STAGE STORES INC
Form 10-K
March 30, 2011

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

(Mark One)
þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended January 29, 2011

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 No. 1-14035

Stage Stores, Inc.
(Exact Name of Registrant as Specified in Its Charter)

NEVADA (State or Other Jurisdiction of Incorporation or Organization)	91-1826900 (I.R.S. Employer Identification No.)
10201 MAIN STREET, HOUSTON, TEXAS (Address of Principal Executive Offices)	77025 (Zip Code)

Registrant's telephone number, including area code: (800) 579-2302

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock ($0.01 par value)	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No þ

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 þ No o

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 o No o

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. o

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 definition of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer o Accelerated filer þ Non-accelerated filer o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No þ

As of July 31, 2010 (the last business day of the registrant's most recently completed second quarter), the aggregate market value of the voting and non-voting common stock of the registrant held by non-affiliates of the registrant was $369,400,174 (based upon the closing price of the registrant’s common stock as reported by the New York Stock Exchange on July 30, 2010).

As of March 23, 2011, there were 36,001,817 shares of the registrant’s common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive proxy statement relating to the registrant’s Annual Meeting of Shareholders to be held on June 9, 2011, which will be filed within 120 days of the end of the registrant’s fiscal year ended January 29, 2011 (the "Proxy Statement"), are incorporated by reference into Part III of this Form 10-K to the extent described therein.

TABLE OF CONTENTS

Table of Contents

References to a particular year are to Stage Stores, Inc.'s fiscal year, which is the 52- or 53-week period ending on the Saturday closest to January 31st of the following calendar year. For example, a reference to "2008" is a reference to the fiscal year ended January 31, 2009, "2009" is a reference to the fiscal year ended January 30, 2010 and "2010" is a reference to the fiscal year ended January 29, 2011. 2008, 2009 and 2010 consisted of 52 weeks.

PART I

ITEM 1. BUSINESS

Overview

Stage Stores, Inc. (the "Company" or "Stage Stores") is a Houston, Texas-based specialty department store retailer offering moderately priced, nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. The Company's principal focus is on consumers in small and mid-sized markets which the Company believes are under-served and less competitive. The Company differentiates itself from the competition in the small and mid-sized communities by offering consumers access to basic, as well as fashionable, brand name merchandise not typically carried by other retailers in the same market area. In the highly competitive metropolitan markets, the Company competes against other national department store chains, which similarly offer moderately priced, brand name and private label merchandise. In these larger metropolitan markets, the Company differentiates itself by offering consumers a high level of customer service in conveniently located, smaller-sized stores as compared to the larger department stores with which it competes.

The Company was formed in 1988 when the management of Palais Royal, together with several venture capital firms, acquired the family-owned Bealls and Palais Royal chains, both of which were originally founded in the 1920s. At the time of the acquisition, Palais Royal operated primarily larger stores, located in and around the Houston metropolitan area, while Bealls operated primarily smaller stores, principally located in rural Texas towns. Since its formation, the Company has pursued a growth strategy that is focused on expanding the Company's presence in small markets across the country through new store openings and strategic acquisitions.

In 2003, the Company acquired Peebles Inc. ("Peebles"), a privately held, similarly small-market focused retail company headquartered in South Hill, Virginia operating 136 stores in the Mid Atlantic, Southeastern and Midwestern states under the "Peebles" name. The Company retained the Peebles name and continues to use it on its stores in markets where it believes there is strong customer awareness and recognition of the name. In 2006, the Company acquired B.C. Moore & Sons, Incorporated ("B.C. Moore"), a privately held company operating 78 stores in small markets throughout the Southeastern states. This acquisition was consistent with the Company's corporate strategy of increasing the concentration of its store base in smaller markets. Under the integration plan, 69 of the acquired locations were converted into Peebles stores, and the remaining 9 locations were closed. In early 2009, Goody's Family Clothing, Inc. ("Goody's"), which was a retail company and a competitor of Stage Stores, went out of business. In July 2009, the Company acquired the "Goody's" name through the Goody's bankruptcy auction. The Company has used the Goody's name in select new store markets in which there is strong customer awareness and recognition of the name, as well as rebranding a number of existing non-Goody's stores with the Goody's name. The Company expects to continue opening and rebranding stores under the Goody's name in select markets.

Table of Contents

Stores

At January 29, 2011, the Company operated 786 stores located in 39 states. The Company's stores are divided into seven distinct geographic regions, with a total of 55 districts within these regions. The store count and selling square footage by region are as follows:

	Number of Stores			Selling Square Footage (in thousands)		
		2010 Activity			2010 Activity	
	January 30, 2010	Net Additions (Closures)	January 29, 2011	January 30, 2010	Net Additions (Closures)	January 29, 2011
South Central	345	3	348	6,753	150	6,903
Mid Atlantic	139	5	144	2,843	75	2,918
Southeast	148	10	158	2,426	192	2,618
Southwest	37	(1)	36	631	(23)	608
Midwest	62	10	72	926	198	1,124
Northeast	24	-	24	451	-	451
Northwest	3	1	4	47	12	59
	758	28	786	14,077	604	14,681

The Company operates its stores under the five names of Bealls, Goody's, Palais Royal, Peebles and Stage. While the Company's stores are operated under five names, the Company operates essentially all of its stores under one concept and one strategy. The store count and selling square footage by nameplate are as follows:

	Number of Stores				Selling Square Footage (in thousands)			
		2010 Activity				2010 Activity		
	January 30, 2010	Net Additions (Closures)	Rebranded Stores	January 29, 2011	January 30, 2010	Net Additions (Closures)	Rebranded Stores	January 29, 2011
Bealls	210	(1)	-	209	4,171	47	-	4,218
Goody's	15	30	26	71	282	580	448	1,310
Palais Royal	55	-	-	55	1,177	-	-	1,177
Peebles	334	(2)	(24)	308	6,009	(49)	(409)	5,551
Stage	144	1	(2)	143	2,438	26	(39)	2,425
	758	28	-	786	14,077	604	-	14,681

Utilizing a ten-mile radius from each store, approximately 65% of the Company's stores are located in small towns and communities with populations below 50,000 people, while an additional 19% of the Company's stores are located in mid-sized communities with populations between 50,000 and 150,000 people. The remaining 16% of the Company's stores are located in metropolitan areas with populations greater than 150,000, such as Houston and San Antonio, Texas. The store count and selling square footage by market area population are as follows:

	Number of Stores	Selling Square Footage (in thousands)
	2010 Activity Net	2010 Activity Net

	January 30, 2010	Additions	January 29, 2011	January 30, 2010	Additions	January 29, 2011
Less than 50,000	495	15	510	8,248	264	8,512
50,000 to 150,000	138	8	146	2,880	188	3,068
Greater than 150,000	125	5	130	2,949	152	3,101
	758	28	786	14,077	604	14,681

Table of Contents

In targeting small and mid-sized markets, the Company has developed a store format which is smaller than typical department stores yet large enough to offer a well edited, but broad selection of merchandise. With an average store size of approximately 18,700 selling square feet, approximately 87% of the Company's stores are located in strip shopping centers in which they are typically one of the anchor stores. An additional 10% of the Company's stores are located in local or regional shopping malls, while the remaining 3% are located in either free standing or downtown buildings. The Company attempts to locate its stores by, or in the vicinity of, other tenants that it believes will help attract additional foot traffic to the area, such as grocery stores, drug stores or major discount stores such as Wal-Mart. Store count and selling square footage by store location/format are as follows:

	Number of Stores			Selling Square Footage (in thousands)		
	January 30, 2010	2010 Activity Net Additions	January 29, 2011	January 30, 2010	2010 Activity Net Additions	January 29, 2011
Strip shopping centers	660	25	685	11,865	548	12,413
Local or regional shopping malls	74	2	76	1,877	36	1,913
Free-standing or downtown buildings	24	1	25	335	20	355
	758	28	786	14,077	604	14,681

Store Openings. The cornerstone of the Company's growth strategy continues to be to identify locations in small and mid-sized markets that meet its demographic and competitive criteria. The Company believes that the long-term potential of its smaller markets is positive and wants to be well positioned in these markets with locations that are convenient to its customers. During 2010, the Company opened a total of 33 new stores and reopened a tornado-damaged store which had been closed earlier in the year.

The number of new stores opened by state in 2010 is as follows:

State	Number of Stores
Alabama	2
Arkansas	3
Georgia	2
Illinois	1
Indiana	6
Kansas	1
Kentucky	4
Louisiana	1
Missouri	2
North Carolina	2
Ohio	1
Oregon	1
Tennessee	5
Texas	1
Virginia	1
	33

The Company believes that there are sufficient opportunities in small and mid-sized markets to continue with its new store growth into the foreseeable future. In 2011, the Company plans to open 35 to 40 new stores.

