Teen Clothing Retailer Wet Seal Misses Bond Payment	i
9	1/2/2015	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Triggering Events That Accelerate or Increase a Direct Financial Obligation or an Obligation under an Off-Balance Sheet	i
10	12/24/2014	CQ Transcriptions LLC	Event Brief of Q3 2014 Wet Seal Inc Earnings Call - Final	i
11	12/24/2014	CQ Transcriptions LLC	Q3 2014 Wet Seal Inc Earnings Call - Final	i
12	12/18/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Change in Directors or Principal Officers	i
13	12/17/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Material Modification to Rights of Security Holders, Financial Statements and Exhibits	i
14	12/16/2014	CRMZ News Service	Wet Seal Inc -- updated financials available	i
15	12/12/2014	CRMZ News Service	Wet Seal Warns of Potential Bankruptcy Filing	i
16	12/10/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Results of Operations and Financial Condition	i
17	12/10/2014	CRMZ News Service	WET SEAL INC: a Form 10-Q has been Filed with the SEC	i
18	12/10/2014	Business Wire	The Wet Seal, Inc. Announces Third Quarter Fiscal 2014 Financial Results	i
19	12/2/2014	Business Wire	The Wet Seal, Inc. to Broadcast Third Quarter Fiscal 2014 Results	i
20	11/25/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Regulation FD Disclosure, Financial Statements and Exhibits	i
21	11/24/2014	Business Wire	Wet Seal Provides Update Regarding Exploration of Strategic Alternatives	i
22	11/21/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Change in Directors or Principal Officers, Regulation FD Disclosure	i
23	11/20/2014	Business Wire	The Wet Seal, Inc. Names Thomas R. Hillebrandt Interim Chief Financial Officer	i
24	11/6/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Results of Operations and Financial Condition	i
25	10/14/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Results of Operations and Financial Condition, Regulation FD Disclosure, Financial Statements and Exhibits	i
26	10/8/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Entry into a Material Definitive Agreement, Financial Statements and Exhibits	i
27	10/2/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Change in Directors or Principal Officers, Regulation FD Disclosure, Financial Statements and Exhibits	i
28	10/2/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Change in Directors or Principal Officers	i
29	9/11/2014	CRMZ News Service	WET SEAL INC: a Form 10-Q has been Filed with the SEC	i
30	9/10/2014	CRMZ News Service	WET SEAL INC FILES (8-K) Disclosing Results of Operations and Financial Condition, Financial Statements and Exhibits	i
31	9/9/2014	CRMZ News Service	The Wet Seal, Inc. -- updated financials available	i
32	9/8/2014	CRMZ News Service	Companies To Watch: TRM Holdings Corp., Wet Seal Inc.	i

Days away from filing for Chapter 11 bankruptcy protection, the Company proceeds with nationwide store closures, which result in the elimination of half its workforce

Following an amendment to its credit agreement with Bank of America, the Company is required to, among other things, provide cash collateral for all its outstanding letters of credit

Company explicitly warns that it may file for bankruptcy protection if it is unsuccessful in the very near term, in addressing its urgent liquidity needs

Cash on the balance sheet falls below the \$20.0MM minimum balance required by Hudson Bay Master Fund, Ltd., the holder of a \$27.0MM senior convertible note

Chief Financial Officer resigns

Company is added to the Dow Jones Daily Bankruptcy Review Watch List, after it announced a series of moves to shore up its struggling business.

Following an event of default, the Company enters into a Forbearance Agreement with Hudson Bay Master Ltd., which grants the Company until January 12, 2015, to make immediate and full payment of the event of default redemption price totaling \$28.8MM

Executive Vice President, Stores and Operations, tenders her resignation

2014 Q3 10-Q filing - YTD Net Loss of \$79.7MM

Company announces the assembly of a specialized team to identify and analyze potential strategic and financial alternatives, to alleviate its financial difficulties

As part of its strategic business review, the Company implements various cost-saving initiative, including a workforce reduction of 78 filled and open positions

2014 Q2 10-Q filing - YTD Net Loss of \$43.8MM

...need more depth? Look at the Quarterly Performance Ratios

Mounting losses...

