

HANDLEMAN CO /MI/
Form 10-Q
March 14, 2003
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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

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

For the third quarter ended January 31, 2003

Commission File Number 1-7923

Handleman Company

(Exact name of registrant as specified in its charter)

Michigan

38-1242806

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer Identification No.)

500 Kirts Boulevard, Troy, Michigan

48084-4142

(248) 362-4400

(Address of principal executive offices)

(Zip code)

(Registrant's telephone number)

Indicate by checkmark 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 at least the past 90 days.

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YES X NO

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

CLASS	DATE	SHARES OUTSTANDING
Common Stock \$.01 Par Value	March 7, 2003	25,692,244

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HANDLEMAN COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(UNAUDITED)

(amounts in thousands except per share data)

	Three Months (14 Weeks)		Nine Months (40 Weeks)	
	Ended		Ended	
	January 31, 2003	January 31, 2002	January 31, 2003	January 31, 2002
Revenues	\$ 437,595	\$ 389,903	\$ 1,057,450	\$ 1,006,241
Costs and expenses:				
Direct product costs	347,679	314,100	824,045	783,336
Selling, general and administrative expenses	62,725	65,525	176,812	180,275
Impairment of subsidiary assets	33,100	5,693	33,100	5,693
Interest (income) expense, net	(60)	1,307	546	3,501
Income (loss) before income taxes and minority interest	(5,849)	3,278	22,947	33,436
Income tax benefit (expense)	5,873	3,976	(4,562)	(8,592)
Minority interest		(61)	366	132
Net income	\$ 24	\$ 7,193	\$ 18,751	\$ 24,976
Net income per share				
Basic	\$ 0.00	\$ 0.27	\$ 0.72	\$ 0.94
Diluted	\$ 0.00	\$ 0.27	\$ 0.72	\$ 0.93
Weighted average number of shares outstanding during the period				
Basic	25,792	26,689	26,157	26,672
Diluted	25,845	26,890	26,178	26,813

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

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HANDLEMAN COMPANY
CONSOLIDATED BALANCE SHEETS
(amounts in thousands except share data)

	January 31, 2003 (Unaudited)	April 27, 2002
	<u> </u>	<u> </u>
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 54,047	\$ 20,254
Accounts receivable, less allowance of \$12,241 at January 31, 2003 and \$14,067 at April 27, 2002, respectively, for the gross profit impact of estimated future returns	204,700	274,490
Merchandise inventories	128,302	126,145
Assets held for sale	42,882	
Other current assets	16,736	22,441
	<u> </u>	<u> </u>
Total current assets	446,667	443,330
	<u> </u>	<u> </u>
Property and equipment:		
Land, buildings and improvements	13,897	15,914
Display fixtures	33,942	38,030
Computer hardware and software	31,587	51,465
Equipment, furniture and other	32,430	32,042
	<u> </u>	<u> </u>
	111,856	137,451
Less accumulated depreciation	57,650	69,744
	<u> </u>	<u> </u>
	54,206	67,707
	<u> </u>	<u> </u>
Other assets, net	64,381	94,466
	<u> </u>	<u> </u>
Total assets	\$ 565,254	\$ 605,503
	<u> </u>	<u> </u>
LIABILITIES		
Current liabilities:		
Accounts payable	\$ 176,203	\$ 206,180
Debt, current portion	3,571	3,571
Liabilities held for sale	9,174	
Accrued and other liabilities	28,786	39,054
	<u> </u>	<u> </u>
Total current liabilities	217,734	248,805
	<u> </u>	<u> </u>
Debt, non-current	31,851	53,749

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Other liabilities	8,090	13,331
SHAREHOLDERS' EQUITY		
Preferred stock, \$1.00 par value; 1,000,000 shares authorized; none issued		
Common stock, \$.01 par value; 60,000,000 shares authorized; 25,692,000 and 26,472,000 shares issued at January 31, 2003 and April 27, 2002, respectively	257	265
Foreign currency translation adjustment	(310)	(7,005)
Unearned compensation	(2,751)	(1,708)
Retained earnings	310,383	298,066
	<hr/>	<hr/>
Total shareholders' equity	307,579	289,618
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Total liabilities and shareholders' equity	\$ 565,254	\$ 605,503
	<hr/>	<hr/>

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

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HANDLEMAN COMPANY
CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY
(UNAUDITED)
(amounts in thousands)

Nine Months (40 Weeks) Ended January 31, 2003

	Common Stock		Foreign Currency Translation Adjustment	Unearned Compensation	Retained Earnings	Total Shareholders' Equity
	Shares Issued	Amount				
April 27, 2002	26,472	\$ 265	\$ (7,005)	\$ (1,708)	\$ 298,066	\$ 289,618
Net income					18,751	18,751
Adjustment for foreign currency translation			6,695			6,695
Comprehensive income, net of tax						