

SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

(Mark one)

- QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)  
OF THE SECURITIES EXCHANGE ACT OF 1934.  
For the Quarter Ended May 2, 1997  
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 1-9769

LANDS' END, INC.

(Exact name of registrant as specified in its charter)

DELAWARE 36-2512786  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)

Lands' End Lane, Dodgeville, WI 53595  
(Address of principal executive (Zip code)  
offices)

Registrant's telephone number, 608-935-9341  
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 (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  No

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of June 12, 1997:

Common stock, \$.01 par value 32,285,430 shares outstanding

LANDS' END, INC. & SUBSIDIARIES  
INDEX TO FORM 10-Q

	Page Number
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Statements of Operations for the Three Months Ended May 2, 1997, and May 3, 1996.....	3
Consolidated Balance Sheets at May 2, 1997,	

and January 31, 1997.....	4
Consolidated Statements of Cash Flows for the Three Months Ended May 2, 1997, and May 3, 1996.....	5
Notes to Consolidated Financial Statements.....	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	7-8
PART II. OTHER INFORMATION	
Item 1. Legal Proceedings.....	9
Item 4. Submission of Matters to a Vote of Security Holders.....	9
Item 6. Exhibits and Reports on Form 8-K.....	9
Signature.....	10

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

LANDS' END, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF OPERATIONS  
(In thousands, except per share data)

	Three months ended	
	May 2, 1997	May 3, 1996
Net sales	\$244,720	\$211,835
Cost of sales	131,988	117,098
Gross profit	112,732	94,737
Selling, general and administrative expenses	102,165	87,084
Income from operations	10,567	7,653
Other income (expense):		
Interest expense	(142)	(96)
Interest income	956	26
Gain on sale of subsidiary	7,805	-
Other	(342)	(235)
Total other income (expense), net	8,277	(305)
Income before income taxes	18,844	7,348
Income tax provision	7,538	2,939

Net income	\$ 11,306	\$ 4,409
Net income per share	\$ 0.35	\$ 0.13
Weighted average shares outstanding	32,391	33,631

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

3

LANDS' END, INC. & SUBSIDIARIES  
CONSOLIDATED BALANCE SHEETS  
(In thousands)

	May 2, 1997	January 31, 1997
Assets		
Current assets:		
Cash and cash equivalents	\$ 56,906	\$ 92,827
Receivables	12,536	8,739
Inventory	157,970	142,445
Prepaid advertising	13,276	11,066
Other prepaid expenses	5,016	5,440
Deferred income tax benefits	11,522	11,522
Total current assets	257,226	272,039
Property, plant and equipment, at cost:		
Land and buildings	71,726	72,360
Fixtures and equipment	100,376	98,642
Leasehold improvements	5,068	4,291
Construction in progress	4,717	1,337
Total property, plant and equipment	181,887	176,630
Less-accumulated depreciation and amortization	75,915	72,946
Property, plant and equipment, net	105,972	103,684
Intangibles, net	930	2,322
Total assets	\$364,128	\$378,045
Liabilities and shareholders' investment		
Current liabilities:		
Lines of credit	\$ 18,715	\$ 11,195
Accounts payable	68,364	76,585
Reserve for returns	4,332	5,184
Accrued liabilities	23,384	28,141
Accrued profit sharing	507	2,937
Income taxes payable	10,012	21,524
Total current liabilities	125,314	145,566
Deferred income taxes	8,814	8,814
Long-term liabilities	-	660
Shareholders' investment:		
Common stock, 40,221 shares issued	402	402
Donated capital	8,400	8,400
Additional paid-in capital	26,274	26,230
Deferred compensation	(1,300)	(1,370)
Currency translation adjustments	709	378
Retained earnings	322,367	311,061
Treasury stock, 7,948 and 7,778 shares at cost, respectively	(126,852)	(122,096)

Total shareholders' investment	230,000	223,005
Total liabilities and shareholders' investment	\$364,128	\$378,045

The accompanying notes to consolidated financial statements are an integral part of these consolidated balance sheets.

