

FORM 10-Q  
U.S. SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

QUARTERLY REPORT UNDER SECTION 13

OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For quarter ended June 30, 1998

Commission file number 1-19254

Lifetime Hoan Corporation  
(Exact name of registrant as specified in its charter)

Delaware  
(State or other jurisdiction  
Employer of incorporation or  
organization)

11-2682486  
(I.R.S. Identification No.)

One Merrick Avenue,  
Westbury, NY  
(Address of principal  
executive offices)

11590  
(Zip Code)

Registrant's telephone number, including area code (516) 683-6000

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  
periods 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

APPLICABLE ONLY TO CORPORATE ISSUERS  
Indicate the number of shares outstanding of each of the  
issuer's classes of common stock, as of the latest  
practicable date.

Common Stock, \$.01 Par Value 12,586,589 shares outstanding  
as of July 31, 1998

PART I. FINANCIAL INFORMATION  
ITEM 1. FINANCIAL STATEMENTS

LIFETIME HOAN CORPORATION

CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except share data)

	June 30, 1998 (unaudited)	December 31, 1997
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$2,374	\$7,773
Accounts receivable, less allowances of \$1,104 in 1998 and \$851 in 1997	11,532	13,274
Merchandise inventories	51,004	42,763
Prepaid expenses	2,975	3,290
Deferred income taxes	987	439
Other current assets	2,244	2,170
TOTAL CURRENT ASSETS	71,116	69,709
PROPERTY AND EQUIPMENT, net	9,633	9,434
EXCESS OF COST OVER NET ASSETS ACQUIRED, net	1,808	1,841
OTHER INTANGIBLES, net	10,755	10,950
OTHER ASSETS	1,033	1,023
TOTAL ASSETS	\$94,345	\$92,957
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and trade acceptances	\$3,404	\$5,360
Accrued expenses	6,080	6,152
Income taxes	987	539
TOTAL CURRENT LIABILITIES	10,471	12,051
STOCKHOLDERS' EQUITY		
Common Stock, \$.01 par value, authorized 25,000,000 shares; issued and outstanding 12,581,589 in 1998 and 12,522,246 in 1997	126	125
Paid-in capital	75,606	75,307
Retained earnings	9,104	6,443
Notes receivable for shares issued to stockholders	(908)	(908)
Deferred compensation	(54)	(61)
TOTAL STOCKHOLDERS' EQUITY	83,874	80,906
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$94,345	\$92,957

See notes to condensed consolidated financial statements.

LIFETIME HOAN CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF INCOME  
(in thousands, except per share data)  
(unaudited)

Three Months Ended		Six Months Ended	
June 30,		June 30,	
1998	1997	1998	1997

Net Sales	\$24,184	\$22,133	\$46,052	\$43,241
Cost of sales	12,171	11,203	23,643	22,336
Gross profit	12,013	10,930	22,409	20,905
Selling, general and administrative expenses	8,122	8,352	15,492	16,089
Other (income) expense	(27)	5	(112)	(12)
INCOME BEFORE INCOME TAXES	3,918	2,573	7,029	4,828
Provision for federal, state and local income taxes	1,600	1,035	2,800	1,927
NET INCOME	\$2,318	\$1,538	\$4,229	\$2,901
BASIC EARNINGS PER SHARE	\$0.18	\$0.12	\$0.33	\$0.23
Weighted average shares	12,571	12,447	12,554	12,432
DILUTED EARNINGS PER SHARE	\$0.18	\$0.12	\$0.33	\$0.23
Weighted average shares	12,891	12,655	12,858	12,640

See notes to condensed consolidated financial statements.