Store Rebranding. The Company took advantage of the Goody's brand equity by rebranding 26 of its existing non-Goody's stores to the Goody's nameplate in 2010. The Company anticipates rebranding approximately 120 existing non-Goody's stores to the Goody's nameplate during the 2011 fiscal year.

Table of Contents

Expansion, Relocation and Remodeling. In addition to opening new stores, the Company has continued to invest in the expansion, relocation and remodeling of its existing stores. The Company believes that remodeling keeps its stores looking fresh and up-to-date, which enhances its customers' shopping experience and helps maintain and improve its market share. Store remodeling projects can range from updating and improving in-store lighting, fixtures, wall merchandising and signage, to more extensive expansion projects. Relocations are intended to improve the store's location and to help it capitalize on incremental sales potential. During 2010, the Company relocated 2 stores, expanded a store and remodeled 15 stores.

Store Closures. The Company closed 5 stores during 2010. The Company continually reviews the trend of each store's performance and will close a store if the expected store performance does not support the required investment of capital at that location.

Competition

The retail industry is highly competitive. However, as a result of its small and mid-sized market focus, the Company generally faces less competition for its brand name merchandise since branded merchandise is typically available only in regional malls, which are normally located more than 30 miles away. In small and mid-sized markets where the Company does compete for brand name apparel sales, competition generally comes from local retailers, small regional chains and, to a lesser extent, national department stores. The Company believes it has a competitive advantage over local retailers and small regional chains due to its (i) broader selection of brand name merchandise, (ii) distinctive retail concept, (iii) economies of scale, (iv) strong vendor relationships and (v) private label credit card program. The Company also believes it has a competitive advantage in small and mid-sized markets over national department stores due to its experience with smaller markets. In addition, due to minimal merchandise overlap, the Company generally does not directly compete for branded apparel sales with national discounters such as Wal-Mart. In the highly competitive metropolitan markets where the Company competes against other national department store chains, the Company offers consumers a high level of customer service and the advantage of generally being in locations with convenient parking and easy access. In addition, over the years, the Company has endeavored to nurture customer loyalty and foster name recognition through loyalty and direct marketing programs.

Strategic Initiatives

Merchandising Strategy. The Company's merchandising strategy focuses on matching merchandise assortments and offerings with customers' aspirations for fashionable, quality brand name apparel. Further, care is taken to avoid duplication and to ensure in-stock position on size and color in all merchandise categories. The Company offers a well-edited selection of moderately priced, branded merchandise within distinct merchandise categories, such as women's, men's and children's apparel, as well as accessories, cosmetics and footwear.

The following table sets forth the distribution of net sales among the Company's various merchandise categories:

	Fiscal Year		
Department	2010	2009	2008
Men's/Young Men's	17 %	18 %	18 %
Misses Sportswear	17	17	17
Children's	12	12	12
Footwear	12	12	12
Junior Sportswear	8	8	8
Accessories	8	8	8

Cosmetics	8	7	7
Special Sizes	6	6	6
Dresses	5	5	5
Intimates	4	4	3
Home & Gifts	2	2	2
Outerwear, Swimwear and Other	1	1	2
	100 %	100 %	100 %

Table of Contents

The merchandise selection ranges from basics, including denim, underwear and foundations, to more upscale and fashionable clothing offerings. Merchandise mix may also vary from store to store to accommodate differing demographic, regional and climatic characteristics. Approximately 87% of sales consist of nationally recognized brands such as Levi Strauss, Nike, Calvin Klein, Chaps, Izod, Dockers, Carters, Jockey, Estee Lauder, Clinique, Nautica, Skechers and New Balance, while the remaining 13% of sales consist of the Company's private label merchandise.

The Company's private label portfolio includes several brands, which are developed and sourced through its membership in William E. Connor & Associates and Li-Fung Cooperative Buying Services, as well as through contracts with third party vendors. The Company's private label, exclusive and quasi-exclusive brands offer quality merchandise and excellent value. The Company's top 100 vendors currently account for approximately 51% of annual sales. Merchandise purchased from William E. Connor & Associates, Worldwindows, LLC and Associated Merchandising Corporation, the Company's former private label source, represented approximately 4% and 5% of the Company's 2010 and 2009 sales, respectively.

The Company is also focused on growing its cosmetics business. In 2010, the Company opened 8 Estee Lauder and 17 Clinique counters, bringing the total count to 176 and 169 counters, respectively. In addition, the Company launched The Beauty Bar in 100 stores in 2010. The Beauty Bar encompasses eight new brands in an assisted, open-sell format, focusing on treatment in skincare, bath/body and hair, incorporates natural and organic products and highlights new color products in minerals, makeup artistry and how-to kits.

The Company's merchandising activities are conducted from its corporate headquarters in Houston, Texas (the "Houston Division") and from its South Hill, Virginia administrative offices (the "South Hill Division"). During 2009, the Company realigned its divisions along a "north/south" orientation in order to take advantage of the strengths of each of its merchandising offices, which led to merchandise assortments that were more appropriate to the climatic and regional market characteristics of each store. At January 29, 2011, the Houston Division was responsible for 477 stores located primarily in the South Central, Southeastern, Southwestern and Northwestern states, which bear one of all of the Company's five nameplates of Bealls, Goody's, Palais Royal, Peebles and Stage. The South Hill Division was responsible for 309 stores located primarily in the Mid Atlantic, Midwestern, Southeastern and Northeastern states, which bear the nameplates Goody's, Peebles or Stage. For its cosmetics business, the merchandising responsibilities related to buying, planning, allocation and replenishment are consolidated to take advantage of the combined leverage of both the Houston and South Hill Divisions.

Marketing Strategy. The Company's primary target customers are women who are generally 25 and older with annual household incomes of over $45,000, who the Company believes are the primary decision makers for their family's clothing purchases. The Company's broad based marketing strategy is designed to establish brand loyalty, convenience and promotional positioning. The Company uses a multi-media advertising approach, including direct mail, newspapers, radio, television, internet, email and telephone messaging to position its stores as the local destination for basic and fashionable, moderately priced, brand name merchandise. In addition, the Company promotes its private label credit card and attempts to create strong customer loyalty through continuous one-on-one communication with its core private label credit card holders. The Company's best private label credit card customers are recognized and rewarded through its VIP credit card program, as discussed below, which creates greater customer retention and promotes increased purchasing activity. In addition to the information gathered from its private label credit card customers, the Company captures data on selected check, debit and other third party credit card customers and incorporates this data into its marketing and merchandising programs. The Company currently captures customer data on approximately 63% of its sales. To complement its marketing efforts, the Company encourages local store involvement in local community activities.

Private Label Credit Card. The Company considers its private label credit card program to be an important component of its retailing concept because it (i) enhances customer loyalty, (ii) allows the Company to identify and regularly contact its best customers and (iii) creates a comprehensive database that enables the Company to implement detailed, segmented marketing and merchandising strategies for each store. Frequent private label credit card users, through the Company's VIP credit card program, enjoy an increasing array of benefits. The Company's most active charge customers are awarded a bronze, silver or gold VIP card based on their level of annual purchases. Depending on their level, holders of these cards receive such benefits as discounted or free gift-wrapping, special promotional discounts and invitations to private "VIP Only" sales. In addition, new holders of the Company's credit card receive a 10% discount the first time they use their new card. To encourage associates to focus on getting customers to open new Company credit card accounts, the Company provides increasing incentive award payments based on the number of new private label credit card accounts activated. The penetration rate for the Company's private label credit card was approximately 32%, 33% and 32% of net sales in 2010, 2009 and 2008, respectively.

Table of Contents

Enhanced Visual Merchandising and In-store Shopping Strategies. The Company has undertaken a number of initiatives designed to enhance its customers' in-store shopping experience and to make its stores more visually appealing. The Company's typical interior store layouts and visual merchandising displays are designed to create a friendly, modern department store environment. The Company's carefully edited assortment of merchandise is divided into distinct departments within each store which are clearly marked and easy to navigate as a result of the Company's standard "racetrack" configuration. In this configuration, the various merchandise departments are situated throughout the store in such a way that a central loop, or "racetrack", is created, which the Company believes enhances the customer's shopping experience by providing an open, easy-to-shop interior. Another aspect of the in-store shopping experience is convenience, which includes convenient parking, knowledgeable staff, and fast and friendly checkouts. In 2009, the Company installed a new point-of-sale ("POS") platform in all its stores, which reduces customers' time-in-line resulting in more efficient customer service. The Company also continued to invest in impactful, updated visual trend collateral and enhanced brand identification throughout the store. Lastly, the Company improved its in-store signage, thereby conveying a clearer price/value message to its customers.

