

Edgar Filing: SYMS CORP - Form 10-Q

SYMS CORP
Form 10-Q
June 29, 2006

=====

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 MAY 27, 2006

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)

NO. 22-2465228
(I.R.S. Employer Identification No.)

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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

(Check One):

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

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

Edgar Filing: SYMS CORP - Form 10-Q

Yes No

At June 26, 2006 the latest practicable date, there were 14,518,613 shares outstanding of Common Stock, par value \$0.05 per share.

=====

SYMS CORP AND SUBSIDIARIES

INDEX

	PAGE NO.	
PART I.	FINANCIAL INFORMATION	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of May 27, 2006, February 25, 2006 and May 28,	1
	Condensed Consolidated Statements of Operations for the 13 Weeks Ended May 27, 2006 and May 28, 2005	2
	Condensed Consolidated Statements of Cash Flows for the 13 Weeks Ended May 27, 2006 and May 28, 2005	3
	Notes to Condensed Consolidated Financial Statements	4-7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	8-11
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	11
Item 4.	Controls and Procedures	11-12
PART II.	OTHER INFORMATION	12-13
	Item 1. Legal Proceedings	
	Item 1a. Risk Factors	
	Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	
	Item 3. Defaults Upon Senior Securities	
	Item 4. Submission of Matters to a Vote of Security Holders	
	Item 5. Other Information	
	Item 6. Exhibits	
SIGNATURES		14

Edgar Filing: SYMS CORP - Form 10-Q

SYMS CORP AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	MAY 27, 2006	FEBRUARY 25 2006
	----- (UNAUDITED)	----- (NOTE)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 56,432	\$ 30,007
Receivables	3,126	2,578
Merchandise inventories	71,384	57,469
Deferred income taxes	6,325	6,325
Assets held for sale	-	5,882
Prepaid expenses and other current assets	4,286	6,056
	-----	-----
TOTAL CURRENT ASSETS	141,553	108,317
PROPERTY AND EQUIPMENT - Net	106,676	106,702
DEFERRED INCOME TAXES	5,511	5,511
OTHER ASSETS	18,556	18,009
	-----	-----
TOTAL ASSETS	\$ 272,296	\$ 238,539
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 37,454	\$ 14,916
Accrued expenses	20,682	7,631
Accrued insurance	288	313
Obligations to customers	3,612	3,625
	-----	-----
TOTAL CURRENT LIABILITIES	62,036	26,485
OTHER LONG TERM LIABILITIES	1,496	1,520
	-----	-----
COMMITMENTS AND CONTINGENCIES		
SHAREHOLDERS' EQUITY		
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; 14,519 shares outstanding (net of 3,746 in treasury shares)		

Edgar Filing: SYMS CORP - Form 10-Q

on May 27, 2006, 14,934 shares outstanding as of February 25, 2006
(net of 3,328 treasury shares) and 14,966 shares outstanding
(net of 3,221 treasury shares) on May 28, 2005

	769	769
Additional paid-in capital	16,681	16,656
Treasury stock	(37,182)	(29,649)
Retained earnings	228,496	222,758
	-----	-----
TOTAL SHAREHOLDERS' EQUITY	208,764	210,534
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 272,296	\$ 238,539
	=====	=====

NOTE: The balance sheet at February 25, 2006 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 Condensed Consolidated Financial Statements

1

SYMS CORP AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)

	13 WEEKS ENDED	
	MAY 27,	
	2006	

		(Unaudited)
Net sales	\$ 66,193	
Cost of goods sold	38,482	

Gross profit	27,711	
Expenses:		
Selling, general and administrative	18,690	
Advertising	3,051	
Occupancy	4,456	
Depreciation and amortization	2,216	
Other income	(160)	

Income (loss) from operations	(542)	
Gain on sale of real estate	(10,424)	
Interest income	(444)	

