Tuesday Morning
First Quality. Serious Savings. Every Day.

Tuesday Morning Corporation Announces Fourth Quarter 2009 and Fiscal Year 2009 Results

DALLAS, Aug. 25, 2009 (GLOBE NEWSWIRE) -- Tuesday Morning Corporation (Nasdaq:TUES - News) today reported that, as previously announced, net sales for the fourth quarter of fiscal 2009 were $188.7 million compared to $196.5 million for the quarter ended June 30, 2008, a decrease of 4.0%. Comparable store sales decreased 6.6% for the quarter. The decrease in comparable store sales was comprised of a 0.1% increase in traffic offset by a 6.7% decrease in average ticket. Net loss for the fourth quarter ended June 30, 2009 was $1.6 million or $0.04 loss per diluted share, compared to a net loss of $2.5 million or $0.06 loss per diluted share for the same period last year.

For the fiscal year ended June 30, 2009, net sales were $801.7 million compared to $885.3 million for the same year ended June 30, 2008, a decrease of 9.4%. Comparable store sales decreased by 12.5% for the fiscal year. The decrease in comparable store sales was comprised of a 6.4% decrease in traffic and a 6.1% decrease in average ticket. For the fiscal year ended June 30, 2009, the Company had earnings per diluted share of $0.00 versus $0.35 for fiscal 2008.

Kathleen Mason, President and Chief Executive Officer, stated, "The current economic recession, a record number of bankruptcy liquidations and the continued deterioration in the housing market resulted in a steep decline in customer spending in fiscal 2009. Particularly affected were those retailers primarily in the home furnishings business. While we are cautious in our future outlook of this environment, we are encouraged by the positive trend in our customer traffic. We have effectively managed cash and inventories. For the fourth quarter, cash flow from operations was $29.4 million compared to $23.0 million in the same period last year. Inventory at the end of fiscal 2009 was down 7.2% from last fiscal year end. Additionally, we had no outstanding borrowings at the end of fiscal 2009."

"We will continue to focus on maintaining a strong balance sheet, keeping operating expenses and inventories in line with sales, and sustaining our more than adequate borrowing capacity."

Financial Results for the Fourth Quarter Ended June 30, 2009

Gross Profit -- Gross profit increased $2.0 million, or 3.0%, to $70.1 million for the fourth quarter ended June 30, 2009 as compared to the same quarter last year of $68.1 million. As a percentage of net sales, gross profit increased to 37.2% for the quarter compared to 34.7% for the same period in fiscal 2008. This increase in gross profit dollars and percentage was primarily due to decreases in markdowns resulting from tighter inventory control as well as decreases in freight and shrink.

Selling, General and Administrative Expenses ("SG&A") -- SG&A for the quarter was $72.1 million, or 38.2% of net sales, versus $73.3 million, or 37.3% of net sales, in the same period last year. On a per store basis, SG&A was lower this quarter by 4.2% versus last year.

Interest Expense -- Net interest expense for the quarter ended June 30, 2009 increased to $615,000 versus $94,000 for the same period last year due to higher amortization of financing fees related to the new credit facility.

Financial Results for the Fiscal Year Ended June 30, 2009

Gross Profit -- Gross profit decreased $26.6 million, or 8.2%, to $296.1 million for fiscal 2009 compared to the same period last year of $322.7 million, primarily a result of lower sales volume. As a percentage of net sales, gross profit increased to 36.9% for fiscal 2009 compared to 36.5% in fiscal 2008. This increase of 0.4% in gross profit percentage was primarily due to decreases in markdowns resulting from tighter inventory control as well as decreases in freight and shrink.

Selling, General and Administrative Expenses -- SG&A for fiscal 2009 was $293.7 million, or 36.6% of net sales, versus $297.9 million, or 33.6% of net sales, for fiscal 2008. On a per store basis, SG&A was lower in fiscal 2009 by 4.9% compared to the same period last year.

Interest Expense -- Net interest expense for fiscal 2009 was $2.5 million versus $2.7 million for fiscal 2008, primarily due to a decrease in net borrowings, offset by an increase in amortization of financing fees related to the new credit facility.

