

INGLES MARKETS INC
Form 10-Q
August 03, 2016

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended June 25, 2016

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)

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):

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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 August 1, 2016, the Registrant had 13,958,976 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 6,300,800 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

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INGLES MARKETS, INCORPORATED

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Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	June 25, 2016	September 26, 2015
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 5,435,005	\$ 7,505,040
Receivables - net	72,508,673	66,284,163
Inventories	341,846,076	338,644,128
Other current assets	10,087,625	11,313,152
Total Current Assets	429,877,379	423,746,483
Property and Equipment – Net	1,240,948,398	1,211,458,393
Other Assets	18,860,126	19,623,349
Total Assets	\$ 1,689,685,903	\$ 1,654,828,225
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 10,683,589	\$ 11,367,710
Accounts payable - trade	162,085,483	166,039,952
Accrued expenses and current portion of other long-term liabilities	62,449,995	74,552,234
Total Current Liabilities	235,219,067	251,959,896
Deferred Income Taxes	71,965,000	64,643,000
Long-Term Debt	887,556,544	874,685,817
Other Long-Term Liabilities	35,704,658	34,561,112
Total Liabilities	1,230,445,269	1,225,849,825
Stockholders' Equity		
Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued	—	—
Common stocks:		
Class A, \$0.05 par value; 150,000,000 shares authorized; 13,948,901 shares issued and outstanding June 25, 2016; 13,924,651 shares issued and outstanding at September 26, 2015	697,445	696,233
Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 6,310,875 shares issued and outstanding June 25, 2016; 6,335,125 shares issued	315,544	316,756

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and outstanding at September 26, 2015

Paid-in capital in excess of par value	12,311,249	12,311,249
Retained earnings	445,916,396	415,654,162
Total Stockholders' Equity	459,240,634	428,978,400
Total Liabilities and Stockholders' Equity	\$ 1,689,685,903	\$ 1,654,828,225

See notes to unaudited condensed consolidated financial statements.

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INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Three Months Ended	
	June 25, 2016	June 27, 2015
Net sales	\$ 957,177,645	\$ 945,974,494
Cost of goods sold	724,323,504	723,810,548
Gross profit	232,854,141	222,163,946
Operating and administrative expenses	199,433,998	190,730,349
Loss from sale or disposal of assets	(1,555,179)	(318,664)
Income from operations	31,864,964	31,114,933
Other income, net	512,356	522,876
Interest expense	11,190,865	10,583,124
Income before income taxes	21,186,455	21,054,685
Income tax expense	8,518,000	7,278,000
Net income	\$ 12,668,455	\$ 13,776,685
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	\$ 0.64	\$ 0.70
Diluted earnings per common share	\$ 0.63	\$ 0.68
Class B Common Stock		
Basic earnings per common share	\$ 0.59	\$ 0.63
Diluted earnings per common share	\$ 0.59	\$ 0.63
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.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	Nine Months Ended	
	June 25, 2016	June 27, 2015
Net sales	\$ 2,832,603,557	\$ 2,825,806,017
Cost of goods sold	2,145,391,994	2,160,558,522
Gross profit	687,211,563	665,247,495
Operating and administrative expenses	589,654,137	563,287,200
(Loss) gain from sale or disposal of assets	(934,039)	320,340
Income from operations	96,623,387	102,280,635
Other income, net	1,652,297	1,649,603
Interest expense	34,393,394	34,184,004
Income before income taxes	63,882,290	69,746,234
Income tax expense	23,876,000	26,629,000
Net income	\$ 40,006,290	\$ 43,117,234
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	\$ 2.03	\$ 2.19
Diluted earnings per common share	\$ 1.98	\$ 2.13
Class B Common Stock		
Basic earnings per common share	\$ 1.85	\$ 1.99
Diluted earnings per common share	\$ 1.85	\$ 1.99
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.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (UNAUDITED)

NINE MONTHS ENDED JUNE 25, 2016 AND JUNE 27, 2015