
UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

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 25, 2007

ETHAN ALLEN INTERIORS INC.

(Exact name of registrant as specified in its charter)

| | | |
|--|--|---|
| Delaware (State or other jurisdiction of incorporation) | 1-11692 (Commission File Number) | 06-1275288 (I.R.S. Employer Identification No.) |
|--|--|---|

| | |
|--|----------------------------|
| Ethan Allen Drive Danbury, CT (Address of principal executive offices) | 06811 (Zip Code) |
|--|----------------------------|

Registrant's telephone number, including area code: **(203) 743-8000**

Not Applicable
(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- ☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
- ☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
- ☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
- ☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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INFORMATION TO BE INCLUDED IN REPORT

SECTION 2 – FINANCIAL INFORMATION

Item 2.02 Results of Operations and Financial Condition

The information contained within Item 2.02 of this Form 8-K and the Exhibits attached hereto shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934 and shall not be deemed incorporated by reference in any filing under the Securities Act of 1933, except as shall be expressly set forth by specific reference in such filing.

On July 25, 2007, Ethan Allen Interiors Inc. (“Ethan Allen” or the “Company”) issued a press release setting forth its operating results for the three and twelve months ended June 30, 2007. A copy of the press release is attached hereto as Exhibit 99.1 and hereby incorporated by reference.

Also on July 25, 2007, Ethan Allen conducted a conference call during which certain unaudited, non-GAAP financial information related to the Company's operations for the twelve months ended June 30, 2007 and June 30, 2006 was disclosed. This information is set forth in the attached Exhibit 99.2.

Exhibits 99.1 and 99.2 include references to the Company's (i) consolidated operating profit, (ii) wholesale operating profit, (iii) net income, (iv) earnings per share, and (v) earnings before interest, taxes, depreciation and amortization (“EBITDA”), all excluding the effects of restructuring and impairment charges recorded during the twelve months ended June 30, 2007 and June 30, 2006 as a result of the Company's decision to consolidate selected manufacturing facilities and/or convert such facilities into regional distribution centers. A reconciliation of these financial measures to the most directly comparable financial measure reported in accordance with generally accepted accounting principles (“GAAP”) is also provided in Exhibit 99.2.

Management believes that excluding items which are deemed to be non-recurring in nature from financial measures such as operating profit, wholesale operating profit, net income, and earnings per share, allows investors to more easily compare and evaluate the Company's financial performance relative to prior periods and industry comparables. These adjusted measures also aid investors in understanding the operating results of the Company absent such non-recurring or unusual events.

Management considers EBITDA an important indicator of the operational strength and performance of its business, including the ability of the Company to pay interest, service debt and fund capital expenditures.

Given the nature of the Company's operations, including the tangible assets necessary to carry out its production and distribution activities, depreciation and amortization represent Ethan Allen's largest non-cash charges. As these non-cash charges do not affect the Company's ability to service debt or make capital expenditures, it is important to consider EBITDA in addition to, but not as a substitute for, operating income, net income and other measures of financial performance reported in accordance with GAAP, including cash flow measures such as operating cash flow. Further, EBITDA is one measure used to determine compliance with the Company's existing credit facility.

SECTION 9 – FINANCIAL STATEMENTS AND EXHIBITS

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

| <u>Exhibit</u> | <u>Description</u> |
|----------------|--|
| 99.1 | Press release dated July 25, 2007 |
| 99.2 | Reconciliation of non-GAAP financial information disclosed in July 25, 2007 press release and conference call to the most directly comparable GAAP financial measure |

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

ETHAN ALLEN INTERIORS INC.