Balance Sheet

Inventory decreased from $241.0 million at June 30, 2008 to $223.6 million at June 30, 2009, a decrease of 7.2%. On a per store basis, inventory was 8.8% lower at the end of fiscal 2009 versus fiscal 2008. Net property and equipment was $72.4 million at the end of fiscal 2009, a reduction of $5.0 million compared to the end of fiscal 2008. This decrease resulted from capital expenditures being less than depreciation.

Accounts payable was lower at June 30, 2009 by $16.8 million, or 26.3%, versus the same period last year primarily due to lower inventory levels. At June 30, 2009, we had no amounts outstanding under our revolving credit facility versus $8.5 million last year. Outstanding letters of credit, primarily for insurance programs, were $12.4 million at the end of fiscal 2009 compared to $9.9 million last year. At June 30, 2009, we had availability of $97.8 million and we were in compliance with the terms of our credit facility.

Store Activity

We operated 857 stores in 45 states as of June 30, 2009. During the fourth quarter of fiscal year 2009, we opened eight stores, closed one store, relocated seven stores and did not expand any stores. During fiscal year 2009, we opened 35 stores, closed 20 stores, relocated 34 stores and expanded four stores. The states with the largest sales declines continued to be the areas most affected by the deterioration of the housing market such as Florida, California, Nevada and Arizona.

Fiscal Year 2010 Guidance

We anticipate the retail environment to continue to be economically difficult and uncertain. As a result, we have considered such challenges in our forecasts for our fiscal year 2010. Guidance for the full fiscal year ending on June 30, 2010 is as follows:

Net sales	$795 million to $805 million
Comparable store sales	negative low single digits
Diluted (loss) earnings per share	($0.02) to $0.02
Capital expenditures	$21 million
Change in store count	(7)

We plan to continue to relocate and expand stores during fiscal 2010 in a consistent manner and quantity. The relocated stores have historically shown double digit improvement in sales as well as better profit margins. The change in store count reflects slightly fewer stores projected at the end of fiscal 2010 as we seek to improve our portfolio of existing stores. The increase in capital spending projected for fiscal 2010 versus fiscal 2009 reflects the Company's plan to remodel stores, improve and enhance systems, as well as further streamline the distribution process.

About Tuesday Morning

Tuesday Morning is a leading closeout retailer of upscale, decorative home accessories, housewares and famous-maker gifts in the United States. The Company opened its first store in 1974 and currently operates 857 stores in 45 states. Tuesday Morning is nationally known for bringing its more than 9.0 million loyal customers a unique treasure hunt of high-end, first quality, brand name merchandise...never seconds or irregulars...at prices well below those of department and specialty stores and catalogues.

The Investor Relations section of our corporate web site at www.tuesdaymorning.com contains press releases, a link to request financial and other information and access to our filings with the Securities and Exchange Commission.

Forward-looking Statement

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995: This press release contains forward-looking statements within the meaning of the federal securities laws and the Private Securities Litigation Reform Act of 1995, which are based on management's current expectations, estimates and projections. Forward-looking statements typically are identified by the use of terms such as "may," "will," "should," "expect," "anticipate," "believe," "estimate," "intend" and similar words, although some forward-looking statements are expressed differently. You should carefully consider statements that contain these words because they describe our expectations, plans, strategies and goals and our beliefs concerning future business conditions, our future results of operations, our future financial positions, and our business outlook or state other "forward-looking" information.

Reference is hereby made to "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K for the year ended June 30, 2008 for examples of risks, uncertainties and events that could cause our actual results to differ materially from the expectations expressed in our forward-looking statements. These risks, uncertainties and events also include, but are not limited to, the following: uncertainties regarding our ability to open stores in new and existing markets and operate these stores on a profitable basis; conditions affecting consumer spending and the impact, depth and duration of the current economic recession; inclement weather; changes in our merchandise mix; timing and type of sales events, promotional activities and other advertising; increased or new competition; loss or departure of one or more members of our senior management, or experienced buying and management personnel; an increase in the cost or a disruption in the flow of our products; seasonal and quarterly fluctuations; fluctuations in our comparable store results; our ability to operate in highly competitive markets and to compete effectively; our ability to operate information systems and implement new technologies effectively; our ability to generate strong cash flows from our operations; our ability to maintain internal control over financial reporting; and our ability to anticipate and respond in a timely manner to changing consumer demands and preferences; and our ability to generate strong holiday season sales. The forward-looking statements made in this press release relate only to events as of the date on which the statements were made. We undertake no obligations to update our forward-looking statements to reflect events and circumstances after the date on which the statements were made or to reflect the occurrence of unanticipated events.

