

SECURITIES AND EXCHANGE COMMISSION

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

GREENMAN BROTHERS INC

CIK: **43837** | IRS No.: **111771705** | State of Incorp.: **NY** | Fiscal Year End: **0131**
Type: **10-Q** | Act: **34** | File No.: **001-06083** | Film No.: **95546649**
SIC: **5090** Misc durable goods

Mailing Address

*105 PRICE PARKWAY
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FARMINGDALE NY 11735*

Business Address

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FARMINGDALE NY 11735
5162935300*

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 April 29, 1995

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 1-6083

GREENMAN BROS. INC.

(Exact Name of Registrant as Specified in Its Charter)

NEW YORK 11-1771705
(State or Other Jurisdiction of (I.R.S. Employer Identification No.)
Incorporation or Organization)

105 PRICE PARKWAY, FARMINGDALE, NEW YORK 11735
(Address of Principal Executive Office) (Zip Code)

Registrant's Telephone Number, Including Area Code (516) 293-5300

NOT APPLICABLE

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 periods that the
registrant was required to file such reports), and (2) has been subject to
such filing requirement 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 5,264,040 shares outstanding
as of June 6, 1995.

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GREENMAN BROS. INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

UNAUDITED

	April 29, 1995	April 30, 1994	January 28, 1995
	(In thousands)		
<CAPTION>			
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ASSETS			
Current assets:			
Cash and cash equivalents	\$ 10,314	\$ 8,087	\$ 10,908
Trade receivables - net	11,646	14,437	13,622
Merchandise inventories	23,775	34,229	20,264
Prepaid expenses, recoverable taxes and other	4,962	3,464	5,170
Total current assets	50,697	60,217	49,964
Property, plant and equipment - net	10,350	8,026	9,673
Other assets	179	779	182
Total assets	\$ 61,226	\$ 69,022	\$ 59,819

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LIABILITIES AND STOCKHOLDERS' EQUITY

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Current liabilities:			
Trade accounts payable	\$ 16,983	\$ 21,068	\$ 12,109
Accrued expenses and taxes	4,597	3,783	5,858
Obligations under capital leases	64	60	64
Income taxes payable	-	-	133
Total current liabilities	21,644	24,911	18,164
Obligations under capital leases	556	621	572
Deferred income taxes	213	290	213
Stockholders' equity:			
Preferred stock - authorized 500 shares, par value \$1.00 (none issued)			
Preferred stock - Series A Junior Participating - authorized 440 shares, par value \$1.00 (none issued)			

Common stock - authorized 10,000 shares, par value \$.10; issued 6,188, 6,124 and 6,185 respectively	619	612	619
Capital in excess of par value	25,810	25,630	25,801
Retained earnings	16,176	20,750	18,242
Less: treasury stock, at cost - 924 shares	(3,792)	(3,792)	(3,792)
	38,813	43,200	40,870
 Total liabilities and stockholders' equity	 \$ 61,226	 \$ 69,022	 \$ 59,819

See accompanying notes to Condensed Consolidated Financial Statements.

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GREENMAN BROS. INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (LOSS)
(In thousands except per share amounts)

UNAUDITED

	Thirteen Weeks Ended (In thousands)	
	April 29, 1995	April 30, 1994
<CAPTION>		
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Net sales	\$ 24,437	\$ 27,168
Costs and expenses:		
Cost of product sold	18,300	20,853
Selling and administrative expenses	8,041	7,615
Depreciation	286	251
	26,627	28,719
Operating loss	(2,190)	(1,551)
Interest income	135	94
Interest expense	(11)	(19)
Loss before income taxes	(2,066)	(1,476)
Income taxes (benefit)	-	(590)
Net loss	\$ (2,066)	\$ (886)
Net loss per share	\$ (.39)	\$ (.17)
Average shares outstanding	5,263	5,200

See accompanying notes to Condensed Consolidated Financial Statements.

