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

# FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended May 1, 2004

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from __________ to __________

Commission file number 0-20052

# STEIN MART, INC.

(Exact name of registrant as specified in its charter)

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes [X] No [ ]

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).
Yes [X] No [ ]

At May 28, 2004, the latest practicable date, the Registrant had issued and outstanding an aggregate of 42,167,754 shares of its common stock.

**STEIN MART, INC.**
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# Stein Mart, Inc.
# Balance Sheets
*(In thousands)*

| | May 1, 2004 | January 31, 2004 | May 3, 2003 |
|---|---|---|---|
| **ASSETS** | **(Unaudited)** | | **(Unaudited)** |
| Current assets: | | | |
| Cash and cash equivalents | $ 43,904 | $ 11,965 | $ 17,052 |
| Trade and other receivables | 4,230 | 4,227 | 3,700 |
| Inventories | 288,176 | 283,379 | 329,838 |
| Prepaid expenses and other current assets | 6,658 | 6,227 | 5,783 |
| Total current assets | 342,968 | 305,798 | 356,373 |
| Property and equipment, net | 76,242 | 76,934 | 86,133 |
| Other assets | 9,602 | 10,297 | 7,755 |
| Total assets | $428,812 | $393,029 | $450,261 |
| **LIABILITIES AND STOCKHOLDERS' EQUITY** | | | |
| Current liabilities: | | | |
| Accounts payable | $ 97,402 | $ 59,046 | $ 96,802 |
| Accrued liabilities | 63,680 | 60,715 | 52,945 |
| Income taxes payable | 7,587 | - | 907 |
| Notes payable to banks | - | - | 56,300 |
| Total current liabilities | 168,669 | 119,761 | 206,954 |
| Notes payable to banks | - | 24,962 | - |
| Other liabilities | 19,655 | 20,628 | 18,699 |
| Total liabilities | 188,324 | 165,351 | 225,653 |
| COMMITMENTS AND CONTINGENCIES | | | |
| Stockholders' equity: | | | |
| Preferred stock - $.01 par value; 1,000,000 shares authorized; no shares outstanding | | | |
| Common stock - $.01 par value; 100,000,000 shares authorized; 42,059,262; 41,993,529 and 41,568,678 shares issued and outstanding, respectively | 421 | 420 | 416 |
| Paid-in capital | 4,461 | 3,196 | 509 |
| Unearned compensation | (280) | (309) | - |
| Retained earnings | 235,886 | 224,371 | 223,683 |
| Total stockholders' equity | 240,488 | 227,678 | 224,608 |
| Total liabilities and stockholders' equity | $428,812 | $393,029 | $450,261 |

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

# Stein Mart, Inc.
# Statements of Operations

*(Unaudited)*
*(In thousands except per share amounts)*

| | For The 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Net sales | $363,608 | $328,201 |
| Cost of merchandise sold | 264,563 | 244,981 |
| Gross profit | 99,045 | 83,220 |
| Selling, general and administrative expenses | 83,844 | 83,743 |
| Other income, net | 3,634 | 3,624 |
| Income from operations | 18,835 | 3,101 |
| Interest expense | 39 | 405 |
| Income from continuing operations before income taxes | 18,796 | 2,696 |
| Provision for income taxes | 7,142 | 1,025 |
| Income from continuing operations | 11,654 | 1,671 |
| Loss from discontinued operations, net of tax benefit | (139) | (158) |
| Net income | $ 11,515 | $ 1,513 |
| Basic income per share: | | |
| Continuing operations | $ 0.27 | $ 0.04 |
| Discontinued operations | - | - |
| Total | $ 0.27 | $ 0.04 |
| Diluted income per share: | | |
| Continuing operations | $ 0.27 | $ 0.04 |
| Discontinued operations | - | - |
| Total | $ 0.27 | $ 0.04 |
| Weighted-average shares outstanding – Basic | 42,000 | 41,587 |
| Weighted-average shares outstanding –Diluted | 42,461 | 41,587 |