Customer Service Initiatives. A primary corporate objective is to provide exceptional customer service through conveniently located stores staffed with well-trained and motivated sales associates. In order to ensure consistency of execution, each sales associate is evaluated based on the attainment of specific customer service standards, such as offering prompt and knowledgeable assistance, suggesting complementary items, helping customers open private label credit card accounts and establishing consistent contact with customers to facilitate repeat business. The results of these customer surveys are shared and discussed with the appropriate sales associates so that excellent service can be recognized and, conversely, counseling can be used if improvements are needed. To further reinforce the Company's focus on customer service, the Company has various programs in place to recognize associates for providing outstanding customer service. Further, senior management, store operations and merchandising personnel regularly visit the stores to enhance their knowledge of the trade area, store management and customer base. For span-of-control purposes, the Company's stores are divided into distinct regions and districts, as previously discussed. The number of stores that each District Manager oversees depends on their proximity to each other and generally varies from a low of 8 stores to a high of 18 stores. Each store is managed by a team consisting of a Manager and a number of Assistant Managers, determined by the size of the store. The selling floor staff within each store consists of both full-time and part-time associates, with temporary associates added during peak selling seasons. The Company believes that this structure provides an appropriate level of oversight, management and control over its store operations.

Operations

Merchandise Distribution. The Company currently distributes all merchandise to its stores through three distribution centers located in Jacksonville, Texas, South Hill, Virginia and Jeffersonville, Ohio. The Company's Jacksonville distribution center has approximately 437,000 square feet of processing area and is capable of servicing 600 stores, the South Hill distribution center has approximately 162,000 square feet of processing area and is capable of servicing 240 stores, and the Jeffersonville distribution center has approximately 202,000 square feet of processing area and is capable of servicing 310 stores. The Company believes it has sufficient distribution capacity in its three distribution centers to support its new store growth for the foreseeable future.

Incoming merchandise received at the distribution centers is inspected for quality control purposes. The Company has formal guidelines for vendors with respect to shipping and invoicing for merchandise. Vendors that do not comply with the guidelines are charged specified fees depending upon the degree of non-compliance. These fees are intended to be a deterrent to non-compliance, as well as to offset higher costs associated with the processing of such merchandise.

Integrated merchandising and warehouse management systems support all corporate and distribution center locations that support the stores. All of the Company’s distribution centers are equipped with modern sortation equipment to support distribution of quantities to meet specific store needs. The configurations of the distribution centers permit daily shipments to stores, if needed, with the majority of stores receiving merchandise within two days of shipment from the distribution centers. The Company utilizes a third party contract carrier to deliver merchandise from the distribution centers to its stores.

Information Systems. The Company supports its retail concept by using multiple, highly integrated systems in areas such as merchandising, store operations, distribution, sales promotion, personnel management, store design and accounting.

The Company's core merchandising systems assist in planning, ordering, allocating and replenishing merchandise assortments for each store, based on specific characteristics and recent sales trends. The price change management system

Table of Contents

allows the Company to identify and mark down slow moving merchandise. The replenishment/fulfillment system allows the Company to maintain planned levels of in-stock positions in basic items such as jeans and underwear. In addition, a fully integrated warehouse management system is in place in all three distribution centers.

The Company installed a new POS platform in 2009 with bar code scanning, electronic credit authorization, instant credit, returns database and gift card processing in its stores. This system also allows the Company to capture customer specific sales data for use in its merchandising, marketing and loss prevention systems, while quickly servicing its customers. This new platform is more efficient and flexible, and operates at a lower cost than the previous platform. The Company also utilizes an automated store personnel scheduling system that analyzes historical sales trends to schedule sales staff to match customer traffic patterns, thereby minimizing store labor costs. In 2010, the Company completed several enhancements to the POS platform, which included coupon management and deal-based pricing. These enhancements streamlined the checkout process and improved store associate adherence to promotional markdown policies.

In 2010, the Company launched the roll-out of a markdown optimization tool, which is focused on pricing items on a style-by-style basis at the appropriate price, based on inventory levels and sales history, in order to maximize revenue and profitability. The Company expects the roll-out to be completed in early 2011. The Company also continues to expand the utilization and effectiveness of its merchandise planning system in order to maximize the generation of sales and gross margin.

In 2010, the Company undertook the development of its eCommerce platform, which makes its merchandise more accessible to consumers across the country. The eCommerce website was officially launched on November 30, 2010 and consisted of an initial offering of 800 products in time for the holiday shopping period. In 2011, the Company plans to increase its on-line offering to 10,000 products through the introduction of new items each month. The Company anticipates that this new venture will drive incremental sales, provide existing customers with an on-line shopping experience and provide the opportunity to introduce the Company to a new customer base.

Employees. At January 29, 2011, the Company employed approximately 13,500 hourly and salaried employees. Employee levels will vary during the year as the Company traditionally hires additional employees, and increases the hours of part-time employees, during peak seasonal selling periods. There are no collective bargaining agreements in effect with respect to any of the Company's employees. The Company believes that it maintains a good relationship with its employees.

Seasonality. The Company's business is seasonal and sales are traditionally lower during the first three quarters of the fiscal year (February through October) and higher during the last quarter of the fiscal year (November through January). The fourth quarter usually accounts for slightly more than 30% of the Company's annual sales, with the other quarters accounting for approximately 22% to 24% each. Working capital requirements fluctuate during the year as well and generally reach their highest levels during the third and fourth quarters.

Trademarks. The Company regards its trademarks and their protection as important to its success. In addition to the Bealls, Goody’s, Palais Royal, Peebles and Stage trademarks, the United States Patent and Trademark Office (the “USPTO”) has issued federal registrations to the Company for the following trademarks: Accessory Crossing, Baxter & Wells, Cape Classic, Cape Classic LTD, Casual Options, Choose To Be You, Denim Planet, Goody’s 4 Shoes, Goodclothes, Goody’s Family Clothing, Goody’s It’s All About You, Goody’s Family Clothing (and design), Graphite, Hannah, Ivy Crew, Kid Crew, Meherrin River Outfitters, Mistletoe Mountain, Mountain Lake, Now That Looks Great On You, Old College Inn, Pebblebrook, On Stage, Private Expressions, Rebecca Malone, Signature Studio, Specialty Kids, Specialty Girl, Specialty Baby, Sun River Clothing Co., Take A Good Look, The Best Towel On the Beach, Thomas & Ashemore, Whispers, Wishful Park, www.goodysonline.com, Y.E.S. Your Everyday Savings and Your

Everyday Y.E.S. Savings Brands Value Quality. The Company has also filed applications with the USPTO seeking federal registrations for the following trademarks: Hannah Comfort, H.O.M.E Helping Our Military and Environment, Mad Money, One Bag Can Make A Difference and Whispers Bath & Body.

Table of Contents

Available Information

The Company makes available, free of charge, through its website, among other things, corporate governance documents, its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports as soon as reasonably practicable after they have been electronically filed with the Securities and Exchange Commission ("SEC"). They can be obtained by accessing the Company's website at www.stagestoresinc.com and clicking on "Investor Relations." To access corporate governance documents, click "Corporate Governance" and to access SEC filings, click "SEC Filings," then the report to be obtained. Information contained on the Company's website is not part of this Annual Report on Form 10-K.

ITEM 1A. RISK FACTORS

Forward Looking Statements

Certain statements in this Form 10-K contain or may contain forward-looking statements that are subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied, by these forward-looking statements. Forward-looking statements reflect the Company's expectations regarding future events and operating performance and often contain words such as "believe," "expect," "may," "will," "should," "could," "anticipate," "plan" or similar words.

Forward-looking statements are based on various assumptions and factors that could cause actual results to differ materially from those in the forward-looking statements. These factors include, but are not limited to, the ability of the Company and its subsidiary to maintain normal trade terms with vendors, the ability of the Company and its subsidiary to comply with the various covenant requirements contained in the Company's Revolving Credit Facility, the demand for apparel and other factors. The demand for apparel and sales volume can be affected by significant changes in economic conditions, including an economic downturn, employment levels in the Company's markets, consumer confidence, energy and gasoline prices, and other factors influencing discretionary consumer spending. Other factors affecting the demand for apparel and sales volume include unusual weather patterns, an increase in the level of competition in the Company's market areas, competitors' marketing strategies, changes in fashion trends, changes in the average cost of merchandise purchased for resale, availability of merchandise on normal payment terms and the failure to achieve the expected results of the Company's merchandising and marketing plans as well as its store opening plans. The occurrence of any of these factors could have a material and adverse impact on the Company's business, financial condition, operating results or liquidity. Most of these factors are difficult to predict accurately and are generally beyond the Company's control.

Readers should carefully review this Form 10-K in its entirety, including but not limited to the Company's financial statements and the accompanying notes, and the risks and uncertainties described in this Item 1A. Readers should consider the risks and uncertainties described in any forward-looking statement contained in this Form 10-K. Forward-looking statements contained in this Form 10-K are made as of the date of this Form 10-K. The Company does not undertake to update its forward-looking statements.

Described below are certain risk factors that management believes are applicable to the Company's business and the industry in which it operates. There may also be additional risks that are presently not material or are unknown.

