FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1995-06-13** | Period of Report: **1995-04-29**
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FILER

HAROLDS STORES INC

CIK:**818682**| IRS No.: **731308796** | State of Incorp.:**OK** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **000-16131** | Film No.: **95546758**
SIC: **5651** Family clothing stores

Mailing Address
P O DRAWER 2970
P O DRAWER 2970
NORMAN OK 73070-2970

Business Address
765 ASP
NORMAN OK 73069
4053294045

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended April 29, 1995	Commission File No. 0-16131

HAROLD'S STORES, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	73-1308796 (IRS Employer Identification No.)
765 Asp Norman, Oklahoma 73069 (Address of principal executive offices) (Zip Code)	(405) 329-4045 (Registrant's telephone number, including area code)

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

Yes X . No .

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Common Stock 4,707,332

Harold's Stores, Inc. & Subsidiaries
Index to
Quarterly Report on Form 10-Q
For the Period Ended April 29, 1995

HAROLD'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
ASSETS
(In Thousands)

	April 29, 1995 (unaudited)	January 28, 1995
Current assets:		
Cash	$ 560	109
Trade accounts receivable, less allowance for doubtful accounts of $175	4,826	4,238
Other accounts receivable	999	671
Merchandise inventories	16,587	17,847
Prepaid expenses	845	646
Deferred income taxes	622	622
Total current assets	24,439	24,133
Property and equipment, at cost	16,281	15,186
Less accumulated depreciation and amortization	(5,357)	(4,955)
Net property and equipment	10,924	10,231
Other assets	396	297
Total assets	$35,759	34,661

See accompanying notes to interim consolidated financial statements.

HAROLD'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
LIABILITIES AND STOCKHOLDERS' EQUITY
(In Thousands Except Share Data)

	April 29, 1995 (unaudited)	January 28, 1995
Current liabilities:		
Note payable to bank	$ 5,660	4,902
Current maturities of long-term debt	75	75
Accounts payable	4,074	4,154
Redeemable gift certificates	371	509
Accrued bonuses and payroll expenses	1,415	1,129
Accrued rent expense	227	257

Income taxes payable	345	583
Total current liabilities	12,167	11,609
Long-term debt, net of current maturities	575	594
Deferred income taxes	198	198
Stockholders' equity:		
Preferred stock of $.01 par value Authorized 1,000,000 shares; none issued	-	-
Common stock of $.01 par value Authorized 7,500,000 shares; issued and outstanding 4,705,205 in April, 4,698,174 in January	47	47
Additional paid-in capital	17,564	17,491
Retained earnings	5,208	4,722
Total stockholders' equity	22,819	22,260
Total liabilities and stockholders' equity	$ 35,759	34,661

See accompanying notes to interim consolidated financial statements.

HAROLD'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF EARNINGS
(In Thousands Except Share Data)

	13 Weeks Ended April 29, 1995 (unaudited)	13 Weeks Ended April 30, 1994
Net sales	$21,316	16,753
Costs and expenses:		
Cost of goods sold (including occupancy and central buying expenses)	13,868	11,097
Selling, general and administrative expenses	6,477	5,254

Interest expense, net	160	26
	20,505	16,377
Earnings before income taxes	811	376
Provision for income taxes	325	154
Net earnings	$ 486	222
Net earnings per common share	.10	.05
Weighted average number of common shares outstanding	4,718,549	4,681,266

See accompanying notes to interim consolidated financial statements.

HAROLD'S STORES INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY
(Dollars in Thousands)

	13 Weeks Ended April 29, 1995	13 Weeks Ended April 30, 1994
	(unaudited)	
Common stock:		
Balance, beginning and end of period	$ 47	43
Additional paid-in capital:		
Balance, beginning of period	$ 17,491	13,047
Employee Stock Purchase Plan	73	51
Balance, end of period	$ 17,564	13,098

Retained earnings:

Balance, beginning of period	$ 4,722	6,906
Net earnings	486	222
Balance, end of period	$ 5,208	7,128

See accompanying notes to interim consolidated financial statements.