4

LANDS' END, INC. & SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(In thousands)

	Three Months Ended	
	May 2, 1997	May 3, 1996
	(unaudited)	
Cash flows from operating activities:		
Net income	\$ 11,306	\$ 4,409
Adjustments to reconcile net income to net cash flows from operating activities-		
Depreciation and amortization	4,048	3,320
Deferred compensation expense	70	83
After-tax gain on sale of subsidiary	(4,683)	-
Loss on disposal of fixed assets	558	118
Changes in current assets and liabilities excluding the effects of acquisitions and divestitures:		
Receivables	(4,112)	(2,375)
Inventory	(21,361)	2,305
Prepaid advertising	(2,210)	2,567
Other prepaid expenses	(1,297)	1,145
Accounts payable	(3,763)	(7,816)
Reserve for returns	(852)	(1,078)
Accrued liabilities	(3,485)	(1,254)
Accrued profit sharing	(2,430)	(1,445)
Income taxes payable	(14,634)	(10,285)
Other	(285)	30
Net cash flows used for operating activities	(43,130)	(10,276)
Cash flows from investing activities:		
Cash paid for capital additions businesses acquired	(7,905)	(2,183)
Proceeds from sale of subsidiary	12,350	-
Net cash flows from (used for) investing activities	4,445	(2,183)
Cash flows from financing activities:		
Proceeds from short-term debt	7,520	477
Tax effect of exercise of stock options	-	31
Purchases of treasury stock	(4,756)	(1,356)
Net cash flows from (used for) financing activities	2,764	(848)
Net decrease in cash and cash equivalents	(35,921)	(13,307)
Beginning cash and cash equivalents	92,827	17,176
Ending cash and cash equivalents	\$ 56,906	\$ 3,869
Supplemental cash flow disclosures:		
Interest paid	\$ 142	\$ 99
Income taxes paid	19,572	13,180

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

5

LANDS' END, INC. & SUBSIDIARIES  
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

### 1. Interim financial statements

The condensed consolidated financial statements included herein have been prepared by Lands' End, Inc. (the company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission, and in the opinion of management contain all adjustments (consisting of only normal recurring adjustments) necessary to present fairly the financial position. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations, although the company believes that the disclosures are adequate to make the information presented not misleading. The results of operations for the interim periods disclosed within this report are not necessarily indicative of future financial results. These consolidated financial statements are condensed and should be read in conjunction with the financial statements and the notes thereto included in the company's latest Annual Report on Form 10-K, which includes financial statements for the year ended January 31, 1997.

### 2. Reclassification

Certain financial statement amounts have been reclassified to be consistent with the current presentation.

### 3. Accounting standards

In fiscal 1997, the company adopted SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to be Disposed of." There has been no material impact on the company's consolidated financial statements since adopting this standard.

In February 1997, the Financial Accounting Standards Board issued SFAS No. 128, "Earnings Per Share." The standard revises the computation and presentation of earnings per share and will be adopted by the company in the fourth quarter of fiscal 1998. For the quarter ended May 2, 1997, SFAS No. 128 would not have had a material impact on the company's reported earnings per share calculation.

6

## Item 2. Management's Discussion and Analysis

### Results of Operations

Three Months Ended May 2, 1997, compared with  
Three Months Ended May 3, 1996

The company's net sales in the first quarter of fiscal 1998 increased 15.5 percent to \$245 million from \$212 million in the same quarter last year. The increase in sales for the quarter just ended was broadbased, led by the specialty businesses and also coming from the core business, represented by the company's regular monthly and prospecting catalogs, and the international business. Higher sales were primarily due to an increase in the number of pages mailed and increased productivity, or sales per page. During the first five weeks of the second quarter of fiscal 1998, the year-over-year sales

increase trend has been somewhat weaker than in the first quarter.

First quarter ending inventory was \$158 million, compared with \$163 million a year ago.

Gross profit in the quarter just ended was \$112.7 million, or 46.1 percent of net sales, compared with \$94.7 million, or 44.7 percent of net sales, in the first quarter of the prior year. The increase in gross profit margin was due to higher initial markups and to less steep markdowns of liquidated merchandise. Liquidations of excess inventory were about 7 percent of net sales in the first quarter of both the current and prior year.

