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LEATHER FACTORY INC
Form 8-K
July 23, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C.

FORM 8-K

CURRENT REPORT PURSUANT
TO SECTION 13 OR 15(D) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of report (Date of earliest event reported): July 22, 2003

The Leather Factory, Inc.

(Exact Name of Registrant as Specified in Its Charter)

Delaware

(State or Other Jurisdiction of Incorporation)

1-12368

75-2543540

(Commission File Number)

(IRS Employer Identification Number)

3847 East Loop 820 South, Fort Worth, Texas

76119

(Address of Principal Executive Offices)

(Zip Code)

(817) 496-4414

(Registrant's Telephone Number, Including Area Code)

(Former Name or Former Address, if Changed Since Last Report)

ITEM 9. REGULATION FD DISCLOSURE

The Registrant is furnishing the press release attached as Exhibit 9.1 announcing the Registrant's 2nd quarter 2003 financial results. This press release was issued on July 22, 2003.

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 hereunto duly authorized.

THE LEATHER FACTORY, INC.

Date: July 23, 2003

BY: /s/ Wray Thompson

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Wray Thompson, Chairman of the Board
and Chief Executive Officer

EXHIBIT 9.1

FOR IMMEDIATE RELEASE

JULY 22, 2003

THE LEATHER FACTORY REPORTS 2ND QUARTER 2003 RESULTS

FORT WORTH, TEXAS - The Leather Factory, Inc. (AMEX: TLF) today reported financial results for the second quarter of 2003. Net income for the quarter ended June 30, 2003 was \$779,000 compared to net income of \$792,000 per share for the second quarter of 2002. Diluted earnings per share for the quarter were \$0.07, the same as in the second quarter of last year. Total sales for the quarter ended June 30, 2003 increased 4% to \$10.5 million from \$10.0 million for the same quarter last year. Same store sales were up 2% for the quarter.

Sales for the six months ended June 30, 2003 were \$21.0 million, an increase of 4% over 2002 first half sales of \$20.2 million. Comparable store sales growth for the six months ended June 30, 2003 was 3%. Net income for the first half of 2003 was \$1.6 million or \$0.14 per fully-diluted share versus a loss of \$2.5 million or \$0.23 per fully-diluted shares in the prior comparable period. Last year's results included a charge for the cumulative effect of an accounting change of \$4.0 million, net of tax, for the adoption of SFAS No. 142, Goodwill and other Intangible Assets. Income before the cumulative effect of the accounting change was \$1.6 million or \$0.14 per fully-diluted share for the six months ended June 30, 2002.

Second quarter sales for the Leather Factory stores increased \$101,000 or 1.3% over the same quarter last year. The 29 comparable stores' sales were off \$31,000 or 0.4% while the one new store contributed \$132,000 to account for the modest gain. Leather Factory's year-to-date sales are up \$600,000 or 4.0% over the first six months of 2002. The 29 comparable stores sales rose \$361,000 or 2.4% and the one new store's sales contributed \$248,000.

Tandy Leather sales increased \$300,000 in the second quarter or 16.5% above last year's comparable quarter. Tandy Leather operations consist of 22 retail stores as of June 30, 2003 compared to six retail stores and one central mail order center a year ago. The mail order center ceased operations in the third quarter of 2002. Comparable stores' sales (4 stores) were up \$178,000 or 38.7% for the quarter. The 18 new stores contributed sales of \$1.4 million this quarter versus the mail order center's sales of \$1.3 million in the second quarter of 2002. Tandy's sales for the year are up \$154,000 or 4.0% over the same period last year. The one comparable store's sales are up \$86,000 or 26.9%. The 21 new stores have contributed \$3.1 million for the year against the mail order center's sales of \$3.0 million last year.

Roberts, Cushman's second quarter sales increased \$8,000 or 1.5% over the same period a year ago and are up 0.08% for the year.

Consolidated operating expenses rose \$342,000 in the current quarter and \$697,000 for the year over the same periods a year ago. Costs associated with the new Tandy store openings (rents, utilities, etc.), marketing and advertising costs, and boosted efforts in the investor relations area account for the majority of the increase.

Wray Thompson, Chairman and Chief Executive Officer, commented, "We're generally

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pleased with our second quarter results. The Tandy stores continue to perform well and we expect to open four more stores before the end of the year. Our wholesale business at the Leather Factory stores has slowed slightly as our small business customers are struggling. The sluggish economy seems to be negatively impacting them. However, we've implemented some new merchandising initiatives that we believe will strengthen sales in the last half of the year. We're continuing to work diligently on cost containment measures in all operating segments in order to strengthen our bottom line."

The Leather Factory, Inc., (<http://www.leatherfactory.com>), headquartered in Fort Worth, Texas, is a marketer and distributor of a broad product line including leather, leatherworking tools, buckles and adornments for belts, leather dyes and finishes, shoe repair supplies, saddle and tack hardware, and do-it-yourself leathercraft kits. The Company distributes its products worldwide through its Leather Factory stores, Tandy Leather retail stores and mail/telephone/website orders (<http://www.tandyleather.com>). Its common stock trades on the American Stock Exchange with the symbol "TLF".

Contact: Wray Thompson, The Leather Factory, Inc. (817) 496-4414
 Shannon L. Greene, The Leather Factory, Inc. sgreene@leatherfactory.com

This news release may contain forward-looking statements. All forward-looking statements made here or in other news releases issued by The Leather Factory, Inc. are based on current expectations as of the date of the release. These forward-looking statements involve risks and uncertainties that could cause the results of The Leather Factory, Inc. to differ materially from management's current expectations. Many of these risks and uncertainties are detailed from time to time in TLF's reports filed with the Securities and Exchange Commission, including its most recent annual report on Form 10-K and the most recent quarterly report on Form 10-Q. Investors are reminded that past performance may not be predictive of future results.

THE LEATHER FACTORY, INC.
 CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)
 FOR THE THREE AND SIX MONTHS ENDED JUNE 30, 2003 AND 2002

| | THREE MONTHS | |
|---|--------------|-----------|
| | 2003 | 2002 |
| NET SALES | \$10,460,675 | \$10,052, |
| COST OF SALES | 4,739,621 | 4,616, |
| Gross Profit. | 5,721,054 | 5,435, |
| OPERATING EXPENSES. | 4,566,590 | 4,224, |
| INCOME FROM OPERATIONS. | 1,154,464 | 1,211, |
| OTHER EXPENSE: | | |
| Interest expense. | 70,468 | 47, |
| Other, net. | (43,705) | 10, |
| Total other expense | 26,763 | 57, |
| INCOME BEFORE INCOME TAXES AND CUMULATIVE | | |

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| | | |
|---|------------|---------|
| EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. | 1,127,701 | 1,153, |
| PROVISION FOR INCOME TAXES. | 348,997 | 361, |
| NET INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE. | 778,704 | 792, |
| CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE, NET OF INCOME TAXES. | - | |
| NET INCOME (LOSS) | \$ 778,704 | \$ 792, |
| NET INCOME (LOSS) PER COMMON SHARE - BASIC: | | |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. | \$ 0.08 | \$ 0 |
| CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. | - | |
| NET INCOME (LOSS) PER COMMON SHARE. | \$ 0.08 | \$ 0 |
| NET INCOME (LOSS) PER COMMON SHARE-DILUTED: | | |
| INCOME BEFORE CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE. | \$ 0.07 | \$ 0 |
| CUMULATIVE EFFECT OF CHANGE IN ACCTG PRINCIPLE, NET OF TAX. | - | |
| NET INCOME (LOSS) PER COMMON SHARE. | \$ 0.07 | \$ 0 |