Income before income taxes	10,326	
Provision for income taxes	4,588	

Net income	\$ 5,738	
	=====	

Edgar Filing: SYMS CORP - Form 10-Q

Net income per share-basic	\$ 0.38
	=====
Weighted average shares outstanding-basic	14,925
	=====
Net income per share-diluted	\$ 0.38
	=====
Weighted average shares outstanding- diluted	15,293
	=====

See Notes to Condensed Consolidated Financial Statements

2

SYMS CORP AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(IN THOUSANDS)

13 WEEK
MAY 27,
2006

(UNAUDITED)

CASH FLOWS FROM OPERATING ACTIVITIES:

Net income	\$ 5,738

Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and amortization	2,216
Deferred income taxes	-
Gain on sale of fixed assets	(10,432)
(Increase) decrease in operating assets:	
Receivables	(548)
Merchandising inventories	(13,915)
Prepaid expenses and other current assets	1,770
Other assets	(531)
Increase (decrease) in operating liabilities:	
Accounts payable	22,538
Accrued expenses	8,502
Income taxes	4,511
Other long term liabilities	(24)

Net cash provided by operating activities	19,825

CASH FLOWS FROM INVESTING ACTIVITIES:

Proceeds from sale of fixed assets	16,254
Expenditures for property and equipment	(2,146)

Net cash provided by (used in) investing activities	14,108

Edgar Filing: SYMS CORP - Form 10-Q

CASH FLOWS FROM FINANCING ACTIVITIES:	
Payment of dividends	-
Exercise of options/Issuance of stock	25
Purchase of treasury shares	(7,533)

Net cash (used in) financing activities	(7,508)

NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	
	26,425
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	
	30,007

CASH AND CASH EQUIVALENTS, END OF PERIOD	
	56,432
	=====
SUPPLEMENTAL CASH FLOW INFORMATION:	
Cash paid during the period for:	
Interest	\$ 53
	=====
Income taxes paid (refunds received)	\$ 77
	=====

See Notes to Condensed Consolidated Financial Statements

3

SYMS CORP AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
13 WEEKS ENDED MAY 27, 2006 AND MAY 28, 2005

(UNAUDITED)

NOTE 1 - THE COMPANY

Syms Corp (the "Company") operates a chain of 36 "off-price" retail clothing stores located throughout the United States in the Northeastern and Middle Atlantic regions and in the Midwest, Southeast and Southwest. Each Syms store offers a broad range of first quality, in season merchandise bearing nationally recognized designer or brand-name labels for men, women and children.

NOTE 2 - BASIS OF PRESENTATION

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 13-week period ended May 27, 2006 are not necessarily indicative of the results that may be expected for the entire fiscal year ending March 3, 2007. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the fiscal year ended February 25, 2006.

Edgar Filing: SYMS CORP - Form 10-Q

NOTE 3 - ACCOUNTING PERIOD

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ended February 25, 2006 was comprised of 52 weeks. The fiscal year ending March 3, 2007 will be comprised of 53 weeks.

NOTE 4 - MERCHANDISE INVENTORIES

Merchandise inventories are stated at the lower of cost (first in, first out) or market, as determined by the retail inventory method.

NOTE 5 - BANK CREDIT FACILITIES

On November 5, 2003, the Company entered into a revolving credit agreement with a bank for a line of credit not to exceed \$20,000,000 through April 30, 2005. This agreement has been extended through May 1, 2008 under similar terms and conditions and the line of credit has been increased from \$20,000,000 to \$30,000,000. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. This agreement was amended April 20, 2006 by modifying certain financial covenants and other terms and conditions to allow the Company to repurchase certain amounts of the Company's outstanding stock. The Company is in compliance with all covenants as of May 27, 2006. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations and expansion of stores, from internally generated funds. As of May 27, 2006, February 25, 2006 and May 28, 2005, there were no outstanding borrowings under this agreement. At May 27, 2006, February 25, 2006 and May 28, 2005, the Company had \$1,366,955, \$1,189,234 and \$1,764,559 respectively, in outstanding letters of credit under this new agreement.