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

# Stein Mart, Inc.
# Statements of Cash Flows

*(Unaudited)*
*(In thousands)*

| | For The 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Cash flows from operating activities: | | |
| Net income | $ 11,515 | $ 1,513 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 4,396 | 4,824 |
| Impairment of property and other assets | - | 765 |
| Store closing charges | 180 | - |
| Deferred income taxes | (159) | (46) |
| Restricted stock compensation | 10 | - |
| Tax benefit from exercise of stock options | 199 | - |
| Changes in assets and liabilities: | | |
| Trade and other receivables | (3) | 1,219 |
| Inventories | (4,797) | (32,608) |
| Prepaid expenses and other current assets | (35) | (891) |
| Other assets | 695 | (354) |
| Accounts payable | 38,356 | 26,330 |
| Accrued liabilities | 3,039 | (462) |
| Income taxes payable | 7,587 | (4,446) |
| Other liabilities | (1,464) | 1,886 |
| Net cash provided by (used in) operating activities | 59,519 | (2,270) |
| Cash flows used in investing activities: | | |
| Capital expenditures | (3,704) | (5,275) |
| Cash flows from financing activities: | | |
| Net (payments) borrowings under notes payable to banks | (24,962) | 14,950 |
| Proceeds from exercise of stock options | 1,086 | - |
| Purchase of common stock | - | (212) |
| Net cash (used in) provided by financing activities | (23,876) | 14,738 |
| Net increase in cash and cash equivalents | 31,939 | 7,193 |
| Cash and cash equivalents at beginning of year | 11,965 | 9,859 |
| Cash and cash equivalents at end of period | $ 43,904 | $ 17,052 |
| Supplemental disclosures of cash flow information: | | |
| Interest paid | $ 65 | $ 407 |
| Income taxes paid | 281 | 5,412 |

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

## STEIN MART, INC.
## NOTES TO FINANCIAL STATEMENTS
**May 1, 2004**
**(Unaudited)**

(Dollars in tables in thousands except per share amounts)

### 1. Basis of Presentation

The accompanying unaudited financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the 13-week periods are not necessarily indicative of the results that may be expected for the entire year. For further information, refer to the financial statements and footnotes thereto included in the Stein Mart, Inc. annual report on Form 10-K for the year ended January 31, 2004.

Certain reclassifications have been made to the 2003 financial statements to conform to the 2004 presentation.

### 2. Stock-Based Compensation

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, as amended by SFAS No. 148, "Accounting for Stock-Based Compensation". Accordingly, no compensation cost has been recognized for the Company's stock option plans. Restricted stock awards issued by the Company are accounted for in accordance with APB 25. The employee compensation cost is included in net income, as reported, throughout the vesting period. Had compensation cost of the Company's stock-based plans been determined consistent with the provisions of SFAS No. 123, the Company's net income and earnings per share would have been changed to the following pro forma amounts:

| | 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Net income – as reported | $11,515 | $1,513 |
| Add: Restricted stock-based employee compensation expense included in reported net income, net of related tax effects | 6 | - |
| Deduct: Total stock-based employee compensation expense determined under the fair value based method for all awards, net of related tax effects | 276 | 377 |
| Net income – pro forma | $11,245 | $1,136 |
| Basic earnings per share – as reported | $0.27 | $0.04 |
| Diluted earnings per share – as reported | $0.27 | $0.04 |
| Basic earnings per share – pro forma | $0.27 | $0.03 |
| Diluted earnings per share – pro forma | $0.26 | $0.03 |

### 3. Discontinued Operations

Two of the stores closed during 2003 and one store closed during the first quarter of 2004 (see Note 4) are reported as discontinued operations. SFAS No. 144 requires closed stores to be classified as discontinued operations when the operations and cash flows of the stores have been eliminated from ongoing operations. To determine if cash flows have been eliminated from ongoing operations, management evaluated a number of factors, including:

proximity to a remaining store, physical location within a metropolitan or non-metropolitan area and transferability of sales between open and closed locations. Based on these criteria, management determined that these three closed stores should be accounted for as discontinued operations. The prior years' operating activities for these stores have also been reclassified to "Loss from discontinued operations" in the accompanying Statements of Operations.