Date: July 25, 2007

By: /s/ M. Farooq Kathwari
M. Farooq Kathwari
*Chairman, President and
Chief Executive Officer*

EXHIBIT INDEX

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|----------------|--|
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| 99.2 | Reconciliation of non-GAAP financial information disclosed in July 25, 2007 press release and conference call to the most directly comparable GAAP financial measure |

FOR IMMEDIATE RELEASE

Ethan Allen Interiors Inc.
Investor/Media Contact: Peg Lupton
(203) 743-8234

**ETHAN ALLEN REPORTS RESULTS FOR QUARTER
AND FISCAL YEAR ENDED JUNE 30, 2007**

DANBURY, CT., July 25, 2007 - Ethan Allen Interiors Inc. ("Ethan Allen" or the "Company") (NYSE:ETH) today reported operating results for the three and twelve months ended June 30, 2007.

Three Months Ended June 30, 2007

Net delivered sales for the quarter ended June 30, 2007 amounted to \$258.5 million as compared to \$272.0 million in the prior year quarter. Net delivered sales for the Company's Retail division increased 1.7% to \$187.5 million. Wholesale sales decreased 8.5% to \$162.8 million during that same period. Comparable Ethan Allen design center delivered sales decreased 5.9% as compared to the prior year quarter.

For the quarter ended June 30, 2007, earnings per share amounted to \$0.65 on net income of \$20.5 million. This compares to earnings per share and net income of \$0.66 and \$22.4 million, respectively, in the prior year comparable period.

Year Ended June 30, 2007

For the twelve months ended June 30, 2007, net delivered sales totaled \$1.005 billion as compared to \$1.066 billion in the prior year comparable period. Net delivered sales for the Company's Retail division increased 1.1% to \$698.6 million. Wholesale sales decreased 10.9% to \$656.0 million during that same period. Comparable Ethan Allen design center delivered sales decreased 6.3% as compared to the prior year comparable period.

For the twelve months ended June 30, 2007, earnings per share, which includes a previously announced September 2006 restructuring and impairment charge, amounted to \$2.15 on net income of \$69.2 million. This compares to earnings per share and net income of \$2.51 and \$85.7 million, respectively, in the prior year comparable period which included a September 2005 restructuring and impairment charge. Excluding the impact of these charges in both periods, earnings per share amounted to \$2.41 on net income of \$77.7 million in the current year period as compared to earnings per share and net income of \$2.59 and \$88.3 million, respectively, in the prior year comparable period.

EXHIBIT 99.1

Farooq Kathwari, Chairman and CEO, commented: "We are pleased with our results for the fourth quarter and fiscal year ended June 30, 2007. Despite a challenging economic environment and tough period-over-period comparisons as a result of a 12% increase in sales in both the prior year quarter and year, our sales held up and gross margins improved. Our quarterly earnings per share of \$0.65 compares to \$0.66 a year ago and reflects our continued cost control efforts, an increased gross margin, and the benefit of share repurchases. For the year ended June 30, 2007, capital expenditures and acquisitions totaled \$59.1 million and \$15.3 million, respectively, with the majority of our capital expenditures relating to the opening of new design centers. In addition, we utilized \$51.6 million of available cash to repurchase 1.5 million shares of our common stock in the open market. As of June 30, 2007, the Company had remaining authorization available to repurchase an additional 1.4 million shares."

Mr. Kathwari continued: "We believe the sustained operating performance of the Company during this difficult time in our industry is a direct result of several initiatives undertaken in recent years, including: the continued repositioning of our retail network; investments in recruiting and training efforts to increase the professionalism of our retail management team; the development of stylish, high-quality products at good value; improved advertising and marketing programs; and faster delivery of our products to our customers. All of these initiatives have a common objective – a renewed focus on providing solutions and service. As a result, we believe that such efforts provide us a distinct competitive advantage and an opportunity to grow our business."

Commenting on the Company's outlook for the fiscal year ended June 30, 2008, Mr. Kathwari stated: "While we have seen some positive trends in recent weeks, we remain cautiously aware of the fact that consumer confidence is impacted by several factors that are beyond our control. At the present time, we believe that we have the opportunity to realize earnings per share within the current range of analyst estimates for the fiscal year ended June 30, 2008."

