

SYMS CORP  
Form 10-Q  
January 11, 2008

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 **December 1, 2007**

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.)

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

**07094**  
(Zip Code)

**(201) 902-9600**

(Registrant's Telephone Number, Including Area Code)

**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 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):

Edgar Filing: SYMS CORP - Form 10-Q

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).

Yes

No

At January 2, 2008 the latest practicable date, there were 14,587,187 shares outstanding of Common Stock, par value \$0.05 per share.

**SYMS CORP AND ITS SUBSIDIARY****INDEX****PAGE NO.**

<b>PART I.</b>	<b>Financial Information</b>	
Item 1.	Financial Statements (Unaudited)	
	Condensed Consolidated Balance Sheets as of December 1, 2007, March 3, 2007 and November 25, 2006	1
	Condensed Consolidated Statements of Operations for the 13 Weeks and 39 Weeks Ended December 1, 2007 and November 25, 2006	2
	Condensed Consolidated Statements of Cash Flows for the 39 Weeks Ended December 1, 2007 and November 25, 2006	3
	Notes to Condensed Consolidated Financial Statements	4-7
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations	7-10
Item 3.	Quantitative and Qualitative Disclosures about Market Risk	10
Item 4.	Controls and Procedures	10-11
<b>PART II.</b>	<b>Other Information</b>	
	Item 1. Legal Proceedings	11
	Item 1a. Risk Factors	11
	Item 2. Unregistered Sales of Equity Securities and Use of Proceeds	11
	Item 3. Defaults Upon Senior Securities	11
	Item 4. Submission of Matters to a Vote of Security Holders	11
	Item 5. Other Information	11-12
	Item 6. Exhibits	12
<b>SIGNATURES</b>		13

---

## SYMS CORP AND ITS SUBSIDIARY

## Condensed Consolidated Balance Sheets

(In thousands)

	December 1, 2007 (Unaudited)	March 3, 2007 (See Note)	(
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 13,642	\$ 27,912	\$
Receivables	2,921	1,726	
Merchandise inventories - Net	72,432	63,809	
Deferred income taxes	3,092	3,092	
Assets held for sale	5,576	1,780	
Prepaid expenses and other current assets	4,559	5,054	
<b>TOTAL CURRENT ASSETS</b>	<b>102,222</b>	<b>103,373</b>	
PROPERTY AND EQUIPMENT - Net	98,580	104,323	
DEFERRED INCOME TAXES	11,661	12,557	
OTHER ASSETS	21,049	19,306	
<b>TOTAL ASSETS</b>	<b>\$ 233,512</b>	<b>\$ 239,559</b>	<b>\$</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 32,655	\$ 21,678	\$
Accrued expenses	3,163	10,141	
Accrued insurance	123	165	
Obligations to customers	4,232	3,958	
<b>TOTAL CURRENT LIABILITIES</b>	<b>40,173</b>	<b>35,942</b>	
OTHER LONG TERM LIABILITIES	1,271	1,548	
<b>COMMITMENTS AND CONTINGENCIES</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; 14,602 shares (net of 4,067 treasury shares) outstanding on December 1, 2007, 14,701 shares outstanding (net of 3,968 treasury shares) as of March 3, 2007 and 14,405 shares outstanding (net of 3,879 treasury shares) outstanding as of November 25, 2006.	786	789	
Additional paid-in capital	19,266	19,264	
Treasury stock	(42,863)	(41,383)	
Retained earnings	214,879	223,399	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>192,068</b>	<b>202,069</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 233,512</b>	<b>\$ 239,559</b>	<b>\$</b>

Edgar Filing: SYMS CORP - Form 10-Q

- (1) The balance sheet at March 3, 2007 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements.

