

Edgar Filing: LEATHER FACTORY INC - Form 8-K

LEATHER FACTORY INC  
Form 8-K  
October 29, 2003

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C.

FORM 8-K

CURRENT REPORT PURSUANT  
TO SECTION 13 OR 15(D) OF THE  
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): October 27, 2003  
-----

The Leather Factory, Inc.  
-----

(Exact Name of Registrant as Specified in Its Charter)

Delaware  
-----

(State or Other Jurisdiction of Incorporation)

1-12368  
-----

75-2543540  
-----

(Commission File Number)

(IRS Employer Identification Number)

3847 East Loop 820 South, Fort Worth, Texas  
-----

76119  
-----

(Address of Principal Executive Offices)

(Zip Code)

(817) 496-4414  
-----

(Registrant's Telephone Number, Including Area Code)

-----  
(Former Name or Former Address, if Changed Since Last Report)

ITEM 7. FINANCIAL STATEMENTS AND EXHIBITS

(c) Exhibits.

99.1 Press release dated October 27, 2003.

ITEM 12. RESULTS OF OPERATIONS AND FINANCIAL CONDITION

The Registrant is furnishing the press release attached as Exhibit 99.1 announcing the Registrant's 3rd quarter 2003 financial results. This press release was issued on October 27, 2003.

## Edgar Filing: LEATHER FACTORY INC - Form 8-K

### 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 hereunto duly authorized.

THE LEATHER FACTORY, INC.

Date: October 27, 2003

BY: /s/ Wray Thompson

-----  
Wray Thompson, Chairman of the Board  
and Chief Executive Officer

EXHIBIT 99.1  
-----

FOR IMMEDIATE RELEASE

OCTOBER 27, 2003

### THE LEATHER FACTORY REPORTS 3RD QUARTER 2003 RESULTS REVENUES UP 6.7% AND FULLY-DILUTED EPS UP FROM \$0.05 TO \$0.06

FORT WORTH, TEXAS - The Leather Factory, Inc. (AMEX: TLF) today reported financial results for the third quarter of 2003. Net income for the quarter ended September 30, 2003 was \$602,000 compared to net income of \$534,000 for the third quarter of 2002, up 12.6%. Fully-diluted earnings per share for the quarter increased \$0.01 to \$0.06, versus \$0.05 in the third quarter of last year. Total sales for the third quarter increased 6.7% to \$10.1 million from \$9.5 million for the same quarter last year.

Sales for the nine months ended September 30, 2003 were \$31.1 million, an increase of 4.7% from sales of \$29.7 million in the first three quarters of 2002. Net income for the first nine months of 2003 was \$2.2 million or \$0.20 per fully-diluted share versus a loss of \$1.9 million or \$0.18 per fully-diluted shares in last year's comparable period. Last year's results included a \$4.0 million charge, net of tax, for the cumulative effect of a previously reported accounting change. Net income for the first three quarters of 2002 before the cumulative effect of the accounting change was \$2.1 million or \$0.19 per fully-diluted share.

Third quarter sales for the Leather Factory warehouse distribution centers increased \$128,000 or 1.8% over the same quarter last year. Leather Factory's year-to-date sales are up \$606,000 or 2.7% over the first nine months of 2002. This sales growth is in line with the company's guidance of 2-4% growth annually.

Tandy Leather sales increased \$606,000 in the third quarter or 35.1% above last year's third quarter. Tandy Leather operations consist of 26 retail stores as of September 30, 2003 (four of which opened this quarter) producing sales of \$2.3 million for the current quarter compared to ten retail stores a year ago, that produced sales of \$1.1 million in last year's third quarter. Tandy's sales for the year are up \$892,000 or 16.5% over the same period last year with the stores producing \$6.3 million in the current year versus \$1.8 million last year. Tandy's centralized mail order center, which was closed on September 1, 2002, produced sales of \$606,000 in the third quarter of 2002 and \$3.6 million for the nine months ended September 30, 2002 and will no longer be in subsequent quarter-to-quarter comparisons.

