

Natural Grocers by Vitamin Cottage, Inc.
Form 10-Q
January 29, 2015
Table Of Contents

**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 DECEMBER 31, 2014;

OR

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT
OF 1934**

COMMISSION FILE NUMBER: 001-35608

Natural Grocers by Vitamin Cottage, Inc.

(Exact name of registrant as specified in its charter)

Edgar Filing: Natural Grocers by Vitamin Cottage, Inc. - Form 10-Q

Delaware

45-5034161

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification Number)

**12612 West Alameda Parkway
Lakewood, Colorado**

80228

(Zip code)

(Address of principal executive offices)

(303) 986-4600

(Registrant's telephone number, including area code)

Indicate by checkmark 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 checkmark 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 checkmark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the 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 checkmark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes No

The number of shares of the registrant's common stock, \$0.001 par value, outstanding as of January 26, 2015 was 22,487,600.

Table Of Contents

Natural Grocers by Vitamin Cottage, Inc.

Quarterly Report on Form 10-Q

For the Quarterly Period Ended December 31, 2014

Table of Contents

	Page Number
PART I. Financial Information	
Item 1.	
	<u>Financial Statements</u>
	<u>Consolidated Balance Sheets as of December 31, 2014 and September 30, 2014 (unaudited)</u> 3
	<u>Consolidated Statements of Income for the three months ended December 31, 2014 and 2013 (unaudited)</u> 4
	<u>Consolidated Statements of Cash Flows for the three months ended December 31, 2014 and 2013 (unaudited)</u> 5
	<u>Notes to Unaudited Interim Consolidated Financial Statements</u> 6
Item 2.	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> 12
Item 3.	<u>Quantitative and Qualitative Disclosures About Market Risk</u> 22
Item 4.	<u>Controls and Procedures</u> 22
PART II. Other Information	
Item 1.	<u>Legal Proceedings</u> 22
Item 1A.	<u>Risk Factors</u> 22
Item 6.	<u>Exhibits</u> 22
	<u>SIGNATURES</u> 23
	<u>EXHIBIT INDEX</u> 24

Table Of Contents

Except where the context otherwise requires or where otherwise indicated, all references herein to “we,” “us,” “our,” “Natural Grocers,” and the “Company” refer collectively to Natural Grocers by Vitamin Cottage, Inc. and its consolidated subsidiaries.

Forward-Looking Statements

This report on Form 10-Q includes forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 in addition to historical information. These forward-looking statements are included throughout this report on Form 10-Q, including in the section entitled “Management’s Discussion and Analysis of Financial Condition and Results of Operations.” All statements that are not statements of historical fact, including those that relate to matters such as our industry, business strategy, goals and expectations concerning our market position, future operations, margins, profitability, capital expenditures, liquidity and capital resources and other financial and operating information are forward-looking statements. We may use the words “anticipate,” “assume,” “believe,” “continue,” “could,” “estimate,” “expect,” “intend,” “may,” “plan,” “potential,” “predict,” “project,” “future” and similar terms and phrases forward-looking statements in this report on Form 10-Q.

The forward-looking statements contained in this report on Form 10-Q are based on management’s current expectations and are subject to uncertainty and changes in circumstances. We cannot assure you that future developments affecting us will be those that we have anticipated. Actual results may differ materially from these expectations due to changes in global, regional or local political, economic, business, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that these factors include those referenced in “Risk Factors” in our report on Form 10-K for the fiscal year ended September 30, 2014 (our Form 10-K). Should one or more of these risks or uncertainties materialize, or should any of our assumptions prove incorrect, our actual results may vary in material respects from those projected in these forward-looking statements.

Any forward-looking statement made by us in this report on Form 10-Q speaks only as of the date of this report. Factors or events that could cause our actual results to differ may emerge from time to time, and it is not possible for us to predict all of them. We undertake no obligation to publicly update any forward-looking statement, whether as a result of new information, future developments or otherwise, except as may be required by any applicable securities laws. You are advised, however, to consult any further disclosures we may make in our future reports to the Securities and Exchange Commission, on our website or otherwise.

Table Of Contents**PART I. Financial Information****Item 1. Financial Statements****NATURAL GROCERS BY VITAMIN COTTAGE, INC.****Consolidated Balance Sheets****(Unaudited)***(Dollars in thousands, except per share data)*

	December 31, 2014	September 30, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 1,855	5,113
Accounts receivable, net	1,650	2,146
Merchandise inventory	61,807	58,381
Prepaid expenses and other current assets	967	641
Deferred income tax assets	729	832
Total current assets	67,008	67,113
Property and equipment, net	126,934	120,224
Other assets:		
Deposits and other assets	716	712
Goodwill and other intangible assets, net	5,789	900
Deferred financing costs, net	32	36
Total other assets	6,537	1,648
Total assets	\$ 200,479	188,985
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	\$ 36,185	33,835
Accrued expenses	14,535	15,822
Revolving credit facility	3,082	—
Contingent consideration for acquisition	536	—
Capital and financing lease obligations, current portion	279	229
Total current liabilities	54,617	49,886
Long-term liabilities:		

Edgar Filing: Natural Grocers by Vitamin Cottage, Inc. - Form 10-Q

Capital and financing lease obligations, net of current portion	25,011	21,748
Deferred income tax liabilities	4,742	5,409
Deferred rent	5,968	5,842
Leasehold incentives	7,564	7,246
Total long-term liabilities	43,285	40,245
Total liabilities	97,902	90,131
Commitments (Note 13)		
Stockholders' equity:		
Common stock, \$0.001 par value. Authorized 50,000,000 shares, 22,487,600 and 22,485,488 issued and outstanding, respectively	22	22
Additional paid in capital	54,711	54,552
Retained earnings	47,844	44,280
Total stockholders' equity	102,577	98,854
Total liabilities and stockholders' equity	\$ 200,479	188,985

See accompanying notes to unaudited interim consolidated financial statements.

Table Of Contents

NATURAL GROCERS BY VITAMIN COTTAGE, INC.

Consolidated Statements of Income

(Unaudited)

(Dollars in thousands, except per share data)

	Three months ended	
	December 31,	
	2014	2013
Net sales	\$145,887	120,580
Cost of goods sold and occupancy costs	103,593	85,199
Gross profit	42,294	