Discontinued operations generated sales of $0.9 million and $2.4 million during the first quarter of 2004 and 2003, respectively. Loss from discontinued operations includes the following components:

| | 13 Weeks Ended | |
|---|---|---|
| | 2004 | 2003 |
| Loss from operations | $(224) | $(255) |
| Income tax benefit | 85 | 97 |
| Loss from discontinued operations, net of tax benefit | $(139) | $(158) |

See Note 4 for a description of store closing costs and asset impairment charges included in loss from discontinued operations for the first quarter of 2004 and 2003.

**4. Store Closing Charges and Impairment of Long-Lived Assets**

In January 2004, the Company announced plans to close six stores and relocate three other stores in 2004 within the same metropolitan areas. The plan has since been revised to close seven stores and relocate two stores. Four of these stores were closed during the first quarter of 2004 incurring minimal lease termination and severance costs. The Company will incur approximately $1.0 million in lease termination and severance charges during the remainder of 2004 to complete these store closings and relocations.

The Company closed 16 under-performing stores during 2003, three of which were closed during the first quarter of 2003. During the first quarter of 2003, the Company incurred a pre-tax asset impairment charge of $0.8 million to reduce the carrying value of property and equipment of these stores to their respective estimated fair value. All store closing and asset impairment charges are included in selling, general and administrative expenses in the Statement of Operations for the first quarter of 2004 and 2003, except for $154,000 in 2004 and $42,000 in 2003 which are included in loss from discontinued operations.

The following tables show the activity in the store closing reserve for the first quarter of 2004 and 2003:

| | Jan. 31, 2004 | Charges | Payments | May 1, 2004 |
|---|---|---|---|---|
| Continuing operations: | | | | |
| Lease termination costs | $8,780 | $ - | $ 819 | $7,961 |
| Severance | 131 | 343 | 347 | 127 |
| Other | 105 | - | - | 105 |
| | 9,016 | 343 | 1,166 | 8,193 |
| Discontinued operations: | | | | |
| Lease termination costs | 159 | 77 | 190 | 46 |
| Severance | 19 | 77 | 96 | - |
| | 178 | 154 | 286 | 46 |
| Total store closing reserve | $9,194 | $497 | $1,452 | $8,239 |

| | Feb. 1, 2003 | Charges | Payments | May 3, 2003 |
|---|---|---|---|---|
| Continuing operations: | | | | |
| Lease termination costs | $4,982 | $ - | $ 418 | $4,564 |

## STEIN MART, INC.
## NOTES TO FINANCIAL STATEMENTS

The store closing reserve at May 1, 2004, January 31, 2004 and May 3, 2003 includes a current portion (in accrued liabilities) of $3.3 million, $2.8 million and $1.2 million, respectively, and a long-term portion (in other liabilities) of $4.9 million, $6.4 million and $3.4 million, respectively.

The table below sets forth the components of loss from operations for all stores closed during 2004 and 2003. The 2004 table presents the losses from the 4 stores that closed during the first quarter of 2004. The 2003 table presents the sum of the losses from the four stores closed during the first quarter of 2004 and the 16 stores closed during fiscal year 2003.