4

SYMS CORP AND SUBSIDIARIES

NOTE 6 - NET INCOME PROFIT PER SHARE

In accordance with SFAS 128, basic net income per share has been computed based upon the weighted average of the common shares outstanding. Diluted net income per share gives effect to outstanding stock options.

Net income per share has been computed as follows:

	13 WEEKS ENDED	
	MAY 27, 2006	MAY 28, 2005
	----	----
Basic net income per share:		
Net income	\$ 5,738	\$ 1,055
Average shares outstanding	14,925	15,018
Basic net income per share	\$ 0.38	\$ 0.07

Diluted net income per share:

Edgar Filing: SYMS CORP - Form 10-Q

Net income	\$ 5,738	\$ 1,055
Average shares outstanding	14,925	15,018
Stock options	368	264
	-----	-----
Total average equivalent shares	15,293	15,282
Diluted net income per share	\$ 0.38	\$ 0.07

NOTE 7 - RECENT ACCOUNTING PRONOUNCEMENTS

In February 2006, the FASB issued Statement of Financial Accounting Standards No. 155, "Accounting for Certain Hybrid Financial Instruments - an amendment of FASB Statements No. 133 and 140" which is effective for fiscal years beginning after September 15, 2006. The statement was issued to clarify the application of FASB Statement No. 133 to beneficial interests in securitized financial assets and to improve the consistency of accounting for similar financial instruments, regardless of the form of the instruments. We have evaluated the new statement and have determined that it will not have a significant impact on the determination of our financial results.

In March 2006, the FASB issued Statement of Financial Accounting Standards No. 156, "Accounting for Servicing of Financial Assets - an amendment of FASB Statement No. 140" which is effective for fiscal years beginning after September 15, 2006. This statement was issued to simplify the accounting for servicing rights and to reduce the volatility that results from using different measurement attributes. We have evaluated the new statement and have determined that it will not have a significant impact on the determination of our financial results.

NOTE 8 - SHARE BASED COMPENSATION

The Company's Amended and Restated Stock Option and Appreciation Plan allows for the granting of incentive stock options, as defined in Section 422A of the Internal Revenue Code of 1986 (as amended), non-qualified stock options or stock appreciation rights. The plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of the option for holders of more than 10% of the voting rights of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. Non-qualified options and stock appreciation rights may be granted at any exercise price. The Company has reserved 1,500,000 shares of common stock for issuance thereunder. The Company is no longer issuing options under its Amended and Restated Incentive Stock Option and Appreciation Plan.

SYMS CORP AND SUBSIDIARIES

No option or stock appreciation rights may be granted under the Amended and Restated Incentive Stock Option Plan after July 28, 2013. The maximum exercise period for any option or stock appreciation right under the plan is ten years from the date the option is granted (five years for any optionee who holds more than 10% of the voting rights of the Company).

Edgar Filing: SYMS CORP - Form 10-Q

On July 14, 2005, at the annual meeting of shareholders of the Company, the shareholders of the Company approved the 2005 Stock Option Plan (the "2005 Plan"), which 2005 Plan was adopted by the Board of Directors of the Company on April 7, 2005 subject to shareholder approval. The 2005 Plan permits the grant of options, share appreciation rights, restricted shares, restricted share units, performance units, performance shares, cash-based awards and other share-based awards. Key employees, non-employee directors, and third party service providers of the Company who are selected by a committee designated by the Board of Directors of the Company are eligible to participate in the 2005 Plan. The maximum number of shares issuable under the Plan is 850,000, subject to certain adjustments in the event of changes to the Company's capital structure.

The 2005 Plan requires that incentive stock options be granted at an exercise price not less than the fair market value of the Common Stock on the date the option is granted. The exercise price of such options for holders of more than 10% of the voting stock of the Company must be not less than 110% of the fair market value of the Common Stock on the date of grant. The exercise price of non-qualified options and stock appreciation rights must not be less than fair market value.

