

INGLES MARKETS INC
Form 10-Q
May 05, 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 March 29, 2008

.. 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 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 .

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.

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Part I. Financial Information

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

	MARCH 29, 2008	SEPTEMBER 29, 2007
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 12,917,796	\$ 16,839,621
Notes and accounts receivable, net	49,932,010	44,640,660
Inventories	246,988,475	233,464,859
Other current assets	10,024,049	10,648,217
Total Current Assets	319,862,330	305,593,357
Property and Equipment Net	923,766,850	839,732,082
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	511,950,127
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	118,184,132	118,184,132
Retained earnings	246,697,088	228,734,231
Total Stockholders Equity	366,106,833	348,143,976
Total Liabilities and Stockholders Equity	\$ 1,253,479,926	\$ 1,155,272,425

See notes to unaudited interim financial statements.

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

	THREE MONTHS ENDED	
	MARCH 29, 2008	MARCH 31, 2007
Net sales	\$ 782,787,385	\$ 681,164,012
Cost of goods sold	598,291,757	514,596,035
Gross profit	184,495,628	166,567,977
Operating and administrative expenses	153,063,120	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	31,825,436	28,022,715
Other income, net	826,751	574,498
Interest expense	11,645,269	11,935,469
Income before income taxes	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	\$ 12,994,918	\$ 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.

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

	SIX MONTHS ENDED	
	MARCH 29, 2008	MARCH 31, 2007
Net sales	\$ 1,559,908,677	\$ 1,366,862,600
Cost of goods sold	1,194,755,807	1,035,431,723
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		
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.

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

	CLASS A		CLASS B		PAID-IN		TOTAL
	COMMON STOCK		COMMON STOCK		EXCESS OF	RETAINED	
	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						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.

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INGLES MARKETS, INCORPORATED AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

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