See Notes to Condensed Consolidated Financial Statements

## SYMS CORP AND ITS SUBSIDIARY

## Condensed Consolidated Statements of Operations

(In thousands, except per share amounts)

	13 Weeks Ended		39 Weeks Ended	
	December 1, 2007	November 25, 2006	December 1, 2007	November 25, 2006
	(Unaudited)		(Unaudited)	
Net sales	\$ 70,024	\$ 72,767	\$ 198,555	\$ 201,643
Cost of goods sold	40,476	42,552	118,187	120,532
Gross profit	29,548	30,215	80,368	81,111
Expenses:				
Selling, general and administrative	18,121	17,978	54,307	55,117
Advertising	2,813	2,976	6,408	7,111
Occupancy	4,404	4,237	13,129	13,346
Depreciation and amortization	1,939	1,983	5,723	6,221
(Gain) on sale of assets	-	-	-	(10,424)
Asset impairment charge	-	-	745	-
Income from operations	2,271	3,041	56	9,740
Other income	(7)	(59)	(173)	(226)
Interest (income) expense - net	(177)	(509)	(815)	(1,500)
Income before income taxes	2,455	3,609	1,044	11,466
Provision for income taxes	1,157	1,605	494	5,097
Net income	\$ 1,298	\$ 2,004	\$ 550	\$ 6,369
Net income per share - basic	\$ 0.09	\$ 0.14	\$ 0.04	\$ 0.44
Weighted average shares				
outstanding - basic	14,648	14,404	14,682	14,608
Net income per share - diluted	\$ 0.09	\$ 0.14	\$ 0.04	\$ 0.42
Weighted average shares				
outstanding - diluted	14,731	14,823	14,796	15,001

See Notes to Condensed Consolidated Financial Statements

## SYMS CORP AND ITS SUBSIDIARY

## Condensed Consolidated Statements of Cash Flows

(In thousands)

	<b>39 Weeks Ended</b>	
	<b>December 1, 2007</b>	<b>November 25, 2006</b>
	<b>(Unaudited)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 550	\$ 6,369
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	5,723	6,221
Asset impairment charge	745	-
Deferred income taxes	896	1
(Gain) on sale of assets	10	(10,437)
(Increase) decrease in operating assets:		
Receivables	(1,195)	(1,332)
Merchandising inventories	(8,623)	(24,109)
Prepaid expenses and other current assets	495	(221)
Other assets	(1,767)	(1,609)
Increase (decrease) in operating liabilities:		
Accounts payable	10,977	23,855
Accrued expenses	(7,270)	4,967
Obligations to customers	274	185
Other long term liabilities	(277)	148
Net cash provided by operating activities	538	4,038
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Expenditures for property and equipment	(4,524)	(3,795)
Proceeds from sale of land and building	17	16,296
Net cash provided by (used in) investing activities	(4,507)	12,501
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Payment of dividends	(8,820)	-
Exercise of stock options	(1)	159
Stock repurchase	(1,480)	(9,976)
Net cash (used in) financing activities	(10,301)	(9,817)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(14,270)	6,722
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	27,912	30,007
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 13,642	\$ 36,729
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Cash paid during the period for:		
Interest	\$ 129	\$ 152
Income taxes paid (net of refunds received)	\$ 4,433	\$ 3,570

See Notes to Condensed Consolidated Financial Statements

3

---



**SYMS CORP AND ITS SUBSIDIARY**

**Notes to Condensed Consolidated Financial Statements  
13 and 39 Weeks Ended December 1, 2007 and November 25, 2006**

**(Unaudited)**

**Note 1 - The Company**

Syms Corp (the "Company") currently operates a chain of 33 "off-price" retail clothing stores located throughout the United States in 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 and 39 week periods ended December 1, 2007 are not necessarily indicative of the results that may be expected for the entire fiscal year ending March 1, 2008. 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 March 3, 2007.

**Note 3 - Accounting Period**

The Company's fiscal year ends the Saturday nearest to the end of February. The fiscal year ending March 1, 2008 will be comprised of 52 weeks. The fiscal year ended March 3, 2007 was 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**

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. 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. The Company is in compliance with all covenants as of December 1, 2007. 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 December 1, 2007, March 3, 2007 and November 25, 2006, there were no outstanding borrowings under this agreement. At December 1, 2007, March 3, 2007 and November 25, 2006, the Company had \$512,837, \$955,619 and \$829,794 respectively, in outstanding letters of credit under this agreement.

