

SECURITIES AND EXCHANGE COMMISSION

FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1996-11-14** | Period of Report: **1996-09-30**
SEC Accession No. **0000869487-96-000012**

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FILER

TANDY BRANDS ACCESSORIES INC

CIK: **869487** | IRS No.: **752349915** | State of Incorpor.: **DE** | Fiscal Year End: **0630**
Type: **10-Q** | Act: **34** | File No.: **000-18927** | Film No.: **96666363**
SIC: **2300** Apparel & other finishd prods of fabrics & similar matt

Mailing Address
690 E LAMAR BLVD
ARLINGTON TX 76011

Business Address
690 E LAMAR BLVD STE 200
ARLINGTON TX 76011
8175480090

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 Period Ended September 30, 1996

Commission File Number 0-18927

TANDY BRANDS ACCESSORIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

75-2349915

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

690 East Lamar Boulevard, Suite 200, Arlington, TX 76011

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code

(817) 548-0090

Former name, former address and former fiscal year, if changed since last report

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

Class

Number of shares outstanding at September 30, 1996

Common stock, \$1 par value

5,417,198

TANDY BRANDS ACCESSORIES, INC.

Form 10-Q

Quarter Ended September 30, 1996

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Tandy Brands Accessories, Inc. and Subsidiaries
File Number 0-18927
Form 10-Q
Condensed Consolidated Statements of Income
(In thousands, except per share amounts)
(Unaudited)

	Three Months Ended September 30, 1996	
	----- 1996 -----	----- 1995 -----
Gross sales, less discounts, returns and allowances	\$23,661	\$22,703
Royalty, interest and other income	2	65
	-----	-----
Total revenues	23,663	22,768
	-----	-----
Costs and expenses:		
Cost of goods sold	14,728	14,101
Selling, general and administrative	6,522	6,515
Depreciation and amortization	446	517
Interest	286	323
	-----	-----
Total costs and expenses	21,982	21,456
	-----	-----
Income before income taxes	1,681	1,312
Provision for income taxes	(618)	(466)
	-----	-----
Net Income	\$1,063	\$846
	=====	=====
Average common shares and common share equivalents	5,436	5,322
	=====	=====
Earnings per average common share and common share equivalent	\$0.20	\$0.16
	=====	=====
Cash dividends per common share	None	None

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

Tandy Brands Accessories, Inc. and Subsidiaries
File Number 0-18927
Form 10-Q
Condensed Consolidated Balance Sheets
(Dollars in thousands)

	September 30, 1996	June 30, 1996
	----- (Unaudited)	-----
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 361	\$ 88
Accounts receivable, net	16,951	13,746
Inventories:		
Raw materials and work in process	6,714	6,046
Finished goods	25,559	20,564
Other current assets	1,797	2,505
	-----	-----
Total current assets	51,382	42,949
	-----	-----
Property and equipment, at cost	9,461	9,326
Accumulated depreciation	(4,517)	(4,246)
	-----	-----
Net property and equipment	4,944	5,080
	-----	-----
Other assets:		
Goodwill, less amortization	8,384	8,526
Other assets, less amortization	1,783	1,856
	-----	-----
Total other assets	10,167	10,382
	-----	-----
TOTAL ASSETS	\$ 66,493	\$ 58,411
	=====	=====
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Notes payable	\$ 6,250	\$ 2,200
Accounts payable	2,427	4,624
Accrued expenses	2,545	2,043
	-----	-----
Total current liabilities	11,222	8,867
	-----	-----
Other liabilities:		
Notes payable	16,800	12,400
Other noncurrent liabilities	316	297
	-----	-----
Total other liabilities	17,116	12,697
	-----	-----
Stockholders' equity:		

