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TOPPS CO INC

Form 8-K

April 08, 2005

FOR IMMEDIATE RELEASE

THE TOPPS COMPANY, INC. REPORTS FISCAL 2005 FOURTH QUARTER AND YEAR-END RESULTS

New York, NY, April 7, 2005 - The Topps Company, Inc. (Nasdaq: TOPP) today reported financial results for the fiscal 2005 fourth quarter and year ended February 26, 2005.

Net sales in the fiscal 2005 fourth quarter were \$68.3 million compared to \$69.6 million last year. Stronger foreign currencies versus the prior year contributed \$1.2 million to 2005 fourth quarter sales. The Company generated a loss from operations of \$1.7 million compared to income of \$2.0 million in last year's fourth quarter. Net income in the fiscal 2005 fourth quarter was \$451,000, or \$0.01 per diluted share, versus \$2.9 million, or \$0.07 per diluted share, last year. Results for the fiscal 2005 fourth quarter were impacted by weakness in the Entertainment segment and increases in overhead stemming from higher professional fees. These factors were partially offset by improved performance of the Confectionery segment and a favorable tax rate.

For the year ended February 26, 2005, net sales were \$295.9 million compared to \$297.3 million last year. Stronger foreign currencies versus the prior year increased fiscal 2005 sales by \$6.6 million. Income from operations was \$12.0 million compared to \$14.6 million in the prior-year period. Net income for fiscal 2005 was \$11.0 million, or \$0.27 per diluted share, versus \$12.7 million, or \$0.31 per diluted share, last year. Results for fiscal 2005 include a one-time charge of \$1.9 million, or approximately \$0.05 per diluted share, incurred in the fiscal 2005 first quarter related to a previously disclosed European Commission fine.

Confectionery net sales increased 9.9% to \$30.6 million in the fiscal 2005 fourth quarter compared to \$27.8 million in the prior-year period. For the full year, Confectionery net sales declined 2.3% to \$143.8 million. Fourth quarter sales increases were attributable to expanded distribution of Juicy Drop Pop, as well as some pipeline fill in advance of certain promotional activity on the brand, earlier shipment of Easter products due to the timing of the holiday this year, gains in Ring Pop sales to wholesale clubs and initial sales of Crunchy Snakes candy recently launched in Europe.

Entertainment sales declined 9.5% to \$37.8 million in the fiscal 2005 fourth quarter from \$41.7 million in the prior-year period. Full year Entertainment sales increased 1.3% to \$152.1 million. Fourth quarter Entertainment sales were impacted by weakness in European sports products. Additionally, year ago fourth quarter results benefited from strong sales of Yu-Gi-Oh! products in Europe as well as from Garbage Pail Kids, a company-created brand, which continues to contribute to results although at lower levels. World Wrestling Entertainment products in Europe performed well in the recent period.

Topps sports cards showed sales improvement versus the prior-year period due to additional football and baseball releases, albeit at lower margins. WizKids sales grew 24% as a result of a broadened product line highlighted by encouraging sales of Pirates products.

Arthur T. Shorin, Chairman and CEO of Topps, commented, "We are pleased with fourth quarter Confectionery results as well as WizKids recent performance. Overall results in the quarter, however, were disappointing in part due to European sports and the lack of a strong licensed property in the period as

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compared with last year."

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Mr. Shorin continued, "Nonetheless, during the quarter, we continued taking action consistent with our strategic review. We reinstated advertising dollars in our Confectionery business which, while impacting near-term profitability, is important to driving lasting consumer demand for our brands. Additionally, we consolidated our broker network to improve distribution and increase retail coverage, particularly in the grocery and convenience store channels, and maintained a focus on creating new products.

"Looking ahead, we are implementing measures to further strengthen our operations. In this regard, we are undertaking a second phase of study aimed at our business processes, methods, and procedures. Additionally, we are testing new product concepts in our U.S. sports and WizKids businesses with the intent of enhancing our portfolio, broadening our demographic reach and appealing more to children. We are also taking steps to revamp and streamline our product development processes which will benefit from a more systematic approach."

Mr. Shorin concluded, "We currently expect to produce year-over-year top line growth in fiscal 2006. Investment spending associated with the outlined initiatives will most likely lead to operating earnings comparable with fiscal 2005."

During the fourth quarter, the Company paid its regular quarterly cash dividend to shareholders of \$0.04 per share. At February 26, 2005, the Company had \$106.4 million in cash and marketable securities and no debt.

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

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

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

(Tables Follow)

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

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	(Unaudited)			
	Thirteen weeks ended		Fifty two weeks ended	
	February	February	February	February
	26, 2005	28, 2004	26, 2005	28, 2004
	-----	-----	-----	-----
Net Sales	\$ 68,345	\$ 69,557	\$ 295,865	\$ 297,338
Cost of sales	46,886	46,841	190,667	193,417
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Gross profit on sales	21,459	22,716	105,198	103,921
Other income (expense)	885	89	1,675	631
Selling, general and administrative expenses	24,056	20,806	94,906	89,957
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Income from operations	(1,712)	1,999	11,967	14,595
Interest income, net	781	497	2,706	2,426
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Income before provision for income taxes	(931)	2,496	14,673	17,021
Provision for income taxes	(1,382)	(424)	3,674	4,326
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Net Income	\$ 451	\$ 2,920	\$ 10,999	\$ 12,695
	=====	=====	=====	=====
Basic net income per share	0.01	0.07	0.27	0.31
Diluted net income per share	0.01	0.07	0.27	0.31
Weighted average shares outstanding - Basic	40,440,000	40,594,000	40,471,000	40,604,000
Weighted average shares outstanding - Diluted	41,275,000	41,083,000	41,327,000	41,515,000

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

	As of	As of
	February	February
	26, 2005	28, 2004
	-----	-----
Cash and Equivalents	\$ 36,442	\$ 56,959
Investments	69,955	36,878
Working Capital	138,339	133,299
Net Property, Plant and Equipment	12,553	13,786
Total Assets	286,382	275,463
Shareholders' Equity	215,142	211,277

SEGMENT INFORMATION
(Amounts in Thousands)

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	Thirteen weeks ended		Fifty two weeks ended	
	February	February	February	February
	26, 2005	28, 2004	26, 2005	28, 2004
	-----	-----	-----	-----
Net Sales				

Confectionery	\$ 30,582	\$ 27,831	\$ 143,762	\$ 147,188
Entertainment Products	37,763	41,726	152,103	150,150
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Total	\$ 68,345	\$ 69,557	\$ 295,865	\$ 297,338
	=====	=====	=====	=====
Contributed Margin				

Confectionery	\$ 9,117	\$ 7,241	\$ 46,781	\$ 45,734
Entertainment Products	9,786	14,084	45,135	42,467
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Total	\$ 18,903	\$ 21,325	\$ 91,916	\$ 88,201
	=====	=====	=====	=====
Reconciliation of Contributed Margin to Income Before Provision for Taxes:				

Total Contributed Margin	\$ 18,903	\$ 21,325	\$ 91,916	\$ 88,201
Unallocated General and Administrative Expenses and Manufacturing Overhead	(19,956)	(17,620)	(75,363)	(67,644)
Depreciation & Amortization	(1,544)	(1,795)	(6,261)	(6,593)
Other Income (Expense)	885	89	1,675	631
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Income from Operations	(1,712)	1,999	11,967	14,595
Interest Income, Net	781	497	2,706	2,426
	-----	-----	-----	-----
Income before Provision for Income Taxes	\$ (931)	\$ 2,496	\$ 14,673	\$ 17,021
	=====	=====	=====	=====