To the extent that the current economic downturn and decline in consumer confidence continue, the Company's business and financial condition will be negatively impacted and such impact could be material. The current economic downturn and decline in consumer confidence are negatively impacting the retail apparel industry and the Company's business and financial condition. The Company's results of operations are sensitive to changes in general economic conditions that impact consumer discretionary spending, such as employment levels, energy and gasoline prices and other factors influencing consumer confidence. The Company has extensive operations in the South Central, Southeastern and Mid Atlantic states. In addition, many stores are located in small towns and rural environments that are substantially dependent upon the local economy. To the extent that the current economic downturn and decline in consumer confidence continue, particularly in the South Central, Southeastern and Mid Atlantic states and any state (such as Texas or Louisiana) from which the Company derives a significant portion of its net sales, the Company's business, financial condition and cash flows will be negatively impacted and such impact could be material.

Table of Contents

There can be no assurance that the Company's liquidity will not be affected by changes in economic conditions. The Company believes that the macroeconomic environment will continue to be difficult and that it will face highly promotional market conditions. Recent economic conditions have not had, nor does the Company anticipate that current economic conditions will have, a significant impact on its liquidity. Due to the Company's significant operating cash flow and availability under its Revolving Credit Facility, the Company continues to believe that it has the ability to meet its financing needs for the foreseeable future. However, there can be no assurance that the Company's liquidity will not be materially and adversely affected by changes in economic conditions.

The Company faces the risk of significant competition in the retail apparel industry which could result in the loss of customers and adversely affect revenues. The retail apparel business is highly competitive. Although competition varies widely from market to market, the Company faces the risk of increased competition, particularly in its more highly populated markets from national, regional and local department and specialty stores. Some of its competitors are considerably larger than the Company and have substantially greater resources. Although the Company offers a unique product mix and brands that are not available at certain other retailers, including regional and national department stores, there is no assurance that the Company's existing or new competitors will not carry similar branded merchandise in the future. This could have a material and adverse effect on the Company's business, financial condition and cash flows. In addition to traditional store-based retailers, the Company also faces competition from the Internet business, which could materially affect its revenues and profitability.

The Company's failure to anticipate and respond to changing customer preferences in a timely manner could adversely affect its operations. The Company's success depends, in part, upon its ability to anticipate and respond to changing consumer preferences and fashion trends in a timely manner. The Company attempts to stay abreast of emerging lifestyles and consumer preferences affecting its merchandise. However, any sustained failure on the Company's part to identify and respond to such trends could have a material and adverse effect on the Company's business, financial condition and cash flows.

The Company is highly dependent upon cash flows and net earnings generated during the fourth quarter, which includes the holiday season. The Company's business is seasonal and sales are traditionally lower during the first three quarters of the fiscal year (February through October) and higher during the last quarter of the fiscal year (November through January). The fourth quarter usually accounts for slightly more than 30% of the Company's annual sales, with the other quarters accounting for approximately 22% to 24% each. Working capital requirements fluctuate during the year as well and generally reach their highest levels during the third and fourth quarters.

Unusual weather patterns or natural disasters, whether due to climate change or otherwise, could negatively impact the Company's financial condition. The Company's business depends, in part, on normal weather patterns across the Company's markets. The Company is susceptible to unseasonable or extreme weather conditions, including natural disasters, such as hurricanes and tornadoes in its markets. Any such unusual or prolonged weather patterns in the Company's markets, especially in states such as Texas and Louisiana, whether due to climate change or otherwise, could have a material and adverse impact on its business, financial condition and cash flows. In addition, the Company's business, financial condition and cash flow could be adversely affected if the businesses of our key vendors and their merchandise manufacturers, shippers, carriers and other merchandise transportation service providers, especially those outside the United States, are disrupted due to severe weather, such as hurricanes or floods, whether due to climate change or otherwise.

Climate change and government laws and regulations related to climate change could negatively impact the Company's financial condition. In addition to other climate-related risks set forth in this "Risk Factors" section, the Company is and will be, directly and indirectly, subject to the effects of climate change and may, directly or indirectly, be affected by government laws and regulations related to climate change. The Company cannot predict, with any degree of certainty, what effect, if any, climate change and government laws and regulations related to climate change will have on the Company and its operations, whether directly or indirectly. While we believe that it is difficult to assess the timing and effect of climate change and pending legislation and regulation related to climate change on the Company's business, we believe that climate change and government laws and regulations related to climate change may affect, directly or indirectly, (i) the cost of the merchandise we purchase, (ii) the timeliness of delivery and the cost of transportation paid by the Company and the Company's vendors and other providers of merchandise, (iii) insurance premiums, deductibles and the availability of coverage, and (iv) the cost of utilities paid by the Company. In addition, climate change may increase the likelihood of property damage and the disruption of our operations, especially in stores located in coastal states. As a result, our financial condition could be negatively impacted and that impact could be material.

Table of Contents

War, acts of terrorism, Mexican border violence, public health issues and natural disasters may create uncertainty and could result in reduced revenues. The Company cannot predict, with any degree of certainty, what effect, if any, war, acts of terrorism, Mexican border violence, public health issues and natural disasters, if any, will have on the Company, its operations, the other risk factors discussed herein and the forward-looking statements made by the Company in this Form 10-K. However, the consequences of these events could have a material and adverse effect on the Company's business, financial condition and cash flows.

Government laws and regulations could adversely impact the Company's business, financial condition and cash flows. The Company, like other businesses, is subject to various federal, state and local government laws and regulations including, but not limited to, tax laws. These may change periodically in response to economic or political conditions. The Company cannot predict whether existing laws or regulations, as currently interpreted or as reinterpreted in the future, or future laws and regulations, could materially and adversely affect the results of its operations, financial condition and cash flows.

The Company's failure in the pursuit or execution of new acquisitions or strategic expansion could adversely affect its business. The success of the Company's expansion strategy depends upon many factors, including its ability to obtain suitable sites for new stores at acceptable costs, to hire, train and retain qualified personnel and to integrate new stores into existing information systems and operations. The Company cannot guarantee that it will reach its targets for opening new stores or that such stores, including those opened through acquisition, will operate profitably when opened. Failure to effectively implement its expansion strategy could have a material and adverse effect on its business, financial condition and cash flows.

The Company's failure to obtain merchandise product on normal trade terms and/or its inability to pass on any price increases related to its merchandise could adversely impact its business, financial condition and cash flows. The Company is highly dependent on obtaining merchandise product on normal trade terms. Failure to meet its performance objectives could cause key vendors and factors to become more restrictive in granting trade credit. The tightening of credit, such as a reduction in the Company's lines of credit or payment terms from the vendor or factor community, could have a material adverse impact on the Company's business, financial condition and cash flows. The Company is also highly dependent on obtaining merchandise at competitive and predictable prices. In the event the Company experiences rising prices related to its merchandise, whether due to cost of materials, inflation, transportation costs, or otherwise, and it is unable pass on those rising prices to its customers, its business, financial condition and cash flows could be adversely and materially affected.

A catastrophic event adversely affecting any of the Company's buying, distribution or other corporate facilities could result in reduced revenues and loss of customers. The Company's buying, distribution and other corporate operations are in highly centralized locations. The Company's operations could be materially and adversely affected if a catastrophic event (such as, but not limited to, fire, hurricanes or floods) impacts the use of these facilities. While the Company has developed contingency plans that would be implemented in the event of a catastrophic event, there are no assurances that the Company would be successful in obtaining alternative servicing facilities in a timely manner in the event of such a catastrophe.

A disruption of the Company's information technology systems could have a material adverse impact on its business and financial condition. The Company is heavily dependent on its information technology systems for day to day business operations. In addition, as part of the Company's normal course of business, it collects, processes and retains sensitive and confidential customer information. Today's information technology risks are largely external and their consequences could affect the entire Company. Potential risks include, but are not limited to, the following: (i) an intrusion by a hacker, (ii) the introduction of malware (virus, Trojan, spyware), (iii) hardware failure, (iv) outages due to software defects and (v) human error. Although the Company runs anti-virus and anti-spyware software and takes other steps to ensure that its information technology systems will not be disabled or otherwise disrupted, there are no assurances that disruptions will not occur. The consequences of a disruption, depending on the severity, could have a material adverse affect on the Company's business and financial condition and could expose the Company to civil, regulatory and industry actions and possible judgments, fees and fines. In addition, any security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage the Company's reputation, expose it to the risks of legal proceedings, disrupt its operations and otherwise adversely affect the Company's business and financial condition. While the Company has taken significant steps to protect customer and confidential information, there is no

Table of Contents

assurance that advances in computer capabilities, new discoveries in the field of cryptography, or other developments will prevent the compromise of customer transaction processing capabilities and personal data. If any such compromise of the Company's information security were to occur, it could have a material adverse effect on the Company's reputation, business, operating results, financial condition and cash flows.

Further, the Company launched its eCommerce platform in 2010, which provides another channel to generate sales. The Company anticipates that the website will drive incremental sales, provide existing customers the on-line shopping experience and also provide the opportunity to introduce the Company to a new customer base. If the Company does not successfully meet the challenges of operating a website or fulfilling customer expectations, the Company's business and sales could be adversely affected.