Preferred stock, \$1 par value, 1,000,000 shares authorized, non-issued			
Common stock, \$1 par value, 10,000,000 shares authorized, 5,417,198 shares and 5,382,267 shares issued and outstanding as of September 30, 1996, and June 30, 1996, respectively	5,417		5,382
Additional paid-in capital	18,244		18,038
Retained Earnings	14,494		13,427
	-----		-----
Total stockholders' equity	38,155		36,847
	-----		-----
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY \$	66,493	\$	58,411
	=====		=====

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

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Tandy Brands Accessories, Inc. and Subsidiaries
File Number 0-18927
Form 10-Q
Condensed Consolidated Statement of Cash Flows
(Dollars in thousands)
(Unaudited)

	Three Months Ended September 30,	
	----- 1996 -----	----- 1995 -----
Cash Flows from operating activities:		
Net income	\$ 1,063	\$ 846
Adjustments to reconcile net income to net cash provided by (used for) continuing activities:		
Depreciation	231	260
Amortization	195	299
Other	40	193
Change in assets and liabilities, net of effects from acquisitions:		
Accounts Receivable	(3,205)	(3,816)
Inventories	(5,663)	1,462
Other assets	770	(267)
Accounts payable	(2,197)	(2,097)
Accrued expenses	502	300
	-----	-----

Net cash used for operating activities	(8,264)	(2,820)
	-----	-----
Cash flows from investing activities:		
Purchases of property and equipment	(154)	(151)
	-----	-----
Net cash used for investing activities	(154)	(151)
	-----	-----
Cash flows from financing activities:		
Exercise of employee stock options, net of purchase of treasury stock	--	15
Sale of stock to stock purchase program	241	300
Proceeds from borrowings	14,300	9,670
Payments under borrowings	(5,850)	(8,450)
	-----	-----
Net cash provided by financing activities	8,691	1,535
	-----	-----
Net increase (decrease) in cash and cash equivalents	273	(1,436)
Cash and cash equivalents at beginning of period	88	1,488
	-----	-----
Cash and cash equivalents at end of period	\$ 361	\$ 52
	=====	=====

Supplemental disclosures of cash flow information:

Cash paid during the period for:

Interest	\$ 280	\$ 367
Income Taxes	32	10

Noncash activities:

None.

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

Tandy Brands Accessories, Inc. and Subsidiaries
Notes to Condensed Financial Statements
(Unaudited)

Note 1 - Accounting Principles.

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 three month period ended September 30, 1996, are not necessarily indicative of the results that may be expected for the year ended June 30, 1997. For further information, refer to the consolidated financial statements and footnotes thereto included in the Tandy Brands Accessories, Inc. and Subsidiaries Annual Report on Form 10-K for the year ended June 30, 1996.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF
CONSOLIDATED FINANCIAL CONDITION AND RESULTS OF OPERATIONS
TANDY BRANDS ACCESSORIES, INC. AND SUBSIDIARIES

GENERAL

Tandy Brands Accessories, Inc. (the "Company") manufactures and markets men's, women's and children's accessories. The Company's business is conducted primarily in the United States. Historically, the Company's sales and operating results are generally consistent throughout the fiscal year, but there is normally a seasonal increase during the second quarter.

Although the Company's operations are affected by general economic trends, the Company does not believe that inflation has had a material effect on the results of operations.

RESULTS OF OPERATIONS

Three Months Ended September 30, 1996, Compared to the Three Months Ended September 30, 1995.

First quarter results for Tandy Brands Accessories, Inc. reflected growing sales and profitability. Net sales for the three month period ended September 30, 1996, were \$23,661,000. This represents a 4.2% increase when compared to last year's first quarter sales of \$22,703,000. More importantly, while net sales

were up only 4.2%, net income for the quarter ended September 30, 1996, was \$1,063,000, or \$0.20 a share, up 25% when compared to net income of \$846,000, or \$0.16 a share, for the same period last year. The increase in net income and earnings per share reflects the effect of strategic initiatives executed by Tandy Brands over the last 18 months. One of those initiatives included a detailed review and subsequent curtailment of many variable selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

The Company's primary sources of liquidity are cash flows from operations and the Company's lines of credit. The Company has three unsecured bank credit lines aggregating \$45,000,000 which can be used for seasonal borrowings and letters of credit. The Company also has an unsecured line of credit of \$750,000 with a Canadian bank for seasonal borrowings, letters of credit and foreign exchange forward contract requirements of H.A. Sheldon. As of September 30, 1996, the Company had borrowings under its lines of credit of \$23,050,000. This represents a 6.7% reduction when compared to debt outstanding as of September 30, 1995.

