INGLES MARKETS INC Form 10-Q May 05, 2008 Table of Contents

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 th	ne quarterly period ended March 29, 2008

••	TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE
	ACT OF 1934
For th	e 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

56-0846267 (I.R.S. Employer

incorporation or organization)

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 x 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 x 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 x .

As of April 28, 2008, the Registrant had 12,454,260 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 12,058,001 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

${\bf INGLES\ MARKETS, INCORPORATED}$

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Part I. Financial Information

Item 1. Financial Statements INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

Current Assets: \$ 12,917,796 \$ 16,839,621 Cash and cash equivalents 49,932,010 44,640,661 Inventories 246,988,475 233,464,855 Other current assets 10,024,049 10,648,217 Total Current Assets 319,862,330 30,373,208 Property and Equipment Net 223,766,850 839,732,08 Other Assets 9,850,746 9,946,986 Total Assets \$ 1,253,479,926 \$ 1,155,272,425 Current Liabilities: \$ 1,253,479,926 \$ 1,155,272,425 Current portion of long-term debt \$ 32,955,916 \$ 31,306,955 Accounts payable - trade 154,063,107 413,335,197 Accound expenses and current portion of other long-term liabilities 248,515,149 250,468,08 Deferred Income Taxes 39,697,578 38,176,578 Long-Term Debt 593,145,736 511,950,127 Other Long-Term Liabilities 887,373,093 807,128,445 Stockholders Equity: Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713	A COLUMN		MARCH 29, 2008	SI	EPTEMBER 29, 2007
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Other Assets 9,850,746 9,946,986 Total Assets \$1,253,479,926 \$1,155,272,425 LIABILITIES AND STOCKHOLDERS EQUITY Current Liabilities: Current portion of long-term debt \$32,955,916 \$31,306,955 Accounts payable - trade 154,063,107 143,935,192 Accrued expenses and current portion of other long-term liabilities 61,496,126 75,225,938 Total Current Liabilities 248,515,149 250,468,085 Deferred Income Taxes 39,697,578 38,176,578 Long-Term Debt 593,145,736 511,950,122 Other Long-Term Liabilities 6,014,630 6,533,659 Total Liabilities 887,373,093 807,128,449 Stockholders Equity: Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued 622,713 617,789 Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,789 Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares susued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,822	Total Current Assets		319,862,330		305,593,357
Total Assets \$1,253,479,926 \$1,155,272,425	Property and Equipment Net		923,766,850		839,732,082
Current Liabilities	Other Assets		9,850,746		9,946,986
Current Liabilities: \$ 32,955,916 \$ 31,306,955 Accounts payable - trade 154,063,107 143,935,192 Accrued expenses and current portion of other long-term liabilities 61,496,126 75,225,938 Total Current Liabilities 248,515,149 250,468,085 Deferred Income Taxes 39,697,578 38,176,578 Long-Term Debt 593,145,736 511,950,127 Other Long-Term Liabilities 887,373,093 807,128,449 Stockholders Equity: Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued 887,373,093 807,128,449 Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,789 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding	Total Assets	\$ 1	1,253,479,926	\$	1,155,272,425
Current portion of long-term debt \$ 32,955,916 \$ 31,306,955 Accounts payable - trade 154,063,107 143,935,192 Accrued expenses and current portion of other long-term liabilities 61,496,126 75,225,938 Total Current Liabilities 248,515,149 250,468,085 Deferred Income Taxes 39,697,578 38,176,578 Long-Term Debt 593,145,736 511,950,127 Other Long-Term Liabilities 887,373,093 807,128,449 Stockholders Equity: Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued 887,373,093 807,128,449 Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,785 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value 118,184,132 118,184,132 Total Stockholders Equity 366,106,833 348,143,976	•				
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Total Current Liabilities 248,515,149 250,468,085 Deferred Income Taxes 39,697,578 38,176,578 Long-Term Debt 593,145,736 511,950,127 Other Long-Term Liabilities 6,014,630 6,533,659 Total Liabilities 887,373,093 807,128,449 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; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,789 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value Retained earnings 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976					
Deferred Income Taxes 39,697,578 38,176,578 1,057	Accrued expenses and current portion of other long-term liabilities		61,496,126		75,225,938
Deferred Income Taxes 39,697,578 38,176,578 1,057					
Long-Term Debt 593,145,736 511,950,127 Other Long-Term Liabilities 6,014,630 6,533,659 Total Liabilities 887,373,093 807,128,449 Stockholders Equity: Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued	Total Current Liabilities		248,515,149		250,468,085
Other Long-Term Liabilities 6,014,630 6,533,659 Total Liabilities 887,373,093 807,128,449 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; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,789 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value Retained earnings 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976	Deferred Income Taxes		39,697,578		38,176,578
Total Liabilities 887,373,093 807,128,449 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; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 622,713 617,789 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value Retained earnings 118,184,132 118,184,132 Total Stockholders Equity 366,106,833 348,143,976	Long-Term Debt		593,145,736		511,950,127
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; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 Paid-in capital in excess of par value Retained earnings Total Stockholders Equity 366,106,833 348,143,976	Other Long-Term Liabilities		6,014,630		6,533,659
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; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 Paid-in capital in excess of par value Retained earnings Total Stockholders Equity 366,106,833 348,143,976	Total Liabilities		887,373,093		807,128,449
Common stocks: Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 Paid-in capital in excess of par value Retained earnings Total Stockholders Equity 366,106,833 348,143,976	Stockholders Equity:				
Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 Paid-in capital in excess of par value Retained earnings Total Stockholders Equity 366,106,833 348,143,976	Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued				
March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007 Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 Paid-in capital in excess of par value Retained earnings Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares 118,184,132 118,184,132 118,184,132 118,184,132 Total Stockholders Equity 366,106,833 348,143,976	Common stocks:				
Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 12,058,001 shares issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value 118,184,132 118,184,132 Retained earnings 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976	Class A, \$0.05 par value; 150,000,000 shares authorized; 12,454,258 shares issued and outstanding				
issued and outstanding March 29, 2008; 12,156,476 shares issued and outstanding September 29, 2007 602,900 607,824 Paid-in capital in excess of par value 118,184,132 118,184,132 Retained earnings 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976	March 29, 2008; 12,355,783 shares issued and outstanding September 29, 2007		622,713		617,789
Paid-in capital in excess of par value 118,184,132 118,184,132 118,184,132 118,184,132 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976					
Retained earnings 246,697,088 228,734,231 Total Stockholders Equity 366,106,833 348,143,976			602,900		607,824
Total Stockholders Equity 366,106,833 348,143,976					118,184,132
	Retained earnings		246,697,088		228,734,231
Total Liabilities and Stockholders Equity \$1.253.479.926 \$ 1.155.272.425	Total Stockholders Equity		366,106,833		348,143,976
Ψ 1,100,272,122	Total Liabilities and Stockholders Equity	\$ 1	1,253,479,926	\$	1,155,272,425