The maximum exercise period for any option or stock appreciation right under the 2005 Plan is ten years from the date the option is granted (five years for any incentive stock options issued to a person who holds more than 10% of the voting stock of the Company).

The 2005 Plan permits the Company to issue restricted shares, restricted share units, performance units, cash-based awards and other share-based awards with such term and conditions (including applicable vesting conditions) as the Company shall determine, subject to certain terms and conditions set forth in the 2005 Plan.

Effective February 25, 2006, the Company adopted the provisions of FAS No. 123(R), "Share-Based Payment" ("FAS123(R)"). Under FAS123(R), share-based compensation cost is measured at grant date, based on the estimated fair value of the award, and is recognized as expense over the requisite service period. The Company adopted the provisions of FAS123(R) using a modified prospective application. Under this method, compensation cost is recognized for all share-based payments granted, modified or settled after the date of adoption, as well as for any unvested awards that were granted prior to the date of adoption. Prior periods are not revised for comparative purposes. Because the Company previously adopted only the pro forma disclosure provisions of SFAS 123, it will recognize compensation cost relating to the unvested portion of awards granted prior to the date of adoption using the same estimate of the grant-date fair value and the same attribution method used to determine the pro forma disclosures under SFAS 123, except that forfeitures rates will be estimated for all options, as required by FAS123(R).

The fair value of each option award is estimated on the date of grant using a Black-Scholes option valuation model. Expected volatility is based on the historical volatility of the price of the Company's stock. The risk-free interest rate is based on U.S. Treasury issues with a term equal to the expected life of the option. The Company uses historical data to estimate expected dividend yield, expected life and forfeiture rates. There were no options granted during the three months ended May 27, 2006, and all options previously issued are fully vested.

Edgar Filing: SYMS CORP - Form 10-Q

6

SYMS CORP AND SUBSIDIARIES

Stock option activity during the three months ended May 27, 2006 is as follows:
(In thousands, except per share amounts)

	Number of Options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (Years)	Agg Int V
	-----	-----	-----	-----
Outstanding at February 25, 2006	739	\$8.08	-	
Options granted	-	-	-	
Options exercised	(4)	7.41	-	
Options forfeited	-	-	-	
Options outstanding at May 27, 2006	735	\$8.09	3.72	\$7
Options exercisable at May 27, 2006	735	\$8.09	3.72	\$7

As of May 27, 2006, there was no total unrecognized stock-based compensation cost related to options granted under our plans that will be recognized in future periods.

Awards granted prior to the adoption of FAS 123(R) were accounted for under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"), and its related interpretations. Under this intrinsic value method there was no compensation expense recognized for the three month period ended May 28, 2005 because all options had exercise prices equal to the market value of the underlying stock on the date of grant. The following table illustrates the effect on net income and net income per common share if the fair value method had been applied (in thousands except per share amounts):

	13 WEEKS ENDED 5/28/05

Net income:	\$ 1,055
Total stock-based employee compensation expense determined under fair value based method for all awards, net of related tax effects	-
Pro forma net income	\$ 1,055 =====
Earnings per share:	\$0.07
Basic, as reported	\$0.07
Basic, pro forma	-

Edgar Filing: SYMS CORP - Form 10-Q

Diluted, as reported	\$0.07
Diluted, pro forma	-

This pro forma information may not be representative of the amounts to expected in future years as the fair value method of accounting prescribed by SFAS No. 123 has not been applied to options granted prior to fiscal 1996.