For the first quarter this year, selling, general and administrative expenses increased 17 percent to \$102.2 million, compared with \$87.1 million for last year's first quarter. As a percentage of net sales, SG&A was 41.7 percent, compared with 41.1 percent in the similar period last year. The increase in the SG&A ratio was mainly due to increased bonus and profit sharing, due to higher profitability, and to relatively higher net shipping costs and wages. These expenses were higher primarily because of a lower rate of first-time fulfillment of customer orders. The increase in the SG&A ratio was partially offset by relatively lower costs of producing and mailing catalogs, mainly due to lower paper prices than in the prior year.

Net income for the quarter just ended was \$11.3 million, or \$0.35 per share. This includes an after-tax gain of \$4.7 million from the sale of the company's majority interest in The Territory Ahead. Excluding this gain, net income for the quarter was \$6.6 million or \$0.20 per share, compared with the \$4.4 million, or \$0.13 per share, earned in the prior year.

#### Seasonality of Business

The company's business is highly seasonal. Historically, a disproportionate amount of the company's net sales and a majority of its profits have been realized during the fourth quarter. If the company's sales were materially different from seasonal norms during the fourth quarter, the company's annual operating results could be materially affected. In addition, as the company continues to refine its marketing efforts by experimenting with the timing of its catalog mailings, quarter results may fluctuate. Accordingly, results for the individual quarters are not necessarily indicative of the results to be expected for the entire year.

7

#### Liquidity and capital resources

To date, the bulk of the company's working capital needs have been met through funds generated from operations and from short-term bank loans. The company's principal need for working capital has been to meet peak inventory requirements associated with its seasonal sales pattern. In addition, the company's resources have been used to purchase treasury stock and make asset additions.

The company will continue to explore investment opportunities arising from the expansion of its international businesses and the development of new businesses. While this investment spending has had some negative short term impact on earnings, it is not expected to have a material effect on liquidity.

At May 2, 1997, the company had unsecured domestic credit facilities totaling \$110 million, all of which was unused. The company also maintains foreign credit lines for use in foreign operations totaling the equivalent of approximately \$37 million as of May 2, 1997, of which \$18.7 million was used. The company has a separate \$20 million bank facility available to fund treasury stock purchases and capital expenditures. This facility runs through May 31, 1998.

Since fiscal 1990, the company's board of directors has authorized the company from time to time to purchase a total of 10.7 million shares of treasury stock. As of June 12, 1997, 8.9 million shares have been purchased, and there is a balance of 1.8 million shares available to the company.

Capital expenditures for fiscal 1998 are currently planned to be about \$43 million, of which about \$8 million had been expended through May 2, 1997. Major projects to date as of May 2, 1997, included expansion of distribution

facilities in Dodgeville, WI, replacement of corporate aircraft, and new computer hardware and software. The company believes that its cash flow from operations and borrowings under its current credit facilities will provide adequate resources to meet its capital requirements and operational needs for the foreseeable future.

8

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material legal proceedings presently pending, except for routine litigation incidental to the business, to which Lands' End, Inc., is a party or of which any of its property is the subject.

Items 2 and 3 are not applicable and have been omitted.

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

At the Annual meeting of Shareholders held on May 14, 1997, pursuant to the Notice of Annual Meeting of Shareholders and Proxy Statement dated April 14, 1997, the voting results were as follows:

- (a) Each of the three nominees (Richard C. Anderson, William E. Ferry and Howard G. Krane) were elected to the Board of Directors. Richard C. Anderson had holders of 30,206,272 shares voted FOR and 255,968 shares WITHHELD. William E. Ferry had holders of 30,218,696 shares voted FOR and 243,544 shares WITHHELD. Howard G. Krane had holders of 30,216,484 shares voted FOR and 245,756 shares WITHHELD;
- (b) The company's Non-Employee Director Stock Option Plan was approved (29,763,037 shares voted FOR; 645,513 shares voted AGAINST; and 53,690 shares ABSTAINED).
- (c) The appointment of Arthur Andersen LLP as independent public accountants for the company for the fiscal year ending January 30, 1998 was ratified (30,421,725 shares voted FOR; 21,471 shares voted AGAINST; and 19,044 shares ABSTAINED).