**Note 6 - Net Income Per Share**

In accordance with SFAS 128, basic net income or loss 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.



**SYMS CORP AND ITS SUBSIDIARY**

Net income per share has been computed as follows:

	<u>13 Weeks Ended</u>		<u>39 Weeks Ended</u>	
	<u>Dec. 1, 2007</u>	<u>Nov. 25, 2006</u>	<u>Dec. 1, 2007</u>	<u>Nov. 25, 2006</u>
<b>Basic net income per share:</b>				
Net income	\$ 1,298	\$ 2,004	\$ 550	\$ 6,369
Average shares outstanding	14,648	14,404	14,682	14,608
Basic net income per share	\$ 0.09	\$ 0.14	\$ 0.04	\$ 0.44
<b>Diluted net income per share:</b>				
Net income	\$ 1,298	\$ 2,004	\$ 550	\$ 6,369
Average shares outstanding	14,648	14,404	14,682	14,608
Stock options	83	419	114	393
Total average equivalent shares	14,731	14,823	14,796	15,001
Diluted net income per share	\$ 0.09	\$ 0.14	\$ 0.04	\$ 0.42

Options to purchase 329,327 and 715,693 shares of common stock at prices ranging from \$5.21 to \$15.01 per share were outstanding as of December 1, 2007 and November 25, 2006, respectively.

**Note 7 - Recent Accounting Pronouncements**

In June 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, an Interpretation of FASB Statement No. 109. The objective of this interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 is effective for the fiscal years beginning after December 15, 2006. This did not have a material impact on the results of operations or financial position of the Company (See Note 9).

In February 2007, the FASB issued FAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment of FASB Statement No. 115, which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. SFAS No. 159 also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 does not affect any existing accounting literature that requires certain assets and liabilities to be carried at fair value. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The adoption of SFAS No. 159 is not expected to have a material impact on our results of operations or our financial position.

**Note 8 - Accounting for Stock-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.

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).

**SYMS CORP AND ITS SUBSIDIARY**

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 39 weeks ended December 1, 2007, and all options previously issued are fully vested.

Stock option activity during the nine months ended December 1, 2007 is as follows:

(In thousands, except per share amounts)

	Number Of options	Weighted Average Exercise Price	Weighted Average Remaining Contracted Term (years)	Aggregate Intrinsic Value
Outstanding at March 3, 2007	330	\$11.17	-	-
Options granted	-	-	-	-
Options exercised	(.4)	\$5.21	-	-
Options forfeited	(.5)	-	-	-
Options outstanding at December 1, 2007	329	\$11.19	2.91	\$1,651
Options exercisable at December 1, 2007	329	\$11.19	2.91	\$1,651

As of December 1, 2007, there was no total unrecognized stock-based compensation cost related to options granted under our plans that will be recognized in future periods.

## **SYMS CORP AND ITS SUBSIDIARY**

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 and nine month periods ended December 1, 2007 because all options had exercise prices equal to the market value of the underlying stock on the date of grant.

### **Note 9 - Income Taxes**

Effective March 3, 2007, we adopted Financial Accounting Standards Board (FASB) Interpretation No. 48 (Fin No. 48), "Accounting for Uncertainty in Income Taxes", which clarifies the accounting and disclosure for uncertainty in income taxes. As a result of the adoption, we recorded as a cumulative effect adjustment, a decrease to beginning retained earnings of approximately \$247,000 and increased our accruals for uncertain tax positions and related interest and penalties by a corresponding amount. As of the adoption date, this \$247,000 represents our liability for uncertain tax positions.

The entire \$247,000 would favorably impact our effective tax rate if these liabilities were reversed. We do not expect to pay any of this \$247,000 within the following twelve months.