Covenants in the Company's Revolving Credit Facility agreement may impose operating restrictions, impede or adversely affect the Company's ability to pay dividends or repurchase common shares and raise capital through the sale of stock and other securities. The Company's Revolving Credit Facility agreement contains covenants which, among other things, restrict (i) the amount of additional debt or capital lease obligations, (ii) the payment of dividends and repurchase of common stock under certain circumstances and (iii) related party transactions. In addition, any material or adverse developments affecting the Company's business could significantly limit its ability to meet its obligations as they become due or to comply with the various covenant requirements contained in the Company's Revolving Credit Facility agreement.

The inability or unwillingness of one or more lenders to fund their commitment under the Company's Revolving Credit Facility could have a material adverse impact on the Company's business and financial condition. The Company's Revolving Credit Facility, which matures on April 20, 2012, is a $250.0 million senior secured revolving credit facility that includes an uncommitted accordion feature to increase the size of the facility to $350.0 million. The Revolving Credit Facility is used by the Company to provide financing for working capital, capital expenditures, interest payments and other general corporate purposes, as well as to support its outstanding letters of credit requirements. The lenders under the Revolving Credit Facility are as follows: Bank of America, N.A., Wells Fargo Foothill, LLC, General Electric Capital Corporation, the PNC Financial Services Group, Inc. and Webster Business Credit Corp. (collectively, the "Lenders"). Notwithstanding that the Company may be in full compliance with all covenants contained in the Revolving Credit Facility, the inability or unwillingness of one or more of those lenders to fund their commitment under the Company's Revolving Credit Facility could have a material adverse impact on the Company's business and financial condition unless the Lenders or another lender covered any shortfall.

If the Company's trademarks are successfully challenged, the outcome of those disputes could require the Company to abandon one or more of its trademarks. The Company regards its trademarks and their protection as important to its success. However, the Company cannot be sure that any trademark held by it will give it a competitive advantage or will not be challenged by third parties. Although the Company intends to vigorously protect its trademarks, the cost of litigation to uphold the validity and prevent infringement of trademarks can be substantial and the outcome of those disputes could require the Company to abandon one or more of its trademarks.

Risks associated with the Company's carriers, shippers and other providers of merchandise transportation services could have a material adverse effect on its business and financial condition. The Company's vendors rely on shippers, carriers and other merchandise transportation service providers (collectively "Transportation Providers") to deliver merchandise from their manufacturers, both in the United States and abroad, to the vendors' distribution centers in the United States. Transportation Providers are also responsible for transporting merchandise from their vendors' distribution centers to the Company's distribution centers. The Company also relies on Transportation Providers to transport merchandise from its distribution centers to its stores. However, if work slowdowns, stoppages, weather or other disruptions affect the transportation of merchandise between the vendors and their manufacturers, especially those manufacturers outside the United States, or between the vendors and the Company, the Company's business, financial condition and cash flows could be adversely affected.

Risks associated with the Company's vendors from whom its products are sourced could have a material adverse effect on its business and financial condition. The Company's merchandise is sourced from a variety of domestic and international vendors. All of the Company's vendors must comply with applicable laws, including the Company's required standards of conduct. Political or financial instability, trade restrictions, tariffs, currency exchange rates, transport

Table of Contents

capacity and costs and other factors relating to foreign trade, the ability to access suitable merchandise on acceptable terms and the financial viability of its vendors are beyond the Company's control and could adversely impact its performance.

Any devaluation of the Mexican peso, or imposition of restrictions on the access of citizens of Mexico to the Company's stores could adversely impact the Company's business and financial condition. Approximately 3% of the Company's stores are located in cities that either border Mexico or are in close proximity to Mexico. The Company estimates that approximately 7% of its 2010 sales were derived from these stores. While purchases in these stores are made in United States dollars, a devaluation of the Mexican peso could reduce the purchasing power of those customers who are citizens of Mexico. In such an event, revenues attributable to these stores could be reduced. In addition, due to global uncertainties, including threats, acts of terrorism or Mexican border violence, it is possible that tighter restrictions may be imposed by the Federal government on the ability of citizens of Mexico to cross the border into the United States. In that case, revenues attributable to the Company's stores regularly frequented by citizens of Mexico could be reduced.

The Company's failure to attract, develop and retain qualified employees could deteriorate the results of its operations. The Company's performance is dependent on attracting and retaining a large and growing number of employees. The Company believes that its competitive advantage is providing well-trained and motivated sales associates in order to provide customers exceptional customer service. The Company's success depends in part upon its ability to attract, develop and retain a sufficient number of qualified associates, including store, service and administrative personnel.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company's corporate headquarters and Houston Division merchandising offices are located in a leased 130,000 square-foot building in Houston, Texas. The Company owns the 28,000 square-foot office building housing the administrative and merchandising offices for the South Hill Division, which is located in South Hill, Virginia. The Company also owns its distribution centers in Jacksonville, Texas and South Hill, Virginia, and leases its third distribution center in Jeffersonville, Ohio.

		Gross Square Footage
Corporate Offices		
Houston, Texas	Leased	130,000
South Hill, Virginia	Owned	28,000
Distribution Centers		
Jacksonville, Texas	Owned	437,000

	South Hill, Virginia	Owned	162,000
	Jeffersonville, Ohio	Leased	202,000
Stores			
	783 stores	Leased	16,812,000
	3 stores	Owned	61,000

Table of Contents

At January 29, 2011, the Company operated 786 stores, located in 39 states within 7 regions, as follows:

		Number of Stores
South Central Region		
	Arkansas	24
	Louisiana	56
	Oklahoma	34
	Texas	234
		348
Mid Atlantic Region		
	Delaware	3
	Kentucky	30
	Maryland	7
	New Jersey	6
	Ohio	26
	Pennsylvania	28
	Virginia	35
	West Virginia	9
		144
Southeastern Region		
	Alabama	23
	Florida	4
	Georgia	32
	Mississippi	21
	North Carolina	24
	South Carolina	23
	Tennessee	31
		158
Southwestern Region		
	Arizona	9
	Colorado	5
	Nevada	1
	New Mexico	18
	Utah	3
		36
Midwestern Region		
	Illinois	4
	Indiana	21
	Iowa	3
	Kansas	7
	Michigan	14
	Minnesota	3
	Missouri	16
	Wisconsin	4
		72
Northeastern Region		
	Connecticut	1
	Massachusetts	2

	New Hampshire	2
	New York	15
	Vermont	4
		24
Northwestern Region		
	Idaho	2
	Oregon	2
		4
Total Stores		786

Table of Contents

Stores range in size from approximately 5,000 to 54,000 selling square feet, with the average being approximately 18,700 selling square feet. The Company's stores, of which all but 3 are leased, are primarily located in strip shopping centers. The majority of leases, which are typically for a 10-year term and often with 2 renewals of five years each, provide for a base rent plus payments for expenses incurred by the landlord, such as common area maintenance and insurance. Certain leases provide for contingent rents that are not measurable at inception. These contingent rents are primarily based on a percentage of sales that are in excess of a predetermined level.

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company and its subsidiary are involved in various legal proceedings arising in the ordinary course of their business. Management does not believe that any pending legal proceedings, either individually or in the aggregate, are material to the financial position, results of operations or cash flows of the Company or its subsidiary.

ITEM 4. (REMOVED AND RESERVED)

PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

The Company’s stock trades on the New York Stock Exchange under the symbol “SSI.” The following table sets forth the high and low market prices per share of the Company's common stock for each quarter in 2010 and 2009 as reported by the New York Stock Exchange:

	Common Stock Market Price	
2010	High	Low
First Quarter	$ 16.47	$ 12.16
Second Quarter	16.03	10.14
Third Quarter	13.96	10.00
Fourth Quarter	17.99	13.10
2009		
First Quarter	$ 12.61	$ 5.49
Second Quarter	14.21	9.37
Third Quarter	14.85	11.58
Fourth Quarter	13.85	10.75

Holders

As of March 23, 2011, there were 379 holders of record of the Company’s common stock.

Dividends

The Company paid quarterly cash dividends in 2010 and 2009 of $9.5 million and $7.6 million, respectively. On June 14, 2010, the Company announced that its Board of Directors (the "Board") approved a 50% increase in the Company's quarterly cash dividend rate to 7.5 cents per share from the previous quarterly rate of 5 cents per share. The new quarterly dividend rate of 7.5 cents per share is applicable to dividends declared after June 23, 2010. On February 24, 2011, the

Table of Contents

Company announced that the Board declared a quarterly cash dividend of 7.5 cents per share on the Company’s common stock, payable on March 23, 2011 to shareholders of record at the close of business on March 8, 2011.