HAROLD'S STORES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	13 Weeks Ended April 29, 1995 (unaudited)	13 Weeks Ended April 30, 1994
Cash flows from operating activities:		
Net earnings	$ 486	222
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	512	391
Shares issued under employee incentive plan	73	51
Changes is assets and liabilities:		
Increase in trade and other accounts receivable	(916)	(233)
Decrease in merchandise inventories	1,260	708
Increase in income taxes receivable	-	(51)
Increase in other assets	(99)	(224)
Increase in prepaid expenses	(199)	(293)
Decrease in accounts payable	(80)	(250)
Decrease income taxes payable	(238)	-
Increase in accrued expenses	118	116
Net cash provided by operating activities	917	205
Cash flows from investing activities:		
Acquisition of property and equipment	(1,135)	(301)
Proceeds from disposal of property and equipment	(70)	-

Net cash used in investing activities	(1,205)	(301)
Cash flows from financing activities:		
Advances on note payable	5,790	4,095
Payments of note payable	(5,032)	(3,700)
Payments of long-term debt	(19)	(19)
Net cash provided by financing activities	739	376
Net increase in cash	451	280
Cash at beginning of year	109	143
Cash at end of year	$ 560	423

See accompanying notes to interim consolidated financial statements.

HAROLD'S STORES, INC. AND SUBSIDIARIES
NOTES TO INTERIM CONSOLIDATED FINANCIAL STATEMENTS
April 29, 1995 and April 30, 1994
(Unaudited)

1. Unaudited Interim Periods

In the opinion of the Company's management, all adjustments (all of which are normal and recurring) have been made which are necessary to fairly state the financial position of the Company as of April 29, 1995 and the results of its operations and cash flows for the thirteen week periods ended April 29, 1995 and April 30, 1994. The results of operations for the thirteen weeks ended April 29, 1995 and April 30, 1994 are not necessarily indicative of the results of operations that may be achieved for the entire fiscal year.

2. Definition of Fiscal Year

The Company has a 52-53 week fiscal year which ends on the Saturday closest to January 31. The period from January 28, 1995 through February 3, 1996, has been designated as fiscal 1996.

3. Reclassifications

Certain comparative prior year amounts in the consolidated financial statements have been reclassified to conform with the current year presentation.

4. Net Earnings Per Common Share

Net earnings per common share are based upon the weighted average number of common shares outstanding during the period restated for the ten percent stock dividend in fiscal 1995.

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

Results of Operations

The following table sets forth for the periods indicated, the percentage of net sales represented by items in the Company's statement of earnings.

	52 Weeks Ended January 28, 1995	13 Weeks Ended April 29, 1995	13 Weeks Ended April 30, 1994
Net Sales	100.0%	100.0%	100.0%
Cost of goods sold	(65.2)	(65.1)	(66.2)
Selling, general and administrative expenses	(29.8)	(30.3)	(31.3)
Interest expense, net	(0.3)	(0.8)	(0.2)
Earnings before income taxes	4.7	3.8	2.3
Provision for income taxes	(1.9)	(1.5)	(1.0)
Net earnings	2.8%	2.3%	1.3%

The following table reflects the sources of the increases in Company sales for the periods indicated.

	13 Weeks Ended April 29, 1995	13 Weeks Ended April 30, 1994
Store sales (000's)	$ 18,783	$ 14,871
Catalog sales (000's)	2,533	1,882
Net sales (000's)	$ 21,316	$ 16,753
Total sales growth	27.2%	36.3%
Growth in comparable store sales (52 week basis)	7.8%	20.0%
Growth in catalog sales	34.6%	79.9%

Store locations:

Existing stores	26	22
New stores opened	1	-
	27	22

The opening of new stores, the expansion of existing stores, as well as the increase in comparable stores sales and the growth in catalog sales contributed to total sales growth for the first quarters of fiscal 1996 and 1995.

New stores opened during the prior 12 months include a 4,000 square foot men's and ladies' store in Charlotte, North Carolina opened in July 1994 (second quarter of the fiscal year ended January 28, 1995), a 3,300 square foot ladies' store opened in Austin, Texas in September 1994 (third quarter), a 5,500 square foot men's and ladies' store opened in Plano, Texas in October 1994 (third quarter), a 5,000 square foot men's and ladies' store opened in Phoenix, Arizona in November 1994 (fourth quarter), and a 4,200 square foot men's and ladies' store opened in St. Louis, Missouri in March 1995 (first quarter of the fiscal year ended February 3, 1996).

Significant increases in mail order catalog sales are the direct result of the Company's expansion of this segment of the business. Since the 1989 test market of Harold's first catalog, the Company has expanded its regular catalog to include four seasonal issues each year. For the previous fiscal year, the Company's catalog averaged 65 pages per issue with an aggregate mailing (including abridged issues) of approximately 4.7 million catalogs.

The Company's gross margin increased for the current thirteen week period compared to the same period in the prior fiscal year. This increase is the result of reduced markdowns in the current fiscal year related to increased store sales.

