

SYMS CORP  
Form 10-Q  
October 05, 2007

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549**

**FORM 10-Q**

**(Mark One)**

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

for the quarterly period ended **September 1, 2007**

OR

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

for the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number 1-8546**

**SYMS CORP**

(Exact Name of Registrant as Specified in Its Charter)

**NEW JERSEY**

(State or Other Jurisdiction of  
Incorporation or Organization)

**22-2465228**

(I.R.S. Employer Identification No.)

**Syms Way, Secaucus, New Jersey**

(Address of Principal Executive Offices)

**07094**

(Zip Code)

**(201) 902-9600**

(Registrant's Telephone Number, Including Area Code)

**Not applicable**

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

Edgar Filing: SYMS CORP - Form 10-Q

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

At September 25, 2007 the latest practicable date, there were 14,681,179 shares outstanding of Common Stock, par value \$0.05 per share.

**SYMS CORP AND SUBSIDIARIES**  
**INDEX**

		<b><u>PAGE NO.</u></b>
<b>PART I.</b>	<b>Financial Information</b>	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of September 1, 2007, March 3, 2007 and August 26, 2006	1
	Condensed Consolidated Statements of Operations for the 13 Weeks and 26 Weeks Ended September 1, 2007 and August 26, 2006	2
	Condensed Consolidated Statements of Cash Flows for the 26 Weeks Ended September 1, 2007 and August 26, 2006	3
	Notes to Condensed Consolidated Financial Statements	4-7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7-11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	11
Item 4.	Controls and Procedures	11
<b>PART II.</b>	<b>Other Information</b>	11-13
	Item 1. Legal Proceedings	
	Item 1a. Risk Factors	
	Item 2. Unregistered Sale of Equity Securities and Use of Proceeds	
	Item 3. Defaults Upon Senior Securities	
	Item 4. Submission of Matters to a Vote of Security Holders	
	Item 5. Other Information	
	Item 6. Exhibits	
<b>SIGNATURES</b>		14

## SYMS CORP AND SUBSIDIARIES

## Condensed Consolidated Balance Sheets

(In thousands except per share amounts)

	September 1, 2007 (Unaudited)	March 3, 2007 (NOTE)	August 26, 2006 (Unaudited)
<b>ASSETS</b>			
Current Assets			
Cash and cash equivalents	\$ 17,475	\$ 27,912	\$ 37,543
Receivables	2,007	1,726	2,323
Merchandise inventories - Net	65,766	63,809	68,846
Deferred income taxes	3,092	3,092	6,325
Assets held for sale	5,576	1,780	-
Prepaid expenses and other current assets	4,267	5,054	3,559
<b>TOTAL CURRENT ASSETS</b>	<b>98,183</b>	<b>103,373</b>	<b>118,596</b>
PROPERTY AND EQUIPMENT - Net	99,141	104,323	105,784
DEFERRED INCOME TAXES	12,557	12,557	5,511
OTHER ASSETS	20,454	19,306	19,083
<b>TOTAL ASSETS</b>	<b>\$ 230,335</b>	<b>\$ 239,559</b>	<b>\$ 248,974</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 29,839	\$ 21,678	\$ 30,150
Accrued expenses	3,045	10,141	8,119
Accrued insurance	132	165	273
Obligations to customers	3,991	3,958	3,614
<b>TOTAL CURRENT LIABILITIES</b>	<b>37,007</b>	<b>35,942</b>	<b>42,156</b>
OTHER LONG TERM LIABILITIES	1,363	1,548	1,740
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>SHAREHOLDERS' EQUITY</b>			
Preferred stock, par value \$100 per share. Authorized 1,000 shares; none outstanding	-	-	-
Common stock, par value \$0.05 per share. Authorized 30,000 shares; 14,681 shares outstanding (net of 3,987 treasury shares) on September 1, 2007; 14,701 shares outstanding as of March 3, 2007 (net of 3,968 treasury shares) and 14,404 shares outstanding (net of 3,879 treasury shares) on August 26, 2006	789	789	770
Additional paid-in capital	19,264	19,264	16,810
Treasury stock	(41,669)	(41,383)	(39,625)
Retained earnings	213,581	223,399	227,123
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>191,965</b>	<b>202,069</b>	<b>205,078</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 230,335</b>	<b>\$ 239,559</b>	<b>\$ 248,974</b>

