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TOPPS CO INC  
Form 8-K  
April 06, 2004

THE TOPPS COMPANY, INC. REPORTS FISCAL 2004 FOURTH QUARTER AND FULL YEAR RESULTS

New York, NY, April 6, 2004 - The Topps Company, Inc. (Nasdaq: TOPP) today reported financial results for the fiscal 2004 fourth quarter and year ended February 28, 2004.

Net sales in the fiscal 2004 fourth quarter were \$69.8 million compared to \$65.7 million last year. Stronger foreign currencies versus the prior year increased 2004 fourth quarter sales by \$3.1 million. Income from operations was \$2.0 million compared to \$3.0 million in the same period last year. Net income was \$2.9 million, or \$0.07 per diluted share, versus \$2.0 million, or \$0.05 per diluted share, in the prior year period. Results for the fiscal 2004 fourth quarter benefited by \$0.04 per diluted share due to a difference in the tax rate for this year's fourth quarter versus the same quarter in the prior year.

For the twelve months ended February 28, 2004, net sales were \$297.3 million compared to \$290.1 million last year. Stronger foreign currencies versus the prior year added \$9.7 million to full year fiscal 2004 sales results. Income from operations was \$14.6 million compared to \$20.8 million last year. Net income was \$12.7 million, or \$0.31 per diluted share, versus \$16.9 million, or \$0.40 per diluted share, in the prior year.

Confectionery sales declined 13.3% in the fourth quarter resulting in flat sales for the full fiscal year. Fourth quarter sales in the U.S. were impacted by several factors including continued softness in wholesale clubs, the effects of delayed new product introductions, and a reduction in certain promotional activity undertaken by major retailers last year. Domestic performance was partially offset by growth of international confectionery sales which benefited from the successful introduction of Juicy Drop Pop.

Entertainment sales increased 25.1% in the fourth quarter and 4.8% for the full year. The addition of WizKids and strong sales of European sports sticker and album products drove the fourth quarter and full year increase. Additionally, Yu-Gi-Oh! in Europe and Garbage Pail Kids in the U.S. performed well. WizKids contributed \$4.2 million in revenue in the fourth quarter and generated a pre-tax loss of \$1.0 million for the period, which was a smaller loss than previously anticipated. U.S. sports card sales declined in the quarter as expected.

Arthur T. Shorin, Chairman and CEO of Topps, commented, "In fiscal 2004, we undertook a number of strategic initiatives to drive long-term Company performance. In Confectionery, while financial results came in below expectations, we made significant inroads into branded, non-lollipop products marked by the introduction of Juicy Bugs, Juicy Drop Chews, and Big Mouth Candy Spray which occurred too late in the fiscal year to contribute meaningfully. Additionally, distribution of Juicy Drop Pops reached sufficient levels to justify a full television advertising schedule which began in late February. We also made significant headway in achieving targeted distribution gains in a number of European markets.

"Within Entertainment, we placed additional focus in Europe on football products and extended the successful mini-album format to new markets and licenses. In the U.S., we restructured the sports business, pared down our offerings, and reduced overhead. While we experienced a year-on-year decline during fiscal 2004, we fared considerably better than our expectations, fueled in part by

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stronger basketball sales. We also established a new avenue for growth with the acquisition of WizKids, which we continue to believe offers us long-term potential by applying its game design capabilities to the Company's overall line of products."

Mr. Shorin concluded, "We currently anticipate a return to operating earnings growth in fiscal 2005."

During the fourth quarter, the Company paid a cash dividend to shareholders of \$0.04 per share. Additionally, the Company repurchased 63,200 shares of stock at an average price of \$9.06 per share. At February 28, 2004, the Company had \$93.8 million in cash 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](http://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 and album collections, and collectible games. For additional information, visit [www.topps.com](http://www.topps.com). -- more --

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)

	(Unaudited)			
	Quarter Ended		Year Ended	
	February 28, 2004	March 1, 2003	February 28, 2004	March 1, 2003
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Net Sales	\$ 69,775	\$ 65,688	\$ 297,338	\$ 290,115
Cost of sales	47,293	43,533	193,417	188,375
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Gross Profit on sales	22,482	22,155	103,921	101,740
Other income (expense)	286	322	631	184
Selling, general and administrative expenses	20,769	19,484	89,957	81,142
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Income from operations	1,999	2,993	14,595	20,782
Interest income, net	497	643	2,426	2,516
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Income before provision for income taxes	2,496	3,636	17,021	23,298
Provision for income taxes	(424)	1,643	4,326	6,362
Net Income	\$ 2,920	\$ 1,993	\$ 12,695	\$ 16,936
Basic net income per share	0.07	0.05	0.31	0.41
Diluted net income per share	0.07	0.05	0.31	0.40
Weighted average shares outstanding - Basic	40,594,000	40,727,000	40,604,000	41,343,000
Weighted average shares outstanding - Diluted	41,557,000	41,380,000	41,515,000	42,065,000

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

	As of February 28, 2004	As of March 1, 2003
Cash and Equivalents	\$ 93,837	\$ 114,259
Working Capital	133,299	141,484
Net Property, Plant and Equipment	13,786	14,606
Total Assets	275,463	262,756
Shareholders' Equity	\$ 211,277	\$ 196,768

SEGMENT INFORMATION  
(Amounts in Thousands)

	Quarter Ended		Year Ended	
	February 28, 2004	March 1, 2003	February 28, 2004	March 1, 2003
Net Sales				
Confectionery	\$ 28,027	\$ 32,326	\$ 147,254	\$ 146,901
Entertainment Products	41,748	33,362	150,084	143,214
Total	\$ 69,775	\$ 65,688	297,338	290,115
Contributed Margin				
Confectionery	\$ 7,241	\$ 11,124	\$ 45,734	\$ 52,101
Entertainment Products	14,084	10,616	42,467	39,313
Total	\$ 21,325	21,740	88,201	91,414

Reconciliation of Contributed Margin  
to Income Before Provision for Taxes:

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Total Contributed Margin	\$	21,325	\$	21,740	\$	88,201	\$	91,414
Unallocated General and Administrative Expenses and Manufacturing Overhead		(17,817)		(17,712)		(67,644)		(65,778)
Depreciation & Amortization		( 1,795)		( 1,357)		( 6,593)		( 5,038)
Other Income (Expense)		286		322		631		184
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Income form Operations	\$	1,999		2,993		14,595		20,782
Interest Income, Net		497		643		2,426		2,516
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Income before Provision for Income Taxes	\$	2,496		3,636		17,021		23,298
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