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GREENMAN BROS. INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

UNAUDITED

	Thirteen Weeks Ended	
	April 29, 1995	April 30, 1994
	(In thousands)	
<CAPTION>		
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Cash flows from operating activities:		
Net loss	\$ (2,066)	\$ (886)
Adjustments to reconcile to net cash provided (used):		
Depreciation	286	251
Provision for doubtful accounts	91	101
Decrease (increase) in non-cash working capital accounts:		
Merchandise inventories	(3,511)	(3,562)
Trade receivables, prepaid expenses and other current assets	2,093	(94)
Trade accounts payable, accrued expenses, and taxes	3,613	6,251
Income taxes	(133)	(137)
Net cash provided by operating activities	373	1,924
Cash flows from investing activities:		
Proceeds from sale of marketable securities	-	1,000
Property additions	(963)	(633)
Other	3	25
Net cash provided by (used in) investing activities	(960)	392
Cash flows from financing activities:		
Reduction in obligations under capital leases	(16)	(15)
Proceeds from exercise of employee stock options	9	22
Net cash provided by (used in) financing activities	(7)	7
Net increase (decrease) in cash and cash equivalents	(594)	2,323
Cash and cash equivalents-beginning of year	10,908	5,764
Cash and cash equivalents-end of period	\$ 10,314	\$ 8,087

See accompanying notes to Condensed Consolidated Financial Statements.

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GREENMAN BROS. INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

NOTE 1. The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all the information and footnotes

required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments for a fair statement of the results and financial position for the interim periods presented have been included. All such adjustments are of a normal recurring nature. This financial information should be read in conjunction with the financial statements and notes thereto included in the registrant's annual report on Form 10-K for the year ended January 28, 1995 (fiscal 1995).

It should be noted that amounts included in the financial statements of the prior year have been reclassified to conform to the current year's presentation.

Due to the seasonal nature of the Company's business, results for the interim period are not necessarily indicative of the results to be expected for the fiscal year.

NOTE 2. All highly liquid investments with a maturity of three months or less are considered to be cash equivalents; investments with maturities between three and twelve months are considered to be short-term investments. These investments are stated at cost which approximates market.

NOTE 3. Income tax provisions are based on estimated annual effective tax rates. The operating loss for the first quarter ended April 29, 1995 provides no current tax benefit. The Company has certain available tax planning strategies and the ability to generate taxable income that could be implemented, if necessary, to realize net tax benefits reported for prior periods. The effective income tax rate used for the period ended April 30, 1994 was 40%.

NOTE 4. On May 31, 1995 the Company announced that it is investigating the possible sale of its wholesale business operating under the name Greenman Merchandising Services ("GMS"). The intent of such a sale would be to free-up capital that will be needed to grow the Noodle Kidoodle TM retail business. GMS had sales of \$113 million in fiscal 1995 while the Company's total revenues were \$137 million. Pre-tax earnings for GMS in fiscal 1995 were \$1.8 million while the Company incurred a pre-tax loss of \$5.5 million which included a pre-tax provision of \$3.9 million for the closing of Playworld Toy Stores. For the quarter ended April 29, 1995 GMS had sales of \$21.2 million while the Company's total revenues were \$24.4 million. The pre-tax loss for GMS in the current quarter was \$.9 million while the Company's pre-tax loss was \$2.1 million.

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MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Thirteen Weeks Ended April 29, 1995 Compared with
Thirteen Weeks Ended April 30, 1994

Results of Operations

Sales for the thirteen week period ended April 29, 1995 decreased \$2.7 million or 10.1% versus the comparable period of the prior year.

Wholesale sales decreased 8.7% to \$21.2 million in the first quarter versus the first quarter of the prior year. The Company indicated in its 10-K filing for the year ended January 28, 1995 (fiscal 1995) that wholesale sales are expected to decline in fiscal 1996. A decrease in the mass merchandise retail channel of approximately \$3.4 million was only partially offset by increased business in the chain drug, supermarkets, deep discount drug and home center channels of distribution. On May 31, 1995 the Company announced that it is investigating the possible sale of the wholesale business operating under the name Greenman Merchandising Services.

Retail sales of our Noodle Kidoodle TM operation (TM is purposely omitted everywhere else) and Playworld Toy Stores represented 13.4% of total sales for the thirteen week period ended April 29, 1995 compared to 14.8% for the thirteen week period ended April 30, 1994. Overall retail sales decreased 18.1% to \$3.3 million for the first quarter versus last year as a result of closing the Playworld Toy Stores and one leased department operation during the second half of last year. Playworld Toy Stores sales decreased by \$2.7 million offset by increases in Noodle Kidoodle sales of \$1.9 million as a result of opening three stores in the second half of last year and one store in February 1995. Comparable store sales decreased 20.6%. The decrease was attributable to lower sales in the remaining Playworld Toy Stores of 37.2% partially offset by an increase of 22.5% in the one Noodle Kidoodle store that had year to year comparisons.