Edgar Filing: SYMS CORP - Form 10-Q

NOTE: The balance sheet at March 3, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See Notes to Condensed Consolidated Financial Statements

## SYMS CORP AND SUBSIDIARIES

## Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	13 Weeks Ended		26 Weeks Ended	
	September 1, 2007	August 26, 2006	September 1, 2007	August 26, 2006
	(Unaudited)		(Unaudited)	
Net sales	\$ 61,384	\$ 62,683	\$ 128,531	\$ 128,876
Cost of goods sold	38,854	39,498	77,711	77,980
Gross profit	22,530	23,185	50,820	50,896
Expenses:				
Selling, general and administrative	17,850	18,449	36,186	37,139
Advertising	781	1,084	3,595	4,135
Occupancy	4,529	4,653	8,725	9,109
Depreciation and amortization	1,805	2,022	3,784	4,238
Gain on sale of real estate	-	-	-	(10,424)
Asset impairment charge	745	-	745	-
Net income (loss) from operations	(3,180)	(3,023)	(2,215)	6,699
Other income	(151)	(7)	(166)	(167)
Interest income	(278)	(547)	(638)	(991)
Net income (loss) before income taxes	(2,751)	(2,469)	(1,411)	7,857
Provision (benefit) for income taxes	(1,329)	(1,096)	(663)	3,492
Net income (loss)	\$ (1,422)	\$ (1,373)	\$ (748)	\$ 4,365
Net income (loss) per share-basic	\$ (0.10)	\$ (0.09)	\$ (0.05)	\$ 0.30
Weighted average shares outstanding-basic	14,696	14,495	14,698	14,710
Net income (loss) per share-diluted	\$ (0.10)	\$ (0.09)	\$ (0.05)	\$ 0.29
Weighted average shares outstanding- diluted	14,696	14,495	14,698	15,085

See Notes to Condensed Consolidated Financial Statements

## SYMS CORP AND SUBSIDIARIES

## Condensed Consolidated Statements of Cash Flows

(In thousands)

	<b>26 Weeks Ended</b>	
	<b>September</b>	<b>August 26,</b>
	<b>1,</b>	<b>2006</b>
	<b>2007</b>	<b>(Unaudited)</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ (748)	\$ 4,365
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	3,784	4,238
Asset impairment charge	745	-
Gain on disposal of assets	10	(10,432)
(Increase) decrease in operating assets:		
Receivables	(281)	255
Merchandise inventories	(1,957)	(11,377)
Prepaid expenses and other current assets	787	2,497
Other assets	(1,163)	(1,061)
Increase (decrease) of operating liabilities:		
Accounts payable	8,161	15,234
Accrued expenses	(7,379)	448
Obligations to customers	33	(11)
Other long term liabilities	(185)	220
Net cash provided by operating activities	1,807	4,376
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for property and equipment	(3,155)	(3,273)
Proceeds from sale of assets	17	16,254
Net cash provided by (used in) investing activities	(3,138)	12,981
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends	(8,820)	-
Exercise of options	-	155
Stock repurchase	(286)	(9,976)
Net cash used in financing activities	(9,106)	(9,821)
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>(10,437)</b>	<b>7,536</b>
<b>CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD</b>	<b>27,912</b>	<b>30,007</b>
<b>CASH AND CASH EQUIVALENTS, END OF PERIOD</b>	<b>\$ 17,475</b>	<b>\$ 37,543</b>
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 92	\$ 106
Income taxes paid (net of refunds)	\$ 2,260	\$ 2,367

See Notes to Condensed Consolidated Financial Statements



**SYMS CORP AND SUBSIDIARIES**

**Notes to Condensed Consolidated Financial Statements  
13 and 26 Weeks Ended September 1, 2007 and August 26, 2006**

**(Unaudited)**

**Note 1 - The Company**

Syms Corp (the "Company") operates a chain of 33 "off-price" retail clothing stores located throughout the United States in Northeastern and Middle Atlantic regions and in the Midwest, Southeast and Southwest. Each Syms store offers a broad range of first quality, in season merchandise bearing nationally recognized designer or brand-name labels for men, women and children.

**Note 2 - Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. 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 and 26- week periods ended September 1, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending March 1, 2008. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended March 3, 2007.

**Note 3 - Accounting Period**

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ending March 1, 2008 will be comprised of 52 weeks. The fiscal year ended March 3, 2007 was comprised of 53 weeks.