# LIFETIME HOAN CORPORATION

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(in thousands)

	Six Months Ended June 30,	
	1998	1997
OPERATING ACTIVITIES		
Net income	\$4,229	\$2,901
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Depreciation and amortization	1,250	850
Deferred tax (benefit)	(548)	(223)
Provision for losses on accounts receivable	61	206
Reserve for sales returns and allowances	276	891
Changes in operating assets and liabilities:		
Accounts receivable	1,405	1,935
Merchandise inventories	(8,241)	(5,730)
Prepaid expenses, other current assets and other assets	231	(306)
Accounts payable and trade acceptances and accrued expenses	(2,028)	(949)
Income taxes payable	448	(852)
NET CASH (USED IN) / PROVIDED BY OPERATING ACTIVITIES	(2,917)	(1,277)
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(1,214)	(870)
NET CASH (USED IN) INVESTING ACTIVITIES	(1,214)	(870)
FINANCING ACTIVITIES		
Proceeds from short term borrowings, net	-	1,100
Proceeds from the exercise of stock options	300	271
Cash dividends paid	(1,568)	-
NET CASH (USED IN) / PROVIDED BY FINANCING ACTIVITIES	(1,268)	1,371
(DECREASE) IN CASH AND CASH EQUIVALENTS	(5,399)	(776)
Cash and cash equivalents at beginning of		

period	7,773	1,093
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$2,374	\$317

See notes to condensed consolidated financial statements.

# LIFETIME HOAN CORPORATION

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

### Note A - 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 six month period ended June 30, 1998 are not necessarily indicative of the results that may be expected for the year ending December 31, 1998. It is suggested that these condensed financial statements be read in conjunction with the financial statements and footnotes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 1997.

### Note B - Inventories

Merchandise inventories, principally finished goods, are recorded at the lower of cost (first-in, first-out basis) or market.

### Note C - Line of Credit Agreement

The Company has available an unsecured \$25,000,000 line of credit with a bank (the "Line") which may be used for short-term borrowings or letters of credit. As of June 30, 1998, the Company had \$12,228,000 of letters of credit and trade acceptances outstanding and no borrowings. The Line is cancelable by either party at any time. Borrowings under the Line bear interest payable daily at a negotiated short term borrowing rate. The Company is charged a nominal fee on the entire Line.

### Note D - Capital Stock

Cash Dividends: On April 22, 1998 the Board of Directors declared a regular quarterly cash dividend of \$0.0625 per share to shareholders of record on May 5, 1998 paid on May 19, 1998 and on July 22, 1998, the Board of Directors of the Company declared another regular quarterly cash dividend of \$0.0625 per share to shareholders of record on August 5, 1998, payable on August 19, 1998.

Earnings Per Share: In February 1997, the Financial Accounting Standards Board issued Statement No.128, Earnings Per Share. Statement No. 128 replaced the calculation of primary earnings per share and fully diluted earnings per share with basic and diluted earnings per share. Unlike primary earnings per share, basic earnings per share excludes any dilutive effects of options, warrants, and convertible securities. Diluted earnings per share is very similar to the previously reported fully diluted earnings per share. All earnings per share amounts have been presented, and where appropriate, restated to conform to Statement No. 128 requirements.

### Note D - Capital Stock (continued)

The following tables set forth the computation of basic and diluted earnings per share for the three month and six month periods ended June 30, 1998:

	Three Months Ended June 30, (in thousands, except per share data)	
	1998	1997
Numerator for basic and diluted earnings per share - net income	\$2,318	\$1,538
Denominator:		
Denominator for basic earnings per share - weighted average shares	12,571	12,447
Effect of dilutive securities:		
Employee stock options	320	208
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	12,891	12,655
Net income per share - basic	\$0.18	\$0.12
Net income per share - diluted	\$0.18	\$0.12

	Six Months Ended June 30, (in thousands, except per share data)	
	1998	1997
Numerator for basic and diluted earnings per share - net income	\$4,229	\$2,901
Denominator:		
Denominator for basic earnings per share - weighted average shares	12,554	12,432
Effect of dilutive securities:		
Employee stock options	304	208
Denominator for diluted earnings per share - adjusted weighted-average shares and assumed conversions	12,858	12,640
Net income per share - basic	\$0.33	\$0.23
Net income per share - diluted	\$0.33	\$0.23

Note E - Subsequent Event - Roshco Acquisition

On August 10, 1998, the Company acquired Roshco, Inc. ("Roshco"), a privately held bakeware and baking-related products distributor, located in Chicago, Illinois. Roshco distributes bakeware and baking-related products under the trade names of Roshco and Baker's Advantage, and its revenues were approximately \$10 million in 1997. The purchase price consisted of an initial cash payment of \$5.0 million and three-year notes payable totalling \$1.5 million. The Company is obligated to make additional contingent payments based on annual sales volume for bakeware and baking-related products. The Company also assumed bank debt of \$2.6 million which was paid at the closing.