Performance Ratios - Sequential Quarters					
(Thousands of U.S. Dollars)					
Period Ended	13 weeks 11/1/2014	26 weeks 8/2/2014	13 weeks 5/3/2014	13 weeks 2/1/2014	13 weeks 11/2/2013
Net Sales \$	\$104,295	\$212,031	n/a	\$124,776	\$114,878
% change	n/a	n/a	n/a	8.62%	n/a
Gross Margin \$	\$14,321	\$44,861	n/a	\$23,406	\$27,380
% change	n/a	n/a	n/a	-14.51%	n/a
% of sales	13.73%	21.16%	n/a	18.76%	23.83%
change as % of incremental sales	n/a	n/a	n/a	-40.15%	n/a
SG&A \$	\$38,045	\$67,506	n/a	\$42,719	\$35,047
% change	n/a	n/a	n/a	21.89%	n/a
% of sales	36.48%	31.84%	n/a	34.24%	30.51%
change as % of incremental sales	n/a	n/a	n/a	77.51%	n/a
Operating margin \$	(\$36,310)	(\$39,383)	n/a	(\$27,267)	(\$12,428)
% change	n/a	n/a	n/a	-119.40%	n/a
% of sales	-34.81%	-18.57%	n/a	-21.85%	-10.82%
change as % of incremental sales	n/a	n/a	n/a	-149.92%	n/a
EBITDA \$	(\$34,294)	(\$33,884)	n/a	(\$23,718)	(\$9,005)
% change	n/a	n/a	n/a	-163.39%	n/a
% of sales	-32.88%	-15.98%	n/a	-19.01%	-7.84%
change as % of incremental sales	n/a	n/a	n/a	-148.65%	n/a
Pre-tax income \$	(\$35,960)	(\$38,069)	n/a	(\$27,298)	(\$12,434)
% change	n/a	n/a	n/a	-119.54%	n/a
% of sales	-34.48%	-17.95%	n/a	-21.88%	-10.82%
change as % of incremental sales	n/a	n/a	n/a	-150.17%	n/a
Net income (loss) \$	(\$35,944)	(\$43,790)	n/a	(\$27,541)	(\$14,910)
% change	n/a	n/a	n/a	-84.72%	n/a
% of sales	-34.46%	-20.65%	n/a	-22.07%	-12.98%
change as % of incremental sales	n/a	n/a	n/a	-127.61%	n/a
Tax expense \$	\$65	\$129	n/a	\$243	\$48
Effective tax rate	-0.18%	-0.34%	n/a	-0.89%	-0.39%
Depreciation expense \$	\$2,016	\$5,499	n/a	\$3,549	\$3,423
% of sales	1.93%	2.59%	n/a	2.84%	2.98%
% of capital expenses	87.46%	78.27%	n/a	63.25%	48.97%
% of PP&E, net (annualized)	26.24%	25.60%	n/a	23.42%	20.91%
Capital expenditures \$	\$2,305	\$7,026	\$2,684	\$5,611	\$6,990
% change	n/a	n/a	-52.17%	-19.73%	n/a
% of PP&E, net (annualized)	30.00%	32.71%	20.39%	37.03%	42.71%
% of working capital (annualized)	45.79%	33.52%	23.47%	43.83%	41.90%
Interest coverage ratio	(25.00)	(19.75)	n/a	(408.93)	(163.73)
% change	n/a	n/a	n/a	-149.76%	n/a
Free cash flow \$	(\$18,354)	(\$30,962)	(\$17,183)	(\$19,670)	(\$13,903)
% change	n/a	n/a	12.64%	-41.48%	n/a
Source:	10-Q 12/10/2014	10-Q 12/10/2014	10-Q 12/10/2014	10-K 3/27/2014	10-Q 12/10/2014

Consistently negative free cash flow raises a major red flag...

...need more depth? Look at the Quarterly Leverage Ratios

The inability to turn a profit causes the Company's rapidly shrinking equity to finally plunge into the red...

