

SANFILIPPO JOHN B & SON INC  
Form 10-Q  
February 05, 2018  
Table of Contents

**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 December 28, 2017**

**OR**

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

**Commission File Number 0-19681**

**JOHN B. SANFILIPPO & SON, INC.**

**(Exact Name of Registrant as Specified in Its Charter)**

**Delaware**  
**(State or Other Jurisdiction of**  
**Incorporation or Organization)**

**36-2419677**  
**(I.R.S. Employer**  
**Identification No.)**

**1703 North Randall Road**

**Elgin, Illinois**  
**(Address of Principal Executive Offices)**

**60123-7820**  
**(Zip Code)**

**(847) 289-1800**

**(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 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 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 (Do not check if a smaller reporting company)

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 January 25, 2018, 8,744,197 shares of the Registrant's Common Stock, \$0.01 par value per share and 2,597,426 shares of the Registrant's Class A Common Stock, \$0.01 par value per share, were outstanding.



**Table of Contents**

**JOHN B. SANFILIPPO & SON, INC.**

**FORM 10-Q**

**FOR THE QUARTER ENDED DECEMBER 28, 2017**

**INDEX**

	<b>Page</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<b><u>Item 1. Financial Statements (Unaudited)</u></b>	
<u>Consolidated Statements of Comprehensive Income for the Quarter and Twenty-Six Weeks Ended December 28, 2017 and December 29, 2016</u>	3
<u>Consolidated Balance Sheets as of December 28, 2017, June 29, 2017 and December 29, 2016</u>	4
<u>Consolidated Statements of Cash Flows for the Twenty-Six Weeks Ended December 28, 2017 and December 29, 2016</u>	6
<u>Notes to Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	17
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	27
<u>Item 4. Controls and Procedures</u>	27
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 1. Legal Proceedings</u>	27
<u>Item 1A. Risk Factors</u>	27
<u>Item 6. Exhibits</u>	28
<b><u>SIGNATURE</u></b>	35

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements****JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(Unaudited)

(Dollars in thousands, except share and per share amounts)

	<b>For the Quarter Ended</b>		<b>For the Twenty-six Weeks Ended</b>	
	<b>December 28,</b>	<b>December 29,</b>	<b>December 28,</b>	<b>December 29,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>
Net sales	\$ 259,118	\$ 249,375	\$ 473,909	\$ 471,668
Cost of sales	221,238	205,986	401,189	391,804
Gross profit	37,880	43,389	72,720	79,864
Operating expenses:				
Selling expenses	15,844	15,370	26,789	26,641
Administrative expenses	7,787	7,744	14,346	15,859
Total operating expenses	23,631	23,114	41,135	42,500
Income from operations	14,249	20,275	31,585	37,364
Other expense:				
Interest expense including \$245, \$201, \$439 and \$391 to related parties	805	608	1,586	1,230
Rental and miscellaneous expense, net	241	299	863	709
Other expense	493	533	985	1,066
Total other expense, net	1,539	1,440	3,434	3,005
Income before income taxes	12,710	18,835	28,151	34,359
Income tax expense	4,954	5,950	9,963	11,294
Net income	\$ 7,756	\$ 12,885	\$ 18,188	\$ 23,065
Other comprehensive income:				
Amortization of prior service cost and actuarial loss included in net periodic pension cost	281	331	560	661
Income tax expense related to pension adjustments	(111)	(126)	(219)	(251)

Edgar Filing: SANFILIPPO JOHN B & SON INC - Form 10-Q

Other comprehensive income, net of tax	170	205	341	410
Comprehensive income	\$ 7,926	\$ 13,090	\$ 18,529	\$ 23,475
Net income per common share-basic	\$ 0.68	\$ 1.14	\$ 1.60	\$ 2.04
Net income per common share-diluted	\$ 0.68	\$ 1.13	\$ 1.59	\$ 2.03
Cash dividends declared per share	\$	\$ 2.50	\$ 2.50	\$ 5.00

*The accompanying unaudited notes are an integral part of these consolidated financial statements.*

