

SYMS CORP  
Form 10-Q  
January 06, 2011

SYMS CORP

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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 November 27, 2010  
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.)

One Syms Way, Secaucus, New Jersey  
(Address of Principal Executive Offices)

07094  
(Zip Code)

Registrant's Telephone Number, Including Area Code: (201) 902-9600

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 has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or shorter period that the registrant was required to submit and post such files).

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Yes  No  Not applicable to the registrant

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

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

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

Yes  No

At December 31, 2010 the latest practicable date, there were 14,448,188 shares outstanding of Common Stock, par value \$0.05 per share.

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## Consolidated Condensed Balance Sheets

(In thousands except per share amounts)

	November 27, 2010 (Unaudited)	February 27, 2010 (NOTE)	November 28, 2009 (Unaudited)
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 3,739	\$ 2,049	\$ 10,997
Receivables	5,348	3,195	36,362
Income tax receivable	2,462	-	-
Merchandise inventories - net	103,093	82,234	102,830
Deferred income taxes	6,286	5,912	3,045
Assets held for sale	8,618	14,392	10,024
Prepaid expenses and other current assets	8,087	7,645	8,044
<b>TOTAL CURRENT ASSETS</b>	<b>137,633</b>	<b>115,427</b>	<b>171,302</b>
<b>PROPERTY AND EQUIPMENT – Net</b>	<b>120,355</b>	<b>118,539</b>	<b>124,988</b>
<b>DEFERRED INCOME TAXES</b>	<b>29,373</b>	<b>18,113</b>	<b>11,611</b>
<b>BUILDING AND AIR RIGHTS</b>	<b>9,134</b>	<b>9,134</b>	<b>9,134</b>
<b>OTHER ASSETS</b>	<b>7,534</b>	<b>7,866</b>	<b>6,517</b>
<b>TOTAL ASSETS</b>	<b>\$ 304,029</b>	<b>\$ 269,079</b>	<b>\$ 323,552</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 50,439	\$ 47,356	\$ 66,148
Accrued expenses	20,529	9,945	15,304
Obligations to customers	5,320	5,328	5,240
<b>TOTAL CURRENT LIABILITIES</b>	<b>76,288</b>	<b>62,629</b>	<b>86,692</b>
<b>LONG TERM DEBT</b>	<b>42,977</b>	<b>8,402</b>	<b>32,977</b>
<b>OTHER LONG TERM LIABILITIES</b>	<b>5,991</b>	<b>3,016</b>	<b>2,073</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; 14,448 shares outstanding (net of 4,448 treasury shares) as of November 27, 2010, and 14,598 shares outstanding (net of 4,298 treasury shares) as of February 27, 2010 and November 28, 2009	800	800	800
Additional paid-in capital	21,605	21,605	21,605
Treasury stock	(47,110)	(45,903)	(45,903)

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Accumulated other comprehensive loss	(1,489)	(1,491)	(2,127)
Retained earnings	204,967	220,021	227,435
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>178,773</b>	<b>195,032</b>	<b>201,810</b>
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 304,029	\$ 269,079	\$ 323,552

NOTE: The balance sheet at February 27, 2010 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 Consolidated Condensed Financial Statements

## SYMS CORP

## Consolidated Condensed Statements of Operations (Unaudited)

(In thousands, except per share amounts)

	For the Thirteen Weeks Ended		For the Thirty-Nine Weeks Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
Net sales	\$ 120,739	\$ 135,159	\$ 344,257	\$ 261,852
Cost of goods sold	69,394	77,291	202,046	154,750
Gross profit	51,345	57,868	142,211	107,102
Expenses:				
Selling, general and administrative	31,966	35,339	99,692	80,620
Advertising	1,667	4,501	5,911	6,406
Occupancy, net	14,807	14,126	44,523	30,181
Depreciation and amortization	3,630	2,991	10,485	7,958
Asset impairment charge	1,721	-	1,721	-
Bargain purchase gain	-	(307)	-	(9,714)
Acquisition costs	-	194	-	4,762
Other income	(2)	(24,764)	(36)	(24,781)
Restructuring charge	831	-	2,133	-
Total expenses	54,620	32,080	164,429	95,432
Income (loss) from operations	(3,275)	25,788	(22,218)	11,670
Interest expense	499	514	1,147	1,389
Income (loss) before income taxes	(3,774)	25,274	(23,365)	10,281
Income tax benefit	(459)	(372)	(8,311)	(5,441)
Net income (loss)	\$ (3,315)	\$ 25,646	\$ (15,054)	\$ 15,722
Net income (loss) per share – basic	\$ (0.23)	\$ 1.76	\$ (1.04)	\$ 1.08
Weighted average shares outstanding – basic	14,448	14,593	14,458	14,591
Net income (loss) per share – diluted	\$ (0.23)	\$ 1.76	\$ (1.04)	\$ 1.08
Weighted average shares outstanding – diluted	14,448	14,594	14,458	14,592