Leverage Ratios - Sequential Quarters					
(Thousands of U.S. Dollars)					
Period Ended	11/1/2014	8/2/2014	5/3/2014	2/1/2014	11/2/2013
Total debt \$	\$21,291	\$22,170	\$21,519	n/a	n/a
% change	-3.96%	3.03%	n/a	n/a	n/a
Stockholders' equity \$	(\$10,532)	\$24,727	\$46,125	\$67,333	\$94,531
% change	-142.59%	-46.39%	-31.50%	-28.77%	-13.26%
Total debt to equity ratio	n/a	0.90	0.47	n/a	n/a
% change	n/a	92.20%	n/a	n/a	n/a
Tangible net worth \$	(\$10,532)	\$24,727	\$46,125	\$67,333	\$94,531
% change	-142.59%	-46.39%	-31.50%	-28.77%	-13.26%
Total debt to tangible net worth	n/a	0.90	0.47	n/a	n/a
% change	n/a	92.20%	n/a	n/a	n/a
Total assets \$	\$92,885	\$133,463	\$159,931	\$151,739	\$191,515
% change	-30.40%	-16.55%	5.40%	-20.77%	-6.39%
Total debt to assets ratio	0.23	0.17	0.13	n/a	n/a
% change	37.99%	23.40%	n/a	n/a	n/a
Net tangible assets \$	\$92,885	\$133,463	\$159,931	\$151,739	\$191,515
% change	-30.40%	-16.55%	5.40%	-20.77%	-6.39%
Short-term debt \$	\$7,342	\$6,450	\$3,450	n/a	n/a
% change	13.83%	86.96%	n/a	n/a	n/a
Short-term debt % of total debt	34.48%	29.09%	16.03%	n/a	n/a
% change	18.53%	81.47%	n/a	n/a	n/a
Short-term debt % of working capital	122.26%	18.82%	6.96%	n/a	n/a
% change	549.50%	170.52%	n/a	n/a	n/a
Total liabilities \$	\$103,417	\$108,736	\$113,806	\$84,406	\$96,984
% change	-4.89%	-4.45%	34.83%	-12.97%	1.45%
Total liabilities to equity ratio	n/a	4.40	2.47	1.25	1.03
% change	n/a	78.23%	96.82%	22.20%	16.97%
Total liabilities to tangible net worth ratio	n/a	4.40	2.47	1.25	1.03
% change	n/a	78.23%	96.82%	22.20%	16.97%
Source:	10-Q 12/10/2014	10-Q 9/11/2014	10-Q 5/28/2014	10-K 3/27/2014	10-Q 12/4/2013

Short-term debt exceeds working capital...

Extremely high leverage...

...need more depth? Look at the Quarterly Liquidity Ratios and Rates of Return

Liquidity Ratios - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	11/1/2014	8/2/2014	5/3/2014	2/1/2014	11/2/2013
Current assets \$	\$65,420	\$95,042	\$107,818	\$93,480	\$124,593
% change	-31.17%	-11.85%	15.34%	-24.97%	-8.08%
% of short-term debt	891.04%	1,473.52%	3,125.16%	n/a	n/a
Current liabilities \$	\$59,415	\$60,778	\$58,240	\$51,556	\$64,096
% change	-2.24%	4.36%	12.96%	-19.56%	2.41%
Working capital \$	\$6,005	\$34,264	\$49,578	\$41,924	\$60,497
% change	-82.47%	-30.89%	18.26%	-30.70%	-17.08%
% of sales (annualized)	1.44%	8.08%	n/a	8.40%	13.17%
Cash \$	\$19,058	\$40,274	\$54,494	\$46,158	\$65,896
% change	-52.68%	-26.09%	18.06%	-29.95%	-17.34%
% of short-term debt	259.58%	624.40%	1,579.54%	n/a	n/a
Cash ratio	0.32	0.66	0.94	0.90	1.03
% change	-51.58%	-29.19%	4.51%	-12.92%	-19.28%
Current ratio	1.10	1.56	1.85	1.81	1.94
% change	-29.59%	-15.53%	2.10%	-6.72%	-10.25%
Source:	10-Q 12/10/2014	10-Q 9/11/2014	10-Q 5/28/2014	10-K 3/27/2014	10-Q 12/4/2013

Cash and working capital decline rapidly...

Rate of Return - Sequential Quarters

(Thousands of U.S. Dollars)

Period Ended	13 weeks 11/1/2014	26 weeks 8/2/2014	13 weeks 5/3/2014	13 weeks 2/1/2014	13 weeks 11/2/2013
Return on equity	-145.36%	-94.94%	n/a	-29.13%	-13.68%
% change	n/a	n/a	n/a	-112.96%	n/a
Return on net tangible equity	-145.36%	-94.94%	0.00%	-29.13%	-13.68%
% change	n/a	n/a	100.00%	-112.96%	n/a
Return on total assets	-31.76%	-29.85%	0.00%	-16.05%	-7.53%
% change	n/a	n/a	100.00%	-113.15%	n/a
Return on net tangible assets	-31.76%	-29.85%	0.00%	-16.05%	-7.53%
% change	n/a	n/a	100.00%	-113.15%	n/a
Source:	10-Q 12/10/2014	10-Q 12/10/2014	10-Q 12/10/2014	10-K 3/27/2014	10-Q 12/10/2014

Consistently negative returns...