7

SYMS CORP AND SUBSIDIARIES

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

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

The Quarterly Report (including but not limited to factors discussed below, in the "Management's Discussion and Analysis of Financial Condition and Results of Operations," as well as those discussed elsewhere in this Quarterly Report on Form 10-Q) includes forward-looking statements (within the meaning of Sections 27A of the Securities Act of 1933 and 21E of the Securities Exchange Act of 1934) and information relating to the Company that are based on the beliefs of the management of the Company as well as assumptions made by and information currently available to the management of the Company. When used in this Quarterly Report, the words "anticipate," "believe," "estimate," "expect," "intend," "plan," and similar expressions, as they relate to the Company or the management of the Company, identify forward-looking statements. Such statements reflect the current views of the Company with respect to future events, the outcome of which is subject to certain risks, including among others, general economic and market conditions, decreased consumer demand for the Company's products, possible disruptions in the Company's computer or telephone systems, possible work stoppages, or increases in labor costs, effects of competition, possible disruptions or delays in the opening of new stores or inability to obtain suitable sites for new stores, higher than anticipated store closings or relocation costs, higher interest rates, unanticipated increases in merchandise or occupancy costs and other factors which may be outside the Company's control. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results or outcomes may vary materially from those described herein as anticipated, believed, estimated, expected, intended or planned. Subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the cautionary statements in this paragraph and elsewhere described in this Quarterly Report and other reports filed with the Securities and Exchange Commission.

CRITICAL ACCOUNTING POLICIES AND ESTIMATE

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the appropriate application of certain accounting policies, many of which require us to make estimates and assumptions about future events and their impact on amounts reported in the financial statements and related notes. Since future events and their impact cannot be determined with certainty, the actual results will inevitably differ from our estimates. Such differences could be material to

Edgar Filing: SYMS CORP - Form 10-Q

the consolidated financial statements.

The Company believes application of accounting policies, and the estimates inherently required by the policies, are reasonable. These accounting policies and estimates are constantly reevaluated, and adjustments are made when facts and circumstances dictate a change. Historically, the Company has found the application of accounting policies to be appropriate, and actual results have not differed materially from those determined using necessary estimates.

The Company's accounting policies are more fully described in Note 1 to the Consolidated Financial Statements, located in the Annual Report on Form 10-K for the fiscal year ended February 25, 2006. The Company has identified certain critical accounting policies that are described below.

MERCHANDISE INVENTORY - Inventories are valued at lower of cost or market using the retail first-in, first-out ("FIFO") inventory method. Under the retail inventory method ("RIM"), the valuation of inventories at cost and the resulting gross margins are calculated by applying a calculated cost to retail ratio to the retail value of inventories. RIM is an averaging method that has been widely used in the retail industry due to its practicality. Additionally, it is recognized that the use of RIM will result in valuing inventories at the lower of cost or market if markdowns are currently taken as a reduction of the retail value of inventories. Inherent in the RIM calculation are certain significant management judgments and estimates including, among others, merchandise markon, markups, and markdowns, which significantly impact the ending inventory

8

SYMS CORP AND SUBSIDIARIES

valuation at cost as well as resulting gross margins. Management believes that the Company's RIM and application of FIFO provides an inventory valuation which reasonably approximates cost using a first-in, first-out assumption and results in a carrying value at the lower of cost or market. If actual market conditions are less favorable than those projected by management, additional markdowns may be required.

LONG-LIVED ASSETS - In evaluation of the fair value and future benefits of long-lived assets, the Company performs analyses of the anticipated undiscounted future net cash flows of the related long-lived assets. If the carrying value of the related asset exceeds the undiscounted cash flows, the Company reduces the carrying value to its fair value, which is generally calculated using discounted cash flows. Various factors including future sales growth and profit margins are included in this analysis. To the extent these future projections or our strategies change, the conclusion regarding impairment may differ from the Company's current estimates.

DEFERRED TAX VALUATION ALLOWANCE - The Company records a valuation allowance to reduce its deferred tax assets to the amount that is not likely to be realized. The Company has considered future taxable income and ongoing prudent and feasible tax planning strategies in assessing the need for the valuation allowance. If the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of its net recorded amount, an adjustment to the deferred tax asset would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of the Company's net deferred tax asset in the future, an adjustment to the deferred tax asset would be charged to income in the period such determination was made.

Edgar Filing: SYMS CORP - Form 10-Q

SELF-INSURANCE ACCRUALS - The Company had been self-insured for workers' compensation liability claims. The Company is responsible for the payment of claims from prior years. In estimating the obligation associated with incurred losses, the Company utilizes loss development factors. These development factors utilize historical data to project incurred losses. Loss estimates are adjusted based upon actual claims settlements and reported claims.