Selling, general and administrative expenses decreased as a percentage of sales. Increased expenses during the prior thirteen week period relating to advertising and catalog production costs was the primary reason for this decrease. Management anticipates that selling, general and administrative expenses will increase as a result of the Company's expansion plans, with improvement in net operating profits, if any, coming from new store sales and improvements in maintained gross margins.

The average balance on total outstanding debt was $6,040,000 for the first quarter of fiscal 1996 compared to $2,240,000 for the first quarter of fiscal 1995. Average interest rates on the Company's lines of credit were approximately the same in both the current and prior fiscal years. As the Company's growth continues, cash flow may require additional borrowed funds which may cause an increase in interest expense.

The Company's income tax rate decreased to 40% for the first quarter of fiscal 1996 compared to 41% in fiscal 1995. This decreased tax rate is attributable to the Company's estimation of lower tax rates on temporary differences in the first quarter of fiscal 1996 compared to the tax rates in prior period.

Capital Expenditures, Capital Resources and Liquidity

Cash Flows From Operating Activities. For the quarter ended April 29, 1995, net cash provided by operating activities was $917,000 as compared to $205,000 for the same period in fiscal 1995. The increase is partially attributable to the timing of cash receipts and disbursements. Significant changes in the timing of cash receipts and disbursements between the first quarters ended April 29, 1995 and April 30, 1994, included an increase of $588,000 in trade receivables. The increase in trade accounts receivable is the result of management's decision to promote sales on Company credit. These promotions are in conjunction with new store openings, as well as existing stores, and are designed to provide a convenient source of credit for the Company's customers at all Harold's locations and to increase the Company's finance charge revenues.

In addition, the difference in cash flows from operating activities between the two fiscal periods is partially due to (i) a decrease of $1,260,000 in the Company's merchandise inventories for the quarter ended April 29, 1995, as compared to the prior fiscal year, during which inventories decreased by $708,000 and (ii) a decrease of $80,000 in the Company's accounts payable during the quarter ended April 29, 1995, versus a decrease in payables of $250,000 for the prior fiscal year. Management expects the dollar size of its merchandise inventories will increase as it expands its chain of retail stores and catalog operation, with related increases in trade accounts payable, and that period-to-period differences in timing of inventory purchases and deliveries will affect comparability of cash flows from operating activities.

Cash Flows From Investing Activities. For the quarter ended April 29, 1995, net cash used in investing activities totaled $1,205,000. Capital expenditures were invested in new stores, and remodeling and equipment expenditures in existing operations.

Cash Flows From Financing Activities. During the quarter ended April 29, 1995, the Company made periodic borrowings under its revolving credit facility (described below) to finance its inventory purchases, store expansion, remodeling and equipment purchases.

The Company has available a short term line of credit with its bank, which was increased effective November 9, 1994 to a $10 million credit facility. This line had an average balance of $5,390,000 and $1,500,000 for the first quarter of fiscal 1996 and 1995, respectively. During the first quarter ended April 29, 1995, this line of credit had a high balance of $6,600,000 and a $5,660,000 balance as of April 29, 1995. The balance as of June 2, 1995 was $5,813,000.

Liquidity. The Company considers the following as measures of liquidity and capital resources as of the dates indicated.

	January 28, 1995	April 29, 1995	April 30, 1994
Working capital (000's)	$12,524	$12,272	$12,892
Current ratio	2.08:1	2.00:1	3.28:1
Ratio of working capital to total assets	.36:1	.34:1	.48:1
Ratio of total debt to stockholders' equity	.25:1	.28:1	.13:1

The Company's primary needs for liquidity are to finance its inventories and revolving charge accounts and to invest in new stores, remodeling, fixtures and equipment.

Management believes that cash flow from operations and its existing banking arrangements should be sufficient to meet its operating needs and capital requirements through the fiscal year ending February 3, 1996.

Seasonality

The Company's business is subject to seasonal influences, with the major portion of sales realized during the fall season (third and fourth quarters) of each fiscal year, which includes the back-to-school and Christmas selling season. In light of this pattern, selling, general and administrative expenses are typically higher as a percentage of sales during the spring season (first and second quarters) of each fiscal year.

Inflation

Inflation affects the costs incurred by the Company in its purchase of merchandise and in certain components of its selling, general and administrative expenses. The Company attempts to offset the effects of inflation through price increases and control of expenses, although the Company's ability to increase prices is limited by competitive factors in its markets. Inflation has had no meaningful effect on the other assets of the Company.

PART II

ITEM 1. LEGAL PROCEEDINGS

NONE

SIGNATURE

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, hereunto duly authorized.

HAROLD'S STORES, INC.

By: /s/H. Rainey Powell
H. Rainey Powell
Chief Financial Officer

Date: June 6, 1995

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