Tuesday Morning Corporation
Consolidated Statement of Operations
(In thousands, except per share data)

	Three Months Ended June 30,		Twelve Months Ended June 30,	
	2009	2008	2009	2008
	(unaudited)		(unaudited)	
Net sales	$ 188,670	$ 196,492	$ 801,722	$ 885,281
Cost of sales	118,562	128,401	505,585	562,578
Gross profit	70,108	68,091	296,137	322,703
Selling, general and administrative expenses	72,109	73,288	293,702	297,852
Operating income (loss)	(2,001)	(5,197)	2,435	24,851
Other income (expense):				
Interest expense	(761)	(367)	(2,748)	(3,928)
Interest income	1	2	1	157
Other income (expense), net	145	271	243	1,052
Other income (expense)	(615)	(94)	(2,504)	(2,719)
Income (loss) before income taxes	(2,616)	(5,291)	(69)	22,132
Income tax expense (benefit)	(987)	(2,795)	(25)	7,634
Net income (loss)	$ (1,629)	$ (2,496)	$ (44)	$ 14,498
Earnings (loss) Per Share:				
Net income (loss) per common share:				
Basic	$ (0.04)	$ (0.06)	$ (0.00)	$ 0.35
Diluted	$ (0.04)	$ (0.06)	$ (0.00)	$ 0.35
Weighted average number of common shares:				
Basic	41,584	41,441	41,505	41,439
Diluted	41,584	41,441	41,505	41,494

Consolidated Balance Sheets
(in thousands)

	June 30, 2009	June 30, 2008
	(unaudited)	(unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 5,783	$ 8,630
Inventories	223,628	240,996
Prepaid expenses and other assets	10,197	11,292
Deferred income taxes	1,545	--
Total current assets	241,153	260,918
Property and equipment, net	72,356	77,315
Other long-term assets:		
Deferred financing costs	4,211	503
Other assets	1,521	3,040

Total Assets	$ 319,241	$ 341,776
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 47,109	$ 63,899
Accrued liabilities	28,765	28,595
Deferred income taxes	--	267
Income taxes payable	1,564	27
Total current liabilities	77,438	92,788
Revolving credit facility	--	8,500
Deferred rent	4,171	4,163
Deferred income taxes	2,279	3,414
Total Liabilities	83,888	108,865
Stockholders' equity	235,353	232,911
Total Liabilities and Stockholders' Equity	$ 319,241	$ 341,776

Consolidated Statement of Cash Flows
(in thousands)

	Year Ended June 30,	
	2009	2008
	(unaudited)	
Net cash flows from operating activities:		
Net income (loss)	$ (44)	$ 14,498
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	16,796	17,483
Amortization of financing fees	709	201
Deferred income taxes	(3,087)	1,407
Loss on disposal of fixed assets	631	540
Stock compensation expense	2,615	3,174
Other non-cash charges	4	(1)
Net change in operating assets and liabilities	14,616	21,774
Net cash provided by operating activities	32,240	59,076
Net cash flows from investing activities:		
Capital expenditures	(12,475)	(11,562)
Net cash used in investing activities	(12,475)	(11,562)
Net cash flows from financing activities:		
Repayments-revolving credit facility	(241,256)	(268,000)
Borrowings-revolving credit facility	232,756	220,000
Change in cash overdraft	(9,695)	(1,187)
Payment of debt financing costs	(4,417)	--
Net cash used in financing activities	(22,612)	(49,187)
Net decrease in cash and cash equivalents	(2,847)	(1,673)
Cash and cash equivalents, beginning of period	8,630	10,303
Cash and cash equivalents, end of period	$ 5,783	$ 8,630

Contact:
Tuesday Morning Corporation
Stephanie Bowman,
Chief Financial Officer
972-934-7251

Laurey Peat & Associates
Laurey Peat
214-871-8787