We recognize interest and, if applicable, penalties, which could be assessed, related to uncertain tax positions in income tax expense. As of the adoption date, the total amount of accrued interest and penalties was \$165,000, before federal and state tax effect. For the quarter ended December 1, 2007, we recorded approximately \$3,420 in interest before federal and state tax effect.

## **Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Special Note Regarding Forward-Looking Statements**

This 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 Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities and Exchange Act of 1934, as amended) 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 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 the consolidated financial statements.



## SYMS CORP AND ITS SUBSIDIARY

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 March 3, 2007. The Company has identified certain critical accounting policies that are described below.

**Merchandise Inventory** - Inventory is stated at the lower of cost or market, FIFO retail method. Inventory cost and the resulting gross margins are calculated by applying a cost to retail ratio between the costs of goods available for sale and the retail value of inventories. The significant estimates used are for markdowns and shrinkage.

Factors considered in the determination of permanent markdowns include current and anticipated demand, customer preferences, age of the merchandise, fashion trends and weather conditions. In addition, inventory is also evaluated against corporate pre-determined historical markdown trends. When a decision is made to permanently markdown merchandise, the resulting gross margin reduction is recognized in the period the markdown is recorded. The timing of the decision, particularly surrounding the balance sheet date, can have a significant effect on the results of operations.

Shrinkage is estimated as a percentage of sales for the period from the date of the last physical inventory to the end of the fiscal year. Physical inventories are taken at least annually for all stores and inventory records are adjusted accordingly. The shrinkage rate from the most recent physical inventory, in combination with historical experience, is used as the standard for the shrinkage accrual following the physical inventory.

The Company has found the use of these estimates to be appropriate and actual results have not differed materially. However, the Company is subject to certain risks and uncertainties that could cause its future estimates to differ materially from past experience.

**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.

## Results of Operations

### *13 and 39 Weeks Ended December 1, 2007 Compared to 13 and 39 Weeks Ended November 25, 2006*

Net sales for the 13 weeks ended December 1, 2007 were \$70,024,000, a decrease of \$2,743,000 (3.8%) as compared to net sales of \$72,767,000 for the 13 weeks ended November 25, 2006. For the 39 weeks ended December 1, 2007 net sales decreased \$3,088,000 (1.5%) to \$198,555,000 as compared to the 39 weeks ended November 25, 2006. Comparable store net sales increased .3% for the 13 weeks ended December 1, 2007 and 2.1% for the 39 weeks as compared to the comparable periods in the prior fiscal year. In our comparable store computation, we only include stores that have been opened 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 39 weeks ended December 1, 2007. The sales decrease in the 13 and 39 weeks ended December 1, 2007 is largely attributable to the closing of three stores located in Monroeville, Pennsylvania, St. Louis, Missouri and Cleveland, Ohio.

Gross profit for the 13 weeks ended December 1, 2007 was \$29,548,000, a decrease of \$667,000 (42.2% as a percentage of total net sales) as compared to \$30,215,000 (41.5% as a percentage of total net sales) for the 13 weeks ended November 25, 2006. Gross profit for the 39 weeks ended December 1, 2007 was \$80,368,000, a

Edgar Filing: SYMS CORP - Form 10-Q

decrease of \$743,000 (40.5% as a percentage of total net sales) as compared to the 39 weeks ended November 25, 2006. The Company's gross profit may not be comparable to those of other entities, since other entities may include all the

## **SYMS CORP AND ITS SUBSIDIARY**

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. The decline in gross profit dollars in the 13 and 39 week periods is largely the result of lower sales in those periods.

Selling, general and administrative expense was \$18,121,000 (25.9% as a percentage of total net sales) for the 13 weeks ended December 1, 2007 as compared to \$17,978,000 (24.7% as a percentage of total net sales) for the 13 weeks ended November 25, 2006. Selling, general and administrative expense was \$54,307,000 (27.4% as a percentage of total net sales) for the 39 weeks ended December 1, 2007 as compared to \$55,117,000 (27.3% as a percentage of total net sales) for the 39 weeks ended November 25, 2006. The decline in expense dollars in the 39 weeks ended December 1, 2007 when compared to the comparable period a year ago, resulted largely from the closing of three stores located in Monroeville, Pennsylvania, St. Louis, Missouri and Cleveland, Ohio.