RESULTS OF OPERATIONS

13 WEEKS ENDED MAY 27, 2006 COMPARED TO 13 WEEKS ENDED MAY 28, 2005

Net sales for the 13 weeks ended May 27, 2006 were \$66,193,000, a decrease of \$1,239,000 (1.8%) as compared to net sales of \$67,432,000 for the 13 weeks ended May 28, 2005. This decline was concentrated mainly in the ladies apparel area. On a comparable store basis, sales decreased 1.8% for the 13 weeks ended May 27, 2006 as compared to the 13 weeks ended May 28, 2005. In our comparable store computation, we only include stores that have been open for a period of at least 12 months and stores that were open during both fiscal years. We did not have any expansion in square footage in the 13 weeks ended May 27, 2006 and May 28, 2005.

Gross profit for the 13 weeks ended May 27, 2006 was \$27,711,000 (41.9% as a percentage of net sales), a decrease of \$1,131,000 as compared to gross profit of \$28,842,000 (42.8% as a percentage of net sales) for the fiscal period ended May 28, 2005. This decrease in gross profit is largely attributable to lower sales and higher markdowns in this period compared to the same period a year ago. The Company's gross profit may not be comparable to those of other entities, since other entities may include all of the costs related to their distribution network in cost of goods sold and others, like the Company, exclude a portion of those costs from gross profit and, instead, include them in other line items, such as selling and administrative expenses and occupancy costs.

Selling, general and administrative expense was \$18,690,000 (28.2% as a percentage of net sales) for the 13 weeks ended May 27, 2006 as compared to \$18,275,000 (27.1% as a percentage of net sales) for the 13 weeks ended May 28, 2005. This increase is largely attributable to higher payroll, health and pension benefits in the existing stores.

9

SYMS CORP AND SUBSIDIARIES

Advertising expense for the 13 weeks ended May 27, 2006 was \$3,051,000 (4.6% as a percentage of net sales) as compared to \$2,835,000 (4.2% as a percentage of net sales) for the 13 weeks ended May 28, 2005.

Occupancy costs were \$4,456,000 (6.7% as a percentage of net sales) for the 13-week period ended May 27, 2006 as compared to \$4,041,000 (6.0% as a percentage of net sales) for the 13 weeks ended May 28, 2005.

Depreciation and amortization amounted to \$2,216,000 (3.3% as a percentage of net sales) for the 13 weeks ended May 27, 2006 as compared to \$2,215,000 (3.3% as a percentage of net sales) for the 13 weeks ended May 28, 2005.

The Company recorded a gain of \$10,424,000 resulting from the sale of its two stores located in Rochester, New York and Dallas, Texas. These two stores which

Edgar Filing: SYMS CORP - Form 10-Q

closed in May 2006 included the land and buildings occupied by these stores. The Dallas store was replaced by a store located in Plano, Texas which opened in May 2006 and is a leased property.

Net income before tax for the 13 weeks ended May 27, 2006 was \$10,326,000 as compared to \$1,730,000 for the 13 weeks ended May 28, 2005. Without the gain on the sale of real estate of \$10,424,000, the Company had a net loss before taxes of \$98,000 for the 13 weeks ended May 27, 2006.

For the 13-week period ended May 27, 2006, the effective income tax rate was 44.4% compared to 39% for the period ended May 28, 2005.

LIQUIDITY AND CAPITAL RESOURCES

Working capital as of May 27, 2006 was \$79,517,000, an increase of \$3,791,000, as compared to \$75,726,000 as of May 28, 2005. The ratio of current assets to current liabilities was 2.28 to 1 as compared to 2.51 to 1 as of May 28, 2005.