**Note 4 - Merchandise Inventories**

Merchandise inventories are stated at the lower of cost (first in, first out) or market, as determined by the retail inventory method.

**Note 5 - Bank Credit Facilities**

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. The Company is in compliance with all covenants as of September 1, 2007. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations and expansion of stores, from internally generated funds. As of September 1, 2007, March 3, 2007 and August 26, 2006, there were no outstanding borrowings under this agreement. At September 1, 2007, March 3, 2007 and August 26, 2006, the Company had \$795,600, \$955,619 and \$1,391,097 respectively, in outstanding letters of credit under this agreement.

**SYMS CORP AND SUBSIDIARIES****Note 6 - Net Income/(Loss) Per Share**

In accordance with SFAS 128, basic net income/(loss) per share has been computed based upon the weighted average common shares outstanding. Diluted net income/(loss) per share gives effect to outstanding stock options.

Net income/(loss) per share has been computed as follows:

	<b>13 Weeks Ended</b>		<b>26 Weeks Ended</b>	
	<b>September 1, 2007</b>	<b>August 26, 2006</b>	<b>September 1, 2007</b>	<b>August 26, 2006</b>
<b>Basic net income (loss) per share:</b>				
Net income (loss)	\$ (1,422)	\$ (1,373)	\$ (748)	\$ 4,365
Average shares outstanding	14,696	14,495	14,698	14,710
Basic net income (loss) per share	\$ (0.10)	\$ (0.09)	\$ (0.05)	\$ 0.30
<b>Diluted net income (loss) per share:</b>				
Net income (loss)	\$ (1,422)	\$ (1,373)	\$ (748)	\$ 4,365
Average shares outstanding	14,696	14,495	14,698	14,710
Stock options	-	-	-	375
Total average equivalent shares	14,696	14,495	14,698	15,085
Diluted net income (loss) per share	\$ (0.10)	\$ (0.09)	\$ (0.05)	\$ 0.29

In periods with losses, options were excluded from the computation of diluted net income per share because the effect would be anti-dilutive.

Options to purchase 329,732 and 716,907 shares of common stock at prices ranging from \$5.21 to \$15.01 per share were outstanding as of September 1, 2007 and August 26, 2006.

**Note 7 □ Recent Accounting Pronouncements**

In June 2006, the FASB issued Interpretation No. 48 (□FIN 48□), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. The objective of this interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for the fiscal years beginning after December 15, 2006. This did not have a material impact on the results of operations or financial position of the Company (See Note 9).

In September 2006, the FASB issued SFAS No. 157, □Fair Value Measurements,□ which establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. SFAS No. 157 is effective for financial statements issued for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. The adoption of SFAS No. 157 is not expected to have a material impact on the results of operations or the financial position of the Company.

In February 2007, the FASB issued FAS No. 159, □The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115,□ which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at

fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting

### **SYMS CORP AND SUBSIDIARIES**

literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material impact on our results of operations or our financial position.

#### **Note 8 □ Accounting for Stock-Based Compensation**

The Company's Amended and Restated Stock Option and Appreciation Plan allows for the granting of incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986 (as amended), non-qualified stock options or stock appreciation rights. The plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of the option for holders of more than 10% of the voting rights of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. Non-qualified options and stock appreciation rights may be granted at any exercise price. The Company has reserved 1,500,000 shares of common stock for issuance thereunder. The Company is no longer issuing options under its Amended and Restated Incentive Stock Option and Appreciation Plan.

No option or stock appreciation rights may be granted under the Amended and Restated Incentive Stock Option Plan after July 28, 2013. The maximum exercise period for any option or stock appreciation right under the plan is ten years from the date the option is granted (five years for any optionee who holds more than 10% of the voting rights of the Company).

On July 14, 2005, at the annual meeting of shareholders of the Company, the shareholders of the Company approved the 2005 Stock Option Plan (the "2005 Plan"), which 2005 Plan was adopted by the Board of Directors of the Company on April 7, 2005 subject to shareholder approval. The 2005 Plan permits the grant of options, share appreciation rights, restricted shares, restricted share units, performance units, performance shares, cash-based awards and other share-based awards. Key employees, non-employee directors, and third party service providers of the Company who are selected by a committee designated by the Board of Directors of the Company are eligible to participate in the 2005 Plan. The maximum number of shares issuable under the Plan is 850,000, subject to certain adjustments in the event of changes to the Company's capital structure.