Gross Profit as a percent of sales was 25.1% for the first quarter versus 23.2% for the comparable period of last year. The increase in overall gross profit percentage of 1.9% was attributable to higher margins in both the wholesale and retail segments. Margins in the wholesale segment improved by 1.6% to 22.5% primarily due to the decline of sales in the toy product line to mass merchandise customers that carry lower margins. Margins in the retail segment increased by 4.9% to 42.0% for the first quarter versus the same period of last year primarily due to increased sales in the Noodle Kidoodle stores which operate with higher margins.

Operating expenses other than interest increased by 5.9% for the thirteen week period versus the comparable period of the prior year. The Company's operating expenses as a percent of sales increased 5.1% for the quarter versus the prior year.

Wholesale expenses increased 3.3% as a percent of sales for the thirteen week period ended April 29, 1995 versus the comparable period of the prior year. The increase resulted primarily from lower sales levels and higher distribution costs. The operating expenses for the retail segment increased 17.9% as a percent of sales for the first quarter versus the prior year. The increase resulted from lower comparable store sales in the Playworld operation and a higher cost structure in the Noodle Kidoodle stores which had four more stores operating during this period versus last year.

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Pre-tax interest income increased by \$41,000 for the quarter versus the comparable period of last year. The increase resulted from both higher average interest rates and cash balances. The average interest rate for the thirteen week period ended April 29, 1995 was 5.5% versus 2.8% for the period ended April 30, 1994. The average cash balance was \$9.7 million for the current first quarter versus \$7.1 million for the comparable period of last year. Pre-tax interest expense decreased \$8,000 for the first quarter versus the prior year.

The Company did not provide an income tax benefit for the quarter ended April 29, 1995. For the quarter ended April 30, 1994 the Company recorded an income tax benefit based on an estimated effective tax rate of 40%.

The net loss for the thirteen week period was approximately \$2.1 million (\$.39 per share) versus \$.9 million (\$.17 per share) for the same period of last year.

Liquidity and Sources of Capital

The Company maintained an average cash and cash equivalent balance of approximately \$9.7 million during the first quarter ended April 29, 1995. The average cash balance was substantially invested in high grade commercial paper.

Cash flow provided from operating activities for the thirteen week period ended April 29, 1995 were \$.4 million versus \$1.9 million for the period ended April 30, 1994. Net earnings before non-cash expenditures of depreciation and

provision for doubtful accounts utilized \$1.7 million of cash offset by \$2.1 million of cash provided from changes in working capital components. In the first quarter ended April 30, 1994, net earnings before non-cash expenditures utilized \$.5 million of cash offset by \$2.4 million of cash provided from changes in working capital components.

Cash used in investing activities was approximately \$1.0 million for the first quarter ended April 29, 1995 versus cash provided of \$.4 million for the first quarter ended April 30, 1994. Property additions and other utilized approximately \$1.0 million of cash for the thirteen week period ended April 29, 1995 versus \$.6 million for the thirteen week period ended April 30, 1994. Approximately \$1.0 million was provided from the redemption of U.S. Treasury bills for the first quarter ended April 30, 1994.

The Company has an unsecured revolving credit facility from a bank which currently provides for maximum borrowing of \$10.0 million that expires in June 1995. The Company is currently negotiating a new credit agreement which is expected to be in place during the second quarter. The Company did not require any borrowings during the first quarter ended April 29, 1995. The Company expects to utilize some bank borrowing during the second half of fiscal 1996 as a result of a \$10.0 million capital expenditures anticipated for the opening of new Noodle Kidoodle stores during fiscal 1996. As previously noted the Company has announced that it is considering the sale of its wholesale business. Should such a sale take place the proceeds would be sufficient to fund the current years expansion program without bank borrowings.

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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.

GREENMAN BROS. INC.
(Registrant)

Date: June 12, 1995

STANLEY GREENMAN
Stanley Greenman, Chairman of the Board,
Chief Executive Officer, Director
(Principal Executive Officer)

Date: June 12, 1995

WILLIAM A. JOHNSON JR.
William A. Johnson Jr., Vice President,
Chief Financial Officer and Secretary
(Principal Financial & Accounting Officer)

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