While the Company expects to continue payment of quarterly cash dividends, the declaration and payment of future dividends by the Company are subject to the discretion of the Board. Any future determination to pay dividends will depend on the Company's results of operations and financial condition, as well as meeting certain criteria under its Revolving Credit Facility (as defined in “Liquidity and Capital Resources”) and other factors deemed relevant by the Board.

Stock Price Performance Graph

The annual changes for the period shown in the following graph are based on the assumption that $100 had been invested in Stage Stores stock, the S&P 500 Stock Index and the S&P 500 Retail Index on January 27, 2006 (the last trading date of fiscal 2005), and that all quarterly dividends were reinvested at the average of the closing prices at the beginning and end of the quarter. The total cumulative dollar returns shown on the graph represent the value that such investments would have had on January 28, 2011 (the last trading date of fiscal 2010). The calculations exclude trading commissions and taxes.

Date	Stage Stores, Inc.	S&P 500 Index	S&P 500 Retail Index
1/27/2006	$100.00	$100.00	$100.00
2/2/2007	112.83	112.83	113.97
2/1/2008	65.36	108.70	92.05
1/30/2009	37.31	64.33	56.38
1/29/2010	68.60	83.65	86.22
1/28/2011	85.04	99.43	108.18

Table of Contents

Stock Repurchase Program

The Board has approved a number of stock repurchase programs, all of which that were in effect prior to January 29, 2011 have been completed. The stock repurchase programs permitted the Company to repurchase its outstanding common stock from time to time in the open market or through privately negotiated transactions including, but not limited to, accelerated share repurchases, as deemed appropriate by the Company. On August 19, 2010, the Company announced that the Board approved a Stock Repurchase Program which authorized the Company to repurchase up to $25.0 million of its outstanding common stock (the “2010 Stock Repurchase Program”). During 2010, the Company repurchased approximately 2.0 million shares under the 2010 Stock Repurchase Program.

The Board has also granted the Company the authority to repurchase additional amounts of its outstanding common stock using available proceeds from the exercise of stock options, as well as the tax benefits that accrue to the Company from the exercise of stock options, stock appreciation rights (“SARs”) and from other equity grants. During 2010, the Company repurchased approximately 0.5 million shares using proceeds from these sources. At January 29, 2011, approximately $1.6 million was available to the Company for stock repurchases with proceeds from the exercise of employee stock options and SARs.

The following is a summary of stock repurchase activity completed under the various repurchase programs through January 29, 2011 (in thousands):

Stock Repurchase Programs	Date Approved	Date Completed		Amount	Shares Repurchased (1)
2002 Stock Repurchase Programs	July 29, 2002 & September 19, 2002	February 1, 2003	$	25,000	2,586
2003 Stock Repurchase Program	October 1, 2003	May 25, 2004		50,000	3,116
2005 Stock Repurchase Program	July 5, 2005	October 29, 2005		30,000	1,686
2007 Stock Repurchase Programs	January 5, 2007 & November 19, 2007	January 9, 2008		100,000	6,199
2010 Stock Repurchase Program	August 19, 2010	January 28, 2011		25,000	1,954
				230,000	15,541
Stock repurchases using proceeds from the exercise of employee stock options and SARs				88,433	4,967
		Total	$	318,433	20,508

(1) Shares repurchased are restated to reflect the impact of the 3-for-2 stock splits on August 19, 2005 and January 31, 2007.

The following table is a summary of stock repurchase activity during the fourth quarter of 2010:

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares that May Yet Be Purchased Under the Plans or Programs
October 31, 2010 to November 27, 2010	-	$ -	-	$ 4,581,858
November 28, 2010 to January 1, 2011	-	-	-	4,581,858
January 2, 2011 to January 29, 2011	278,460	16.45	278,460	-
Total	278,460	$ 16.45	278,460	

Table of Contents

The table above does not include shares acquired from employees in lieu of amounts required to satisfy minimum tax withholding requirements upon the vesting of employee restricted stock and performance shares, and shares related to the Company's defined compensation plan's stock investment option.

On March 8, 2011, the Company announced that the Board approved a new Stock Repurchase Program, which authorizes the Company to repurchase up to $200.0 million of its outstanding common stock (the "2011 Stock Repurchase Program") from time to time up to the approved amount, either on the open market or through privately negotiated transactions. The 2011 Stock Repurchase Program will be financed by the Company's existing cash, cash flow and other liquidity sources, as appropriate. The Company's intention is to repurchase up to $100.0 million of its shares during the 2011 fiscal year and to complete the program by the end of the 2013 fiscal year.

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following sets forth selected consolidated financial data for the periods indicated. The selected consolidated financial data should be read in conjunction with the Company's Consolidated Financial Statements included herein. All amounts are stated in thousands, except for per share data, percentages and number of stores.

	Fiscal Year				
	2010	2009	2008	2007	2006 (1)
Statement of operations data:					
Net sales	$ 1,470,590	$ 1,431,927	$ 1,515,820	$ 1,545,606	$ 1,550,180
Cost of sales and related buying, occupancy and distribution expenses	1,053,766	1,040,120	1,106,236	1,100,892	1,096,693
Gross profit	416,824	391,807	409,584	444,714	453,487
Selling, general and administrative expenses	350,865	338,551	351,246	350,248	352,870
Store opening costs	3,192	3,041	6,479	4,678	7,825
Goodwill impairment (2)	-	-	95,374	-	-
Interest expense, net	3,875	4,388	5,216	4,792	5,011
Income (loss) before income tax	58,892	45,827	(48,731)	84,996	87,781
Income tax expense	21,252	17,106	16,804	31,916	32,479
Net income (loss)	$ 37,640	$ 28,721	$ (65,535)	$ 53,080	$ 55,302
Basic earnings (loss) per common share (3)	$ 1.00	$ 0.76	$ (1.71)	$ 1.27	$ 1.33
Basic weighted average common shares (3) outstanding	37,656	38,029	38,285	41,764	41,559
Diluted earnings (loss) per common share (3)	$ 0.99	$ 0.75	$ (1.71)	$ 1.24	$ 1.25
Diluted weighted average common shares (3) outstanding	38,010	38,413	38,285	42,720	44,111
Margin and other data:					

Gross profit margin	28.3 %	27.4 %	27.0 %	28.8 %	29.3 %
Selling, general and administrative expense rate	23.9 %	23.6 %	23.2 %	22.7 %	22.8 %
Capital expenditures	$ 36,990	$ 42,707	$ 99,841	$ 95,311	$ 71,914
Construction allowances from landlords	5,476	3,875	17,536	18,765	8,946
Stock repurchases	31,976	1,327	9,060	112,597	21,579
Cash dividends per share	0.25	0.20	0.20	0.20	0.12
Store data:					
Comparable store sales growth (decline)	0.2 %	(7.9 %)	(6.1 %)	(1.1 %)	3.5 %(1)
Store openings	33	28	56	47	108 (4)
Store closings	5	9	11	8	3
Number of stores open at end of period	786	758	739	694	655
Total selling area square footage at end of period	14,681	14,077	13,730	12,929	12,124

	January 29, 2011	January 30, 2010	January 31, 2009	February 2, 2008	February 3, 2007
Balance sheet data					
Working capital	$ 262,100	$ 244,153	$ 201,971	$ 236,038	$ 253,668
Total assets	796,084	800,431	768,043	871,490	824,986
Debt obligations	38,492	51,218	57,012	100,594	16,614
Stockholders' equity	489,509	476,046	450,003	520,846	571,408

Table of Contents

(1) Fiscal year 2006 consisted of 53 weeks. Comparable store sales growth for 2006 has been determined based on a comparable 52 week period. Comparable store sales growth is based on sales growth for those stores which have been opened at least fourteen months prior to the reporting period.

(2) In fiscal year 2008, as a result of the decline in market capitalization and other factors, the Company recorded a one-time goodwill impairment charge of $95.4 million to write-off the carrying value of the Company's goodwill.

(3) The share and per share information for all periods presented have been restated to reflect the 3-for-2 stock splits which was paid in the form of a stock dividend on January 31, 2007.

(4) Includes 69 stores acquired in the B.C. Moore acquisition that were converted to Peebles stores.

ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Executive Summary

Stage Stores is a Houston, Texas-based specialty department store retailer offering moderately priced, nationally recognized brand name and private label apparel, accessories, cosmetics and footwear for the entire family. The Company's principal focus is on consumers in small and mid-sized markets which the Company believes are under-served and less competitive. The Company differentiates itself from the competition in the small and mid-sized communities by offering consumers access to basic, as well as fashionable, brand name merchandise not typically carried by other retailers in the same market area. In the highly competitive metropolitan markets, the Company competes against other national department store chains, which similarly offer moderately priced, brand name and private label merchandise. In these larger metropolitan markets, the Company differentiates itself by offering consumers a high level of customer service in conveniently located, smaller-sized stores as compared to the larger department stores with which it competes.

