

STEPHAN CO  
Form 10-Q  
May 21, 2008

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

**FORM 10-Q**

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

For the quarterly period ended **March 31, 2008**

or

**o 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 1-4436

**THE STEPHAN CO.**

(Exact name of registrant as specified in its charter)

Florida  
(State or other jurisdiction of incorporation or  
organization)

59-0676812  
(IRS Employer Identification No.)

1850 West McNab Road, Fort Lauderdale, Florida 33309  
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (954) 971-0600

Former name, former address and former fiscal year, if changed since last report: not applicable.

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 x NO  
o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer" and "smaller reporting

company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company   
(Do not check if a smaller reporting company)

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 registrant’s classes of common stock, as of the latest practicable date:

4,389,779 shares of common stock, \$0.01 par value, as of May 15, 2008

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**PART I - FINANCIAL INFORMATION**

**Item 1 - Financial Statements**

Certain statements in this Quarterly Report on Form 10-Q ("Form 10-Q"), in particular under "Item 1. Financial Statements" and "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations," constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 (the "Reform Act"). Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause our actual results, condition (financial or otherwise), performance or achievements to be materially different from any future results, performance, condition or achievements expressed or implied by such forward-looking statements.

Words such as "projects," "believe," "anticipates," "estimate," "plans," "expect," "intends," and similar words and expressions are intended to identify forward-looking statements and are based on our current expectations, assumptions, and estimates about us and our industry. In addition, any statements that refer to expectations, projections or other characterizations of future events or circumstances are forward-looking statements. Although we believe that such forward-looking statements are reasonable, we cannot assure you that such expectations will prove to be correct.

Our actual results could differ materially from those anticipated in such forward-looking statements as a result of several factors, risks and uncertainties. These factors, risks and uncertainties include, without limitation, our ability to satisfactorily address any material weakness in our financial controls; general economic and business conditions; competition; the relative success of our operating initiatives; our development and operating costs; our advertising and promotional efforts; brand awareness for our product offerings; the existence or absence of adverse publicity; acceptance of any new product offerings; changing trends in customer tastes; the success of any multi-branding efforts; changes in our business strategy or development plans; the quality of our management team; the availability, terms and deployment of capital; the business abilities and judgment of our personnel; the availability of qualified personnel; our labor and employee benefit costs; the availability and cost of raw materials and supplies; changes in or newly-adopted accounting principles; changes in, or our failure to comply with, applicable laws and regulations; changes in our product mix and associated gross profit margins, as well as management's response to these factors, and other factors that may be more fully described in the The Stephan Co.'s literature, press releases and publicly-filed documents with the Securities and Exchange Commission. You are urged to carefully review and consider these disclosures, which describe certain factors that affect our business.

We do not undertake, subject to applicable law, any obligation to publicly release the results of any revisions, which may be made to any forward-looking statements to reflect events or circumstances occurring after the date of such statements or to reflect the occurrence of anticipated or unanticipated events. Therefore, we caution each reader of this report to carefully consider the specific factors and qualifications discussed herein with respect to such forward-looking statements, as such factors and qualifications could affect our ability to achieve our objectives and may cause actual results to differ materially from those projected, anticipated or implied herein.

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The Stephan Co.  
Condensed Consolidated Balance Sheets  
(in thousands, except share data)

	March 31, 2008	December 31, 2007
<b>CURRENT ASSETS</b>		
Cash and cash equivalents	\$ 4,772	\$ 4,977
Short-term investments	3,950	3,950
Restricted cash	833	1,110
Accounts receivable, net	1,112	1,430
Inventories	4,478	4,240
Prepaid expenses and other current assets	274	306
<b>TOTAL CURRENT ASSETS</b>	<b>15,419</b>	<b>16,013</b>
<b>PROPERTY, PLANT AND EQUIPMENT, NET</b>		
Property, plant and equipment, net	1,396	1,419
Deferred income taxes	181	277
Goodwill, net	2,603	2,603
Trademarks, net	3,070	3,070
Other intangible assets, net	76	76
Other assets	2,845	2,846
<b>TOTAL ASSETS</b>	<b>\$ 25,590</b>	<b>\$ 26,304</b>
<b>CURRENT LIABILITIES</b>		
Current portion of long-term debt	\$ 833	\$ 1,110
Accounts payable and accrued expenses	1,627	2,156
<b>TOTAL CURRENT LIABILITIES</b>	<b>2,460</b>	<b>3,266</b>
Long-term debt, less current portion	—	—
<b>TOTAL LIABILITIES</b>	<b>2,460</b>	<b>3,266</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS' EQUITY</b>		
Preferred stock, \$.01 par value; 1,000,000 shares authorized; none issued.		
Common stock, \$.01 par value; 25,000,000 shares authorized; 4,389,779 shares issued and outstanding at March 31, 2008 and December 31, 2007.		
	44	44
Additional paid-in capital	17,756	17,736
Retained earnings	5,330	5,258
<b>TOTAL STOCKHOLDERS' EQUITY</b>	<b>23,130</b>	<b>23,038</b>
<b>TOTAL LIABILITIES &amp; STOCKHOLDERS' EQUITY</b>	<b>\$ 25,590</b>	<b>\$ 26,304</b>

See Notes to Consolidated Financial Statements.

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The Stephan Co.  
Condensed Consolidated Statements of Operations  
(in thousands, except share data)

	<b>First Quarter 2008</b>	First Quarter 2007
Revenue	\$ 4,420	\$ 5,129
Cost of revenue	2,299	2,858
Gross profit	2,121	2,271
Selling, general and administrative expenses	1,941	2,257
Operating income	180	14
Interest income	90	90
Interest expense	(4)	(7)
Income before income taxes	266	97
Income tax expense	106	40
<b>NET INCOME</b>	<b>\$ 160</b>	<b>\$ 57</b>
Basic income per share	\$ 0.04	\$ 0.01
Diluted income per share	\$ 0.04	\$