The 2005 Plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of such options for holders of more than 10% of the voting stock of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. The exercise price of non-qualified options and stock appreciation rights must not be less than fair market value.

The maximum exercise period for any option or stock appreciation right under the 2005 Plan is ten years from the date the option is granted (five years for any incentive stock options issued to a person who holds more than 10% of the voting stock of the Company).

The 2005 Plan permits the Company to issue restricted shares, restricted share units, performance units, cash-based awards and other share-based awards with such term and conditions (including applicable vesting conditions) as the Company shall determine, subject to certain terms and conditions set forth in the 2005 Plan.

Effective February 25, 2006, the Company adopted the provisions of FAS No. 123(R), "Share-Based Payment" (FAS123(R)). Under FAS123(R), share-based compensation cost is measured at grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. The Company adopted the provisions of FAS123(R) using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption. Prior periods are not revised for comparative purposes. Because the Company previously adopted only the pro forma disclosure provisions of SFAS 123, it will recognize compensation cost relating to the unvested portion of awards granted prior to the date of adoption using the same estimate of the grant-date fair value and the same attribution method used to determine the pro forma disclosures under SFAS 123, except that forfeitures rates will be estimated for all options, as required by FAS123(R).



**SYMS CORP AND SUBSIDIARIES**

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatility is based on the historical volatility of the price of the Company's stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. The Company uses historical data to estimate expected dividend yield, expected life and forfeiture rates. There were no options granted during the six months ended September 1, 2007, and all options previously issued are fully vested.

Stock option activity during the six months ended September 1, 2007 is as follows:  
(In thousands, except per share amounts)

	Number Of options	Weighted Average Exercise Price	Average Remaining Contracted Term (years)	Aggregate Intrinsic Value
Outstanding at March 3, 2007	330	\$11.18	-	-
Options granted	-	-	-	-
Options exercised	-	-	-	-
Options forfeited	-	-	-	-
Options outstanding at September 1, 2007	330	\$11.18	3.15	\$1,718
Options exercisable at September 1, 2007	330	\$11.18	3.15	\$1,718

As of September 1, 2007, there was no total unrecognized stock-based compensation cost related to options granted under our plans that will be recognized in future periods.

**Note 9 □ Income Taxes**

Effective March 1, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (Fin No. 48), □Accounting for Uncertainty in Income Taxes□, which clarifies the accounting and disclosure for uncertainty in income taxes. As a result of the adoption, we recorded as a cumulative effect adjustment, a decrease to beginning retained earnings of approximately \$247,000 and increased our accruals for uncertain tax positions and related interest and penalties by a corresponding amount. As of the adoption date, this \$247,000 represents our liability for uncertain tax positions.

The entire \$247,000 would favorably impact our effective tax rate if these liabilities were reversed. We do not expect to pay any of this \$247,000 within the following twelve months.

We recognize interest and, if applicable, penalties, which could be assessed, related to uncertain tax positions in income tax expense. As of the adoption date, the total amount of accrued interest and penalties was \$165,000, before federal and state tax effect. For the quarter ended September 1, 2007, we recorded approximately \$3,420 in interest before federal and state tax effect.

**Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Special Note Regarding Forward-Looking Statements**

The Quarterly Report (including but not limited to factors discussed below, in the □Management's Discussion and Analysis of Financial Condition and Results of Operations,□ as well as those discussed elsewhere in this Quarterly Report on Form 10-Q) includes forward-looking statements (within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities and Exchange Act of 1934) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this Quarterly Report, the words □anticipate,□ □believe,□ □estimate,□ □expect,□ □intend,□ □plan,□ and similar expressions, as they relate to the Com

or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with

### **SYMS CORP AND SUBSIDIARIES**

respect to future events, the outcome of which is subject to certain risks, including among others general economic and market conditions, decreased consumer demand for the Company's products, possible disruptions in the Company's computer or telephone systems, possible work stoppages, or increases in labor costs, effects of competition, possible disruptions or delays in the opening of new stores or inability to obtain suitable sites for new stores, higher than anticipated store closings or relocation costs, higher interest rates, unanticipated increases in merchandise or occupancy costs and other factors which may be outside the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Quarterly Report and other reports filed with the Securities and Exchange Commission.

#### **Critical Accounting Policies and Estimate**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to the consolidated financial statements.