Consistent with its corporate strategy of increasing the concentration of its store base in smaller markets through new store growth and strategic acquisitions, the Company acquired Peebles, a similarly small market focused retail company, in 2003. In 2006, the Company acquired B.C. Moore, which expanded the Company's position in small markets throughout the Southeastern United States. At January 29, 2011, the Company operated 786 stores located in 39 states under the five names of Bealls, Goody's, Palais Royal, Peebles and Stage.

Subsequent to the release of the Company's unaudited financial results on March 8, 2011 for the fourth quarter and the year ended January 29, 2011, the Company made a reclassification of $2.8 million between income taxes payable and deferred taxes in the Consolidated Balance Sheets and between deferred income tax expense and (decrease) increase in accounts payable and other liabilities in the Consolidated Statements of Cash Flows for the year ended January 29, 2011.

Fiscal 2010

The Company's strategy for 2010 was to build on its 2009 achievements and to pursue sales and earnings growth as the economy stabilized. Reflecting the successful implementation of its business strategies, total sales for the year increased 2.7% and comparable store sales increased slightly. The gross profit rate for the year grew by 90 basis points and the operating margin rate improved by 80 basis points. Diluted earnings per share increased 32.0%. The Company operated throughout the year as a financially sound company. As of year end, the Company had no borrowings on its $250.0 million senior secured revolving credit facility and had cash, net of debt, of approximately $51.0 million. Its strong balance sheet and cash flow allowed the Company to increase its quarterly dividend rate by 50%, and to undertake and complete a $25.0 million stock repurchase program.

Operationally during the year, the Company opened 33 new stores. It continues to find that there is tremendous brand equity in the Goody's name in markets and regions of the country in which they operated prior to the Company's acquisition of the name. As such, 30 of the 33 new stores were opened under the Goody's name. Twenty-six non-Goody's stores were also rebranded with the Goody's name. In total, the Company ended the year with 71 Goody's stores. The

Table of Contents

Company added eight Estee Lauder and seventeen Clinique counters during the year, ending with 176 and 169 counters, respectively. It remained on track for a spring 2011 roll out of its markdown optimization tool and had a successful pre-holiday period launch of its eCommerce platform. Also in 2010, the Company completed several enhancements to its POS platform, which included coupon management and deal-based pricing. Lastly, it took an important step to strengthen its executive team by naming Oded Shein as Chief Financial Officer.

Fiscal 2011 Outlook and Trends

The Company’s strategy in 2011 will be focused on building on its 2010 achievements and pursuing sales and earnings growth. In 2011, the Company plans additional new store growth in under-served, small markets in accordance with its business model. The Company also intends to rebrand approximately 120 existing stores with the Goody’s name. Further, the Company will continue its commitment to providing superior customer service and compelling merchandise assortments within existing product categories in an effort to grow the Company’s share of business with its core customers and improve the in-store shopping experience. The Company expects these efforts, among other factors, will result in sales and earnings gains in 2011. In addition, continuing to maintain strong control over inventories and expenses, as well as undertaking specific actions to deal with rising commodity prices in select merchandise classifications, should increase gross margin and operating margin rates.

The financial information, discussion and analysis that follow should be read in conjunction with the Company's Consolidated Financial Statements included elsewhere herein.

Results of Operations

The following table sets forth the results of operations as a percent of sales for the periods indicated:

	Fiscal Year (1)					
	2010		2009		2008	
Net sales	100.0	%	100.0	%	100.0	%
Cost of sales and related buying, occupancy and distribution expenses	71.7		72.6		73.0	
Gross profit	28.3		27.4		27.0	
Selling, general and administrative expenses	23.9		23.6		23.2	
Store opening costs	0.2		0.2		0.4	
Goodwill impairment	0.0		0.0		6.3	
Interest expense, net	0.3		0.3		0.3	
Income (loss) before income tax	4.0		3.2		(3.2	)
Income tax expense	1.4		1.2		1.1	
Net income (loss)	2.6	%	2.0	%	(4.3	) %

(1) Percentages may not foot due to rounding.

Table of Contents

The following supplemental information presents the results of operations for 2010, 2009 and 2008. 2008 is presented in both a basis in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP") and a non-U.S. GAAP basis to show earnings with and without the non-cash goodwill impairment charge. Management believes this supplemental financial information enhances an investor's understanding of the Company's financial performance. The non-U.S. GAAP financial information should not be considered in isolation or viewed as a substitute for net income (loss), cash flow from operations or other measures of performance as defined by U.S. GAAP. Moreover, the inclusion of non-U.S. GAAP financial information as used herein is not necessarily comparable to other similarly titled measures of other companies due to the potential inconsistencies in the method of presentation and items considered. The following table sets forth the supplemental financial information and the reconciliation of U.S. GAAP disclosures to non-U.S. GAAP financial metrics (in thousands, except per share amounts):

	2010	2009	2008
Net income (loss):			
On a U.S. GAAP basis	$ 37,640	$ 28,721	$ (65,535)
Goodwill impairment	-	-	95,374
On a non-U.S. GAAP basis	$ 37,640	$ 28,721	$ 29,839
Diluted earnings (loss) per share:			
On a U.S. GAAP basis	$ 0.99	$ 0.75	$ (1.71)
Goodwill impairment	-	-	2.49
On a non-U.S. GAAP basis	$ 0.99	$ 0.75	$ 0.77

2010 Compared to 2009

Sales for 2010 increased 2.7% to $1,470.6 million from $1,431.9 million for 2009. The sales increase was driven by the strength of the Company's new stores, as comparable store sales, which are sales in stores that are open for at least 14 full months prior to the reporting period, increased by 0.2% in the current year. This compares to a 7.9% decrease in comparable store sales in the prior year. In 2010, new stores that were not in the comparable store base contributed sales of $37.9 million, while there was an increase in comparable stores sales of $2.5 million. These sales were offset by a loss of $1.7 million in sales from closed stores that were in operation during 2009. The 0.2% increase in comparable store sales for 2010 reflects a combination of a 6.7% increase in average transactions, offset by decreases in average unit retail and units per transaction of 4.2% and 2.3%, respectively.

Comparable store sales increase (decrease) by quarter is presented below:

	Fiscal Year	
	2010	2009
1st Quarter	(0.6)%	(9.0)%
2nd Quarter	(1.6)	(10.7)
3rd Quarter	(0.3)	(5.4)
4th Quarter	2.5	(6.5)
Total Year	0.2	(7.9)

On a merchandise category basis, the Company experienced comparable store sales increases in a number of key merchandise categories (i.e., those categories comprising greater than 5% of sales). Footwear, cosmetics, accessories and junior sportswear all had comparable store sales gains in 2010. The Company continues to focus on growing its cosmetics line of business through the installation of Estee Lauder and Clinique counters, as 8 new Estee Lauder and 17 new Clinique counters were opened during the fiscal year, which raised the total number of counters to 176 and 169, respectively.

On a market population basis, utilizing a ten-mile radius from each store, the Company's small market stores outperformed stores in its mid-sized and large markets in 2010. The Company experienced a 2.6% comparable store sales increase in its small market stores, or those in market areas with populations of less than 50,000, a 0.9% decrease in its mid-sized market stores, or those in market areas with populations of 50,000 to 150,000, and a 4.8% decrease in its large market stores, or those in market areas with populations greater than 150,000. The small markets continue to be the focus of the

Company's new store expansion plans as stores in these markets consistently outperform stores in mid-sized and large markets.

The Company considers its private label credit card program an important component of its retailing concept. Trends in delinquency rates, average balances and credit limits provide insight into the financial condition of the Company's core customers, particularly in times of difficult macroeconomic conditions. On a year-over-year basis, the 90 day and older delinquency rates for the Company's private label credit card program continued to improve in 2010 as compared to 2009. Conversely, the private label credit card sales penetration decreased 0.8% while new accounts opened in the current year increased 27.0% compared to the prior year.

The following is a summary of the changes between 2010 and 2009 in the components of cost of sales, expressed as a percent of sales:

	Decrease in the Components of Cost of Sales 2010 Compared to 2009
Merchandise cost of sales	(0.5)%
Buying, occupancy and distribution expenses	(0.4)
Decrease in merchandise cost of sales and related buying, occupancy and distribution expenses rate	(0.9)%

Gross profit increased 6.4% to $416.8 million in 2010 from $391.8 million in 2009. Gross profit, as a percent of sales, was 28.3% in 2010 and 27.4% in 2009. The gross profit increase is due to both increased sales and a 0.9% lower merchandise cost of sales rate in 2010. The improvement in merchandise cost of sales is attributable to the Company's strong inventory controls and lower freight costs. The decrease in buying, occupancy and distribution expenses over 2009 is principally due to better leverage from higher sales, lower store depreciation and distribution costs, partially offset by higher store occupancy expense, which is due to the increased store count as compared to 2009.

SG&A expenses in 2010 increased approximately $12.3 million, or 3.6%, to $350.8 million from $338.5 million in 2009. As a percent of sales, SG&A expenses increased to 23.9% in 2010 from 23.6% in 2009. The increase in the SG&A rate in 2010 over 2009 was primary due to increases in variable stores expenses as a result of higher sales and increased store count. The Company operated 28 net additional stores in 2010 as compared to 2009.