See Notes to Consolidated Condensed Financial Statements

## SYMS CORP

## Consolidated Condensed Statements of Cash Flows (Unaudited)

(In thousands)

For the Thirty-Nine Weeks Ended  
November 27, 2010 November 28, 2009**CASH FLOWS FROM OPERATING ACTIVITIES:**

Net income (loss)	\$ (15,054)	\$ 15,722
Adjustments to reconcile net income (loss) to net cash (used) provided by operating activities:		
Depreciation and amortization	10,199	7,958
Asset impairment	1,721	-
Bargain purchase gain	-	(9,714)
Deferred income taxes	(11,634)	(1,802)
(Gain) loss on disposition of assets	(47)	262
(Increase) decrease in operating assets:		
Receivables	(2,153)	(4,855)
Income tax receivable	(2,462)	-
Merchandise inventories	(20,859)	(29,034)
Prepaid expenses and other current assets	(442)	(2,226)
Other assets	94	5,966
Life insurance proceeds receivable	-	(29,918)
Increase (decrease) in operating liabilities:		
Accounts payable	3,083	51,212
Accrued expenses	10,585	5,579
Obligations to customers	(8)	(248)
Other long term liabilities	2,975	160
Net cash (used) provided by operating activities	(24,002)	9,062

**CASH FLOWS FROM INVESTING ACTIVITIES:**

Purchase of Filene's Basement	-	(38,927)
Expenditures for property and equipment	(14,082)	(9,982)
Proceeds from sale of land, building and other assets	6,406	-
Net cash used in investing activities	(7,676)	(48,909)

**CASH FLOWS FROM FINANCING ACTIVITIES:**

Cash surrender value advance	-	16,000
Exercise of stock options	-	45
Purchase of Treasury shares	(1,207)	-
Borrowings on revolving credit facility	317,709	33,343
Repayments on revolving credit facility	(283,134)	(366)
Net cash provided by financing activities	33,368	49,022

NET INCREASE IN CASH AND CASH EQUIVALENTS	1,690	9,175
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	2,049	1,822
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 3,739	\$ 10,997

**SUPPLEMENTAL CASH FLOW INFORMATION:**

Cash paid during the period for:

Interest	\$	1,002	\$	458
Income taxes (net of refunds)	\$	(125)	\$	(844)

See Notes to Consolidated Condensed Financial Statements

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Notes to Consolidated Condensed Financial Statements (Unaudited)

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Note 1 - The Company

As of November 27, 2010, Syms Corp (the "Company"), operated a chain of 48 "off-price" apparel stores located predominantly on the east coast of the United States under the Syms ("Syms") and Filene's Basement ("Filene's" or "Filene's Basement") names. Each Syms and Filene's Basement store offers a broad range of first quality, in season merchandise bearing nationally recognized designer and brand-name labels. The Company, through a wholly-owned subsidiary, acquired certain inventory, fixed assets, equipment, intellectual property and real property leases and certain other net assets of Filene's Basement, on June 18, 2009, pursuant to an auction conducted in accordance with §363 of the Federal Bankruptcy Code (see Note 11). As a result, since June 19, 2009, the Company has operated both the Syms and Filene's Basement stores. The Company operates in a single reporting segment – the operation of "off-price" retail stores.

Note 2 - Basis of Presentation

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and pursuant to the rules and regulations of the Securities and Exchange Commission (the "SEC"). As applicable under such rules and regulations, certain information and footnote disclosures have been condensed or omitted. We believe that all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the thirteen and thirty-nine week periods ended November 27, 2010 are not necessarily indicative of the results that may be expected for the entire fiscal year ending February 26, 2011 or any other period. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended February 27, 2010.

Occupancy expenses for the thirteen and thirty-nine week periods ended November 27, 2010 and November 28, 2009 have been reduced by net rental income of \$594,000, \$582,000, \$1,674,000 and \$1,763,000, respectively, from real estate holdings incidental to the Company's retail operations.

The preparation of these consolidated condensed financial statements in conformity with generally accepted accounting principles in the United States, of necessity requires management to make estimates and assumptions that may affect the reported amounts and related disclosures. Actual amounts could differ from such estimates.