...need more depth? Look at the Quarterly Operating Metrics

Operating Metrics - Sequential Quarters

(U.S. Dollars)

Period Ended	13 weeks 11/1/2014	26 weeks 8/2/2014	13 weeks 5/3/2014	13 weeks 2/1/2014	13 weeks 11/2/2013
Standard Operating Metrics:					
Number of Stores Opened	n/a	4	4	13	10
Number of Stores Closed	2	5	4	11	5
Number of Stores, End of Period	528	531	532	532	530
Selling Space, Square Feet (Net)	n/a	2,068,000	2,071,000	2,065,465	2,064,000
Comparable Store Sales, Retail, Total - %	-14.50%	-14.70%	n/a	-16.50%	0.80%
Merchandise Margin, Total - %	13.70%	20.80%	n/a	n/a	23.80%
Retail Sales (in thousands)	\$104,295	\$237,904	n/a	\$124,776	\$114,878
Average Sales per Square Foot, Total	n/a	n/a	n/a	\$55.000	\$59.000
Detail Operating Metrics:					
Comp. Store Sales - % -Wet	n/a	-13.80%	n/a	-15.40%	1.70%
Comp. Store Sales- % - Arden B	n/a	-21.00%	n/a	-25.00%	-6.70%
Av Sales per Square Foot-Wet	n/a	\$104.000	n/a	\$54.000	\$58.000
Av Sales per Square Foot-Arden B	n/a	\$128.000	n/a	\$65.000	\$61.000
Source:	10-Q 12/10/2014	10-Q 12/10/2014	10-Q 12/10/2014	10-K 3/27/2014	10-Q 12/10/2014

Take heed of sustained negative same-store sales as they are almost always a telltale that a retailer is in trouble...

...need more depth? Look at the Annual Statement of Cash Flows

Cash flow from operations turn negative as the Company fails to generate any profit in the last two fiscal years...

Statement of Cash Flows - Annual - Standardized					
(Thousands of U.S. Dollars)					
Period Ended	52 weeks 2/1/2014	53 weeks 2/2/2013	52 weeks 1/28/2012	52 weeks 1/29/2011	52 weeks 1/30/2010
					Reclassified 1/29/2011
Cash Flows from Operating Activities:					
Net income	(\$38,383)	(\$113,231)	\$15,082	\$12,570	\$86,870
Depreciation/depletion	13,747	17,497	19,371	16,813	15,101
Deferred taxes	0	43,913	8,991	11,849	(64,753)
Non-cash Items	17,289	29,403	9,516	7,633	5,314
Changes in working capital	(10,242)	(3,773)	8,940	1,215	(2,076)
Total cash from operating activities	(17,589)	(26,191)	61,900	50,080	40,456
Cash Flows from Investing Activities:					
Capital expenditures	(21,464)	(20,406)	(26,486)	(30,727)	(21,304)
Other investing cash flow items, total	60,181	(67,694)	50,000	(51,263)	0
Total cash from investing activities	38,717	(88,100)	23,514	(81,990)	(21,304)
Cash Flows from Financing Activities:					
Financing cash flow items	0	0	(139)	(700)	0
Issuance/retirement of stock, net	(24,635)	(615)	(53,452)	(3,721)	477
Total cash from financing activities	(24,635)	(615)	(53,591)	(4,421)	477
Net change in cash	(3,507)	(114,906)	31,823	(36,331)	19,629
Net cash-beginning balance	42,279	157,185	125,362	161,693	142,064
Net cash-ending balance	\$38,772	\$42,279	\$157,185	\$125,362	\$161,693
Supplemental Disclosures:					
Cash interest paid	\$77	\$75	\$71	\$70	\$67
Cash taxes paid, supplemental	\$294	\$1,087	\$2,271	\$744	\$505
Auditor/Opinion:	Deloitte & Touche LLP Unqualified				
Source:	10-K 3/27/2014	10-K 3/28/2013	10-K 3/26/2012	10-K 3/30/2011	10-K 3/30/2011