Ethan Allen Interiors Inc. is a leading manufacturer and retailer of quality home furnishings. The Company sells a full range of furniture products and decorative accessories through a network of 313 design centers in the United States and abroad, of which 158 are Company-owned. Ethan Allen has 9 manufacturing facilities, which include 2 sawmills, located throughout the United States.

The Company will conduct a Conference Call at 11:00 AM (Eastern) on Wednesday, July 25th. The live webcast and replay are accessible via the Company's website at

This press release should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended June 30, 2006 and other reports filed with the Securities and Exchange Commission. This press release and related discussions contain forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements reflect management's current expectations concerning future events and results of the Company, and are subject to various assumptions, risks and uncertainties. Accordingly, actual future events or results could differ materially from those contemplated by the forward-looking statements. The Company assumes no obligation to update or provide revision to any forward-looking statement at any time for any reason.

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Ethan Allen Interiors Inc.
Selected Financial Information
Unaudited
(In millions)

Selected Consolidated Financial Data:

| | Three Months Ended | | Twelve Months Ended | |
|---|---------------------------|-----------------|----------------------------|-------------------|
| | 6/30/07 | 6/30/06 | 6/30/07 | 6/30/06 |
| Net Sales | \$ 258.5 | \$ 272.0 | \$ 1,005.3 | \$ 1,066.4 |
| Gross Margin | 53.4% | 51.4% | 52.4% | 50.7% |
| Operating Margin | 12.5% | 13.5% | 11.1% | 13.4% |
| Operating Margin (ex restructuring & impairment charge) | 12.5% | 13.5% | 12.4% | 13.8% |
| Net Income | \$ 20.5 | \$ 22.4 | \$ 69.2 | \$ 85.7 |
| Net Income (ex restructuring & impairment charge) | \$ 20.5 | \$ 22.4 | \$ 77.7 | \$ 88.3 |
| Operating Cash Flow | \$ 49.3 | \$ 39.5 | \$ 119.2 | \$ 131.6 |
| Capital Expenditures | \$ 11.6 | \$ 13.2 | \$ 59.1 | \$ 41.5 |
| Acquisitions | \$ 3.9 | \$ 1.5 | \$ 15.3 | \$ 7.8 |
| Treasury Stock Repurchases (settlement date basis) | \$ 17.0 | \$ 33.0 | \$ 51.6 | \$ 84.1 |
| EBITDA | \$ 39.5 | \$ 42.0 | \$ 136.9 | \$ 163.3 |
| EBITDA as % of Net Sales | 15.3% | 15.5% | 13.6% | 15.3% |
| EBITDA (ex restructuring & impairment charge) | \$ 39.5 | \$ 42.0 | \$ 150.3 | \$ 167.5 |
| EBITDA as % of Net Sales (ex restructuring & impairment charge) | 15.3% | 15.5% | 15.0% | 15.7% |

Selected Financial Data by Business Segment:

| | Three Months Ended | | Twelve Months Ended | |
|------------------|---------------------------|-----------------|----------------------------|-----------------|
| Retail | 6/30/07 | 6/30/06 | 6/30/07 | 6/30/06 |
| Net Sales | \$ 187.5 | \$ 184.4 | \$ 698.6 | \$ 691.0 |
| Operating Margin | 3.5% | 4.6% | 2.2% | 2.9% |

| | Three Months Ended | | Twelve Months Ended | |
|--|---------------------------|-----------------|----------------------------|-----------------|
| Wholesale | 6/30/07 | 6/30/06 | 6/30/07 | 6/30/06 |
| Net Sales | \$ 162.8 | \$ 178.0 | \$ 656.0 | \$ 736.1 |
| Operating Margin | 15.8% | 15.7% | 15.1% | 17.0% |
| Operating Margin (ex restructuring & impairment charge) | 15.8% | 15.7% | 17.2% | 17.6% |