See notes to unaudited interim financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

		THREE MONTHS ENDED MARCH 29, MARCH 31,		
	IVI	2008	14	2007
Net sales	\$ 78	32,787,385	\$ 6	581,164,012
Cost of goods sold		08,291,757		514,596,035
Gross profit	18	34,495,628]	166,567,977
Operating and administrative expenses	15	3,063,120	1	139,497,979
Rental income, net		880,280		1,280,749
Loss from sale or disposal of assets		(487,352)		(328,032)
Income from operations	3	31,825,436		28,022,715
Other income, net		826,751		574,498
Interest expense	1	1,645,269		11,935,469
Income before income taxes	2	21,006,918		16,661,744
Income tax expense (benefit):				
Current		7,075,000		5,623,000
Deferred		937,000		(2,468,000)
		8,012,000		3,155,000
Net income	\$ 1	2,994,918	\$	13,506,744
Per share amounts:				
Class A Common Stock				
Basic earnings per common share	\$	0.56	\$	0.58
Diluted earnings per common share	\$	0.53	\$	0.55
Class B Common Stock				
Basic earnings per common share	\$	0.51	\$	0.53
•				
Diluted earnings per common share	\$	0.51	\$	0.53
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.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

	SIX MONTHS ENDED			
	N	1ARCH 29, 2008	ľ	MARCH 31, 2007
Net sales	\$1	,559,908,677	\$ 1	,366,862,600
Cost of goods sold		,194,755,807		,035,431,723
Gross profit		365,152,870		331,430,877
Operating and administrative expenses		303,349,461		275,962,051
Rental income, net		2,112,677		2,303,506
Loss from sale or disposal of assets		(559,215)		(489,937)
Income from operations		63,356,871		57,282,395
Other income, net		1,502,385		1,345,061
Interest expense		23,139,529		23,941,127
Income before income taxes		41,719,727		34,686,329
Income tax expense (benefit):				
Current		14,805,000		14,120,000
Deferred		1,227,000		(4,108,000)
		16,032,000		10,012,000
Net income	\$	25,687,727	\$	24,674,329
Per share amounts:				
Class A Common Stock	Φ.		_	4.05
Basic earnings per common share	\$	1.10	\$	1.06
Diluted earnings per common share	\$	1.05	\$	1.01
Class B Common Stock				
Basic earnings per common share	\$	1.00	\$	0.96
Diluted earnings per common share	\$	1.00	\$	0.96
Cash dividends per common share:				
Class A Common Stock	\$	0.33	\$	0.33
Class B Common Stock	\$	0.30	\$	0.30

See notes to unaudited interim financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS EQUITY (UNAUDITED)

SIX MONTHS ENDED MARCH 29, 2008 AND MARCH 31, 2007

PAID-IN

					CAPITAL IN		
	CLAS	SS A	CLAS	SS B			
	COMMON SHARES	N STOCK AMOUNT	COMMON SHARES	STOCK AMOUNT	EXCESS OF PAR VALUE	RETAINED EARNINGS	TOTAL
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						24,674,329	24,674,329
Cash dividends						(7,716,659)	(7,716,659)
Exercise of stock options	11,000	550			211,692		212,242
Common stock conversions	151,298	7,565	(151,298)	(7,565)			
Balance, March 31, 2007	12,338,783	\$ 616,939	12,170,476	\$ 608,524	\$ 118,123,115	\$ 202,494,221	\$ 321,842,799
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						25,687,727	25,687,727
Cash dividends						(7,724,870)	(7,724,870)
Exercise of stock options							
Common stock conversions	98,475	4,924	(98,475)	(4,924)			
Balance, March 29, 2008	12,454,258	\$ 622,713	12,058,001	\$ 602,900	\$ 118,184,132	\$ 246,697,088	\$ 366,106,833

See notes to unaudited interim financial statements.

INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	SIX MONT	SIX MONTHS ENDED		
	MARCH 29, 2008	MARCH 31, 2007		
Cash Flows from Operating Activities:	2000	2007		
Net income	\$ 25,687,727	\$ 24,674,329		
Adjustments to reconcile net income to net cash provided by operating activities:				