For the three months ended September 30, 1996, the Company used cash of \$8,264,000 for operating activities compared to \$2,820,000 used for operating activities for the same period in the prior year. The use of cash for operating activities is primarily attributable to a seasonal increase in accounts receivable and inventories.

Capital expenditures were \$154,000 for the three months ended September 30, 1996, compared to \$151,000 for the same period of the prior year. These expenditures remain at low levels in response to a static retail market and the fact that there are no significant capital expenditures projects under way.

The Company believes that it has adequate financial resources and sufficient credit facilities to satisfy its future working capital needs.

TANDY BRANDS ACCESSORIES, INC. PART II - OTHER INFORMATION

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

(a) No matters were submitted to the Security Holders for a vote during the quarter ended September 30, 1996.

ITEM 6. Exhibits and Reports on Form 8-K.

No reports on Form 8-K were filed during the quarter ended September 30, 1996. The exhibits filed as a part of this report are listed below.

Exhibit No.	Description
11	Statement Regarding Computation of Per Share Earnings
27	Financial Data Schedule

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TANDY BRANDS ACCESSORIES, INC.
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.

TANDY BRANDS ACCESSORIES, INC.
(Registrant)

s/s J.S.B. Jenkins

J.S.B. Jenkins
President and Chief Executive Officer

s/s R. Bruce Cole

R. Bruce Cole
Vice President and Treasurer
(Principal Financial Officer)

Date: November 14, 1996

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TANDY BRANDS ACCESSORIES, INC.
EXHIBIT INDEX

Exhibit Number and Description -----	Sequen- tially Numbered Page -----	Form -----	Incorporated by Reference (If applicable)		
			Date -----	File No. -----	Exhibit -----
(4) Instruments defining the rights of security holders, including indentures					
4.1 Certificate of Designations, Powers, Preferences and Rights of Series A Junior Participating Cumulative Preferred Stock of Tandy Brands Accessories, Inc.	N/A	S-1	11/02/90	33-37588	4.1
4.2 Form of Common Stock Certificate of Tandy Brands Accessories, Inc.	N/A	S-1	11/02/90	33-37588	4.2
4.3 Form of Preferred Share Purchase	N/A	S-1	11/02/90	33-37588	4.3

Rights Certificate
of Tandy Brands
Accessories, Inc.

4.4	Rights agreement dated November 7, 1990, between Tandy Brands Accessories, Inc. and First National Bank of Boston	N/A	S-1	11/02/90	33-37588	10.5
(11)	Statement re: Computation of per share earnings					
11.1	Earnings per share statement	11	N/A	N/A	N/A	N/A
(27)	Financial Statement Schedule					
27.1	Financial statement schedule	12	N/A	N/A	N/A	N/A

Exhibit 11. Statement Regarding Computation of Per Share Earnings.

Earnings per Share - Earnings per share is determined by dividing net income by the average number of common shares outstanding plus common stock equivalents. Common stock equivalents consist of shares issuable under outstanding stock options reduced by shares assumed to be purchased from the proceeds of such options. Earnings per share, as presented, is both primary and fully diluted.

	Three Months Ended September 30,	
	----- 1996 -----	1995 -----
Weighted average common shares outstanding	5,403,000	5,285,000
Common share equivalents	33,000 -----	37,000 -----
Average common shares and common share equivalents	5,436,000 =====	5,322,000 =====

TANDY BRANDS ACCESSORIES, INC.

Exhibit 27. Financial Data Schedule

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