

OIL DRI CORP OF AMERICA
Form 10-Q
March 10, 2017

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D. C. 20549

FORM 10-Q

(Mark One)

Quarterly Report Pursuant to Section 13 or 15(d)
of the

☒ Securities Exchange Act of 1934

For the Quarterly Period Ended January 31, 2017

or

Transition Report Pursuant to Section 13 or 15(d) of the
o Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-12622

OIL-DRI CORPORATION OF AMERICA

(Exact name of the registrant as specified in its charter)

Delaware	36-2048898
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

410 North Michigan Avenue, Suite 400	60611-4213
Chicago, Illinois	(Zip Code)
(Address of principal executive offices)	

The registrant's telephone number, including area code: (312) 321-1515

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 at least 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☒ No ☐

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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 the 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 ☐ 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 ☒

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of January 31, 2017.

Common Stock – 5,108,389 Shares and Class B Stock – 2,188,771 Shares

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FORWARD-LOOKING STATEMENTS

Certain statements in this report, including, but not limited to, those under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those statements elsewhere in this report and other documents that we file with the Securities and Exchange Commission (“SEC”), contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. Words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially, including those described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2016. Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except to the extent required by law, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

TRADEMARK NOTICE

Cat’s Pride, Fresh & Light, Fresh & Light Ultimate Care and Oil-Dri are registered trademarks of Oil-Dri Corporation of America.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

ASSETS	(unaudited) January 31, 2017	July 31, 2016
Current Assets		
Cash and cash equivalents	\$ 17,560	\$ 18,629
Short-term investments	7,358	10,184
Accounts receivable, less allowance of \$881 and \$753 at January 31, 2017 and July 31, 2016, respectively	32,047	30,386
Inventories	23,217	23,251
Deferred income taxes	3,884	3,884
Prepaid repairs expense	4,054	3,938
Prepaid expenses and other assets	4,658	901
Total Current Assets	92,778	91,173
Property, Plant and Equipment		
Cost	217,359	218,025
Less accumulated depreciation and amortization	(135,861)	(137,314)
Total Property, Plant and Equipment, Net	81,498	80,711
Other Assets		
Goodwill	9,034	9,034
Trademarks and patents, net of accumulated amortization of \$279 and \$261 at January 31, 2017 and July 31, 2016,	999	916

respectively

Customer list, net of

accumulated

amortization

of \$4,031 and

\$3,460 at January

31, 2017 and July

31, 2016,

respectively

Deferred income

taxes

Other

Total Other Assets

3,754

12,319

6,192

32,298

4,325

12,754

5,902

32,931

Total Assets \$ 206,574

\$ 204,815

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	(unaudited)	
	January 31, 2017	July 31, 2016
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of notes payable	\$ 3,083	\$3,083
Accounts payable	7,316	6,635
Dividends payable	1,485	1,477
Accrued expenses:		
Salaries, wages and commissions	6,675	8,656
Trade promotions and advertising	2,487	2,855
Freight	1,699	1,579
Other	6,753	6,455
Total Current Liabilities	29,498	30,740
Noncurrent Liabilities		
Notes payable, net of unamortized debt issuance costs of \$103 and \$118 at January 31, 2017 and July 31, 2016, respectively	9,147	12,215
Deferred compensation	10,991	10,504
Pension and postretirement benefits	32,915	32,492
Other	3,518	3,313
Total Noncurrent Liabilities	56,571	58,524
Total Liabilities	86,069	89,264
Stockholders' Equity		
Common Stock, par value \$.10 per share, issued 8,015,166 shares at January 31, 2017 and 7,982,243 shares at July 31, 2016	802	798
Class B Stock, par value \$.10 per share, issued 2,513,512 shares at January 31, 2017 and 2,515,735 shares at July 31, 2016	251	252
Additional paid-in capital	35,288	34,294
Retained earnings	153,240	149,945
Accumulated other comprehensive loss:		
Pension and postretirement benefits	(13,289)	(13,867)
Cumulative translation adjustment	(106)	(155)
Total accumulated other comprehensive loss	(13,395)	(14,022)
Less Treasury Stock, at cost (2,906,777 Common and 324,741 Class B shares at January 31, 2017 and 2,912,953 Common and 324,741 Class B shares at July 31, 2016)	(55,681)	(55,716)
Total Stockholders' Equity	120,505	115,551
Total Liabilities & Stockholders' Equity	\$ 206,574	\$204,815