Ethan Allen Interiors Inc.
Condensed Consolidated Statements of Operations
Unaudited
(In thousands, except per share amounts)

| | |
|-----------------------|-----------------------|
| Three Months | Twelve Months |
| Ended June 30, | Ended June 30, |

| | 2007 | 2006 | 2007 | 2006 |
|--|------------|------------|-------------|-------------|
| Net sales | \$ 258,531 | \$ 272,002 | \$1,005,312 | \$1,066,390 |
| Cost of sales | 120,543 | 132,160 | 478,729 | 525,408 |
| Gross profit | 137,988 | 139,842 | 526,583 | 540,982 |
| Operating expenses: | | | | |
| Selling | 59,053 | 58,113 | 223,146 | 224,404 |
| General & administrative | 46,662 | 44,878 | 178,876 | 169,665 |
| Restructuring & impairment charge | - | - | 13,442 | 4,241 |
| Total operating expenses | 105,715 | 102,991 | 415,464 | 398,310 |
| Operating income | 32,273 | 36,851 | 111,119 | 142,672 |
| Interest & other miscellaneous income | 3,223 | 1,976 | 10,369 | 4,926 |
| Interest & other related financing costs | 2,982 | 2,996 | 11,762 | 9,493 |
| Income before income tax expense | 32,514 | 35,831 | 109,726 | 138,105 |
| Income tax expense | 12,030 | 13,437 | 40,499 | 52,423 |
| Net income | \$ 20,484 | \$ 22,394 | \$ 69,227 | \$ 85,682 |

Basic earnings per share:

| | | | | |
|---|---------|---------|---------|---------|
| Net income per share | \$ 0.66 | \$ 0.68 | \$ 2.19 | \$ 2.58 |
| Basic weighted average shares outstanding | 31,056 | 32,819 | 31,566 | 33,210 |

Diluted earnings per share:

| | | | | |
|---|---------|---------|---------|---------|
| Net income per share | \$ 0.65 | \$ 0.66 | \$ 2.15 | \$ 2.51 |
| Diluted weighted average shares outstanding | 31,556 | 33,824 | 32,261 | 34,086 |

EXHIBIT 99.1

Ethan Allen Interiors Inc.
Condensed Consolidated Balance Sheets
Unaudited
(In thousands)

| | June 30, 2007 | June 30, 2006 |
|---|------------------|------------------|
| Assets | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 147,879 | \$ 173,801 |
| Accounts receivable, net | 14,602 | 22,179 |
| Inventories | 181,884 | 189,650 |
| Prepaid expenses and other current assets | 33,104 | 31,289 |
| Deferred income taxes | 4,960 | 8,696 |
| Total current assets | 382,429 | 425,615 |
| Property, plant, and equipment, net | 322,185 | 294,170 |
| Intangible assets, net | 92,500 | 87,899 |
| Other assets | 5,484 | 6,416 |
| Total Assets | \$ 802,598 | \$ 814,100 |
| Liabilities and Shareholders' Equity | | |

Current Liabilities:

| | | |
|--|------------|------------|
| Current maturities of long-term debt | \$ 40 | \$ 39 |
| Customer deposits | 52,072 | 53,203 |
| Accounts payable | 26,650 | 28,549 |
| Accrued expenses and other current liabilities | 68,677 | 65,786 |
| Total current liabilities | 147,439 | 147,577 |
| Long-term debt | 202,868 | 202,748 |
| Other long-term liabilities | 12,003 | 12,151 |
| Deferred income taxes | 30,646 | 34,182 |
| Total liabilities | 392,956 | 396,658 |
| Shareholders' equity | 409,642 | 417,442 |
| Total Liabilities and Shareholders' Equity | \$ 802,598 | \$ 814,100 |