Net cash provided by operating activities totaled \$19,825,000 for the 13 weeks ended May 27, 2006, an increase of \$7,721,000 as compared to \$12,104,000 for the 13 weeks ended May 28, 2005. This increase resulted principally from the sale of real estate in Rochester, New York and Dallas, Texas. Net cash provided by investment activities was \$14,108,000 for the 13 weeks ended May 27, 2006, as compared to net cash used in operating activities of \$659,000 for the 13 weeks ended May 28, 2005. Expenditures for property and equipment totaled \$2,146,000 and \$659,000 for the 13 weeks ended May 27, 2006 and May 28, 2005, respectively.

Net cash used in financing activities was \$7,508,000 for the 13 weeks ended May 27, 2006, as compared to 16,908,000 for the 13 weeks ended May 28, 2005. The 13 weeks ended May 27, 2006 represent the purchase of treasury shares (418,474 @ \$18 per share) as compared to a one-time cash dividend of \$15,028,000 declared by the Board of Directors in the 13 weeks ended May 28, 2005.

On November 5, 2003, the Company entered into a revolving credit agreement with a bank for a line of credit not to exceed \$20,000,000 through April 30, 2005. This agreement has been extended through May 1, 2008 under similar terms and conditions and the line of credit has been increased from \$20,000,000 to \$30,000,000. The agreement contains financial covenants, with respect to consolidated tangible net worth, as defined as working capital and maximum capital requirements, including dividends (defined to include cash repurchases of capital stock), as well as other financial ratios. This agreement was amended April 20, 2006 by modifying certain financial covenants and other terms and conditions to allow the Company to repurchase certain amounts of the Company's outstanding stock. The Company is in compliance with all covenants as of May 27, 2006. Except for funds provided from this revolving credit agreement, the Company has satisfied its operating and capital expenditure requirements, including those for the operations

10

SYMS CORP AND SUBSIDIARIES

and expansion of stores, from internally generated funds. As of May 27, 2006, February 25, 2006 and May 28, 2005, there were no outstanding borrowings under this agreement. At May 27, 2006, February 25, 2006 and May 28, 2005, the Company had \$1,366,955, \$1,189,234 and \$1,764,559 respectively, in outstanding letters

Edgar Filing: SYMS CORP - Form 10-Q

of credit under this new agreement.

The Company has planned capital expenditures of approximately \$5,000,000 for the fiscal year ending March 3, 2007. Through the 13 week period ended May 27, 2006, the Company incurred \$2,146,000 of capital expenditures.

On April 22, 2004, the Company's Board of Directors approved the repurchase by the Company through June 7, 2006 of up to an additional 3,100,000 shares of common stock at prevailing market prices. All shares repurchased will be held as treasury stock. During the 13 weeks ended May 27, 2006, the Company did not purchase any shares. On June 5, 2006 the Board of Directors authorized the Company to repurchase an aggregate of up to 20% (not to exceed 2,900,000 shares) of its outstanding shares of Common Stock during the next 24 months expiring on June 5, 2008.

On April 27, 2006 the Company's Board of Directors authorized the repurchase of up to 3,350,000 shares of its common stock through a "Dutch Auction" self-tender offer at a price per share not less than \$16.00 and not greater than \$18.00. This tender offer commenced on April 28, 2006 at 5 p.m. Based on the final count by American Stock Transfer & Trust Company, the depository for the offer, 418,474 shares were tendered at a per share price of \$18 for a total cost of \$7,533,000. The Company did not have to draw down under its credit facilities to purchase these shares because it had sufficient cash on hand.

Management believes that existing cash, internally generated funds, trade credit and funds available from the revolving credit agreement will be sufficient for working capital and capital expenditure requirements for the fiscal year ending March 3, 2007.

IMPACT OF INFLATION AND CHANGING PRICES

Although the Company cannot accurately determine the precise effect of inflation on its operations, it does not believe inflation has had a material effect on sales or results of operations.

