

# SECURITIES AND EXCHANGE COMMISSION

## FORM 8-K

Current report filing

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### FILER

#### TOPPS CO INC

CIK: **812076** | IRS No.: **112849283** | State of Incorpor.: **DE** | Fiscal Year End: **0228**  
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SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

Form 8-K

Current Report

Pursuant to Section 13 or 15(d) of  
the Securities Exchange Act of 1934

January 5, 2006  
Date of Report (Date of earliest event reported)

THE TOPPS COMPANY, INC.  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction of corporation)

001-15817  
(Commission File No.)

11-2849283  
(I.R.S. Employer Identification No.)

One Whitehall, New York, NY 10004  
(Address of principal executive offices) (Zip code)

(212) 376-0300  
(Registrant's telephone number, including area code)

N/A  
(Former name or former address, if changed since last report)

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Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

[ ] Written communications pursuant to Rule 425 under the Securities Act  
(17 CFR 230.425)

- [ ] Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- [ ] Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- [ ] Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

INFORMATION TO BE INCLUDED IN THE REPORT

Item 2.02 RESULT OF OPERATIONS AND FINANCIAL CONDITION

On January 5, 2006, the Company issued a Press Release to the public regarding the Company's result of operations and financial conditions for the Company's third fiscal quarter ended November 26, 2005. The said Press Release is attached to this report as Exhibit 99.1

Item 9.01 Financial Statements and Exhibits

(c) Exhibits

99.1 Press Release dated January 5, 2006

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.

The Topps Company, Inc.  
Registrant

By: /s/ Catherine K. Jessup

-----  
Catherine K. Jessup  
Vice President-CFO & Treasurer

Date: January 5, 2006

FOR IMMEDIATE RELEASE

THE TOPPS COMPANY, INC. REPORTS FISCAL 2006  
THIRD QUARTER RESULTS

New York, NY, January 5, 2006 - The Topps Company, Inc. (Nasdaq: TOPP) today reported financial results for the fiscal 2006 third quarter ended November 26, 2005.

Net sales in the fiscal 2006 third quarter increased 3.6% to \$72.8 million compared to \$70.3 million last year. Income from operations was a loss of \$1.3 million compared to income of \$3.4 million last year. Net income before discontinued operations in the fiscal 2006 third quarter was \$29,000 versus \$2.9 million last year. During the quarter, the Company decided to exit thePit.com business and recognized a \$3.7 million after-tax loss from the discontinuation of this operation. Including this charge, net loss for the period was \$3.7 million, or \$0.09 per diluted share, versus net income of \$2.8 million, or \$0.07 per diluted share, last year.

Third quarter income from operations was influenced by several one-time events including a favorable legal settlement of \$2.3 million (pre-tax and net of third quarter legal fees) related to the Company's WizKids subsidiary. This amount was largely offset by pre-tax charges of approximately \$1.3 million as part of a previously disclosed restructuring of the organization and \$785,000 related to a one-time accounting adjustment to fixed assets.

In addition to these factors, profitability was impacted by a dramatic slowdown in demand for Entertainment publishing products in Italy, a shift in timing of Italian sports sticker product shipments to the fourth quarter this year from the third quarter last year and lower U.S. Confectionery results for the period.

For the nine months ended November 26, 2005, net sales were even with last year at \$226.3 million. Stronger foreign currencies versus the prior year contributed \$1.0 million to 2006 nine-month sales. Income from operations was \$2.6 million compared to \$14.1 million last year. Net income before discontinued operations in the first nine months of fiscal 2006 was \$5.9 million versus \$10.8 million last year. Including the after-tax loss of \$3.8 million from discontinued operations, net income for the nine-month period was \$2.1 million, or \$0.05 per diluted share, versus \$10.5 million, or \$0.26 per diluted share, last year. Results for the first nine months of fiscal 2006 reflect the impact of the third quarter items as well as a one-time second quarter tax benefit of approximately \$1.6 million. Results for the first nine months of fiscal 2005 included a one-time charge of \$1.9 million, or approximately \$0.05 per diluted share, incurred in the first quarter related to a European Commission fine.

Confectionery net sales in the fiscal 2006 third quarter decreased 5.5% to \$27.4 million from \$29.0 million in the prior-year period. Lower U.S. sales of Ring Pop and Push Pop were partially offset by sales increases of Juicy Drop Pop and to a lesser extent, Mega Mouth Spray in Europe, Japan and Latin America. In the fourth quarter, the Company plans to introduce a mini stackable, multi-flavored product extension of Push Pops under the "Jugglers" and "Switch and Stax" brand names in the U.S. and Europe, respectively, as well as a product extension of the Baby Bottle Pop line, entitled "2D Max" in the U.S. and "Double Dunk" in Europe.

Entertainment net sales increased 10.0% to \$45.4 million versus \$41.3 million in last year's third quarter. Sales of U.S. sports cards increased significantly due to strong football card sales, which the Company believes is the result of fewer competitors in the sports card business, a compelling promotional campaign surrounding the Company's 50th anniversary marketing football products and an exciting rookie class. Gains in U.S. sports cards sales were achieved in the period despite the fact that shipments of new season baseball products were delayed as a result of the Company's recently signed agreement with Major League Baseball Players' Association ("MLBPA") and Major League Baseball Properties ("MLBP"). Additionally, Entertainment sales for the period benefited from the success of WizKids constructible strategy games despite growing market softness in the collectible games segment.

Arthur T. Shorin, Chairman and CEO, commented, "Results for the third quarter are clearly disappointing, and I anticipate the fourth quarter to be modestly profitable, albeit ahead of last year. That said, we are optimistic about our prospects for fiscal 2007 based on the progress we have made with previously disclosed initiatives now underway."