| | Operating Results Of Closed Stores Included In: | | |
|---|---|---|---|
| Quarter ended May 1, 2004: | Continuing Operations | Discontinued Operations | Total Closed Stores |
| Sales | $1,747 | $ 942 | $ 2,689 |
| Cost of sales | 1,674 | 748 | 2,422 |
| Gross profit | 73 | 194 | 267 |
| Selling, general and administrative expenses | 958 | 418 | 1,376 |
| Other income, net | 9 | - | 9 |
| Loss from operations | $ (876) | $(224) | $(1,100) |
| # of stores closed in 2004 | 3 | 1 | 4 |
| | | | |
| Quarter ended May 3, 2003: | Continuing Operations | Discontinued Operations | Total Closed Stores |
| Sales | $12,426 | $2,356 | $14,782 |
| Cost of sales | 11,755 | 1,880 | 13,635 |
| Gross profit | 671 | 476 | 1,147 |
| Selling, general and administrative expenses | 4,676 | 760 | 5,436 |
| Other income, net | 168 | 29 | 197 |
| Loss from operations | $ (3,837) | $ (255) | $ (4,092) |
| # of stores closed in 2004 and 2003 | 17 | 3 | 20 |

**5. Notes Payable to Banks**

The Company has a three-year $150 million senior revolving credit agreement (the "Agreement") with a group of lenders, with an initial term ending July 2006. Under the terms of the Agreement, the Company has the option to increase the facility by an additional $25 million and to extend the terms for an additional year. The Company had outstanding commercial and stand-by letters of credit of $0.1 million and $5.3 million, respectively, at May 1, 2004. There were no other borrowings under the Agreement at May 1, 2004.

Notes payable to banks was classified as current at May 3, 2003 because the Company was not in compliance with certain financial covenants under the previous credit agreement. The new Agreement was completed in July 2003.

**6. Stockholders' Equity and Earnings Per Share**

During the first quarter of 2003, the Company repurchased 50,000 shares of its common stock at a cost of $212,000.

Basic earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding for the period. Diluted earnings per share is computed by dividing net income by the weighted-average number of common shares outstanding plus common stock equivalents related to stock options and restricted stock for each period.

**STEIN MART, INC.**
**NOTES TO FINANCIAL STATEMENTS**

A reconciliation of weighted-average number of common shares to weighted-average number of common shares plus common stock equivalents is as follows (000's):

| | 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Weighted-average number of common shares | 42,000 | 41,587 |
| Stock options | 461 | - |
| Weighted-average number of common shares plus common stock equivalents | 42,461 | 41,587 |

# Stein Mart, Inc.

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

This document includes a number of forward-looking statements which reflect the Company's current views with respect to future events and financial performance. Wherever used, the words "plan", "expect", "anticipate", "believe", "estimate" and similar expressions identify forward looking statements.

Any such forward-looking statements contained in this document are subject to risks and uncertainties that could cause the Company's actual results of operations to differ materially from historical results or current expectations. These risks include, without limitation, ongoing competition from other retailers many of whom are larger and have greater financial and marketing resources, the availability of suitable new store sites at acceptable lease terms, ability to successfully implement strategies to exit or improve under-performing stores, changes in store closings, changing preferences in apparel, changes in the level of consumer spending due to current events and/or general economic conditions, adequate sources of designer and brand-name merchandise at acceptable prices, and the Company's ability to attract and retain qualified employees to support planned growth.

The Company does not undertake to publicly update or revise its forward-looking statements even if experience or future changes make clear that any projected results expressed or implied therein will not be realized.

**Overview**

Stein Mart's 258 stores offer the fashion merchandise, service and presentation of a better department or specialty store, at prices competitive with off-price retail chains. Currently with locations from California to New York, Stein Mart's focused assortment of merchandise features moderate to designer brand-name apparel for women, men and children, as well as accessories, gifts, linens and shoes. Management believes that Stein Mart differentiates itself from typical off-price retailers by offering: (i) current-season merchandise carried by better department and specialty stores at value prices, (ii) a stronger merchandising "statement," with more depth of color and size, and (iii) merchandise presentation more comparable to other upscale retailers.

The Company faces competition for customers and for access to quality merchandise from better department stores, fine specialty stores and, to a lesser degree, from off-price retail chains. Many of these competitors are units of large national or regional chains that have substantially greater resources than the Company. The retail apparel industry is highly fragmented and competitive, and the off-price retail business may become even more competitive in the future.