Advertising expense for the 13 weeks ended December 1, 2007 were \$2,813,000 (4.0% as a percentage of total net sales) as compared to \$2,976,000 (4.1% as a percentage of total net sales) in the 13 week period ended November 25, 2006. Advertising expense for the 39 weeks ended December 1, 2007 was \$6,408,000 (3.2% as a percentage of total net sales) as compared to \$7,111,000 (3.5% as a percentage of total net sales) in the 39 week period ended November 25, 2006.

Occupancy costs were \$4,404,000 (6.3% as a percentage of total net sales) for the 13 weeks ended December 1, 2007 as compared to \$4,237,000 (5.8% as a percentage of total net sales) for the 13 week period ended November 25, 2006. Occupancy costs were \$13,129,000 (6.6% as a percentage of total net sales) for the 39 week period ended December 1, 2007 as compared to \$13,346,000 (6.6% as a percentage of total net sales) for the 39 week period ended November 25, 2006.

Depreciation and amortization expense was \$1,939,000 (2.8% as a percentage of total net sales) for the 13 week period ended December 1, 2007 as compared to \$1,983,000 (2.7% as a percentage of total net sales) for the 13 week period ended November 25, 2006. Depreciation and amortization expense for the 39 week period ended December 1, 2007 was \$5,723,000 (2.9% as a percentage of total net sales) as compared to \$6,221,000 (3.1% as a percentage of total net sales) for the 39 week period ended November 25, 2006.

The results for the 39 weeks ended November 25, 2006 reflects a gain of \$10,424,000 resulting from the sale of the Company's two stores located in Rochester, New York and Dallas, Texas, respectively. These two stores, which closed in May 2006, included the land and building occupied by these two stores.

The net income before income taxes for the 13 weeks ended December 1, 2007 was \$2,455,000 as compared to \$3,609,000 for the 13 weeks ended November 25, 2006. The net income before taxes for the 39 weeks ended December 1, 2007 was \$1,044,000 as compared to \$11,466,000 for the 39 weeks ended November 25, 2006. The improvement in net income before taxes for the 39 weeks ended November 25, 2006 resulted largely from the gain on the sale of real estate as noted above.

For the 39 week period ended December 1, 2007 the effective income tax rate was 47.3% as compared to 44.5% for the comparable period a year ago.

### **Liquidity and Capital Resources**

Working capital as of December 1, 2007 was \$62,049,000, a decrease of \$17,277,000 as compared to \$79,326,000 as of November 25, 2006. The ratio of current assets to current liabilities was 2.54 to 1 as of December 1, 2007 as compared to 2.43 to 1 as of November 25, 2006. The purchase of the Westchester property on December 21, 2006 and payment of a dividend in August 2007 accounts for this decline in working capital.

Net cash provided by operating activities totaled \$538,000 for the 39 weeks ended December 1, 2007, as compared to \$4,038,000 for the 39 weeks ended November 26, 2005. This decline is largely the result of lower store operating profit and higher inventory levels when compared to fiscal year end.



## **SYMS CORP AND ITS SUBSIDIARY**

Net cash used in investment activities was \$4,507,000 for the 39 weeks ended December 1, 2007 as compared to net cash provided by investing activities of \$12,501,000 for the 39 weeks ended November 25, 2006. Expenditures for property and equipment were \$4,524,000 and \$3,795,000 for the 39 weeks ended December 1, 2007 and November 25, 2006, respectively. Last year's investment activities reflect the sale of the Dallas and Rochester properties.