**Table of Contents**

**JOHN B. SANFILIPPO & SON, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except share and per share amounts)

	December 28, 2017	June 29, 2017	December 29, 2016
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash	\$ 3,052	\$ 1,955	\$ 2,031
Accounts receivable, less allowance for doubtful accounts of \$273, \$263 and \$306	70,437	64,830	66,007
Inventories	168,852	182,420	182,653
Prepaid expenses and other current assets	13,457	4,172	6,841
<b>TOTAL CURRENT ASSETS</b>	<b>255,798</b>	<b>253,377</b>	<b>257,532</b>
<b>PROPERTY, PLANT AND EQUIPMENT:</b>			
Land	9,285	9,285	9,285
Buildings	108,092	107,015	106,566
Machinery and equipment	196,715	194,099	193,859
Furniture and leasehold improvements	4,951	4,842	4,803
Vehicles	535	498	453
Construction in progress	2,652	1,075	1,483
	322,230	316,814	316,449
Less: Accumulated depreciation	214,426	210,606	206,751
	107,804	106,208	109,698
Rental investment property, less accumulated depreciation of \$10,035, \$9,639 and \$9,244	18,858	19,254	19,650
<b>TOTAL PROPERTY, PLANT AND EQUIPMENT</b>	<b>126,662</b>	<b>125,462</b>	<b>129,348</b>
Cash surrender value of officers' life insurance and other assets	9,057	10,125	10,091
Deferred income taxes	5,979	9,095	8,109
Goodwill	9,638		
Intangible assets, net	19,341		611
<b>TOTAL ASSETS</b>	<b>\$ 426,475</b>	<b>\$ 398,059</b>	<b>\$ 405,691</b>

*The accompanying unaudited notes are an integral part of these consolidated financial statements.*





**Table of Contents**

**JOHN B. SANFILIPPO & SON, INC.**  
**CONSOLIDATED BALANCE SHEETS**

(Unaudited)

(Dollars in thousands, except share and per share amounts)

	December 28, 2017	June 29, 2017	December 29, 2016
<b>LIABILITIES &amp; STOCKHOLDERS EQUITY</b>			
<b>CURRENT LIABILITIES:</b>			
Revolving credit facility borrowings	\$ 30,000	\$ 29,456	\$ 12,427
Current maturities of long-term debt, including related party debt of \$4,324, \$474 and \$457 and net of unamortized debt issuance costs of \$50, \$55 and \$60	7,274	3,418	3,397
Accounts payable, including related party payables of \$0, \$178 and \$32	84,834	50,047	90,787
Bank overdraft	2,894	932	2,652
Accrued payroll and related benefits	6,333	15,958	10,609
Other accrued expenses	9,387	10,062	9,966
<b>TOTAL CURRENT LIABILITIES</b>	<b>140,722</b>	<b>109,873</b>	<b>129,838</b>
<b>LONG-TERM LIABILITIES:</b>			
Long-term debt, less current maturities, including related party debt of \$17,682, \$10,584 and \$10,825 and net of unamortized debt issuance costs of \$100, \$124 and \$150	30,832	25,211	26,925
Retirement plan	21,396	20,994	22,532
Other	7,084	6,513	6,695
<b>TOTAL LONG-TERM LIABILITIES</b>	<b>59,312</b>	<b>52,718</b>	<b>56,152</b>
<b>TOTAL LIABILITIES</b>	<b>200,034</b>	<b>162,591</b>	<b>185,990</b>
<b>COMMITMENTS AND CONTINGENCIES</b>			
<b>STOCKHOLDERS EQUITY:</b>			
Class A Common Stock, convertible to Common Stock on a per share basis, cumulative voting rights of ten votes per share, \$.01 par value; 10,000,000 shares authorized, 2,597,426 shares issued and outstanding	26	26	26
Common Stock, non-cumulative voting rights of one vote per share, \$.01 par value; 17,000,000 shares authorized, 8,859,097, 8,801,641 and 8,785,938 shares issued	89	88	88
Capital in excess of par value	118,585	117,772	116,676

Edgar Filing: SANFILIPPO JOHN B & SON INC - Form 10-Q

Retained earnings	113,008	123,190	110,130
Accumulated other comprehensive loss	(4,063)	(4,404)	(6,015)
Treasury stock, at cost; 117,900 shares of Common Stock	(1,204)	(1,204)	(1,204)
TOTAL STOCKHOLDERS EQUITY	226,441	235,468	219,701
TOTAL LIABILITIES & STOCKHOLDERS EQUITY	\$ 426,475	\$ 398,059	\$ 405,691

*The accompanying unaudited notes are an integral part of these consolidated financial statements.*

Table of Contents**JOHN B. SANFILIPPO & SON, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS**

(Unaudited)

(Dollars in thousands)

	<b>For the Twenty-six Weeks Ended</b>	
	<b>December 28,</b>	<b>December 29,</b>
	<b>2017</b>	<b>2016</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 18,188	\$ 23,065
Depreciation and amortization	7,064	7,973
Loss on disposition of assets, net	319	53
Deferred income tax expense	3,116	481
Stock-based compensation expense	1,429	1,428
Change in assets and liabilities, net of business acquired:		
Accounts receivable, net	(3,176)	12,067
Inventories	15,525	(26,080)
Prepaid expenses and other current assets	(5,111)	(2,468)
Accounts payable	34,014	46,925
Accrued expenses	(9,124)	(4,672)
Income taxes payable	(5,422)	2,928
Other long-term assets and liabilities	694	(115)
Other, net	915	845
Net cash provided by operating activities	58,431	62,430
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(6,966)	(6,672)
Acquisition of Squirrel Brand L.P.	(21,909)	