

Page 1 of 13
FORM 10-Q
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 September 30, 1996

Commission file number 1-19254

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

Delaware 11-2682486
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

One Merrick Avenue, Westbury, NY 11590
(Address of principal executive offices) (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 11,276,194 shares outstanding as of October 31, 1996

INDEX

LIFETIME HOAN CORPORATION

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets as of September 30, 1996 and December 31, 1995	3
Condensed Consolidated Statements of Income for the Three and Nine months ended September 30, 1996 and 1995	4
Condensed Consolidated Statement of Changes in Stockholders' Equity for the Nine months ended September 30, 1996	5
Condensed Consolidated Statements of Cash Flows for the Nine months ended September 30, 1996 and 1995	6
Notes to Condensed Consolidated Financial Statements for the Nine months ended September 30, 1996	7

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	8
-----------------------------------------------------------------------------------------------	---

PART II. OTHER INFORMATION 11

SIGNATURES 13

ITEM 1. FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED BALANCE SHEETS
LIFETIME HOAN CORPORATION

	September 30, 1996 (unaudited)	December 31, 1995 (Note)
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$56,847	\$89,797
Accounts receivable, less allowances of \$734,000 (1996) and \$663,000 (1995)	14,211,673	12,682,401
Merchandise inventories	43,410,089	43,337,000
Prepaid expenses	5,608,638	4,578,813
Deferred income taxes	1,116,000	1,186,000
Other current assets	1,840,996	695,241
TOTAL CURRENT ASSETS	66,244,243	62,569,252
PROPERTY AND EQUIPMENT, at cost, net of accumulated depreciation and amortization of \$3,680,959 (1996) and \$2,841,202 (1995)	8,749,752	7,882,166
EXCESS OF COST OVER NET ASSETS ACQUIRED, net of accumulated amortization of \$757,000 (1996) and \$708,100 (1995)	1,922,202	1,971,102
OTHER INTANGIBLES, net of accumulated amortization of \$238,294 (1996) and \$24,000 (1995)	11,316,071	2,452,748
OTHER ASSETS	938,938	880,766
	\$89,171,206	\$75,756,034
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable and trade acceptances	\$5,387,069	\$3,072,401
Accrued expenses	6,401,823	5,931,414
Income taxes	976,518	232,447
Short term borrowings	8,400,000	4,600,000
TOTAL CURRENT LIABILITIES	21,165,410	13,836,262
STOCKHOLDERS' EQUITY		
Series B Preferred Stock, \$1 par value, authorized 2,000,000 shares; none issued		
Common Stock, \$.01 par value, authorized 25,000,000 shares; issued and outstanding 11,276,194 (1996) and 11,257,276 (1995)	112,762	112,573
Paid-in capital	61,221,113	61,103,589
Retained earnings	7,661,480	1,845,007
	68,995,355	63,061,169
Less:		
Notes receivable for shares issued to stockholders	908,064	1,048,064
Deferred compensation	81,495	93,333
	68,005,796	61,919,772
	\$89,171,206	\$75,756,034

Note: The Balance Sheet at December 31, 1995 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements.

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)
LIFETIME HOAN CORPORATION

	Three Months Ended September 30, 1996		September 30, 1995		Nine Months Ended September 30, 1996	
Net sales	\$25,116,29	\$22,093,672	\$65,380,614	\$56,327,592		

Cost of sales	11,707,992	11,758,701	32,782,813	29,673,714
	13,408,304	10,334,971	32,597,801	26,653,878
Selling, general and administrative expenses	8,502,046	6,378,161	22,622,276	18,152,488
INCOME FROM OPERATIONS	4,906,258	3,956,810	9,975,525	8,501,390
Other (income) deductions:				
Interest expense	193,399	152,198	527,932	217,932
Other (income), net	(25,120)	(23,980)	(78,881)	(121,321)
INCOME BEFORE INCOME TAXES	4,737,979	3,828,592	9,526,474	8,404,779
Provision for federal, state and local income taxes	1,865,000	1,465,000	3,710,000	3,252,000
NET INCOME	\$2,872,979	\$2,363,592	\$5,816,474	\$5,152,779
NET INCOME PER SHARE	\$0.25	\$0.20	\$0.50	\$0.44
WEIGHTED AVERAGE SHARES OUTSTANDING	11,535,483	11,530,253	11,526,207	11,636,283

See notes to condensed consolidated financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

(UNAUDITED)

