

HOME PRODUCTS INTERNATIONAL INC  
Form 10-Q  
May 05, 2004  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

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**FORM 10-Q**

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x **QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended March 27, 2004

or

.. **TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

Commission file number 0-17237

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**HOME PRODUCTS INTERNATIONAL, INC.**

(Exact name of registrant as specified in its charter)

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Delaware

36-4147027

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(State or other jurisdiction of

(I.R.S. Employer

incorporation or organization)

Identification No.)

4501 West 47th Street

Chicago, Illinois

(Address of principal executive offices)

60632

(Zip Code)

Registrant's telephone number including area code (773) 890-1010.

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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 an accelerated filer (as defined in Exchange Act Rule 12b-2 of the Exchange Act). Yes  No

Common shares, par value \$0.01, outstanding as of May 3, 2004 7,873,664

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**Table of Contents****PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****HOME PRODUCTS INTERNATIONAL, INC.****Condensed Consolidated Balance Sheets**

(Amounts in thousands, except share amounts)

(Unaudited)

	<b>March 27, 2004</b>	<b>December 27, 2003</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 3,510	\$ 797
Accounts receivable, net	34,194	47,963
Inventories	23,088	17,903
Prepaid expenses and other current assets	2,802	2,421
<b>Total current assets</b>	<b>63,594</b>	<b>69,084</b>
Property, plant and equipment - at cost	92,571	91,647
Less accumulated depreciation	(60,841)	(58,835)
<b>Property, plant and equipment, net</b>	<b>31,730</b>	<b>32,812</b>
Other intangibles, net	484	608
Goodwill, net	73,752	73,752
Other non-current assets	3,221	4,019
<b>Total assets</b>	<b>\$ 172,781</b>	<b>\$ 180,275</b>
<b>Liabilities and Stockholders Equity</b>		
Current liabilities:		
Revolving line of credit and other current debt	\$ 158	\$ 9,969
Accounts payable	23,138	21,425
Accrued liabilities	18,566	17,976
<b>Total current liabilities</b>	<b>41,862</b>	<b>49,370</b>
Long-term obligations - net of current debt	120,546	120,578
Other liabilities	4,241	3,986
Stockholders equity:		
Preferred Stock - authorized, 500,000 shares, \$.01 par value; - None issued		

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Common Stock - authorized 15,000,000 shares, \$.01 par value; 8,696,058 shares issued at March 27, 2004 and 8,687,828 shares issued at December 27, 2003	87	87
Additional paid-in capital	50,085	50,077
Accumulated deficit	(37,498)	(37,295)
Common stock held in treasury - at cost; 822,394 shares at March 27, 2004 and December 27, 2003	(6,528)	(6,528)
Accumulated other comprehensive loss	(14)	
	<u>6,132</u>	<u>6,341</u>
Total stockholders' equity		
	<u>\$ 172,781</u>	<u>\$ 180,275</u>

The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****HOME PRODUCTS INTERNATIONAL, INC.****Condensed Consolidated Statements of Operations**

(Amounts in thousands, except share and per share amounts)

(Unaudited)

	<b>Thirteen weeks ended</b>	
	<b>March 27, 2004</b>	<b>March 29, 2003</b>
Net sales	\$ 53,190	\$ 49,129
Cost of goods sold	43,289	40,459
Gross profit	9,901	8,670
Operating expenses:		
Selling and marketing	3,720	4,320
General and administrative	2,993	3,912
Amortization of intangible assets	124	126
Operating profit	3,064	312
Non-operating income (expense):		
Interest income	3	47
Interest expense	(3,255)	(3,477)
Other expense, net	(8)	(4)
Net non-operating expense	(3,260)	(3,434)
Loss before income taxes	(196)	(3,122)
Income tax expense	(7)	(24)
Net loss	\$ (203)	\$ (3,146)
Net loss per common share:		
Basic	\$ (0.03)	\$ (0.40)
Diluted	\$ (0.03)	\$ (0.40)
Weighted average common shares outstanding-basic	7,986,556	7,898,829
Weighted average common shares outstanding-diluted	7,986,556	7,898,829

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The accompanying notes are an integral part of the condensed consolidated financial statements.