Store opening costs in 2010 of $3.2 million included costs related to the opening of 33 new stores, the reopening of a tornado-damaged store, the relocation of 2 stores and the rebranding of 26 stores. In 2009, the Company incurred $3.0 million in store opening costs related to 28 new stores and 10 relocated stores. Store opening costs are expensed as incurred and include costs of stores opening in future quarters.

Net interest expense was $3.9 million in 2010 as compared to $4.4 million in 2009. Interest expense is primarily comprised of interest on borrowings under the Company's Revolving Credit Facility, related letters of credit and commitment fees, amortization of debt issue costs and interest on financing lease obligations and equipment financing notes. The decrease in interest expense is primarily due to a lower average amount outstanding on equipment financing notes, coupled with reduced borrowings under the Company's Revolving Credit Facility (see "Liquidity and Capital Resources"), which had an average daily borrowing balance of $0.1 million in 2010 as compared to $0.6 million in 2009. The weighted average balance on the Company's equipment financing notes outstanding was $37.1 million in 2010 as compared to $44.6 million in 2009.

The Company's effective tax rate in 2010 was 36.1%, resulting in tax expense of $21.3 million. This compares to income tax expense of $17.1 million in 2009 at an effective rate of 37.3%. The effective tax rate for 2010 benefited from reductions in state income taxes.

Table of Contents

As a result of the foregoing, the Company had net income of $37.6 million for 2010 as compared to net income of $28.7 million in 2009.

2009 Compared to 2008

Sales for 2009 decreased 5.5% to $1,431.9 million from $1,515.8 million for 2008. Sales of $43.7 million generated by new stores that were not in the comparable store base during 2008 were offset by a decline in comparable store sales of $115.4 million and a loss of sales of $12.2 million from stores closed in 2009. Comparable store sales decreased 7.9% during 2009 as compared to a 6.1% decrease in 2008. The 7.9% decline in comparable store sales for 2009 reflects a combination of a 6.7% reduction in transactions coupled with a 1.2% decrease in units per transaction as the average unit retail per item was flat for the year.

Comparable store sales decrease by quarter is presented below:

	Fiscal Year	
	2009	2008
1st Quarter	(9.0)%	(5.4)%
2nd Quarter	(10.7)	(1.4)
3rd Quarter	(5.4)	(10.3)*
4th Quarter	(6.5)	(7.2)
Total Year	(7.9)	(6.1)

* Includes the impact of store closures related to Hurricane Ike and Gustav.

Sales in 2009 were negatively impacted by the significant downturn in the macroeconomic environment, including the retail apparel industry which is sensitive to factors impacting consumer discretionary spending, such as tight credit and high unemployment levels. Reduced levels of clearance merchandise throughout the year were also a significant drain on sales. On a merchandise category basis, all families of business experienced a comparable store sales decline in 2009. However, key merchandise categories (i.e., those categories comprising greater than 5% of sales) that outperformed the Company's average comparable store sales level were men's, cosmetics, accessories, misses, junior sportswear and dresses.

The Company's principal focus is on consumers in small markets that the Company believes are under-served. Although the Company experienced comparable store decreases in all its markets, its small market stores outperformed stores in its mid-sized and large markets. On a market population basis, utilizing a ten-mile radius from each store, in 2009 the Company experienced a 5.9% comparable store sales decrease in its small market stores, or those in market areas with populations of less than 50,000, an 8.8% decrease in its mid-sized market stores, or those in market areas with populations of 50,000 to 150,000, and an 11.8% decrease in its large market stores, or those in market areas with populations greater than 150,000. The small market stores continue to be the focus of the Company's new store expansion plans as these stores are consistently the best performers for the Company.

The Company considers its private label credit card program an important component of its retailing concept. Trends in delinquency rates, average balances and credit limits provide insight into the financial condition of the Company's core customers, particularly in times of difficult macroeconomic conditions. On a year-over-year basis, the 90 day and older delinquency rates for the Company's private label credit card program improved in 2009 as compared to 2008. Conversely, the private label credit card sales penetration increased 0.6% while new accounts opened in 2009 decreased 20.5% compared to 2008.

26

Table of Contents

The following is a summary of the changes between 2009 and 2008 in the components of cost of sales, expressed as a percent of sales:

	Increase (Decrease) in the Components of Cost of Sales 2009 Compared to 2008
Merchandise cost of sales	(1.3)%
Buying, occupancy and distribution expenses	1.0
Decrease in merchandise cost of sales and related buying, occupancy and distribution expenses rate	(0.3)%

Gross profit decreased 4.3% to $391.8 million in 2009 from $409.6 million in 2008. Gross profit, as a percent of sales, was 27.4% in 2009 and 27.0% in 2008. The gross profit rate benefited from a lower merchandise cost of sales rate, which was partially offset by an increase in the buying, occupancy and distribution expenses rate. The improvement in merchandise cost of sales is attributable to the Company's strong inventory controls, lower clearance levels and reduced freight costs. The increase in buying, occupancy and distribution expenses over 2008 is principally due to increased store occupancy and depreciation costs due to the increased store count as compared to 2008, as buying and distribution costs were lower.

SG&A expenses in 2009 decreased approximately $12.7 million, or 3.6%, to $338.5 million from $351.2 million in 2008, while operating 19 net additional stores in 2009. This was due to managing store payroll and other variable store costs in response to operating in a challenging economic environment. As a percent of sales, SG&A expenses increased to 23.6% in 2009 from 23.2% in 2008. The increase in the SG&A rate in 2009 over 2008 was due to a deleveraging of costs caused by lower sales in 2009.

Store opening costs in 2009 of $3.0 million included costs related to 28 stores opened and 10 stores relocated. In 2008, the Company incurred $6.5 million in store opening costs related to 56 new stores and 12 stores relocated.

Net interest expense was $4.4 million in 2009 as compared to $5.2 million in 2008. Interest expense is primarily comprised of interest on borrowings under the Company's Revolving Credit Facility, related letters of credit and commitment fees, amortization of debt issue costs and interest on financing lease obligations and equipment financing notes. The decrease in interest expense was primarily due to reduced borrowings under the Company's Revolving Credit Facility (see "Liquidity and Capital Resources"), which had an average daily borrowing balance of $0.6 million during 2009 as compared to $35.3 million in 2008. This was offset by higher interest on the equipment financing notes caused by a higher weighted average balance in 2009 as compared to 2008.

The Company's effective tax rate in 2009 was 37.3%, resulting in estimated income tax expense of $17.1 million. This compares to income tax expense of $16.8 million in 2008 at an effective tax rate of (34.5%), which includes the impact of the goodwill impairment charge which is a non-deductible expense for income tax purposes. The Company's effective tax rate for 2008, excluding the impact of the goodwill impairment charge, was 36.0%. The effective tax rate for 2008 benefited from $1.2 million of work opportunity tax credits.

As a result of the foregoing, the Company had net income of $28.7 million for 2009 as compared to a net loss of $65.5 million in 2008. Excluding the impairment charge, the Company's net income in 2008 was $29.8 million.

Seasonality and Inflation

Historically, the Company's business is seasonal and sales are traditionally lower during the first three quarters of the fiscal year (February through October) and higher during the last quarter of the fiscal year (November through January). The fourth quarter usually accounts for slightly more than 30% of the Company's annual sales, with the other quarters

27

Table of Contents

accounting for approximately 22% to 24% each. Working capital requirements fluctuate during the year and generally reach their highest levels during the third and fourth quarters. The Company does not believe that inflation had a material effect on its results of operations during the past three years. However, there can be no assurance that the Company's business will not be affected by inflation in the future.

The following table shows quarterly information (unaudited) for the Company (in thousands, except per share amounts):

	Fiscal Year 2010			
	Q1	Q2	Q3	Q4
Net sales	$340,042	$345,019	$331,850	$453,679
Gross profit	$89,895	$104,150	$76,590	$146,189
Net income (loss)	$2,198	$10,327	$(6,865)	$31,980
Basic earnings (loss) per common share	$0.06	$0.27	$(0.18)	$0.87
Diluted earnings (loss) per common share	$0.06	$0.27	$(0.18)	$0.86
Basic weighted average shares	38,273	38,359	37,362	36,629
Diluted weighted average shares	38,773	38,587	37,362	37,083

	Fiscal Year 2009			
	Q1	Q2	Q3	Q4
Net sales	$333,566	$341,737	$324,944	$431,680
Gross profit	$84,483	$100,197	$73,548	$133,579
Net (loss) income	$(905)	$9,093	$(7,319)	$27,852
Basic (loss) earnings per common share	$(0.02)	$0.24	$(0.19)	$0.73
Diluted (loss) earnings per common share	$(0.02)	$0.24	$(0.19)	$0.72
Basic weighted average shares	37,930			