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TEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RESULTS OF OPERATIONS

The following table sets forth income statement data of the Company as a percentage of net sales for the periods indicated below.

Three Months Ended	Six Months Ended
June 30,	June 30,

	1998	1997	1998	1997
Net sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	50.3	50.6	51.3	51.6
Gross profit	49.7	49.4	48.7	48.4
Selling, general and administrative expenses	33.6	37.7	33.7	37.2
Other (income), expense	(0.1)	0.1	(0.2)	-
Income before income taxes	16.2	11.6	15.2	11.2
Tax provision	6.6	4.7	6.0	4.5
Net Income	9.6%	6.9%	9.2%	6.7%

Three Months Ended June 30, 1998  
Compared to Three Months ended June 30, 1997

Net Sales

Net sales for the three months ended June 30, 1998 were \$24.2 million, an increase of \$2.1 million or 9.3% over the comparable 1997 quarter. Excluding sales from the Company's Farberware outlet stores, net sales, reflecting the Company's core business, increased by 15.6% in 1998. The sales growth was due principally to increased shipments of Hoffritz and Farberware branded products, partially offset by lower sales in non-branded products. Net sales from the Farberware outlet stores were \$1.5 million in 1998, as compared to \$2.5 million for the comparable period in 1997. The lower sales in the 1998 period resulted from the restructuring of the operations of the outlet stores pursuant to an agreement with Meyer Corporation which became effective in the third quarter of 1997. Under the terms of the agreement Meyer Corporation receives all revenue from sales of cookware products in the Farberware outlet stores and is responsible for 62.5% of the operating expenses.

Gross Profit

Gross profit for the three months ended June 30, 1998 was \$12.0 million, an increase of 9.9% from the comparable 1997 period. Gross profit as a percentage of net sales improved to 49.7% from 49.4% in the comparable 1997 period, due primarily to a favorable change in the overall sales product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended June 30, 1998 were \$8.1 million, a decrease of 2.8% from the comparable 1997 quarter. Excluding the expenses related to the outlet stores, S,G&A expenses increased in the 1998 quarter by 8.9%, but as a percent of net sales, S,G&A decreased to 32.2% as compared to 34.2% for the 1997 quarter. The higher expenses were primarily attributable to increased selling, warehousing and distribution expenses related to the higher sales levels in the core business. Selling, general and administrative expenses for the Farberware outlet stores decreased by \$826,000 in the 1998 quarter as compared to 1997, reflecting the restructuring of the operations of the outlet stores.

Six Months Ended June 30, 1998  
Compared to Six Months ended June 30, 1997

Net Sales

Net sales for the six months ended June 30, 1998 were \$46.1 million, an increase of \$2.8 million or 6.5% over the comparable 1997 period. Excluding sales from the Company's Farberware outlet stores, net sales, reflecting the Company's core business, increased by 13.6% in 1998. The sales growth was due principally to increased shipments of Hoffritz and Farberware branded products, partially offset by lower sales in non-branded products.

Net sales from the Farberware outlet stores were \$2.6 million in 1998, as compared to \$5.0 million for the comparable period in 1997. The lower sales in the 1998 period resulted from the July 1997 restructuring of the operations of the outlet stores.

Gross Profit

Gross profit for the six months ended June 30, 1998 was \$22.4

million, an increase of 7.2% from the comparable 1997 period. Gross profit as a percentage of net sales improved to 48.7% from 48.4% in the comparable 1997 period, due primarily to a favorable change in the overall sales product mix.