EXHIBIT 99.2

Ethan Allen Interiors Inc.
GAAP Reconciliation
Three and Twelve Months Ended June 30, 2007 and 2006
(in thousands, except per share amounts)

| | Three Months Ended June | | Twelve Months Ended June | |
|--|----------------------------|-----------|-----------------------------|-------------|
| | 2007 | 2006 | 2007 | 2006 |
| <u>Net Income / Earnings Per Share</u> | | | | |
| Net income | \$20,484 | \$22,394 | \$69,227 | \$85,682 |
| Add: restructuring and impairment charge, net of related tax effect | - | - | 8,481 | 2,631 |
| Net income (excluding restructuring and impairment charge) | \$20,484 | \$22,394 | \$77,708 | \$88,313 |
| Earnings per basic share | \$0.66 | \$0.68 | \$2.19 | \$2.58 |
| Earnings per basic share (excluding restructuring and impairment charge) | \$0.66 | \$0.68 | \$2.46 | \$2.66 |
| Basic weighted average shares outstanding | 31,056 | 32,819 | 31,566 | 33,210 |
| Earnings per diluted share | \$0.65 | \$0.66 | \$2.15 | \$2.51 |
| Earnings per diluted share (excluding restructuring and impairment charge) | \$0.65 | \$0.66 | \$2.41 | \$2.59 |
| Diluted weighted average shares outstanding | 31,556 | 33,824 | 32,261 | 34,086 |
| <u>Consolidated Operating Income / Operating Margin</u> | | | | |
| Operating income | \$32,273 | \$36,851 | \$111,119 | \$142,672 |
| Add: restructuring and impairment charge | - | - | 13,442 | 4,241 |
| Operating income (excluding restructuring and impairment charge) | \$32,273 | \$36,851 | \$124,561 | \$146,913 |
| Net sales | \$258,531 | \$272,002 | \$1,005,312 | \$1,066,390 |
| Operating margin | 12.5% | 13.5% | 11.1% | 13.4% |
| Operating margin (excluding restructuring and impairment charge) | 12.5% | 13.5% | 12.4% | 13.8% |
| <u>Wholesale Operating Income / Operating Margin</u> | | | | |
| Wholesale operating income | \$25,792 | \$27,906 | \$99,215 | \$125,189 |
| Add: restructuring and impairment charge | - | - | 13,442 | 4,241 |
| Wholesale operating income (excluding restructuring and impairment charge) | \$25,792 | \$27,906 | \$112,657 | \$129,430 |
| Wholesale net sales | \$162,827 | \$177,981 | \$656,035 | \$736,134 |
| Wholesale operating margin | 15.8% | 15.7% | 15.1% | 17.0% |
| Wholesale operating margin (excluding restructuring and impairment charge) | 15.8% | 15.7% | 17.2% | 17.6% |
| <u>EBITDA</u> | | | | |
| Net income | \$20,484 | \$22,394 | \$69,227 | \$85,682 |
| Add: interest expense (income), net | 1,251 | 743 | 4,127 | 3,557 |
| Add: income tax expense | 12,030 | 13,437 | 40,499 | 52,423 |
| Add: depreciation and amortization | 5,772 | 5,458 | 23,013 | 21,599 |
| EBITDA | \$39,537 | \$42,032 | \$136,866 | \$163,261 |
| Net sales | \$258,531 | \$272,002 | \$1,005,312 | \$1,066,390 |
| EBITDA as % of net sales | 15.3% | 15.5% | 13.6% | 15.3% |
| EBITDA | \$39,537 | \$42,032 | \$136,866 | \$163,261 |
| Add: restructuring and impairment charge | - | - | 13,442 | 4,241 |
| EBITDA (excluding restructuring and impairment charge) | \$39,537 | \$42,032 | \$150,308 | \$167,502 |
| Net sales | \$258,531 | \$272,002 | \$1,005,312 | \$1,066,390 |
| EBITDA as % of net sales (excluding restructuring and impairment charge) | 15.3% | 15.5% | 15.0% | 15.7% |