LIFETIME HOAN CORPORATION

	Common Stock	Paid-in	Retained	Notes	Deferred		Total
	Shares	Amount	Capital	Earnings	Receivable from Stockholders	Compensati on	
Balance at Dec. 31, 1995	11,257,276	\$112,573	\$61,103,589	\$1,845,006	(\$1,048,064)	(\$93,333)	\$61,919,771
Exercise of stock options	17,860	178	111,388				111,566
Exercise of warrants	1,058	11	6,136				6,147
Net income for the nine months ended September 30, 1996				5,816,474		5,816,474	
Repayment of note receivable					140,000		140,000
Amortization of deferred						11,838	11,838

compensation

Balance at
Sept. 30, 1996 11,276,194 \$112,762 \$61,221,113 \$7,661,480 (\$908,064) (\$81,495) \$68,005,796

See notes to condensed consolidated financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(UNAUDITED)
LIFETIME HOAN CORPORATION

	Nine Months Ended September 30, 1996	Nine Months Ended September 30, 1995
OPERATING ACTIVITIES		
Net income	\$5,816,474	\$5,152,779
Adjustments to reconcile net income to net cash provided by / (used in) operating activities:		
Depreciation and amortization	1,122,484	649,971
Amortization of deferred compensation	11,838	44,909
Deferred tax (benefit)	70,000	(246,000)
Provision for losses on accounts receivable	446,256	460,568
Changes in operating assets and liabilities:		
Accounts receivable	(1,975,528)	(1,814,681)
Merchandise inventories	(73,089)	(14,753,000)
Prepaid expenses, other current assets and other assets	(2,233,752)	(567,463)
Accounts payable and trade acceptances and accrued expenses	2,785,077	819,287
Income taxes payable	744,071	(38,234)
NET CASH PROVIDED BY / (USED IN) OPERATING ACTIVITIES	6,713,831	(10,291,864)
INVESTING ACTIVITIES		
Purchase of property and equipment, net	(1,726,877)	(569,068)
Purchase of intangibles	(9,077,617)	(2,000,000)
NET CASH (USED IN) INVESTING ACTIVITIES	(10,804,494)	(2,569,068)
FINANCING ACTIVITIES		
Proceeds from short term borrowings, net	3,800,000	11,700,000
Proceeds from the exercise of warrants	6,147	43,447
Proceeds from the exercise of stock options	111,566	247,963
Repurchase of common stock, net		(1,609,352)
Repayment of note receivable	140,000	-
NET CASH PROVIDED BY FINANCING ACTIVITIES	4,057,713	10,382,058
(DECREASE) IN CASH AND CASH EQUIVALENTS	(32,950)	(2,478,874)
Cash and cash equivalents at beginning of period	89,797	2,724,429
CASH AND CASH EQUIVALENTS AT END OF	\$56,847	\$245,555

PERIOD...

See notes to condensed consolidated financial statements.

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)
LIFETIME HOAN CORPORATION

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 nine month period ended September 30, 1996 are not necessarily indicative of the results that may be expected for the year ended December 31, 1996. For further information, refer to the financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1995.

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 September 30, 1996, the Company had \$8,400,000 of borrowings and \$9,561,000 of letters of credit and trade acceptances outstanding. 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 (7.00% at September 30, 1996). The Company is charged a nominal fee on the entire Line.

Note D - Capital Stock

Net Income Per Share: Net income per common share is based on net income divided by the weighted average number of common shares and equivalents outstanding during the periods.

As of September 30, 1996, 775,737 shares of Common Stock have been reserved for issuance upon the exercise of options.

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

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

	Three Months Ended		Nine Months Ended	
	September 30, 1996	September 30, 1995	September 30, 1996	September 30, 1995
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of sales	46.6	53.2	50.1	52.7
Gross profit	53.4	46.8	49.9	47.3
Selling, general and administrative expenses	33.9	28.9	34.6	32.2
Income from operations	19.5	17.9	15.3	15.1
Other (income), expense	0.8	0.6	0.8	0.2
Income before income taxes	18.8	17.3	14.5	14.9
Income taxes	7.4	6.6	5.7	5.8
Net Income	11.4 %	10.7 %	8.9 %	9.1 %

Three Months Ended September 30, 1996
Compared to Three Months Ended September 30, 1995

Net Sales Net sales for the three months ended September 30, 1996 were \$25.1 million, an increase of \$3.0 million or 13.7% from the

comparable 1995 period. The sales growth was primarily due to net sales from the Farberware Outlet Stores acquired in April 1996, increased net sales of Farberware products, Smart Choice lines and net sales from the new Hoffritz line, partially offset by decreased sales of other Company products.

Gross Profit

Gross profit for the three months ended September 30, 1996 was \$13.4 million, an increase of \$3.1 million or 29.7% over the comparable 1995 period. Gross profit as a percentage of net sales was 53.4% as compared to 46.8% for the 1995 period. This increase is primarily due to a reduction of royalty expense due to the Farberware acquisition and changes in product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the three months ended September 30, 1996 were \$8.5 million, an increase of \$2.1 million or 33.3% from the comparable 1995 period. Selling, general and administrative expenses as a percentage of net sales were 33.9% during this three month period in 1996 as compared to 28.9% for the 1995 period. This increase is primarily attributable to the operations of the Farberware Outlet Stores and increased personnel related expenses.