Item 5. is not applicable and has been omitted.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits

The following exhibit is filed as part of this report:

Table Number	Description	Exhibit Number
(10)	Eighth Amendment to Loan Agreement between the company and the American National Bank and Trust Company of	

	Chicago, dated May 31, 1997	1
(11)	Statement of recomputation of earnings per share	2
(b)	Reports on Form 8-K	
	There were no reports filed on Form 8-K during the three-month period ended May 2, 1997.	

9

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, its duly authorized officer and chief financial officer.

LANDS' END, INC.

Date: June 12, 1997

By /s/ BRADLEY K. JOHNSON  
Bradley K. Johnson  
Senior Vice President,  
Chief Administrative Officer  
and Chief Financial Officer

## LIST OF DOCUMENTS INCORPORATED BY REFERENCE

In addition to the exhibits filed with this report, the exhibits listed below have been heretofore filed with the Securities and Exchange Commission as exhibits to the company's registration statement on Form S-8 (File No. 33-63461) and on Form S-1 (File No. 33-08217) or to other filings with the Commission and are incorporated herein as exhibits by reference, pursuant to Rule 24 of the SEC Rules of Practice. The exhibit number of each document so filed is stated next to the description of such exhibit. The file number for all other documents is 1-9769.

Table Number	Description of Item	Exhibit Number	Document Description
(3)	Articles of Incorporation and By-Laws:		
	Certificate of Incorporation of the company, as amended through October 3, 1986.	1	S-1
	Amendment to Certificate of Incorporation of the company, dated August 10, 1987.	3	10-Q October 1987
	Amendment to Certification of Incorporation of the company, dated May 20, 1994	4	10-Q July 1994
	Amended and Restated by-Laws of the company.	2	10-K 1993
(4)	Equity Instrument and Agreements relating to Debt Obligations:		
	Form of Certificate to evidence the Common stock.	1	10-Q August 1990
	First Amendment to the Lands' End Retirement Plan.	2	S-8 October 1995
(10)	Material Contracts:		
	Form of letter from bank approving the company's unsecured line of credit and corresponding note.	7	10-K 1992
	Term Loan Note and Loan Agreement between the company and the American National Bank and Trust Company of Chicago.	11	10-Q August 1990
	Sixth Amendment to Loan Agreement between the company and the American National Bank and Trust Company of Chicago, dated December 6, 1995.	1	10-K 1996

11

Table Number	Description of Item	Exhibit Number	Document Description
(10)	Seventh Amendment to Loan Agreement between the company and the American National Bank and Trust Company of Chicago, dated December 30, 1996.	1	10-K 1997
	Buying Agreement between the company	7	10-Q

	and European Buying Agency, Ltd.		November 1990
	Salaried Incentive Bonus Plan	9	S-1
	Annual Incentive Plan and Long-Term Incentive Plan		Proxy 1996
	Stock Option Plan of the company	1	10-K 1995
	Non-Employee Director Stock Option Plan		Proxy 1997
	Amended and Restated Retirement Plan, dated February 1, 1992.	3	10-K 1994
	Form of Director Deferred Compensation Agreement	1	10-Q July 1995
(13)	Annual Report to Shareholders for the fiscal year ended January 31, 1997		10-K 1997

Exhibit 11.2

COMPUTATION OF EARNINGS PER SHARE

LANDS' END, INC. & SUBSIDIARIES  
COMPUTATION OF EARNINGS PER SHARE  
(In thousands, except per share amounts)

	Three months ended	
	May 2, 1997	May 3, 1996
Net income.....	\$ 11,306	\$ 4,409
Average shares of common stock outstanding during the period.....	32,391	33,631
Incremental shares from assumed exercise of stock options (primary)....	374 32,765	42 33,673
Primary earnings per share.....	\$ 0.35	\$ 0.13

