

INGLES MARKETS INC  
Form 10-Q  
February 01, 2008  
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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 December 29, 2007**

**.. 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer  Non-accelerated filer .

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 January 28, 2008, the Registrant had 12,390,285 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 12,121,976 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

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## Part I. Financial Information

**Item 1. Interim Financial Statements****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	DECEMBER 29, 2007	SEPTEMBER 29, 2007
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 12,986,647	\$ 16,839,621
Receivables-net	46,929,495	44,640,660
Inventories	249,591,124	233,464,859
Other current assets	12,108,540	10,648,217
<b>Total Current Assets</b>	<b>321,615,806</b>	<b>305,593,357</b>
Property and Equipment Net	884,616,972	839,732,082
Other Assets	9,312,411	9,946,986
<b>Total Assets</b>	<b>\$ 1,215,545,189</b>	<b>\$ 1,155,272,425</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 96,434,579	\$ 31,306,955
Accounts payable - trade	147,387,526	143,935,192
Accrued expenses and current portion of other long-term liabilities	61,468,364	75,225,938
<b>Total Current Liabilities</b>	<b>305,290,469</b>	<b>250,468,085</b>
Deferred Income Taxes	38,276,578	38,176,578
Long-Term Debt	508,649,342	511,950,127
Other Long-Term Liabilities	6,354,191	6,533,659
<b>Total Liabilities</b>	<b>858,570,580</b>	<b>807,128,449</b>
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; 12,390,283 shares issued and outstanding December 29, 2007; 12,355,783 shares issued and outstanding September 29, 2007	619,514	617,789
Class B, \$0.05 par value; 100,000,000 shares authorized; 12,121,976 shares issued and outstanding December 29, 2007; 12,156,476 shares issued and outstanding September 29, 2007	606,099	607,824
Paid-in capital in excess of par value	118,184,132	118,184,132
Retained earnings	237,564,864	228,734,231
<b>Total Stockholders Equity</b>	<b>356,974,609</b>	<b>348,143,976</b>
<b>Total Liabilities and Stockholders Equity</b>	<b>\$ 1,215,545,189</b>	<b>\$ 1,155,272,425</b>

See notes to unaudited interim financial statements.



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

	THREE MONTHS ENDED	
	DECEMBER 29, 2007	DECEMBER 30, 2006
Net sales	\$ 777,121,292	\$ 685,698,588
Cost of goods sold	596,464,050	520,835,688
Gross profit	180,657,242	164,862,900
Operating and administrative expenses	150,286,341	136,464,073
Rental income, net	1,232,397	1,022,757
Gain (loss) from sale or disposal of assets	(71,863)	(161,905)
Income from operations	31,531,435	29,259,679
Other income, net	675,633	770,563
Interest expense	11,494,259	12,005,657
Income before income taxes	20,712,809	18,024,585
Income taxes:		
Current	7,730,000	8,497,000
Deferred	290,000	(1,640,000)
	8,020,000	6,857,000
Net income	\$ 12,692,809	\$ 11,167,585
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	\$ 0.54	\$ 0.48
Diluted earnings per common share	\$ 0.52	\$ 0.46
Class B Common Stock		
Basic earnings per common share	\$ 0.49	\$ 0.43
Diluted earnings per common share	\$ 0.49	\$ 0.43
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 interim financial statements.