The Company believes application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, the Company has found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

The Company's accounting policies are more fully described in Note 1 to the Consolidated Financial Statements, located in the Annual Report on Form 10-K for the fiscal year ended March 3, 2007. The Company has identified certain critical accounting policies that are described below.

**Merchandise Inventory** - Inventory is stated at the lower of cost of market, FIFO retail method. Inventory cost and the resulting gross margins are calculated by applying a cost to retail ratio between the costs of goods available for sale and the retail value of inventories. The significant estimates used are for markdowns and shrinkage.

Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise, fashion trends and weather conditions. In addition, inventory is also evaluated against corporate pre-determined historical markdown trends. When a decision is made to permanently markdown merchandise, the resulting gross margin reduction is recognized in the period the markdown is recorded. The timing of the decision, particularly surrounding the balance sheet date, can have a significant effect on the results of operations.

Shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory to the end of the fiscal year. Physical inventories are taken at least annually for all stores and inventory records are adjusted accordingly. The shrinkage rate from the most recent physical inventory, in combination with historical experience, is used as the standard for the shrinkage accrual following the physical inventory.

The Company has found the use of these estimates to be appropriate and actual results have not differed materially. However, the Company is subject to certain risks and uncertainties that could cause its future estimates to differ materially from past experience.

**Long-Lived Assets** - In evaluation of the fair value and future benefits of long-lived assets, the Company performs analyses of the anticipated undiscounted future net cash flows of the related long-lived assets. If the



carrying value of the related asset exceeds the undiscounted cash flows, the Company reduces

### SYMS CORP AND SUBSIDIARIES

the carrying value to its fair value, which is generally calculated using discounted cash flows. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from the Company's current estimates.

#### Results of Operations

##### *13 Weeks and 26 Weeks Ended September 1, 2007 Compared to 13 and 26 Weeks Ended August 26, 2006*

Net sales for the 13 weeks ended September 1, 2007 were \$61,384,000, a decrease of \$1,299,000 (2.1%) as compared to the net sales of \$62,683,000 for the 13 weeks ended August 26, 2006. For the 26 weeks ended September 1, 2007 net sales were \$128,531,000 as compared to net sales of \$128,876,000 for the 26 weeks ended August 26, 2006. Comparable store sales increased .9% for the 13 weeks and 3.1% for the 26 weeks ended September 1, 2007 as compared to the comparable periods in the prior fiscal year. In our comparable store computation, we only include stores that have been opened for a period of at least 12 months and stores that were open during both fiscal years. We did not have any expansion in square footage in the 26 weeks ended September 1, 2007. The decrease in sales in the 13 weeks and 26 weeks ended September 1, 2007 is largely attributable to the closing of three stores located in Rochester, New York, Monroeville, Pennsylvania and St. Louis, Missouri which closed in fiscal 2006.

Gross profit for the 13 weeks ended September 1, 2007 was \$22,530,000 (36.7% as a percentage of net sales as compared to \$23,185,000 (37.0% as a percentage of net sales) for the 13 weeks ended August 26, 2006. Gross profit for the 26 weeks ended September 1, 2007 was \$50,820,000 (39.5% as a percentage of net sales) as compared to \$50,896,000 (39.5% as a percentage of net sales) for the 26 weeks ended August 26, 2006. The Company's gross profit may not be comparable to those of other entities, since other entities may include all of those costs related to their distribution network in cost of goods sold and others, like the Company, exclude a portion of those costs from gross profit and, instead, include them in other line items; such as selling and administrative expenses and occupancy costs. The decline in gross profit in the 13 weeks ended September 1, 2007 compared to a year ago is primarily due to lower sales and higher markdowns.

Selling, general and administrative expense decreased \$599,000 to \$17,850,000 (29.1% as a percentage of net sales) for the 13 weeks ended September 1, 2007 as compared to \$18,449,000 (29.4% as a percentage of net sales) for the 13 weeks ended August 26, 2006. Selling, general and administrative expense decreased \$953,000 to \$36,186,000 (28.2% as a percentage of net sales) as compared to \$37,139,000 (28.8% as a percentage of net sales) for the 26 weeks ended August 26, 2006. This decrease in the 13 and 26 week period is largely the result of closing three stores located in Rochester, New York, Monroeville, Pennsylvania and St. Louis, Missouri.

