

LAKELAND INDUSTRIES INC  
Form 10-Q  
June 08, 2006

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

(Mark one)

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

For the quarterly period ended **April 30, 2006**

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

**Commission File Number: 0-15535**

**LAKELAND INDUSTRIES, INC.**  
(Exact name of Registrant as specified in its charter)

Delaware  
(State of incorporation)

13-3115216  
(IRS Employer Identification Number)

**701 Koehler Avenue, Suite 7, Ronkonkoma, New York**  
(Address of principal executive offices)

**11779**  
(Zip Code)

**(631) 981-9700**  
(Registrant's telephone number, including area code)

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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 period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES  NO

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

YES  NO

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

| Class                                    | Outstanding at June 8, 2006 . |
|------------------------------------------|-------------------------------|
| Common Stock, \$0.01 par value per share | 5,018,377 shares.             |

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**LAKELAND INDUSTRIES, INC.  
AND SUBSIDIARIES**

**FORM 10-Q**

The following information of the Registrant and its subsidiaries is submitted herewith:

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**LAKELAND INDUSTRIES, INC.  
AND SUBSIDIARIES**

**PART I - FINANCIAL INFORMATION**

Item 1. Financial Statements:

Introduction

**SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This 10-Q may contain certain forward-looking statements. When used in this 10-Q or in any other presentation, statements which are not historical in nature, including the words “anticipate,” “estimate,” “should,” “expect,” “believe,” “interim,” “project” and similar expressions are intended to identify forward-looking statements. They also include statements containing a projection of sales, earnings or losses, capital expenditures, dividends, capital structure or other financial terms.

The forward-looking statements in this 10-Q are based upon our management’s beliefs, assumptions and expectations of our future operations and economic performance, taking into account the information currently available to us. These statements are not statements of historical fact. Forward-looking statements involve risks and uncertainties, some of which are not currently known to us that may cause our actual results, performance or financial condition to be materially different from the expectations of future results, performance or financial condition we express or imply in any forward-looking statements. Some of the important factors that could cause our actual results, performance or financial condition to differ materially from expectations are:

- Our ability to obtain fabrics and components from suppliers and manufacturers at competitive prices;
- Risks associated with our international manufacturing operations;
- Potential fluctuations in foreign currency exchange rates;
- Our ability to respond to rapid technological change;
- Our ability to identify and complete acquisitions or future expansion;
- Our ability to manage our growth;
- Our ability to recruit and retain skilled employees, including our senior management;
- Our ability to accurately estimate customer demand;
- Competition from other companies, including some with greater resources;
- Risks associated with sales to foreign buyers;
- Restrictions on our financial and operating flexibility as a result of covenants in our credit facilities;
- Our ability to obtain additional funding to expand or operate our business as planned;
- The impact of a decline in federal funding for preparations for terrorist incidents;
- The impact of potential product liability claims;
- Liabilities under environmental laws and regulations;
- Fluctuations in the price of our common stock;
- Variations in our quarterly results of operations;
- The cost of compliance with the Sarbanes-Oxley Act of 2002 and rules and regulations relating to corporate governance and public disclosure;
- The significant influence of our directors and executive officer on our company and on matters subject to a vote of our stockholders;
- The limited liquidity of our common stock;
- The other factors referenced in this 10-Q, including, without limitation, in the sections entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” and “Business.”

We believe these forward-looking statements are reasonable; however, you should not place undue reliance on any forward-looking statements, which are based on current expectations. Furthermore, forward-looking statements speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements after the date of this 10-Q, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Form 10-Q might not occur. We qualify any and all of our forward-looking statements entirely by these cautionary factors.

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**LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

| ASSETS                                                                                                                                         | April 30, 2006<br>(Unaudited) | January 31, 2006 |
|------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------|------------------|
| Current assets:                                                                                                                                |                               |                  |
| Cash                                                                                                                                           | \$ 1,507,573                  | \$ 1,532,453     |
| Accounts receivable, net of allowance for doubtful<br>accounts of \$373,000 at April 30, 2006 and \$323,000 at January 31, 2006                | 15,749,748                    | 14,221,281       |
| Inventories, net of reserves of \$384,000 at April 30,<br>2006 and \$365,000 at January 31, 2006                                               | 44,181,504                    | 45,243,490       |
| Deferred income taxes                                                                                                                          | 917,684                       | 917,684          |
| Other current assets                                                                                                                           | 2,360,136                     | 1,804,552        |
| Total current assets                                                                                                                           | 64,716,645                    | 63,719,460       |
| Property and equipment, net of accumulated<br>depreciation of \$6,470,000 at April 30, 2006<br>and \$6,201,000 January 31, 2006                | 7,649,111                     | 7,754,765        |
| Goodwill                                                                                                                                       | 871,297                       | 871,297          |
| Other assets                                                                                                                                   | 197,997                       | 118,330          |
|                                                                                                                                                | \$ 73,435,050                 | \$ 72,463,852    |
| <b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>                                                                                                    |                               |                  |
| Current liabilities:                                                                                                                           |                               |                  |
| Accounts payable                                                                                                                               | \$ 4,417,119                  | \$ 2,536,756     |
| Accrued expenses and other current liabilities                                                                                                 | 1,439,438                     | 1,302,544        |
| Total current liabilities                                                                                                                      | 5,856,557                     | 3,839,300        |
| Pension liability                                                                                                                              | 473,700                       | 469,534          |
| Deferred income taxes                                                                                                                          | 86,982                        | 86,982           |
| Borrowings under revolving credit<br>facility                                                                                                  | 4,760,000                     | 7,272,000        |
| Commitments and contingencies                                                                                                                  |                               |                  |
| Stockholders' equity;                                                                                                                          |                               |                  |
| Preferred stock, \$.01 par; authorized 1,500,000 shares<br>(none issued)                                                                       |                               |                  |
| Common stock, \$.01 par; authorized 10,000,000 shares;<br>issued and outstanding 5,017,046 shares at April 30, 2006 and at January<br>31, 2006 | 50,170                        | 50,170           |
| Additional paid-in capital                                                                                                                     | 42,431,221                    | 42,431,221       |
| Retained earnings (1)                                                                                                                          | 19,776,420                    | 18,314,645       |
| Total stockholders' equity                                                                                                                     | 62,257,811                    | 60,796,036       |
|                                                                                                                                                | \$ 73,435,050                 | \$ 72,463,852    |

(1) A cumulative total of \$11,612,824 has been transferred from retained earnings to additional paid-in-capital and par value of common stock due to three separate stock dividends paid in 2002, 2003 and 2005. As reflected in the Condensed Consolidated Statement of Stockholders' Equity, \$6,162,735 was included in the quarter ended April 30, 2005.

The accompanying notes are an integral part of these financial statements.

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**LAKELAND INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF INCOME**  
**(UNAUDITED)**

|                                | THREE MONTHS ENDED |               |
|--------------------------------|--------------------|---------------|
|                                | April 30,          |               |
|                                | 2006               | 2005          |
| Net sales                      | \$ 27,222,025      | \$ 25,708,928 |
| Cost of goods sold             | 20,689,295         | 19,542,049    |
| Gross profit                   | 6,532,730          | 6,166,879     |
| Operating expenses             | 4,365,914          | 3,620,845     |
| Operating profit               | 4,752,383          | 4,264,519     |
| Interest and other income, net | 14,801             | 23,462        |
| Interest expense               | (70,693)           | (430)         |
| Income before income taxes     | 2,110,924          | 2,569,066     |
| Provision for income taxes     |                    |               |