Nine Months Ended September 30, 1996 Compared to Nine Months Ended September 30, 1995

Net Sales Net sales for the nine months ended September 30, 1996 were \$65.4 million, an increase of \$9.1 million or 16.1% from the comparable 1995 period. The sales growth was primarily due to net sales from the Farberware Outlet Stores acquired in April 1996, increased net sales of Farberware products, Smart Choice lines and net sales from the new Hoffritz line, partially offset by decreased sales of other Company products.

Gross Profit

Gross profit for the nine months ended September 30, 1996 was \$32.6 million, an increase of \$5.9 million or 22.3% over the comparable 1995 period. Gross profit as a percentage of net sales was 49.9% as compared to 47.3% for the 1995 period. This increase is primarily due to a reduction of royalty expense due to the Farberware acquisition and changes in product mix.

Selling, General and Administrative Expenses

Selling, general and administrative expenses for the nine months ended September 30, 1996 were \$22.6 million, an increase of \$4.5 million or 24.6% from the comparable 1995 period. Selling, general and administrative expenses as a percentage of net sales were 34.6% during this nine month period in 1996 as compared to 32.2% for the 1995 period. This percentage increase is primarily attributable to the operations of the Farberware Outlet Stores.

LIQUIDITY AND CAPITAL RESOURCES

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.

Borrowings under the Line bear interest payable daily at a negotiated short term borrowing rate (7.0% at September 30, 1996). The Company is charged a nominal fee on the entire Line. As of September 30, 1996, the Company had \$8,400,000 of borrowings and \$9,561,000 of letters of credit and trade acceptances outstanding under the Line and, as a result, the availability under the Line was \$7,039,000. The Line is cancelable by either party at any time.

At September 30, 1996, the Company had cash and cash equivalents of \$57,000 versus \$90,000 at December 31, 1995, a decrease of \$33,000. The decrease is primarily attributable to the Company's increased prepaid expenses and other current assets offset by increased accounts payable and trade acceptances.

Products are sold to retailers primarily on 30-day credit terms, and to distributors primarily on 60-day credit terms.

The Company believes that its cash and cash equivalents, internally generated funds and its existing credit arrangements will be sufficient to finance its operations 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 long term 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.

PART II - OTHER INFORMATION

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

(a) Exhibit(s) in the third quarter of 1996:

Exhibit 27. Financial Data Schedule

(b) Reports on Form 8-K in the third quarter of 1996: 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 for the nine months ended September 30, 1996.

Item Number	Item Description	Amount
5-02(1)	Cash and Cash Items	\$ 56,847
5-02(2)	Marketable Securities	\$ 0
5-02(3)(a)(1)	Notes and Accounts Receivable - Trade	\$ 14,286,673
5-02(4)	Allowances for Doubtful Accounts	\$ 75,000
5-02(6)	Inventory	\$ 43,410,089
5-02(9)	Total Current Assets	\$ 66,244,243
5-02(13)	Property, Plant and Equipment	\$ 12,430,711
5-02(14)	Accumulated Depreciation	\$ 3,680,959
5-02(18)	Total Assets	\$ 89,171,206
5-02(21)	Total Current Liabilities	\$ 21,165,410
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	\$ 112,762
5-02(31)	Other Stockholders' Equity	\$ 67,893,034
5-02(32)	Total Liabilities and Stockholders' Equity	\$ 89,171,206
5-03(b)1(a)	Net Sales of Tangible Products	\$ 65,185,081
5-03(b)1	Total Revenues	\$ 65,380,614
5-03(b)2(a)	Cost of Tangible Goods Sold	\$ 32,782,813
5-03(b)2	Total Costs and Expenses Applicable to Sales and Revenues	\$ 32,782,813

5-03(b)3	Other Costs and Expenses	\$	0
5-03(b)5	Provision for Doubtful Accounts and Notes	\$	446,256
5-03(b)(8)	Interest and Amortization of Debt Discount	\$	527,932
5-03(b)(10)	Income Before Taxes and Other Items	\$	9,526,474
5-03(b)(11)	Income Tax Expense	\$	3,710,000
5-03(b)(14)	Income/Loss Continuing Operations	\$	5,816,474
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	\$	5,816,474
5-03(b)(20)	Earnings Per Share - Primary	\$	0.50
5-03(b)(20)	Earnings Per Share - Fully Diluted	\$	0.50

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

/s/ Milton L. Cohen November 14,

1996

Milton L. Cohen
Chairman of the Board of Directors
and President
(Principal Executive Officer)

/s/ Fred Spivak November 14,

1996

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