Advertising expense for the 13 weeks ended September 1, 2007 was \$781,000 (1.3% as a percentage of net sales) as compared to \$1,084,000 (1.7% as a percentage of net sales) for the 13 weeks ended August 26, 2006. Advertising expense for the 26 weeks ended September 1, 2007 was \$3,595,000 (2.8% as a percentage of net sales) as compared to \$4,135,000 for the 26 weeks ended August 26, 2006.

Occupancy costs were \$4,529,000 (7.4% as a percentage of net sales) for the 13 weeks ended September 1, 2007 as compared to \$4,653,000 (7.4% as a percentage of net sales) for the 13 weeks ended August 26, 2006. Occupancy costs were \$8,725,000 (6.8% as a percentage of net sales) for the 26 week period ended September 1, 2007 as compared to \$9,109,000 (7.1% as a percentage of net sales) for the 26 week period ended August 26, 2006. The reduced occupancy expenses in the 13 and 26 week periods resulted from the closing of three stores located in Rochester, New York, Monroeville, Pennsylvania and St. Louis, Missouri.

Depreciation and amortization expense was \$1,805,000 (2.9% as a percentage of net sales) for the 13 weeks ended September 1, 2007 as compared to \$2,022,000 (3.2% as a percentage of net sales) for the 13 weeks ended August 26, 2006. Depreciation and amortization expense for the 26 weeks ended September 1, 2007 was \$3,784,000 (2.9% as a percentage of net sales) as compared to \$4,238,000 (3.3% as a percentage of net sales) for the 26 weeks ended August 26, 2006. The closing of three stores located in Rochester, New



### **SYMS CORP AND SUBSIDIARIES**

York, Monroeville, Pennsylvania and St. Louis Missouri accounts for this decline in the 13 and 26 week periods.

In the second quarter ended September 1, 2007, the Company recorded an impairment charge amounting to \$745,000 relating to its store in Cleveland, Ohio. This store was closed in June 2007, and a contract has been executed for the sale of this property.

The results for the 26 weeks ended August 26, 2006 reflects a gain of \$10,424,000 resulting from the sale of its two stores located in Rochester, New York and Dallas, Texas. These two stores, which closed in May 2006, included the land and buildings occupied by these stores. The Dallas store was replaced by a store located in Plano, Texas which opened in May 2006 and is a leased property.

The loss before income taxes for the 13 weeks September 1, 2007 was \$2,751,000 as compared to a loss of \$2,469,000 for the 13 weeks ended August 26, 2006. The loss before income tax for the 26 weeks ended September 1, 2007 was \$1,411,000 as compared to a profit before taxes of \$7,857,000 for the 26 weeks ended August 26, 2006. This significant variance resulted largely from the gain on the sale of real estate as noted above.

For the 26 week period ended September 1, 2007 the effective income tax rate was 47.0% as compared to 44.4% for the comparable period a year ago.

### **Liquidity and Capital Resources**

Working capital as of September 1, 2007 was \$61,176,000, a decrease of \$15,264,000 as compared to \$76,440,000 as of August 26, 2006. The ratio of current assets to current liabilities was 2.65 to 1 as of September 1, 2007 as compared to 2.81 to 1 as of August 26, 2006.

Net cash provided by operating activities totaled \$1,807,000 for the 26 weeks ended September 1, 2007, as compared to \$4,376,000 for the 26 weeks ended August 26, 2006. This decline resulted largely from a loss in the 26 weeks ended September 1, 2007 compared to a profit in the 26 weeks ended August 26, 2006.

Net cash used in investing activities was \$3,138,000 for the 26 weeks ended September 1, 2007, as compared to \$12,981,000 provided by investing activities for the 26 weeks ended August 26, 2006. Expenditures for property and equipment were \$3,155,000 and \$3,273,000 for the 26 weeks ended September 1, 2007 and August 26, 2006, respectively. The sale of the Dallas, Texas and Rochester, New York properties largely accounts for this variance.

Net cash used in financing activities was \$9,106,000 for the 26 weeks ended September 1, 2007, as compared to \$9,821,000 for the 26 weeks ended August 26, 2006. On August 6, 2007, the Company paid a cash dividend to its shareholders of record amounting to \$8,820,000. In May 2006, the Company had a tender offer of its stock of 418,474 shares of common stock at a total cost of \$7,533,000.

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. The Company is in compliance with all covenants as of September 1, 2007. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations and expansion of stores, from internally generated funds. As of September 1, 2007, March 3, 2007 and August 26, 2006, there were no outstanding borrowings under this agreement. At September 1, 2007, March 3, 2007 and August 26, 2006, the Company had \$795,000, \$955,619 and \$1,391,097 respectively, in outstanding letters of credit under this agreement.