Net cash used in financing activities was \$10,301,000 for the 39 weeks ended December 1, 2007, as compared to net cash used in financing activities of \$9,817,000 for the 39 weeks ended November 25, 2006. On August 6, 2007, the Company paid a cash dividend to its shareholders of record amounting to \$8,820,000.

The Company has a revolving credit agreement with a bank for a line of credit not to exceed \$30,000,000 through May 1, 2008. 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. The Company is in compliance with all covenants as of December 1, 2007. 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 December 1, 2007, March 3, 2007 and November 25, 2006, there were no outstanding borrowings under this agreement. At December 1, 2007, March 3, 2007 and November 25, 2006, the Company had \$512,837, \$955,619 and \$829,794 respectively, in outstanding letters of credit under this agreement.

The Company has planned capital expenditures of approximately \$5,000,000 for the fiscal year ended March 1, 2008. Through the 39 week period ended December 1, 2007, the Company has incurred \$4,524,000 of capital expenditures.

On June 5, 2006, the Company's Board of Directors approved the repurchase by the Company through June 1, 2008 of up to 2,900,000 shares of common stock at prevailing market prices. All shares repurchased will be held as treasury stock. During the 39 week period ended December 1, 2007, the Company purchased 98,902 shares which represents .5% of its outstanding shares at an approximate cost of \$1,480,000.

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 1, 2008.

### **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**

Under the supervision and with the participation of our management, including Marcy Syms, the Chief Executive Officer of the Company, and Antone F. Moreira, the Chief Financial Officer of the Company, we have evaluated the effectiveness of our disclosure controls and procedures as required by Rule 13 a-15(b) of the Securities and Exchange Act of 1934, as amended (the "Exchange Act"), as of the end of the period covered by this report. Based

on that evaluation, the Chief Executive Officer and the Chief Financial Officer have concluded that these disclosure controls and procedures are effective. Notwithstanding the foregoing, a control system, no matter how well designed

**SYMS CORP AND ITS SUBSIDIARY**

and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose information otherwise required to be set forth in the Company's periodic reports.

**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 March 3, 2007, 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 [None

## Issuer Purchases of Equity Securities

<b>Period</b>	<b>Total Number of Shares Purchased</b>	<b>Average Price Paid per Share</b>	<b>Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (1)</b>	<b>Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)</b>
September 2, 2007 [October 6, 2007	24,200	\$15.45	24,200	2,724,000
October 7, 2007 [November 3, 2007	23,300	\$15.47	23,300	2,700,700
November 4, 2007 [December 1, 2007	32,002	\$14.30	32,002	2,668,698
<b>Total</b>	<b>79,502</b>	<b>\$14.99</b>	<b>79,502</b>	<b>2,668,698</b>

(1) On June 5, 2006, the Company's Board of Directors approved the repurchase of 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.

Item 3. DEFAULTS UPON SENIOR SECURITIES - None

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

Item 5. OTHER INFORMATION

In a press release issued by the Company on December 21, 2007, and described in the Form 8-K filed by the Company on the same date with the Securities and Exchange Commission (the "SEC"), the Company announced its intention to terminate the listing of its shares of Common Stock on the New York Stock Exchange and to deregister its securities under the Federal securities laws. Accordingly, on January 2, 2008 the Company filed Form 25 with the SEC and it is anticipated





**SYMS CORP AND ITS SUBSIDIARY**

that the delisting and deregistration will become effective on January 14, 2008, thereby suspending the Company's reporting obligations under the Securities Exchange Act of 1934, as amended. Commencing on January 14, 2008 it is anticipated that the Company's securities will be eligible for quotation on the Pink Sheets.

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 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

**SYMS CORP AND ITS SUBSIDIARY**

**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:** January 11, 2008

**By:** /s/ Marcy Syms  
MARCY SYMS  
CHIEF EXECUTIVE OFFICER

**Date:** January 11, 2008

**By:** /s/ Antone F. Moreira  
ANTONE F. MOREIRA  
VICE PRESIDENT, CHIEF FINANCIAL OFFICER  
(Principal Financial and Accounting Officer)