...need more depth? Look at the Peer Analysis

Peer Analysis						
Calendar Year/Quarter: 2014.3						
Peer Group: Sector: Services, Industry: Retail (Apparel)						
Refresh						
[Sector: Services] [Industry: Retail (Apparel)] [Calendar Year/Quarter: 2014.3]						
Businesses in Peer Group: 484	Ranking Within Peer Group	Number Of Peers Ranked	Company Value	Peer Group Range		
				Low	Median	High
Credit Ratings						
ZScore	139	139	-15.47	-15.47	4.71	15.70
Performance ratios:						
Net Sales (Thousands of U.S. Dollars)	43	50	104,295.00	0.00	459,884.00	7,366,066.00
Gross Margin % Of Sales	135	138	13.73	-197.85	45.50	99.68
Gross Margin % Of Sales -- TTM	132	139	18.72	-111.95	47.03	99.77
SG&A % Of Sales	66	134	36.48	4.07	37.55	398.24
SG&A % Of Sales -- TTM	62	134	33.61	4.49	36.89	611.14
Operating Margin % Of Sales	135	140	-34.81	-596.04	3.56	22.09
Operating Margin % Of Sales TTM	137	140	-23.34	-42.40	4.12	26.15
EBITDA Margin Of Sales	87	91	-32.88	-179.36	9.03	40.21
EBITDA Margin Of Sales -- TTM	95	97	-20.83	-32.06	8.12	25.63
Net Profit Margin % Of Sales	135	140	-34.46	-596.04	1.55	14.66
Net Profit Margin % Of Sales - TTM	137	140	-24.32	-444.33	2.53	24.72
Pre-tax Income % Of Sales	135	140	-34.48	-596.04	2.77	22.17
Effective Tax Rate	22	141	-0.18	-270.97	24.03	324.88
Depreciation % Of Prop/Plant/Equipment	95	135	26.24	-1.11	20.92	122.29
Capital Expense % Of Prop/Plant/Equipment	55	101	30.00	0.20	27.88	253.41
Interest Coverage	66	69	-25.00	-90.29	6.02	52,616.00
Interest Coverage -- TTM	82	84	-29.21	-37.11	11.34	41,683.00
Liquidity ratios:						
Cash Ratio	79	141	0.32	0.00	0.38	17.15
Quick Ratio	N/A	123	N/A	0.07	0.81	19.26
Current Ratio	129	142	1.10	0.28	1.97	19.27
Efficiency ratios:						
Accounts Receivable Turnover	N/A	124	N/A	0.00	24.51	7,805.76
Days Sales Outstanding	8	140	0.00	0.00	11.52	348.98
% of Inventory Financed by Vendors	37	135	64.51	0.14	44.17	7,336.25
% of Inventory Financed by Vendors -- TTM	38	136	62.57	0.96	45.41	7,336.25
Inventory Turnover	4	140	10.29	0.00	2.90	29.19
Inventory Turnover TTM	5	140	9.82	0.00	3.00	23.52
Days Sales in Inventory	4	138	35.48	12.51	124.67	513.46
Inventory to Working Capital	125	140	5.26	-95.43	0.93	38.72
Accounts Payable Turnover	12	137	16.44	0.00	6.57	226.80
Accounts Payable Turnover -- TTM	12	138	16.77	0.00	7.29	187.71
Leverage & debt coverage:						
Total Debt to Equity Ratio	N/A	104	N/A	0.00	0.33	15.25
Debt to Tangible Equity Ratio	N/A	95	N/A	0.00	0.33	16.03
Total Debt to Assets Ratio	65	111	0.23	0.00	0.18	0.94
Short-Term Debt % of Total Debt	44	97	34.48	0.26	41.80	100.00
Short-Term Debt % of Working Capital	77	98	122.26	-6,672.34	16.37	599.96
Liabilities to Net Worth Ratio	N/A	125	N/A	0.13	0.72	51.00
Total Liabilities to Equity Ratio	N/A	134	N/A	0.13	0.73	25.02
TTM = trailing 12 months N/A = Not Available	Green - Ranked in Upper Quartile of Peer Group White - Ranked in the Middle Two Quartiles of Peer Group Red - Ranked in Lower Quartile of Peer Group Orange - Confidential Grey - Data is Not Available					

Bottom quartile in majority of Performance ratios vs. Retail (Apparel) peers

No one has better access to a Company's inside information than its CEO and CFO, who are obligated to tell the truth and make timely disclosures of material information to investors, creditors, and other stakeholders...