Roberts, Cushman's third quarter sales decreased \$99,000 or 19.4% over the same period a year ago and are down \$98,000, or 6.4% for the year.

Consolidated gross profit margins for the quarter increased 1.6 percentage

## Edgar Filing: LEATHER FACTORY INC - Form 8-K

points, or \$501,000, to 55.2% while operating expenses rose \$426,000. Costs associated with the new Tandy store openings (rents, utilities, personnel, etc.), and marketing and advertising costs account for the majority of the increase. For the nine months ended September 30, 2003, consolidated gross profit margins increased 1.0 percentage point, or \$1.1 million, to 54.4% while operating expenses are up \$1.1 million for the year over the same period a year ago.

Wray Thompson, Chairman and Chief Executive Officer, commented, "Despite the costs of opening four new Tandy stores during the period, results for the third quarter were in line with our expectations. All four new stores began producing profits in September and we are continuing with our plan to open several stores in the first quarter of 2004. Leather Factory's sales to the wholesale/dealer customers picked up in the third quarter, after some new marketing programs we put in place late in the second quarter. I'd like to have seen more improvement in our operating efficiencies, although we are making some progress in our efforts to consolidate expenses and increase operating margins. That will continue to be a priority in the coming quarters."

The Leather Factory, Inc., (<http://www.leatherfactory.com>), headquartered in Fort Worth, Texas, is a marketer and distributor of a broad product line including leather, leatherworking tools, buckles and adornments for belts, leather dyes and finishes, shoe repair supplies, saddle and tack hardware, and do-it-yourself leathercraft kits. The Company distributes its products worldwide through its Leather Factory stores, Tandy Leather retail stores and mail/telephone/website orders (<http://www.tandy-leather.com>). Its common stock trades on the American Stock Exchange with the symbol "TLF".

Contact: Wray Thompson, The Leather Factory, Inc. (817) 496-4414  
 Shannon L. Greene, The Leather Factory, Inc. [sgreene@leatherfactory.com](mailto:sgreene@leatherfactory.com)

This news release may contain forward-looking statements. All forward-looking statements made here or in other news releases issued by The Leather Factory, Inc. are based on current expectations as of the date of the release. These forward-looking statements involve risks and uncertainties that could cause the results of The Leather Factory, Inc. to differ materially from management's current expectations. Many of these risks and uncertainties are detailed from time to time in TLF's reports filed with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and the most recent quarterly report on Form 10-Q. Investors are reminded that past performance may not be predictive of future results.

Selected financial data:

	FOR THE THREE MONTHS ENDED	
NET SALES: . . . . .	09/30/03	09/30/02
	-----	-----
Leather Factory . . .	\$ 7,372,159	\$7,244,610
Tandy Leather . . . .	2,334,127	1,727,925
Cushman . . . . .	412,784	512,195
	-----	-----
Total. . . . .	\$10,119,070	\$9,484,730
	=====	=====

Edgar Filing: LEATHER FACTORY INC - Form 8-K

FOR THE NINE MONTHS ENDED

NET SALES: . . . . .	09/30/03	09/30/02
	-----	-----
Leather Factory. . .	\$23,375,158	\$22,769,550
Tandy Leather. . . .	6,312,145	5,420,108
Cushman. . . . .	1,452,527	1,551,059
	-----	-----
Total . . . . .	\$31,139,830	\$29,740,717
	=====	=====

FOR THE THREE MONTHS ENDED

TANDY LEATHER SALES DETAIL . . . . .	09/30/03	09/30/02
	-----	-----
Same stores (10 stores) . . . . .	\$1,133,337	\$1,121,736
New stores (16 stores). . . . .	1,198,246	-
Ceased operations (centralized mail order facility)	2,544	606,189
	-----	-----
Total. . . . .	\$2,334,127	\$1,727,925
	=====	=====