**Table of Contents****HOME PRODUCTS INTERNATIONAL, INC.****Condensed Consolidated Statements of Cash Flows**

(Amounts in thousands)

(Unaudited)

	<b>Thirteen weeks ended</b>	
	<b>March 27, 2004</b>	<b>March 29, 2003</b>
<b>Operating activities:</b>		
Net loss	\$ (203)	\$ (3,146)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation and amortization	2,130	2,346
Amortization of restricted stock compensation		57
Other, net	422	350
Changes in current assets and liabilities:		
Decrease in accounts receivable	14,386	24,481
Increase in inventories	(5,185)	(2,597)
Increase in prepaid expenses and other	(381)	(143)
Increase (decrease) in accounts payable	1,713	(4,509)
Increase (decrease) in accrued liabilities	590	(6,224)
<b>Net cash provided by operating activities</b>	<b>13,472</b>	<b>10,615</b>
<b>Investing activities:</b>		
Capital expenditures, net	(924)	(1,236)
<b>Net cash used in investing activities</b>	<b>(924)</b>	<b>(1,236)</b>
<b>Financing activities:</b>		
Net repayments under loan and security agreement	(9,811)	
Payments of capital lease obligation	(32)	(23)
Exercise of stock options, issuance of common stock under stock purchase plan and other	8	28
<b>Net cash (used in) provided by financing activities</b>	<b>(9,835)</b>	<b>5</b>
Net increase in cash and cash equivalents	2,713	9,384
Cash and cash equivalents at beginning of period	797	3,974
Cash and cash equivalents at end of period	<b>\$ 3,510</b>	<b>\$ 13,358</b>
<b>Supplemental disclosures</b>		
Cash paid in the period:		
Interest	\$ 334	\$ 309



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Income taxes, net	\$ 14	\$ 55
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The accompanying notes are an integral part of the condensed consolidated financial statements.

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**HOME PRODUCTS INTERNATIONAL, INC.**

**Notes to Condensed Consolidated Financial Statements**

(Dollar amounts in thousands, except per share amounts)

(Unaudited)

**Note 1. General Information**

Home Products International, Inc. (the Company), based in Chicago, is a leading designer, manufacturer and marketer of a broad range of value-priced, quality consumer houseware products. The Company's products are marketed principally through mass-market trade channels in the United States and internationally.

The condensed consolidated financial statements for the thirteen weeks ended March 27, 2004 and March 29, 2003, include, in the opinion of management, all adjustments (consisting of normal recurring adjustments) necessary to present fairly the financial position, results of operations and cash flows as of March 27, 2004 and for all periods presented.

Certain information and note disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted. These condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto incorporated by reference in the Company's Form 10-K for the year ended December 27, 2003. The results of operations for the thirteen weeks ended March 27, 2004 are not necessarily indicative of the operating results to be expected for the full year.

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Note 2. Stock-Based Compensation Plans**

SFAS No. 123, Accounting for Stock-Based Compensation encourages companies to adopt a fair value approach to valuing stock-based compensation that would require compensation cost to be recognized based upon the fair value of the stock-based instrument issued. The Company has elected, as permitted by SFAS No. 123, to apply the provisions of Accounting Principles Board (APB) Opinion No. 25 Accounting for Stock Based Compensation and the related interpretations in accounting for stock option awards under the stock option plans. Under APB Opinion No. 25, compensation expense is recognized if the market price on the date of grant exceeds the exercise price. All options granted by the Company have been granted at the market price of stock on the date of grant. The fair value of these stock options was estimated at the date of grant using a Black-Scholes option pricing model. The following table shows the effect on net loss and loss per share if the Company had applied the fair value recognition provision of SFAS No. 123.



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	Thirteen weeks ended	
	March 27, 2004	March 29, 2003
Net loss as reported	\$ (203)	\$ (3,146)
Less: total stock-based compensation expense determined under fair value based method for all awards, net of related tax effects	31	46
Pro forma net loss	\$ (234)	\$ (3,192)
Basic loss per common share as reported	\$ (0.03)	\$ (0.40)
Basic loss per common share pro forma	(0.03)	(0.40)
Diluted loss per common share as reported	\$ (0.03)	\$ (0.40)
Diluted loss per common share pro forma	(0.03)	(0.40)

No stock options were granted during the thirteen weeks ended March 27, 2004 and March 29, 2003.

**Note 3. Net Loss Per Share**

The following information presents net loss per share basic and diluted:

	Thirteen weeks ended	
	March 27, 2004	March 29, 2003
Net loss	\$ (203)	\$ (3,146)
Weighted average shares outstanding basic	7,986,556	7,898,829
Impact of stock options, warrants and restricted stock		
Weighted average shares outstanding - diluted	7,986,556	7,898,829
Net loss per share - basic	\$ (0.03)	\$ (0.40)