

OIL DRI CORP OF AMERICA
Form 10-Q
June 08, 2015

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 April 30, 2015
- or
- 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 001-12622

OIL-DRI CORPORATION OF AMERICA
(Exact name of the registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

36-2048898
(I.R.S. Employer
Identification No.)

410 North Michigan Avenue, Suite 400
Chicago, Illinois
(Address of principal executive offices)

60611-4213
(Zip Code)

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

Edgar Filing: OIL DRI CORP OF AMERICA - Form 10-Q

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 April 30, 2015.

Common Stock – 5,001,797 Shares and Class B Stock – 2,064,994 Shares

CONTENTS

PART I – FINANCIAL INFORMATION		
Item 1:	<u>Financial Statements</u>	Page <u>3</u>
Item 2:	<u>Management’s Discussion and Analysis of Financial Condition and Results Of Operations</u>	<u>19</u>
Item 3:	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	<u>27</u>
Item 4:	<u>Controls and Procedures</u>	<u>28</u>
PART II – OTHER INFORMATION		
Item 2:	Unregistered Sales of Equity Securities and Use of Proceeds	<u>29</u>
Item 4:	<u>Mine Safety Disclosures</u>	<u>29</u>
Item 6:	<u>Exhibits</u>	<u>30</u>
	<u>Signatures</u>	<u>31</u>

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, 2014. 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 and Oil-Dri are registered trademarks of Oil-Dri Corporation of America. Fresh & Light Ultimate Care is a trademark 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)

	(unaudited)	
	April 30, 2015	July 31, 2014
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 14,379	\$ 16,230
Restricted cash	—	129
Short-term investments	480	2,640
Accounts receivable, less allowance of \$744 and \$707 at April 30, 2015 and July 31, 2014, respectively	31,965	30,997
Inventories	24,285	24,483
Deferred income taxes	1,570	1,570
Prepaid repairs expense	3,738	3,722
Prepaid expenses and other assets	2,074	3,745
Total Current Assets	78,491	83,516
Property, Plant and Equipment		
Cost	209,006	199,095
Less accumulated depreciation and amortization	(128,459)	(124,199)
Total Property, Plant and Equipment, Net	80,547	74,896
Other Assets		
Goodwill	9,034	9,034
Trademarks and patents, net of accumulated amortization of \$316 and \$420 at April 30, 2015 and July 31, 2014, respectively	903	660
Debt issuance costs, net of accumulated amortization of \$432 and \$522 at April 30, 2015 and July 31, 2014, respectively	170	243
Licensing agreements and non-compete agreements, net of accumulated amortization of \$1,285 and \$1,145 at April 30, 2015 and July 31, 2014, respectively	15	155
Customer list, net of accumulated amortization of \$1,762 and \$764 at April 30, 2015 and July 31, 2014, respectively	6,023	7,020
Deferred income taxes	4,011	4,448
Other	6,232	6,232
Total Other Assets	26,388	27,792
Total Assets	\$ 185,426	\$ 186,204

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)	
	April 30, 2015	July 31, 2014
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of notes payable	\$3,483	\$3,500
Accounts payable	6,165	7,352
Dividends payable	1,310	1,311
Accrued expenses:		
Salaries, wages and commissions	5,203	4,448
Trade promotions and advertising	3,763	2,182
Freight	2,313	2,504
Other	6,492	8,203
Total Current Liabilities	28,729	29,500
Noncurrent Liabilities		
Notes payable	15,417	18,900
Deferred compensation	9,745	9,267
Pension and postretirement benefits	22,129	22,273
Other	2,036	1,956
Total Noncurrent Liabilities	49,327	52,396
Total Liabilities	78,056	81,896
Stockholders' Equity		
Common Stock, par value \$.10 per share, issued 7,934,093 shares at April 30, 2015 and 7,917,393 shares at July 31, 2014	793	792
Class B Stock, par value \$.10 per share, issued 2,389,735 shares at April 30, 2015 and 2,394,735 shares at July 31, 2014	239	239
Additional paid-in capital	33,518	33,130
Restricted unearned stock compensation	(1,223)	(2,225)
Retained earnings	138,405	136,039
Accumulated other comprehensive income:		
Unrealized gain on marketable securities	—	114
Pension and postretirement benefits	(8,344)	(8,632)
Cumulative translation adjustment	(48)	255
Total accumulated other comprehensive loss	(8,392)	(8,263)
Less Treasury Stock, at cost (2,932,296 Common and 324,741 Class B shares at April 30, 2015 and 2,915,651 Common and 324,741 Class B shares at July 31, 2014)	(55,970)	(55,404)
Total Stockholders' Equity	107,370	104,308
Total Liabilities & Stockholders' Equity	\$185,426	\$186,204

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 Nine Months Ended	
	April 30,	
	2015	2014
Net Sales	\$ 195,883	\$ 200,268
Cost of Sales	(152,448)	(152,991)
Gross Profit	43,435	47,277
Selling, General and Administrative Expenses	(34,085)	(36,211)
Income from Operations	9,350	11,066
Other Income (Expense)		
Interest expense	(1,018)	(1,186)
Interest income	11	19
Other, net	310	387
Total Other Income (Expense), Net	(697)	(780)
Income Before Income Taxes	8,653	10,286
Income taxes	(2,351)	(2,396)
Net Income	6,302	7,890
Retained Earnings:		
Balance at beginning of period	136,039	132,750
Cash dividends declared and treasury stock issuances	(3,936)	(3,739)
Balance at end of period	\$ 138,405	\$ 136,901
Net Income Per Share		
Basic Common	\$0.96	\$1.20
Basic Class B	\$0.72	\$0.90
Diluted	\$0.88	\$1.11
Average Shares Outstanding		
Basic Common	4,953	4,974
Basic Class B	2,018	2,000
Diluted	7,034	6,998
Dividends Declared Per Share		
Basic Common	\$0.6000	\$0.5700
Basic Class B	\$0.4500	\$0.4275

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