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ended February 27, 2010 ("fiscal 2009") was comprised of 52 weeks. The fiscal year ending February 26, 2011 ("fiscal 2010") will also be comprised of 52 weeks.

Fair Value of Financial Instruments – As of November 27, 2010, February 27, 2010 and November 28, 2009, management estimates that the fair value of cash and cash equivalents, receivables, accounts payable, accrued expenses and other current liabilities and long-term debt are carried at amounts that reasonably approximate their fair value. Refer to Note 10 for ASC 820, "Fair Value Measurements" ("ASC 820") disclosures.

Note 3 - Other Assets

The Company has historically recorded the cash surrender value of officers' life insurance policies on the balance sheet as a non-current asset. Such amounts were \$2.0 million, \$1.9 million and \$1.8 million at November 27, 2010,

February 27, 2010 and November 28, 2009, respectively. In March 2009, as a result of uncertainties surrounding the financial viability of the life insurance company underwriting two of these policies, the Company withdrew \$16.0 million of accumulated cash value which was ultimately used in connection with the Company's acquisition of Filene's, more fully discussed in Note 11 below. The Company continued to be a beneficiary of life insurance policies insuring Mr. Sy Syms, the Company's founder and Chairman, who died on November 17, 2009. Pursuant to those policies, in December 2009, the Company received cash proceeds of approximately \$29.9 million, which was net of the aforementioned, previously received \$16.0 million in cash values. Net of the cash surrender value of officer's life insurance of \$5.1 million recorded as of August 29, 2009 in other assets, the Company realized a net gain of \$24.8 million. Upon receipt, the aforementioned cash proceeds were used to repay a portion of the Company's senior debt facility.

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## Note 4 - Merchandise Inventories

Merchandise inventories are stated at the lower of cost or market on a first-in, first-out (FIFO) basis, as determined by the retail inventory method. As part of the integration plan for the Company, the Syms stores converted their merchandise systems over to that used by Filene's, effective October 3, 2010. For the period October 4, 2009 through October 2, 2010, the Syms stores utilized the moving weighted average cost method. Prior to October 4, 2009, all of the Company's inventories were determined by the retail inventory method. The change in the method of recording Syms inventory in the third quarter of fiscal 2009 and 2010 did not have a material impact on reported results of operations.

## Note 5 - Bank Credit Facilities

The Company had an unsecured \$40 million, revolving credit facility with Israel Discount Bank ("IDB") through June 4, 2009, the agreement for which contained various financial covenants and ratio requirements. There were no borrowings under this facility during its term and the Company was in compliance with its covenants during the period in which this facility was available. Effective June 5, 2009 the Company revised this facility to a secured \$40 million, revolving credit facility with the same bank and in connection with the acquisition of Filene's, borrowed \$24.0 million under this facility. On August 27, 2009 the Company entered into a \$75 million, secured, revolving credit facility with Bank of America which replaced the IDB facility, and expires on August 27, 2012. In connection with the new Bank of America facility, the Company incurred and capitalized approximately \$1.1 million of deferred financing costs, which are being amortized over the term of the agreement. This facility calculates availability to borrow utilizing a formula which considers accounts receivable, inventory and certain real estate and bears interest at various rates depending on availability under formula. As of November 27, 2010, the interest rate on the facility was Prime +2.25% or LIBOR +3.25%. The Company was in compliance in all respects with the Bank of America facility at November 27, 2010. As of November 27, 2010, approximately \$43.0 million was outstanding under this facility. Each of the Company's loan facilities have had sub-limits for letters of credit, which when utilized, reduce availability under the facility. At November 27, 2010, February 27, 2010 and November 28, 2009 the Company had outstanding letters of credit of \$8.0 million, \$6.6 million and \$6.0 million, respectively.

## Note 6 - Net Income (Loss) per Share

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 the potential dilution that would have occurred if options were exercised. The following table sets forth basic and diluted average shares and the related net income (loss) per share:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	
	November 27, 2010	November 28, 2009	November 27, 2010	November 28, 2009
	(in thousands except per share amounts)			
Basic and diluted net income (loss) per share:				
Net income (loss)	\$ (3,315)	\$ 25,646	\$ (15,054)	\$ 15,722
Average shares outstanding – basic	14,448	14,593	14,458	14,591
Net income (loss) per share - basic	\$ (0.23)	\$ 1.76	\$ (1.04)	\$ 1.08
Average shares outstanding – diluted	14,448	14,594	14,458	14,592
Net income (loss) per share – diluted	\$ (0.23)	\$ 1.76	\$ (1.04)	\$ 1.08