The Company has planned capital expenditures of approximately \$5,000,000 for the fiscal year ending March 1, 2008. Through the 26 week period ended September 1, 2007, the Company has incurred \$3,155,000 of capital expenditures.



### **SYMS CORP AND SUBSIDIARIES**

On June 5, 2006, the Company's Board of Directors approved the repurchase of an aggregate of up to 20% (not to exceed 2,900,000 shares) of its outstanding shares of common stock during the next 24 months expiring on June 5, 2008. During the 26 weeks ended September 1, 2007, the Company purchased 19,400 shares which represents .1% of its outstanding shares at an aggregate cost of \$286,000.

Management believes that existing cash, internally generated funds, trade credit and funds available from the revolving credit agreement will be sufficient for working capital and capital expenditure requirements for the fiscal year ending March 1, 2008.

### **Impact of Inflation and Changing Prices**

Although the Company cannot accurately determine the precise effect of inflation on its operations, it does not believe inflation has had a material effect on sales or results of operations.

### **Recent Accounting Pronouncements**

See Note 7 of the Consolidated Financial Statements for a full description of the Recent Accounting Pronouncements including the respective dates of adoption and the effects on Results of Operation and Financial Condition.

## **Item 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company's operations are not currently subject to material market risks for interest rates, foreign currency rates or other market price risks.

## **Item 4. Controls and Procedures**

Under the supervision and with the participation of our management, including Marcy Syms, the Chief Executive Officer of the Company, and Antone F. Moreira, the Chief Financial Officer of the Company, we have evaluated the effectiveness of our disclosure controls and procedures as required by Rule 13 a-15(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose information otherwise required to be set forth in the Company's periodic reports.

## **Part II. Other Information**

Item 1. LEGAL PROCEEDINGS - None

Item 1a. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended March 3, 2007, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.



## SYMS CORP AND SUBSIDIARIES

## Item 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS -

## Issuer Purchases of Equity Securities

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)</b>
June 3, 2007 □ July 7, 2007	0	0	0	0
July 8, 2007 □ August 4, 2007	0	0	0	0
August 5, 2007 □ September 1, 2007	19,400	14.72	19,400	2,748,200
Total	19,400	14.72	19,400	2,748,200

(1) On June 5, 2006, the Company's Board of Directors approved the repurchase of an aggregate up to 20% (not to exceed 2,900,000 shares) of its outstanding shares of common stock during next 24 months expiring on June 5, 2008.

## Item 3. DEFAULTS UPON SENIOR SECURITIES - None

## Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

At the annual meeting of shareholders held on July 12, 2007, the Company's shareholders holding a majority of the shares of the Common Stock outstanding as of the close of business on June 1, 2007, voted to approve each of the three proposals included in the Company's proxy statement as follows:

To elect six directors to hold office for one year or until their respective successors are duly elected and qualified.

	FOR	WITHHELD
Sy Syms	10,973,802	817,140
Marcy Syms	11,015,402	775,540
Antone F. Moreira	9,684,867	2,101,075
Bernard H. Tenenbaum	11,429,784	361,158
Henry M. Chidgey	11,429,784	361,158
Thomas Zanicchia	11,429,784	361,158

To ratify the appointment of BDO Seidman, LLP as independent registered public accounting firm for the Company for the fiscal year ending March 1, 2008:



Edgar Filing: SYMS CORP - Form 10-Q

For: 11,513,750

Against: 277,090

Abstain: 102

12

---

**SYMS CORP AND SUBSIDIARIES**

Item 5. OTHER INFORMATION - None

Item 6. EXHIBITS

(a) Exhibits filed with this Form 10-Q

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
- 32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
- 32.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) under the Securities and Exchange Act of 1934 and 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

**SYMS CORP AND SUBSIDIARIES**

**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.

**SYMS CORP**

**Date: October 5, 2007**

**By /s/ Marcy Syms** \_\_\_\_\_  
MARCY SYMS  
CHIEF EXECUTIVE OFFICER

**Date: October 5, 2007**

**By /s/ Antone F. Moreira** \_\_\_\_\_  
ANTONE F. MOREIRA  
VICE PRESIDENT, CHIEF FINANCIAL OFFICER  
(Principal Financial and Accounting Officer)