SYMS CORP
Form 10-Q
January 11, 2008

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

[X] 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	**22-2465228**
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
Syms Way, Secaucus, New Jersey	**07094**
(Address of Principal Executive Offices)	(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 þ No o

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 filed" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer o   Accelerated Filer þ   Non-Accelerated Filer o

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

Yes o   No þ

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

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SYMS CORP AND ITS SUBSIDIARY

Condensed Consolidated Balance Sheets

(In thousands)

	December 1, 2007 (Unaudited)	March 3, 2007 (See Note)	(U
ASSETS			
CURRENT ASSETS:			
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	
TOTAL CURRENT ASSETS	102,222	103,373	
PROPERTY AND EQUIPMENT - Net	98,580	104,323	
DEFERRED INCOME TAXES	11,661	12,557	
OTHER ASSETS	21,049	19,306	
TOTAL ASSETS	$ 233,512	$ 239,559	$
LIABILITIES AND SHAREHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	$ 32,655	$ 21,678	$
Accrued expenses	3,163	10,141	
Accrued insurance	123	165	
Obligations to customers	4,232	3,958	
TOTAL CURRENT LIABILITIES	40,173	35,942	
OTHER LONG TERM LIABILITIES	1,271	1,548	
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; 14,602 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	
TOTAL SHAREHOLDERS' EQUITY	192,068	202,069	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$ 233,512	$ 239,559	$

(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

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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

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Condensed Consolidated Statements of Cash Flows
(In thousands)

	39 Weeks Ended	
	December 1, 2007	November 25, 2006
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
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
CASH FLOWS FROM INVESTING ACTIVITIES:		
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
CASH FLOWS FROM FINANCING ACTIVITIES:		
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
SUPPLEMENTAL CASH FLOW INFORMATION:		
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

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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 Companys annual report on Form 10-K for the fiscal year ended March 3, 2007.

Note 3 - Accounting Period

The Companys 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.

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Net income per share has been computed as follows:

	13 Weeks Ended		39 Weeks Ended	
	Dec. 1, 2007	Nov. 25, 2006	Dec. 1, 2007	Nov. 25, 2006
Basic net income per share:				
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
Diluted net income per share:				
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 Companys 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).

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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.

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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. Managements 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 Managements 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 expressio 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 Companys products, possible disruptions in the Companys 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 Companys 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 report