In the MD&A issued in August 2014, management explicitly states that if the Company's financial position continues to degrade, and it is unable to raise additional capital in the near future, it may deplete all its cash reserves and be required to access most, if not all, of its senior revolving credit facility. Moreover, the Company may need to take various actions including, but not limited to, down-sizing, and reducing or delaying strategic investments, which could materially and adversely affect the business and raise substantial doubt about its ability to continue as a going concern...

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Site Map About Us Directory Lookup Portfolio News Account Help Sign Off Back

Report

Wet Seal Inc

26972 Burbank

FOOTHILL RANCH, CA 92610 United States

Phone: (949) 699-3900

Filed for Bankruptcy on 1/15/2015

Case #15-10081, filed in the U.S. Bankruptcy Court for the District of Delaware

Management Discussion and Analysis

For the period ended 8/2/2014

If we are unable to complete the private placement and the intended rights offering, return to positive same-store sales growth and improve our gross margins in the future, and we then continue to experience negative cash flow from operations, we may deplete all of our cash reserves and be required to access most, if not all, of the senior revolving credit facility, and would potentially require other sources of financing to fund our operations, which sources might not be available, or if available, may not be on terms acceptable to us. In addition, we may need to take various actions, such as down-sizing, which could include exit costs, or reducing or delaying capital expenditures, strategic investments or other actions, and our business could be materially and adversely affected and could raise substantial doubt about our ability to continue as a going concern. In this event, it could have an adverse impact on our relationships with our merchandise vendors, lenders and other creditors.

Finally, the MD&A issued in November 2014, brings to light the real extent of the financial troubles brewing at Wet Seal, Inc., and the dwindling probability of it continuing as going concern. In particular, it discloses that, in order to address its pressing liquidity needs, the Company is undergoing a strategic business review with the aim of finding and evaluating financial alternatives to save its struggling business. It goes on to explain that, among other things, these alternatives include, the consideration of bankruptcy court proceedings to restructure or recapitalize the Company's indebtedness. Finally, the MD&A states that if the Company fails to address its urgent liquidity requirements in the very near term, it may be forced to seek relief under the provisions of the U.S. Bankruptcy Code...

...and in January 2015, the Company files for bankruptcy...

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Site Map About Us Directory Lookup Portfolio News Account Help Sign Off Back

Report
Overview
Company News
Risk Ratings
Important Information
Annual Financials
Year/Year Interim
Sequential Quarters
Liquidity (MD&A)
Liquidity (MD&A) History
SEC Filings
Peer Analysis
Payments
Public Filings
General Info
Access History
Update Portfolio
Print/Save Report
Currency Converter
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26972 Burbank

FOOTHILL RANCH, CA 92610 United States

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Case #15-10081, filed in the U.S. Bankruptcy Court for the District of Delaware

Management Discussion and Analysis

For the period ended 11/1/2014

We expect that our liquidity and working capital will be adversely impacted in the fourth quarter of the current fiscal year as a result of our fourth quarter expected net losses and negative cash flow from operations, planned reductions in inventory and cash which will have the effect of reducing our borrowing base for determining our borrowing availability under our senior revolving credit facility, and the letters of credit which are expected to be outstanding as collateral for our obligations to certain vendors and their factors.

In an effort to address our immediate liquidity needs, we are, with the assistance of our strategic advisors, exploring various potential strategic and financial alternatives and are engaged in discussions with third parties, as well as key financial stakeholders, including lenders, stockholders, landlords and others. Such strategic and financial alternatives include, among other things, consideration of out-of-court restructurings as well as bankruptcy court proceedings to recapitalize or restructure our indebtedness and other obligations. With the assistance of our advisors, we are attempting to raise new additional capital in the very near term to address our immediate liquidity needs.

If we are unsuccessful in the very near term in our efforts to address our immediate liquidity needs or we otherwise experience delays and difficulties in such efforts, our business, liquidity and financial condition would be materially and adversely affected and we may deem it advisable to seek a restructuring or other relief under the provisions of the U.S. Bankruptcy Code, which could lead to a significant and possibly total loss of investment for holders of our Class A common stock.