During the current quarter, the Company experienced strong customer response to the full-priced spring fashion assortment, as well as greater clearance efficiency, as markdowns were taken on seasonal inventory. First quarter 2004 earnings improvement was attributable to:

- An 11.8% increase in comparable store sales, which led to better occupancy and expense leverage,
- Reduced average store inventories by 8.6% while maintaining the freshness of fashion merchandise,
- Improvement in the gross margin rate due to higher initial mark-up and better occupancy leverage, partially offset by an increase in markdowns, and
- The closure of 16 under-performing stores during 2003 and four stores in the first quarter of 2004. These stores had operating losses of $4.1 million in the first quarter of 2003 and losses of $1.1 million during the first quarter of 2004.

**Outlook**

The Company will continue its policy of taking markdowns earlier and more assertively to maintain inventory that is current and appealing. The second quarter of 2004 will be influenced by seasonal clearance activity, particularly in June and July. As it did following the Christmas selling season, the Company will begin in July to emphasize its "dot clearance" promotions within local newspapers, and scale back its branding campaign TV ads as well as its color newspaper inserts/mailers that were used heavily last year to deliver full-price coupons.

# Stein Mart, Inc.

**Stores**
The number of stores open as of May 1, 2004 and May 3, 2003 were 258 and 270, respectively.

| | 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Stores at beginning of period | 261 | 265 |
| Stores opened during the period | 1 | 7 |
| Stores closed during the period | (4) | (2) |
| Stores at the end of period | 258 | 270 |

For the remainder of the year, the Company expects to open 7-9 new stores, including two relocations, and close three more stores.

**Results of Operations**
The following table sets forth, for the periods indicated, the percentage of the Company's net sales represented by each line item presented (numbers may not add due to rounding):

| | 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Net sales | 100.0% | 100.0% |
| Cost of merchandise sold | 72.8 | 74.6 |
| Gross profit | 27.2 | 25.4 |
| Selling, general and administrative expenses | 23.1 | 25.5 |
| Other income, net | 1.0 | 1.1 |
| Income from operations | 5.2 | 0.9 |
| Interest expense | - | 0.1 |
| Income from continuing operations before income taxes | 5.2 | 0.8 |
| Provision for income taxes | 2.0 | 0.3 |
| Income from continuing operations | 3.2 | 0.5 |
| Loss from discontinued operations, net of tax benefit | - | - |
| Net income | 3.2% | 0.5% |

**Store Closings**
The Company closed four stores during the first quarter of 2004 and plans to close three stores and relocate two other stores during the remainder of 2004. Sixteen under-performing stores were closed during 2003, two of which were closed during the first quarter of 2003. The 2004 store closings will be at natural lease term expirations, so there will be no significant lease termination costs in 2004.

Two of the 16 stores closed during 2003 and one of the four stores closed during the first quarter of 2004 are classified as discontinued operations in accordance with SFAS No. 144, as cash flows of these stores have been eliminated from ongoing operations. Sales and operating losses for the four stores closed in 2004 and the 16 stores closed during fiscal year 2003 are shown below for the 13 weeks ended May 1, 2004 and May 3, 2003. Included in the 2003 column are operating results of the 16 stores closed in 2003, in addition to four stores closed in 2004.