Average shares of common stock outstanding during the period.....	32,391	33,631
Incremental shares from assumed exercise of stock options (fully diluted).....	374 32,765	127 33,758
Fully diluted earnings per share.....	\$ 0.35	\$ 0.13
Average shares of common stock outstanding during the period.....	32,391	33,631
Basic earnings per share.....	\$ 0.35	\$ 0.13

Exhibit 10.1

EIGHTH AMENDMENT TO LOAN AGREEMENT

THIS EIGHTH AMENDMENT ("Amendment") is entered into as of this 31st day of May, 1997, by and between LANDS' END, INC., a Delaware corporation ("Borrower"), and AMERICAN NATIONAL BANK AND TRUST COMPANY OF CHICAGO ("Bank").

WHEREAS, Borrower executed in favor of Bank a Loan Agreement dated July 19, 1990, as amended from time to time, in exchange for Bank's agreement to lend monies to Borrower (the "Loan Agreement"); and

WHEREAS, the Bank and Borrower wish to extend the time within which disbursement of Term Loan may be made; and

WHEREAS, the parties hereto desire and have agreed to enter into this Amendment in order to amend certain terms of the Loan Agreement; and

NOW, THEREFORE, in consideration of the above recitals, the mutual promises and agreements of the parties set forth herein and other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the parties hereto agree to amend the Loan Agreement as follows:

1. Extension of Final Disbursement Date. The Final Disbursement Date under the Loan Agreement is hereby extended to May 31, 1998.
2. This Amendment shall be incorporated into and made a part of the Loan Agreement and all other related loan documents executed by Borrower.
3. All terms and provisions of the Loan Agreement and all other related loan documents between Borrower and Bank, except as expressly modified herein, shall continue in full force and effect, and Borrower hereby confirms each and every one of its obligations under the Loan Agreement as amended herein.
4. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of Illinois.
5. This Amendment shall inure to the benefit of Bank's successors and

assigns, and shall be binding upon Borrower's successors and assigns.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the day and year first written above.

LANDS' END, INC.  
a Delaware corporation

By: TERRY R. JANES  
Terry R. Janes, Treasurer

ACCEPTED BY:

AMERICAN NATIONAL BANK AND TRUST  
COMPANY OF CHICAGO

By: PETER B. HARRISON, JR.  
Peter B. Harrison, Jr.  
Its: Commercial Banking Officer

<ARTICLE> 5

<LEGEND>

THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM CONSOLIDATED BALANCE SHEETS, CONSOLIDATED STATEMENTS OF OPERATIONS, AND COMPUTATION OF EARNINGS PER SHARE AND ITS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS AND EXHIBIT.

</LEGEND>

<MULTIPLIER> 1,000

<PERIOD-TYPE>	3-MOS	
<FISCAL-YEAR-END>		JAN-30-1998
<PERIOD-END>		MAY-02-1997
<CASH>		\$56,906
<SECURITIES>		0
<RECEIVABLES>		12,536
<ALLOWANCES>		0
<INVENTORY>		157,970
<CURRENT-ASSETS>		257,226
<PP&E>		181,887
<DEPRECIATION>		75,915
<TOTAL-ASSETS>		364,128
<CURRENT-LIABILITIES>		125,314
<BONDS>		0
<PREFERRED-MANDATORY>		0
<PREFERRED>		0
<COMMON>		402
<OTHER-SE>		229,598
<TOTAL-LIABILITY-AND-EQUITY>		364,128
<SALES>		244,720
<TOTAL-REVENUES>		244,720
<CGS>		131,988
<TOTAL-COSTS>		131,988
<OTHER-EXPENSES>		0
<LOSS-PROVISION>		0
<INTEREST-EXPENSE>		142
<INCOME-PRETAX>		18,844
<INCOME-TAX>		7,538
<INCOME-CONTINUING>		11,306
<DISCONTINUED>		0
<EXTRAORDINARY>		0
<CHANGES>		0
<NET-INCOME>		\$11,306
<EPS-PRIMARY>		\$0.35
<EPS-DILUTED>		\$0.35