#### Selling, General and Administrative Expenses

Selling, general and administrative expenses for the six months ended June 30, 1998 were \$15.5 million, a decrease of 3.7% from the comparable 1997 period. Excluding the expenses related to the outlet stores, S,G&A expenses increased in the 1998 period by 8.8%, but as a percent of net sales, S,G&A decreased to 32.2% as compared to 33.6% for the comparable 1997 period. The higher expenses were primarily attributable to increased selling, warehousing and distribution expenses related to higher sales in the core business. Selling, general and administrative expenses for the Farberware outlet stores decreased by \$1.7 million in 1998 as compared to the comparable period in 1997, reflecting the restructuring of the operations of the outlet stores.

**Forward Looking Statements:** This Quarterly Report on Form 10-Q contains certain forward-looking statements within the meaning of the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995, including statements concerning the Company's future products, results of operations and prospects. These forward-looking statements involve risks and uncertainties, including risks relating to general economic and business conditions, including changes which could affect customer payment practices or consumer spending; industry trends; the loss of major customers; changes in demand for the Company's products; the timing of orders received from customers; cost and availability of raw materials; increases in costs relating to manufacturing and transportation of products; dependence on foreign sources of supply and foreign manufacturing; and the seasonal nature of the business as detailed elsewhere in this Quarterly Report on Form 10-Q and from time to time in the Company's filings with the Securities and Exchange Commission. Such statements are based on management's current expectations and are subject to a number of factors and uncertainties which could cause actual results to differ materially from those described in the forward-looking statements.

#### LIQUIDITY AND CAPITAL RESOURCES

The Company has a \$25,000,000 unsecured line of credit with a bank (the "Line") which may be used for short term borrowings or letters of credit and trade acceptances. Borrowings under the Line bear interest payable daily at a negotiated short term borrowing rate. The Company is charged a nominal fee on the entire Line. As of June 30, 1998, the Company had \$12,228,000 of letters of credit and trade acceptances outstanding under the Line and no borrowings and, as a result, the availability under the Line was \$12,772,000. The Line is cancelable by either party at any time.

At June 30, 1998, the Company had cash and cash equivalents of \$2.4 million versus \$7.8 million at December 31, 1997. The decrease is primarily attributable to the Company's increased inventory levels.

On July 22, 1998 the Board of Directors declared another regular quarterly cash dividend of \$0.0625 per share to shareholders of record on August 5, 1998, to be paid on August 19, 1998. The dividend to be paid will be \$787,000.

The Company estimates that approximately \$4.5 million of capital expenditures will be incurred in 1998. These expenditures are primarily for equipment and a management system to be used in a new, more modern, leased distribution facility, and the installation of a new financial reporting system.

On August 10, 1998, the Company acquired Roshco, Inc. ("Roshco"), a privately held bakeware and baking-related products distributor, located in Chicago, Illinois. The purchase price consisted of an initial cash payment of \$5.0 million and three year notes payable

totalling \$1.5 million. The Company is obligated to make additional contingent payments based on annual sales volume for bakeware and baking-related products. The Company also assumed bank debt of \$2.6 million which was paid at the closing.

The Company believes that its cash and cash equivalents, internally generated funds and its existing credit arrangements will be sufficient to finance its operations, planned capital expenditures, and the Roshco acquisition for the next 12 months.

The results of operations of the Company for the periods discussed have not been significantly affected by inflation or foreign currency fluctuation. The Company negotiates its purchase orders with its foreign manufacturers in United States dollars. Thus, notwithstanding any fluctuation in foreign currencies, the Company's cost for any purchase order is not subject to change after the time the order is placed. However, the weakening of the United States dollar against local currencies could lead certain manufacturers to increase their United States dollar prices for products. The Company believes it would be able to compensate for any such price increase.

The Company is in the process of installing a new financial/accounting system and a separate warehouse management system which the Company believes will significantly enhance capabilities. These systems are expected to be fully operational by the middle of 1999 and be Year 2000 compliant. The Company also has initiated discussions with its significant suppliers, large customers and financial institutions to ensure that those parties have appropriate plans to remedy Year 2000 issues where their systems interface with the Company's systems or otherwise impact its operations. The Company will assess the extent to which its operations are vulnerable should those organizations fail to remedy properly their computer systems. While the Company believes its planning efforts are adequate to address its Year 2000 concerns, there can be no guarantee that the systems of other companies on which the Company's systems and operations rely will be converted on a timely basis and will not have a material effect on the Company.