# Stein Mart, Inc.

| | 13 Weeks Ended | |
|---|---|---|
| | May 1, 2004 | May 3, 2003 |
| Sales from closed stores: | | |
| Included in continuing operations | $ 1,747 | $12,426 |
| Included in discontinued operations | 942 | 2,356 |
| | $ 2,689 | $14,782 |
| Operating losses from closed stores: | | |
| Included in continuing operations | $ (876) | $(3,837) |
| Included in discontinued operations | (224) | (255) |
| | $(1,100) | $(4,092) |

Operating losses from closed stores include the following store closing and asset impairment expenses:

| | May 1, 2004 | May 3, 2003 |
|---|---|---|
| Continuing operations: | | |
| Asset impairment charges | $ - | $723 |
| Severance | 343 | - |
| Other | 59 | - |
| | 402 | 723 |
| Discontinued operations: | | |
| Lease termination costs | 77 | - |
| Asset impairment charges | - | 42 |
| Severance | 77 | - |
| | 154 | 42 |
| Total | $556 | $765 |

**Continuing Operations**
**For the 13 weeks ended May 1, 2004 compared to the 13 weeks ended May 3, 2003**
The 10.8% total sales increase for the 13 weeks ended May 1, 2004 from the same 2003 period reflects an 11.8% increase in sales from comparable stores, the opening of one new store and the closing of four stores. The comparable store sales improvement was driven by increases in both full-price and clearance merchandise sales.

Gross profit for the 13 weeks ended May 1, 2004 was $99.0 million or 27.2 percent of net sales a 1.8 percentage point increase over gross profit of $83.2 million or 25.4 percent of net sales for the first quarter of 2003. Mark-up improved 2.0 percentage points and occupancy decreased 0.8 percentage points as a result of higher per store sales productivity in the first quarter this year compared to last year. These improvements were offset by a 0.7 percentage point increase in markdowns and a 0.3 percentage point increase in shrinkage expense.

Selling, general and administrative expenses ("SG&A") were $83.8 million or 23.1 percent of net sales for the 13 weeks ended May 1, 2004, as compared to $83.7 million or 25.5 percent of net sales for the same 2003 quarter. The 2.4 percentage point decrease in SG&A expenses as a percent of sales is primarily due to the leveraging of expenses as a result of the 11.8 percent increase in comparable store sales. Included in SG&A expenses for the first quarter of 2004 and 2003 are store closing and asset impairment charges of $0.4 million and $0.7 million, respectively.

Interest expense was $39,000 for the first quarter of 2004 and $405,000 for the first quarter of 2003. The decrease resulted from lower average borrowings, as well as slightly lower interest rates during the first quarter this year compared to last year. There were no borrowings at May 1, 2004.

# Stein Mart, Inc.

**Liquidity and Capital Resources**

The Company's primary source of liquidity is the sale of its merchandise inventories. Capital requirements and working capital needs are funded through a combination of internally generated funds, a revolving credit facility and credit terms from vendors. As of May 1, 2004, the Company had $43.9 million in cash and cash equivalents. Working capital is needed to support store inventories and capital investments for new store openings and to maintain existing stores. Historically, the Company's working capital needs are lowest in the first quarter and highest in either the third or fourth quarter in anticipation of the fourth quarter peak selling season.

Net cash provided by operating activities was $59.5 million for the first quarter of 2004 compared to net cash used in operating activities of $2.3 million for the first quarter of 2003. The increase in 2004 is primarily attributable to an increase in net income including non-cash items, a decrease in income taxes paid and increases in inventories and accounts payable from the end of the year. On an average store basis, inventories were reduced 8.6% from the prior year due to increased sales resulting from the Company’s continued focus on marketing, sales promotion and clearance strategies. The increase in accounts payable is related to the increase in inventory, but was greater than the change in inventory due to improved inventory turn.

Capital expenditures were lower for the first quarter of 2004 compared to the first quarter of 2003 primarily due to fewer store openings. The Company plans to open 9-11 new stores in 2004, including two relocations. Total capital expenditures for 2004 are anticipated to be approximately $15 million.

Cash used in financing activities was $23.9 million during first quarter of 2004 compared to $14.7 million of cash provided by financing activities during the first quarter of 2003. Cash provided by operating activities of $59.5 million enabled the Company to eliminate borrowings under the revolving credit agreement at the end of the current quarter.