FOR THE NINE MONTHS ENDED

TANDY LEATHER SALES DETAIL . . . . .	09/30/03	09/30/02
	-----	-----
Same stores (2 stores). . . . .	\$ 892,149	\$ 740,227
New stores (24 stores). . . . .	5,415,064	1,074,199
Ceased operations (centralized mail order facility)	4,932	3,605,682
	-----	-----
Total. . . . .	\$6,312,145	\$5,420,108
	=====	=====

	BALANCE	BALANCE
	09/30/03	12/31/02
	-----	-----
Inventory . . . . .	\$11,621,127	\$12,695,344
Total assets. . . . .	19,007,207	19,675,602
Notes payable - current and long-term	2,671,929	4,221,224
Total stockholders' equity. . . . .	13,703,393	11,170,062

THE LEATHER FACTORY, INC.  
CONSOLIDATED STATEMENTS OF INCOME

# Edgar Filing: LEATHER FACTORY INC - Form 8-K

(UNAUDITED)

FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2003 AND 2002

	Three 2003
	-----
NET SALES . . . . .	\$ 10,119,070
COST OF SALES . . . . .	4,529,258
	-----
Gross Profit. . . . .	5,589,812
OPERATING EXPENSES. . . . .	4,672,820
	-----
INCOME FROM OPERATIONS. . . . .	916,992
OTHER EXPENSE:	
Interest expense. . . . .	40,735
Other, net. . . . .	6,089
	-----
Total other expense . . . . .	46,824
	-----
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE.	870,168
PROVISION FOR INCOME TAXES. . . . .	268,488
	-----
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. . . . .	601,680
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF INCOME TAXES. . . . .	-
	-----
NET INCOME (LOSS) . . . . .	\$ 601,680
	=====
 NET INCOME (LOSS) PER COMMON SHARE - BASIC:	
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. . . . .	\$ 0.06
CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. . . . .	-
	-----
NET INCOME (LOSS) PER COMMON SHARE. . . . .	\$ 0.06
	=====
 NET INCOME (LOSS) PER COMMON SHARE-DILUTED:	
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. . . . .	\$ 0.06
CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. . . . .	-
	-----
NET INCOME (LOSS) PER COMMON SHARE. . . . .	\$ 0.06
	=====
 WEIGHTED AVG NUMBER OF SHARES OUTSTANDING:	
Basic. . . . .	10,394,374
Diluted. . . . .	10,902,794

Edgar Filing: LEATHER FACTORY INC - Form 8-K

	Nine Months
	2002
	-----
NET SALES . . . . .	\$29,740,717
COST OF SALES . . . . .	13,848,098
Gross Profit. . . . .	15,892,619
OPERATING EXPENSES. . . . .	12,646,486
INCOME FROM OPERATIONS. . . . .	3,246,133
OTHER EXPENSE:	
Interest expense. . . . .	191,419
Other, net. . . . .	45,199
Total other expense . . . . .	236,618
INCOME BEFORE INCOME TAXES AND CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. . . . .	3,009,515
PROVISION FOR INCOME TAXES. . . . .	924,071
NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. . . . .	2,085,444
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF INCOME TAXES. . . . .	(4,008,831)
NET INCOME (LOSS) . . . . .	\$ (1,923,387)
	=====
NET INCOME (LOSS) PER COMMON SHARE - BASIC:	
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. . . . .	\$ 0.21
CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. . . . .	(0.40)
NET INCOME (LOSS) PER COMMON SHARE. . . . .	\$ (0.19)
	=====
NET INCOME (LOSS) PER COMMON SHARE-DILUTED:	
INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. . . . .	\$ 0.19
CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. . . . .	(0.37)
NET INCOME (LOSS) PER COMMON SHARE. . . . .	\$ (0.18)
	=====
WEIGHTED AVG NUMBER OF SHARES OUTSTANDING:	
Basic. . . . .	10,035,890
Diluted. . . . .	10,759,677