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## ART II - OTHER INFORMATION

### Item 4. Submission of Matters to a Vote of Security-Holders.

The Company's annual meeting of stockholders was held on June 9, 1998. At the meeting, all six director nominees were elected and the appointment of Ernst & Young, LLP as independent auditors was ratified.

- (a) Bruce Cohen was elected as a first time director of the Company. Milton L. Cohen, Jeffrey Siegel, Craig Phillips, Ronald Shiftan, and Howard Bernstein were re-elected as directors of the Company.
- (b) Ernst & Young LLP was re-appointed as independent auditors to audit the Company's financial statements for the fiscal year ending December 31, 1998.

### Item 6. Exhibit(s) and Reports on Form 8-K.

- (a) Exhibit(s) in the second quarter of 1998:
  - Exhibit Description
  - No. 27 Financial Data Schedule



(b) Reports on Form 8-K in the second quarter of 1998:  
NONE

Exhibit 27. Financial Data Schedule

Lifetime Hoan Corporation

Financial Data Schedule

Pursuant to Item 601(c) of Regulation S-K

This schedule contains summary financial information extracted from the financial statements included in the form 10-Q and is qualified in its entirety by reference to such financial statements for the six months ended June 30, 1998.

(in thousands, except per share data)

Item Number	Item Description	Amount
5-02(1)	Cash and Cash Items	\$ 2,374
5-02(2)	Marketable Securities	\$ 0
5-02(3) (a) (1)	Notes and Accounts Receivable - Trade	\$ 11,607
5-02(4)	Allowances for Doubtful Accounts	\$ 75
5-02(6)	Inventory	\$ 51,004
5-02(9)	Total Current Assets	\$ 71,116
5-02(13)	Property, Plant and Equipment	\$ 16,097
5-02(14)	Accumulated Depreciation	\$ 6,464
5-02(18)	Total Assets	\$ 94,345
5-02(21)	Total Current Liabilities	\$ 10,471
5-02(22)	Bonds, Mortgages and Similar Debt	\$ 0
5-02(28)	Preferred Stock - Mandatory Redemption	\$ 0
5-02(29)	Preferred Stock - No Mandatory Redemption	\$ 0
5-02(30)	Common Stock	\$ 126
5-02(31)	Other Stockholders' Equity	\$ 83,748
5-02(32)	Total Liabilities and Stockholders' Equity	\$ 94,345
5-03(b)1(a)	Net Sales of Tangible Products	\$ 45,811
5-03(b)1	Total Revenues	\$ 46,052
5-03(b)2(a)	Cost of Tangible Goods Sold	\$ 23,643
5-03(b)2	Total Costs and Expenses Applicable to Sales and Revenues	\$ 23,643
5-03(b)3	Other Costs and Expenses	\$ 0
5-03(b)5	Provision for Doubtful Accounts and Notes	\$ 61
5-03(b) (8)	Interest and Amortization of Debt Discount	\$ 0
5-03(b) (10)	Income Before Taxes and Other Items	\$ 7,029
5-03(b) (11)	Income Tax Expense	\$ 2,800
5-03(b) (14)	Income/Loss Continuing Operations	\$ 4,229
5-03(b) (15)	Discontinued Operations	\$ 0
5-03(b) (17)	Extraordinary Items	\$ 0
5-03(b) (18)	Cumulative effect - Changes in Accounting Principles	\$ 0
5-03(b) (19)	Net Income or Loss	\$ 4,229
5-03(b) (20)	Earnings Per Share - Primary	\$ 0.33
5-03(b) (20)	Earnings Per Share - Fully Diluted	\$ 0.33

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 thereunto duly authorized.

Lifetime Hoan Corporation

August 14, 1998

/s/ Milton L. Cohen

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Chairman of the Board of  
Directors and President  
(Principal Executive Officer)

August 14, 1998

/s/ Robert McNally

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Vice President - Finance and  
Treasurer (Principal Financial  
and Accounting Officer)