**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)**

THREE MONTHS ENDED DECEMBER 29, 2007 AND DECEMBER 30, 2006

	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 30, 2006	12,176,485	\$ 608,824	12,321,774	\$ 616,089	\$ 117,911,423	\$ 185,536,551	\$ 304,672,887
Net income						11,167,585	11,167,585
Cash dividends						(3,857,398)	(3,857,398)
Exercise of stock options	9,000	450			166,232		166,682
Common stock conversions	24,798	1,240	(24,798)	(1,240)			
Balance, December 30, 2006	12,210,283	\$ 610,514	12,296,976	\$ 614,849	\$ 118,077,655	\$ 192,846,738	\$ 312,149,756
Balance, September 29, 2007	12,355,783	\$ 617,789	12,156,476	\$ 607,824	\$ 118,184,132	\$ 228,734,231	\$ 348,143,976
Net income						12,692,809	12,692,809
Cash dividends						(3,862,176)	(3,862,176)
Common stock conversions	34,500	1,725	(34,500)	(1,725)			
<b>Balance, December 29, 2007</b>	<b>12,390,283</b>	<b>\$ 619,514</b>	<b>12,121,976</b>	<b>\$ 606,099</b>	<b>\$ 118,184,132</b>	<b>\$ 237,564,864</b>	<b>\$ 356,974,609</b>

See notes to unaudited interim financial statements.

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

	THREE MONTHS ENDED	
	DECEMBER 29, 2007	DECEMBER 30, 2006
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 12,692,809	\$ 11,167,585
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation and amortization expense	16,470,208	15,152,208
Amortization of deferred gain on sale/leasebacks	(12,598)	(12,811)
Losses on disposals of property and equipment	71,863	161,905
Receipt of advance payments on purchases contracts		100,000
Recognition of advance payments on purchases contracts	(868,378)	(810,507)
Deferred income taxes	290,000	(1,640,000)
Changes in operating assets and liabilities:		
Receivables	(2,288,835)	(2,887,631)
Inventory	(16,126,265)	(15,964,023)
Other assets	(1,366,025)	6,295,052
Accounts payable and accrued expenses	(10,135,530)	5,088,372
<b>Net Cash (Used in) Provided by Operating Activities</b>	<b>(1,272,751)</b>	<b>16,650,150</b>
<b>Cash Flows from Investing Activities:</b>		
Proceeds from sales of property and equipment	2,400	422,192
Capital expenditures	(60,547,285)	(19,185,105)
<b>Net Cash Used in Investing Activities</b>	<b>(60,544,885)</b>	<b>(18,762,913)</b>
<b>Cash Flows from Financing Activities:</b>		
Proceeds from short-term borrowings	217,847,502	96,280,400
Payments on short-term borrowings	(157,361,502)	(93,568,400)
Proceeds from long-term borrowings	3,700,000	
Principal payments on long-term debt	(2,359,162)	(2,970,856)
Proceeds from exercise of stock options		166,682
Dividends paid	(3,862,176)	(3,857,398)
<b>Net Cash Provided By (Used in) Financing Activities</b>	<b>57,964,662</b>	<b>(3,949,572)</b>
<b>Net Decrease in Cash and Cash Equivalents</b>	<b>(3,852,974)</b>	<b>(6,062,335)</b>
Cash and cash equivalents at beginning of period	16,839,621	17,540,306
<b>Cash and Cash Equivalents at End of Period</b>	<b>\$ 12,986,647</b>	<b>\$ 11,477,971</b>

See notes to unaudited interim financial statements.



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**INGLES MARKETS, INCORPORATED AND SUBSIDIARIES**

**NOTES TO INTERIM FINANCIAL STATEMENTS (UNAUDITED)**

Three Months Ended December 29, 2007 and December 30, 2006

**A. BASIS OF PREPARATION**

In the opinion of management, the accompanying unaudited interim financial statements contain all adjustments necessary to present fairly the Company's financial position as of December 29, 2007, and the results of operations, changes in stockholders' equity and cash flows for the three months ended December 29, 2007 and December 30, 2006. The adjustments made are of a normal recurring nature. Certain information and footnote disclosures normally included in the annual financial statements prepared in accordance with accounting principles generally accepted in the United States have been condensed or omitted pursuant to the rules and regulations of the Securities and Exchange Commission for Form 10-Q. It is suggested that these unaudited interim financial statements be read in conjunction with the audited financial statements and the notes thereto included in the Annual Report on Form 10-K for the year ended September 29, 2007, filed by the Company under the Securities Exchange Act of 1934 on November 28, 2007.

The results of operations for the three-month period ended December 29, 2007 are not necessarily indicative of the results to be expected for the full fiscal year.