The Company has a $150 million senior revolving credit agreement with a group of lenders, with an initial term ending July 2006. Borrowings are based on and secured by eligible inventory. Due to the seasonal nature of the Company's business, the Company's bank borrowings fluctuate during the year, typically reaching their highest levels during the third or fourth quarter, as the Company builds its inventory for the Christmas selling season. At May 1, 2004 there were no outstanding borrowings under the credit facility and the Company was in full compliance with the terms of the Agreement.

The Company believes that expected net cash provided by operating activities and bank borrowings will be sufficient to fund anticipated current and long-term capital expenditures and working capital requirements. Should current operating conditions deteriorate, management can adjust operating plans, including new store rollout. In addition, there is unused borrowing capacity under the revolving credit agreement.

**Seasonality**

The Company’s business is seasonal in nature with a higher percentage of the Company’s merchandise sales and earnings generated in the fall and holiday selling seasons. Accordingly, selling, general and administrative expenses are typically higher as a percent of net sales during the first three quarters of each year.

**Item 3. Quantitative and Qualitative Disclosures about Market Risk**

The Company is exposed to interest rate risk primarily through borrowings under its revolving credit facility. At May 1, 2004, the Company had no outstanding borrowings. The facility permits debt commitments up to $150.0 million and bears interest at spreads over the prime rate and LIBOR. Management believes that its exposure to market risk associated with its borrowings is not material.

**Item 4. Controls and Procedures**

The Company's management, including the Chief Executive Officer and Chief Financial Officer, have evaluated the effectiveness of the Company's disclosure controls and procedures, as defined in Exchange Act Rules 13a-14 and 15d-14 of the Securities Exchange Act of 1934, as amended, (the "Exchange Act"). Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures are effective in alerting them to material information relating to the Company required to be included in the Company's Exchange Act filings in a timely manner. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these internal controls subsequent to the date of evaluation.

**PART II - OTHER INFORMATION**

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

(a) Exhibits:

31.1 Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2 Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1 Certification of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350
32.2 Certification of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

(b) Reports on Form 8-K:

A press release dated May 6, 2004 was filed in a Form 8-K on May 11, 2004 to report April and first quarter 2004 sales.

A press release dated May 20, 2004 was filed in a Form 8-K on May 25, 2004 to report first quarter 2004 financial results.

# SIGNATURES

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

Stein Mart, Inc.

Date: June 9, 2004

By: /s/ Michael D. Fisher
**Michael D. Fisher**
President and Chief Executive Officer

/s/ James G. Delfs
**James G. Delfs**
Senior Vice President and Chief Financial Officer

**Exhibit 31.1**

**Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, Michael D. Fisher, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stein Mart, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 9, 2004

/s/ Michael D. Fisher
**Michael D. Fisher**
President and Chief Executive Officer

**Exhibit 31.2**

**Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002**

I, James G. Delfs, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Stein Mart, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of Stein Mart, Inc. as of, and for, the periods presented in this report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:

    a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    c. Disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting.

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

    a. All significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

    b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls over financial reporting.

Date: June 9, 2004

/s/ James G. Delfs
**James G. Delfs**
Chief Financial Officer

**Exhibit 32.1**

**Written Statement of the Chief Executive Officer Pursuant to 18 U.S.C. Section 1350**

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned President and Chief Executive Officer of Stein Mart, Inc. (the “Company”), hereby certify that:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended May 1, 2004 (the “Report”) fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 9, 2004

/s/ Michael D. Fisher
**Michael D. Fisher**
President and Chief Executive Officer

**Exhibit 32.2**

## Written Statement of the Chief Financial Officer Pursuant to 18 U.S.C. Section 1350

Solely for the purposes of complying with 18 U.S.C. Section 1350, I, the undersigned Chief Financial Officer of Stein Mart, Inc. (the "Company"), hereby certify that:

1. the Quarterly Report on Form 10-Q of the Company for the quarter ended May 1, 2004 (the "Report") fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: June 9, 2004

/s/ James G. Delfs
**James G. Delfs**
Chief Financial Officer