RECENT ACCOUNTING PRONOUNCEMENTS

See Note 7 of the Consolidated Financial Statements for a full description of the Recent Accounting Pronouncements including the respective dates of adoption and the effects on Results of Operation and Financial Condition.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company's operations are not currently subject to material market risks for interest rates, foreign currency rates or other market price risks.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures

Based on the evaluation of the Company's disclosure controls and procedures as of the end of the period covered by this Quarterly Report, each of Marcy Syms, the Chief Executive Officer of the Company, and Antone F. Moreira, the Chief Financial Officer of the Company, have concluded that the Company's disclosure controls and procedures are effective in ensuring that information required to be disclosed by the Company in the reports that it files or submits under the Securities and Exchange Act of 1934, as amended, (the "Exchange Act") is recorded, processed, summarized and reported, within the time period specified by

 SYMS CORP AND SUBSIDIARIES

the Securities and Exchange Commission's rules and forms. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in the Company's periodic reports.

(b) Internal Control Over Financial Reporting

There have not been any changes in the Company's internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act) during the Company's most recent completed fiscal quarter that have materially affected, or are reasonably likely to materially affect the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

Item 1. LEGAL PROCEEDINGS - None

Item 1a. RISK FACTORS

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I "Item 1A. Risk Factors" in our Annual Report on Form 10-K for the year ended February 25, 2006, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial may also materially adversely affect our business, financial condition and/or operating results.

Item 2. UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer Purchases of Equity Securities

Period	Total Number of Shares Purchased (1) (2)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum of Shares Yet Be Pur Under the Programs
Feb . 26, 2006 - April 1, 2006	0	N/A	0	2,66
April 2, 2006 - April 29, 2006	0	N/A	0	2,66

Edgar Filing: SYMS CORP - Form 10-Q

April 30, 2006 - May 27, 2006	418,474	\$18.00	418,474	2,66

Total	418,474	\$18.00	418,474	2,66

12

SYMS CORP AND SUBSIDIARIES

(1) On April 22, 2004, the Company's Board of Directors approved the repurchase of up to an additional 3,100,000 shares of common stock at prevailing market prices through June 7, 2006. All shares repurchased will be held as treasury stock. During the fiscal quarter ending May 27, 2006 the Company had remaining authorization to purchase approximately 2,667,000 shares of its common stock. The Company did not purchase any shares under this plan during such period.

(2) On April 27, 2006, the Company's Board of Directors authorized the repurchase of up to 3,350,000 shares of its common stock through a "Dutch Auction" self-tender offer at a price per share not less than \$16.00 and not greater than \$18.00. This tender offer commenced on April 28, 2006 at 5 p.m. Based on the final count by American Stock Transfer & Trust Company, the depository for the offer, 418,474 shares were tendered at a per share price of \$18 for a total cost of \$7,533,000 as of May 26, 2006.

(3) As previously disclosed, on June 5, 2006 the Board of Directors authorized the Company to repurchase an aggregate of up to 20% (not to exceed 2,900,000 shares) of its outstanding shares of common stock during the 24 month period expiring on June 5, 2008.

Item 3. DEFAULTS UPON SENIOR SECURITIES - None

Item 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS - None

Item 5. OTHER INFORMATION - None

Item 6. EXHIBITS

Exhibits filed with this Form 10-Q

31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(a) under the Securities and Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) under the Securities and

Edgar Filing: SYMS CORP - Form 10-Q

Exchange Act of 1934, and 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

- 32.2 Certification of Chief Financial Officer pursuant
to Rule 13a-14(b) under the Securities and
Exchange Act of 1934, and 18 U.S.C. Section 1350,
as adopted pursuant to Section 906 of the
Sarbanes-Oxley Act of 2002

13

SYMS CORP AND SUBSIDIARIES

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.

SYMS CORP

DATE: June 29, 2006

BY /s/ MARCY SYMS

MARCY SYMS
CHIEF EXECUTIVE OFFICER

DATE: June 29, 2006

BY /s/ ANTONE F. MOREIRA

ANTONE F.MOREIRA
VICE PRESIDENT, CHIEF FINANCIAL
OFFICER
(Principal Financial and Accounting Officer)

14