

INGLES MARKETS INC
Form 10-Q
February 07, 2019

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 29, 2018

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 every Interactive Data File required to be submitted 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 such files). Yes No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer

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Non-accelerated filer Smaller reporting company
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. .

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 February 5, 2019, the Registrant had 14,146,060 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 6,113,716 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

INGLES MARKETS, INCORPORATED

INDEX

	Page No.
Part I – Financial Information	
Item 1. Financial Statements (Unaudited)	
Condensed Consolidated Balance Sheets as of December 29, 2018 and September 29, 2018	3
Condensed Consolidated Statements of Income and Comprehensive Income for the Three Months Ended December 29, 2018 and December 30, 2017	4
Condensed Consolidated Statements of Changes in Stockholders' Equity for the Three Months Ended December 29, 2018 and December 30, 2017	5
Condensed Consolidated Statements of Cash Flows for the Three Months Ended December 29, 2018 and December 30, 2017	6
Notes to Unaudited Interim Financial Statements	7
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	11
Item 3. Quantitative and Qualitative Disclosures About Market Risk	18
Item 4. Controls and Procedures	18
Part II – Other Information	
Item 6. Exhibits	19
Signatures	21

Part I. FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

	December 29, 2018	September 29, 2018
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14,099,474	\$ 10,537,303
Receivables - net	73,233,925	70,056,909
Inventories	374,921,644	372,195,421
Other current assets	26,534,445	43,953,483
Total Current Assets	488,789,488	496,743,116
Property and Equipment – Net	1,341,153,620	1,303,044,370
Other Assets	25,820,209	25,123,334
Total Assets	\$ 1,855,763,317	\$ 1,824,910,820
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Current portion of long-term debt	\$ 12,801,332	\$ 12,848,013
Accounts payable - trade	179,412,672	165,165,312
Accrued expenses and current portion of other long-term liabilities	62,504,600	82,124,766
Total Current Liabilities	254,718,604	260,138,091
Deferred Income Taxes	78,758,698	74,461,000
Long-Term Debt	867,130,929	852,739,760
Other Long-Term Liabilities	40,499,750	42,158,161
Total Liabilities	1,241,107,981	1,229,497,012
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; 14,145,385 shares issued and outstanding December 29, 2018 and at September 29, 2018	707,269	707,269
Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 6,114,391 shares issued and outstanding December 29, 2018 and at September 29, 2018	305,720	305,720
Paid-in capital in excess of par value	12,311,249	12,311,249
Accumulated other comprehensive income	340,339	—

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Retained earnings	600,990,759	582,089,570
Total Stockholders' Equity	614,655,336	595,413,808
Total Liabilities and Stockholders' Equity	\$ 1,855,763,317	\$ 1,824,910,820

See notes to unaudited condensed consolidated financial statements.

3

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(UNAUDITED)

	Three Months Ended	
	December 29, 2018	December 30, 2017
Net sales	\$ 1,061,836,658	\$ 1,013,786,078
Cost of goods sold	803,425,863	769,126,450
Gross profit	258,410,795	244,659,628
Operating and administrative expenses	218,684,665	208,828,396
(Loss) gain from sale or disposal of assets	(262,591)	57,270
Income from operations	39,463,539	35,888,502
Other income, net	895,459	953,960
Interest expense	12,211,661	11,451,722
Income before income taxes	28,147,337	25,390,740
Income tax expense (benefit)	5,995,000	(19,756,000)
Net income	\$ 22,152,337	\$ 45,146,740
Other comprehensive income:		
Change in fair value of interest rate swap	\$ 444,037	\$ —
Income tax expense	103,698	—
Other comprehensive income, net of tax	340,339	—
Comprehensive income	\$ 22,492,676	\$ 45,146,740
Net income per share amounts:		
Class A Common Stock		
Basic earnings per common share	\$ 1.12	\$ 2.29
Diluted earnings per common share	\$ 1.09	\$ 2.23
Class B Common Stock		
Basic earnings per common share	\$ 1.02	\$ 2.08
Diluted earnings per common share	\$ 1.02	\$ 2.08
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.

4

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

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

THREE MONTHS ENDED DECEMBER 29, 2018 AND DECEMBER 30, 2017

	Class A Common Stock		Class B Common Stock		Paid-in Capital in Excess of Par Value	Accumulated Other Comprehensive Income	Retained Earnings	Total
	Shares	Amount	Shares	Amount				
Balance, September 30, 2017	14,084,044	\$ 704,202	6,175,732	\$ 308,787	\$ 12,311,249	\$ —	\$ 497,727,765	\$ 511,050,000
Net income	—	—	—	—	—	—	45,146,740	45,146,740
Cash dividends	—	—	—	—	—	—	(3,250,228)	(3,250,228)
Common stock conversions	34,200	1,710	(34,200)	(1,710)	—	—	—	—
Balance, December 30, 2017	14,118,244	\$ 705,912	6,141,532	\$ 307,077	\$ 12,311,249	\$ —	\$ 539,624,277	\$ 552,948,535
Balance, September 29, 2018	14,145,385	\$ 707,269	6,114,391	\$ 305,720	\$ 12,311,249	\$ —	\$ 582,089,570	\$ 595,411,808
Net income	—	—	—	—	—	—	22,152,337	22,152,337
Other comprehensive income, net of income tax	—	—	—	—	—	340,339	—	340,339
Cash dividends	—	—	—	—	—	—	(3,251,148)	(3,251,148)
Common stock conversions	—	—	—	—	—	—	—	—
Balance, December 29, 2018	14,145,385	\$ 707,269	6,114,391	\$ 305,720	\$ 12,311,249	\$ 340,339	\$ 600,990,759	\$ 614,655,327

See notes to unaudited condensed consolidated financial statements.

5

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Three Months Ended	
	December 29, 2018	December 30, 2017
Cash Flows from Operating Activities:		
Net income	\$ 22,152,337	\$ 45,146,740
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	27,816,555	27,989,567
Loss (gain) from sale or disposal of assets	262,591	(57,270)
Receipt of advance payments on purchases contracts	1,000,000	1,000,000
Recognition of advance payments on purchases contracts	(632,894)	(498,746)
Deferred income taxes	4,194,000	(22,812,000)
Changes in operating assets and liabilities:		
Receivables	(3,177,016)	(5,184,856)
Inventory	(2,726,223)	(12,293,863)
Other assets	17,060,004	(5,760,061)
Accounts payable and accrued expenses	(2,361,778)	9,859,803
Net Cash Provided by Operating Activities	63,587,576	37,389,314
Cash Flows from Investing Activities:		
Proceeds from sales of property and equipment	48,251	64,713
Capital expenditures	(70,959,012)	(56,780,084)
Net Cash Used by Investing Activities	(70,910,761)	(56,715,371)
Cash Flows from Financing Activities:		
Proceeds from short-term borrowings	171,118,313	65,519,466
Payments on short-term borrowings	(154,598,353)	(51,253,678)
Principal payments on long-term borrowings	(2,383,456)	(1,846,230)
Dividends paid	(3,251,148)	(3,250,228)
Net Cash Provided by Financing Activities	10,885,356	9,169,330
Net Increase (Decrease) in Cash and Cash Equivalents	3,562,171	(10,156,727)
Cash and cash equivalents at beginning of period	10,537,303	23,912,100
Cash and Cash Equivalents at End of Period	\$ 14,099,474	\$ 13,755,373

See notes to unaudited condensed consolidated financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS

Three Months Ended December 29, 2018 and December 30, 2017

A. BASIS OF PREPARATION