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Statements of Income and Retained Earnings

(in thousands, except for per share amounts)

	(unaudited)	
	For the Six Months	
	Ended January 31,	
	2017	2016
Net Sales	\$ 131,786	\$ 133,162
Cost of Sales	(91,936)	(93,447)
Gross Profit	39,850	39,715
Selling, General and Administrative Expenses	(31,217)	(26,539)
Income from Operations	8,633	13,176
Other Income (Expense)		
Interest expense	(489)	(511)
Interest income	16	9
Other, net	(237)	(65)
Total Other Expense, Net	(710)	(567)
Income Before Income Taxes	7,923	12,609
Income Taxes	(1,664)	(3,365)
Net Income	6,259	9,244
Retained Earnings:		
Balance at beginning of period	149,945	142,095
Cash dividends declared and treasury stock issuances	(2,964)	(2,846)
Balance at End of Period	\$ 153,240	\$ 148,493
Net Income Per Share		
Basic Common	\$0.93	\$1.39
Basic Class B Common	\$0.70	\$1.04
Diluted Common	\$0.86	\$1.28
Average Shares Outstanding		
Basic Common	5,011	4,978
Basic Class B Common	2,077	2,046
Diluted Common	7,145	7,074
Dividends Declared Per Share		
Basic Common	\$0.4400	\$0.4200
Basic Class B Common	\$0.3300	\$0.3150

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
Condensed Consolidated Statements of Comprehensive Income
(in thousands of dollars)

(unaudited)
For the Six
Months Ended
January 31,
2017 2016

Net Income	\$6,259	\$9,244
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Other Comprehensive Income:

Pension and postretirement benefits (net of tax)	578	308
Cumulative translation adjustment	49	(150)
Other Comprehensive Income	627	158
Total Comprehensive Income	\$6,886	\$9,402

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
Condensed Consolidated Statements of Income and Retained Earnings
(in thousands, except for per share amounts)

	(unaudited)	
	For the Three	
	Months Ended	
	January 31,	
	2017	2016
Net Sales	\$65,174	\$65,367
Cost of Sales	(46,049)	(46,305)
Gross Profit	19,125	19,062
Selling, General and Administrative Expenses	(13,538)	(13,662)
Income from Operations	5,587	5,400
Other Income (Expense)		
Interest expense	(238)	(252)
Interest income	8	6
Other, net	(113)	(85)
Total Other Expense, Net	(343)	(331)
Income Before Income Taxes	5,244	5,069
Income Taxes	(994)	(1,248)
Net Income	4,250	3,821
Net Income Per Share		
Basic Common	\$0.63	\$0.57
Basic Class B	\$0.47	\$0.43
Diluted Common	\$0.58	\$0.53
Average Shares Outstanding		
Basic Common	5,019	4,982
Basic Class B	2,088	2,055
Diluted Common	7,155	7,096
Dividends Declared Per Share		
Basic Common	\$0.2200	\$0.2100
Basic Class B	\$0.1650	\$0.1575

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
 Condensed Consolidated Statements of Comprehensive Income
 (in thousands of dollars)

	(unaudited)	
	For the Three	
	Months Ended	
	January 31,	
	2017	2016
Net Income	\$4,250	\$3,821
Other Comprehensive Income (Loss):		
Pension and postretirement benefits (net of tax)	309	130
Cumulative translation adjustment	63	(139)
Other Comprehensive Income (Loss)	372	(9)
Total Comprehensive Income	\$4,622	\$3,812

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(in thousands)

	(unaudited)	
	For the Six	
	Months Ended	
	January 31,	
	2017	2016
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$6,259	\$9,244
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	6,389	5,914
Amortization of investment net discount	(5)	(2)
Non-cash stock compensation expense	777	638
Excess tax benefits for share-based payments	(207	