

STEPHAN CO
Form 10-Q
August 15, 2008

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

FORM 10-Q

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

For the quarterly period ended **June 30, 2008**

or

**o 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 1-4436

THE STEPHAN CO.

(Exact name of registrant as specified in its charter)

Florida
(State or other jurisdiction of incorporation or
organization)

59-0676812
(IRS Employer Identification No.)

1850 West McNab Road, Fort Lauderdale, Florida 33309
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (954) 971-0600

Former name, former address and former fiscal year, if changed since last report: not applicable.

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 x NO
o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer o Accelerated filer o Non-accelerated filer o Smaller reporting
company x
(Do not check if a smaller
reporting company)

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Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
YES NO

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date:

4,377,158 shares of common stock, \$0.01 par value, as of August 12, 2008

THE STEPHAN CO. AND SUBSIDIARIES
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PART I - FINANCIAL INFORMATION

Item 1 - Financial Statements

Certain statements in this Quarterly Report on Form 10-Q under "Item 1 -- Financial Statements" and "Item 2 -- Management's Discussion and Analysis of Financial Condition and Results of Operations" constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, condition (financial or otherwise), performance or achievements to be materially different from any future results, performance, condition or achievements expressed or implied by such forward-looking statements.

Words such as "projects," "believes," "anticipates," "estimates," "plans," "expects," "intends" and similar words and expressions are intended to identify forward-looking statements and are based on our current expectations, assumptions, and estimates about us and our industry. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although we believe that such forward-looking statements are reasonable, we cannot assure you that such expectations will prove to be correct.

Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors, risks and uncertainties. These factors, risks and uncertainties include, without limitation, our ability to satisfactorily address any material weakness in our financial controls; general economic and business conditions; competition; the relative success of our operating initiatives; our development and operating costs; our advertising and promotional efforts; brand awareness for our product offerings; the existence or absence of adverse publicity; acceptance of any new product offerings; changing trends in customer tastes; the success of any multi-branding efforts; changes in our business strategy or development plans; the quality of our management team; the availability, terms and deployment of capital; the business abilities and judgment of our personnel; the availability of qualified personnel; our labor and employee benefit costs; the availability and cost of raw materials and supplies; changes in or newly-adopted accounting principles; changes in, or our failure to comply with, applicable laws and regulations; changes in our product mix and associated gross profit margins, as well as management's response to these factors, and other factors that may be more fully described in the Company's literature, press releases and publicly-filed documents with the Securities and Exchange Commission. You are urged to carefully review and consider these disclosures that describe certain factors that affect our business.

We do not undertake, subject to applicable law, any obligation to publicly release the results of any revisions, which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Therefore, we caution each reader of this report to carefully consider the specific factors and qualifications discussed herein with respect to such forward-looking statements, as such factors and qualifications could affect our ability to achieve our objectives and may cause actual results to differ materially from those projected, anticipated or implied herein.

The Stephan Co.
Condensed Consolidated Balance Sheets
(in thousands, except share data)

	June 30, 2008	December 31, 2007
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,373	\$ 4,977
Short-term investments	3,950	3,950
Restricted cash	555	1,110
Accounts receivable, net	1,066	1,430
Inventories	5,574	4,240
Prepaid expenses and other current assets	202	306
TOTAL CURRENT ASSETS	15,720	16,013
Property, plant and equipment, net	1,377	1,419
Deferred income taxes	103	277
Goodwill, net	2,603	2,603
Trademarks, net	3,070	3,070
Other intangible assets, net	76	76
Other assets	2,844	2,846
TOTAL ASSETS	\$ 25,793	\$ 26,304
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 555	\$ 1,110
Accounts payable and accrued expenses	2,047	2,156
TOTAL CURRENT LIABILITIES	2,602	3,266
Long-term debt, less current portion	-	-
TOTAL LIABILITIES	2,602	3,266
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued.		
Common stock, \$.01 par value; 25,000,000 shares authorized; 4,389,779 shares issued at June 30, 2008 and December 31, 2007		
	44	44
Additional paid-in capital	17,776	17,736
Retained earnings	5,378	5,258
Treasury stock, 2,200 shares held at June 30, 2008, at cost	(7)	-
TOTAL STOCKHOLDERS' EQUITY	23,191	23,038
TOTAL LIABILITIES & STOCKHOLDERS' EQUITY	\$ 25,793	\$ 26,304

See Notes to Condensed Consolidated Financial Statements.

The Stephan Co.
 Condensed Consolidated Statements of Operations
 (in thousands, except share data)

	Quarter ended June 30,		Six Months ended June 30,	
	2008	2007	2008	2007
Revenue	\$ 4,289	\$ 5,018	\$ 8,709	\$ 10,147
Cost of revenue	2,133	2,673	4,432	5,531
Gross profit	2,156	2,345	4,277	4,616
Selling, general and administrative expenses	1,995	2,215	3,936	4,472
Operating income	161	130	341	144