At November 26, 2005, the Company had \$92.4 million in cash and short-term investments and no debt. During the third quarter, the Company paid its regular quarterly cash dividend to shareholders of \$0.04 per share. In addition, Topps repurchased 342,000 shares of stock under their 10b5-1 program which began in the middle of the third fiscal quarter as well as an additional 88,000 shares of stock totaling 430,000 shares for the period.

The Topps Company, Inc. will host a webcast of its earnings conference call today at 10:00 a.m., Eastern Time. Investors, analysts, and the media are invited to listen to the call live at [www.topps.com](http://www.topps.com). A replay of the webcast will be available on the Company's website for the next 60 days.

Founded in 1938, Topps is a leading creator and marketer of distinctive confectionery and entertainment products. The Company's confectionery brands include "Ring Pop," "Push Pop," "Baby Bottle Pop" and "Juicy Drop Pop" lollipops as well as "Bazooka" bubble gum. Topps entertainment products include trading cards, sticker album collections, and collectible games. For additional information, visit [www.topps.com](http://www.topps.com).

This release contains forward-looking statements pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Although the Company believes the expectations contained in such forward-looking statements are reasonable, it can give no assurance that such expectations will prove to be correct. This information may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Factors that could cause or contribute to such differences include, but are not limited to, factors detailed in the Company's Securities and Exchange Commission filings.

(Tables Follow)

THE TOPPS COMPANY, INC. REPORTS FISCAL 2005

THE TOPPS COMPANY, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(amounts in thousands, except share data)

<TABLE>  
<CAPTION>

	(Unaudited)		(Unaudited)	
	Thirteen weeks ended		Thirty-nine weeks ended	
	November	November	November	November
	26, 2005	27, 2004	26, 2005	27, 2004
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales	\$ 72,808	\$ 70,278	\$ 226,328	\$ 226,275
Cost of sales	51,502	46,657	149,001	142,724
	-----	-----	-----	-----
Gross profit on sales	21,306	23,621	77,327	83,551
Other income (expense)	437	(54)	1,582	790
Selling, general and administrative expenses	23,044	20,200	76,325	70,282
	-----	-----	-----	-----
(Loss) income from operations	(1,301)	3,367	2,584	14,059
Interest income, net	1,044	883	2,581	1,924
	-----	-----	-----	-----
(Loss) income before provision for income taxes	(257)	4,250	5,165	15,983
(Benefit) provision for income taxes	( 286)	1,377	(716)	5,211
	-----	-----	-----	-----
Net income from continuing operations	29	2,873	5,881	10,772
Loss from discontinued operations - net of tax	(3,691)	( 82)	(3,809)	( 224)
	-----	-----	-----	-----
Net (loss) income	\$ (3,662)	\$ 2,791	\$ 2,072	\$ 10,548
	=====	=====	=====	=====
Basic net income per share				
-From continuing operations	0.00	0.07	0.15	0.27
-After discontinued operations	(0.09)	0.07	0.05	0.26
Diluted net income per share				
-From continuing operations	0.00	0.07	0.14	0.26
-After discontinued operations	(0.09)	0.07	0.05	0.26
Weighted average shares outstanding - Basic	40,464,000	40,412,000	40,477,000	40,482,000
Weighted average shares outstanding - Diluted	41,139,000	41,253,000	41,315,000	41,280,000

</TABLE>

THE TOPPS COMPANY, INC.  
CONSOLIDATED BALANCE SHEET HIGHLIGHTS  
(Amounts in Thousands)

	As of	As of
	November	February
	26, 2005	26, 2005
	-----	-----
Cash and Equivalents	\$ 31,854	\$ 36,442
Investments	60,593	69,955
Working Capital	133,875	138,146
Net Property, Plant and Equipment	11,298	12,553

Total Assets	274,096	290,411
Shareholders' Equity	210,178	219,189

SEGMENT INFORMATION  
(Amounts in Thousands)

<TABLE>  
<CAPTION>

	Thirteen weeks ended		Thirty-nine weeks ended	
	November	November	November	November
	26, 2005	27, 2004	26, 2005	27, 2004
	-----	-----	-----	-----
<S>	<C>	<C>	<C>	<C>
Net Sales				
-----				
Confectionery	\$ 27,397	\$ 28,992	\$ 113,684	\$ 113,181
Entertainment Products	45,411	41,286	112,644	113,094
	-----	-----	-----	-----
Total	\$ 72,808	\$ 70,278	\$ 226,328	\$ 226,275
	=====	=====	=====	=====
Contributed Margin				
-----				
Confectionery	\$ 7,464	\$ 8,885	\$ 33,371	\$ 37,664
Entertainment Products	9,681	12,883	27,943	35,174
	-----	-----	-----	-----
Total	\$ 17,145	\$ 21,768	\$ 61,314	\$ 72,838
	=====	=====	=====	=====

Reconciliation of Contributed Margin  
to Income Before Provision for Taxes:

-----				
Total Contributed Margin	\$ 17,145	\$ 21,768	\$ 61,314	\$ 72,838
Unallocated General and Administrative				
Expenses and Manufacturing Overhead	(16,870)	(16,791)	(55,447)	(54,852)
Depreciation & Amortization	( 2,013)	( 1,556)	( 4,865)	( 4,717)
Other Income (Expense)	437	( 54)	1,582	790
	-----	-----	-----	-----
(Loss) Income from Operations	( 1,301)	3,367	2,584	14,059
Interest Income, Net	1,044	883	2,581	1,924
	-----	-----	-----	-----
(Loss) Income before Provision for Income Taxes	\$ ( 257)	\$ 4,250	\$ 5,165	\$ 15,983
	=====	=====	=====	=====

</TABLE>