

INGLES MARKETS INC
Form 10-Q
August 01, 2012
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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 June 23, 2012

.. **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 0-14706.

INGLES MARKETS, INCORPORATED

(Exact name of registrant as specified in its charter)

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| | |
|--|--|
| North Carolina (State or other jurisdiction of incorporation or organization) | 56-0846267 (I.R.S. Employer Identification No.) |
| P.O. Box 6676, Asheville NC (Address of principal executive offices) | 28816 (Zip Code) |

(828) 669-2941

Registrant's telephone number, including area code

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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No .

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. (Check one):

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

As of July 30, 2012, the Registrant had 12,938,635 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 11,321,141 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS
INGLES MARKETS, INCORPORATED AND SUBSIDIARIES**CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

| | June 23, 2012 | September 24, 2011 |
|--|-------------------------|-------------------------|
| ASSETS | | |
| Current Assets: | | |
| Cash and cash equivalents | \$ 6,307,481 | \$ 12,421,250 |
| Receivables net | 56,819,154 | 56,841,059 |
| Inventories | 316,339,945 | 303,166,488 |
| Other current assets | 20,823,526 | 16,935,660 |
| Total Current Assets | 400,290,106 | 389,364,457 |
| Property and Equipment Net | 1,193,000,075 | 1,133,204,187 |
| Restricted Investments | 0 | 75,730,905 |
| Other Assets | 19,358,878 | 20,050,259 |
| Total Assets | \$ 1,612,649,059 | \$ 1,618,349,808 |
| LIABILITIES AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Current portion of long-term debt | \$ 33,523,106 | \$ 34,375,989 |
| Accounts payable trade | 165,790,605 | 166,797,912 |
| Accrued expenses and current portion of other long-term liabilities | 74,754,256 | 89,322,063 |
| Total Current Liabilities | 274,067,967 | 290,495,964 |
| Deferred Income Taxes | 69,865,000 | 67,939,000 |
| Long-Term Debt | 812,547,262 | 820,743,747 |
| Other Long-Term Liabilities | 8,198,762 | 7,225,503 |
| Total Liabilities | 1,164,678,991 | 1,186,404,214 |
| Stockholders Equity | | |
| Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued | 0 | 0 |
| Common stocks: | | |
| Class A, \$0.05 par value; 150,000,000 shares authorized; 12,938,635 shares issued and outstanding June 23, 2012; 12,939,533 shares issued and outstanding at September 24, 2011 | 646,932 | 646,977 |
| Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 11,321,141 shares issued and outstanding June 23, 2012; 11,489,726 shares issued and outstanding at September 24, 2011 | 566,057 | 574,486 |
| Paid-in capital in excess of par value | 114,236,248 | 116,844,842 |
| Retained earnings | 332,520,831 | 313,879,289 |
| Total Stockholders Equity | 447,970,068 | 431,945,594 |
| Total Liabilities and Stockholders Equity | \$ 1,612,649,059 | \$ 1,618,349,808 |

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See notes to unaudited condensed consolidated financial statements.

Table of Contents**INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

| | Three Months Ended | |
|---|---------------------------|----------------------|
| | June 23, 2012 | June 25, 2011 |
| Net sales | \$ 917,755,732 | \$ 910,978,159 |
| Cost of goods sold | 711,803,418 | 709,638,537 |
| Gross profit | 205,952,314 | 201,339,622 |
| Operating and administrative expenses | 172,254,539 | 169,762,486 |
| Rental income, net | 515,114 | 575,418 |
| Gain from sale or disposal of assets | 514,421 | 2,655,912 |
| Income from operations | 34,727,310 | 34,808,466 |
| Other income, net | 890,738 | 945,421 |
| Interest expense | 14,896,442 | 15,344,197 |
| Income before income taxes | 20,721,606 | 20,409,690 |
| Income tax expense | 7,663,000 | 7,685,000 |
| Net income | \$ 13,058,606 | \$ 12,724,690 |
| Per share amounts: | | |
| Class A Common Stock | | |
| Basic earnings per common share | \$ 0.56 | \$ 0.54 |
| Diluted earnings per common share | \$ 0.54 | \$ 0.52 |
| Class B Common Stock | | |
| Basic earnings per common share | \$ 0.51 | \$ 0.49 |
| Diluted earnings per common share | \$ 0.51 | \$ 0.49 |
| Cash dividends per common share: | | |
| Class A Common Stock | | |
| | \$ 0.165 | \$ 0.165 |
| Class B Common Stock | | |
| | \$ 0.150 | \$ 0.150 |

See notes to unaudited condensed consolidated financial statements.

Table of Contents**INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

| | Nine Months Ended | |
|---|-------------------------|------------------|
| | June 23, 2012 | June 25, 2011 |
| Net sales | \$ 2,717,660,689 | \$ 2,654,102,227 |
| Cost of goods sold | 2,117,544,746 | 2,064,645,838 |
| Gross profit | 600,115,943 | 589,456,389 |
| Operating and administrative expenses | 513,176,510 | 505,586,653 |
| Rental income, net | 1,311,188 | 1,443,413 |
| Gain (loss) from sale or disposal of assets | 680,293 | 2,676,674 |
| Income from operations | 88,930,914 | 87,989,823 |
| Other income, net | 2,696,127 | 3,146,470 |
| Interest expense | 44,850,144 | 46,912,397 |
| Income before income taxes | 46,776,897 | 44,223,896 |
| Income tax expense | 16,609,000 | 16,125,000 |
| Net income | \$ 30,167,897 | \$ 28,098,896 |
| Per share amounts: | | |
| Class A Common Stock | | |
| Basic earnings per common share | \$ 1.29 | \$ 1.20 |
| Diluted earnings per common share | \$ 1.24 | \$ 1.15 |
| Class B Common Stock | | |
| Basic earnings per common share | \$ 1.18 | \$ 1.09 |
| Diluted earnings per common share | \$ 1.18 | \$ 1.09 |
| Cash dividends per common share: | | |
| Class A Common Stock | | |
| | \$ 0.495 | \$ 0.495 |
| Class B Common Stock | | |
| | \$ 0.450 | \$ 0.450 |

See notes to unaudited condensed consolidated financial statements.

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NINE MONTHS ENDED JUNE 23, 2012 AND JUNE 25, 2011

| | Class A Common Stock | | Class B Common Stock | | Paid-in Capital in Excess of Par Value | Retained Earnings | Total |
|-----------------------------|-------------------------|------------|-------------------------|------------|---|----------------------|----------------|
| | Shares | Amount | Shares | Amount | | | |
| Balance, September 25, 2010 | 12,889,433 | \$ 644,472 | 11,582,826 | \$ 579,141 | \$ 117,592,932 | \$ 290,264,244 | \$ 409,080,789 |
| Net income | 0 | 0 | 0 | 0 | 0 | 28,098,896 | 28,098,896 |
| Cash dividends | 0 | 0 | 0 | 0 | 0 | (11,583,882) | (11,583,882) |
| Common stock conversions | 50,100 | 2,505 | (50,100) | (2,505) | 0 | 0 | 0 |
| Stock repurchases, at cost | 0 | 0 | (29,000) | (1,450) | (542,010) | 0 | (543,460) |
| Balance, June 25, 2011 | 12,939,533 | \$ 646,977 | 11,503,726 | \$ 575,186 | \$ 117,050,922 | \$ 306,779,258 | \$ 425,052,343 |