

SANDERSON FARMS INC
Form 10-Q
February 25, 2016

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 AND EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 2016

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 1-14977

Sanderson Farms, Inc.
(Exact name of registrant as specified in its charter)

Mississippi 64-0615843
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

127 Flynt Road, Laurel, Mississippi 39443
(Address of principal executive offices) (Zip Code)

(601) 649-4030
(Registrant's telephone number, including area code)
(Former name, former address and former fiscal year, if changed since last report.)

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 definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Non-accelerated filer (Do not check if a smaller reporting company) 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

APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS DURING THE PRECEDING FIVE YEARS:

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Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes " No "

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$1 Par Value Per Share: 22,575,071 shares outstanding as of February 19, 2016.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SANDERSON FARMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In thousands, except number of shares)

| | January 31, 2016 (Unaudited) | October 31, 2015 (Note 1) |
|--|------------------------------------|---------------------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$155,105 | \$196,659 |
| Accounts receivable, net | 119,895 | 112,924 |
| Inventories | 209,772 | 198,753 |
| Refundable income taxes | 42,260 | 16,414 |
| Deferred income taxes | 3,735 | 4,709 |
| Prepaid expenses and other current assets | 35,421 | 33,331 |
| Total current assets | 566,188 | 562,790 |
| Property, plant and equipment | 1,341,944 | 1,318,530 |
| Less accumulated depreciation | (653,938) | (636,196) |
| | 688,006 | 682,334 |
| Other assets | 6,224 | 6,337 |
| Total assets | \$1,260,418 | \$1,251,461 |
| Liabilities and stockholders' equity | | |
| Current liabilities: | | |
| Accounts payable | \$76,069 | \$62,816 |
| Accrued expenses | 45,311 | 88,431 |
| Current maturities of long-term debt | 10,000 | 10,000 |
| Total current liabilities | 131,380 | 161,247 |
| Claims payable | 8,100 | 7,500 |
| Deferred income taxes and other liabilities | 81,768 | 52,853 |
| Commitments and contingencies | | |
| Stockholders' equity: | | |
| Preferred Stock: | | |
| Series A Junior Participating Preferred Stock, \$100 par value: authorized 500,000 shares, none issued | | |
| Par value to be determined by the Board of Directors: authorized 4,500,000 shares; none issued | | |
| Common Stock, \$1 par value: authorized 100,000,000 shares; issued and outstanding shares—22,571,570 and 22,520,875 at January 31, 2016 and October 31, 2015, respectively | 22,572 | 22,521 |
| Paid-in capital | 115,230 | 111,687 |
| Retained earnings | 901,368 | 895,653 |
| Total stockholders' equity | 1,039,170 | 1,029,861 |
| Total liabilities and stockholders' equity | \$1,260,418 | \$1,251,461 |
| See notes to condensed consolidated financial statements. | | |

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SANDERSON FARMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
 (In thousands, except per share amounts)

| | Three Months Ended January 31, | |
|-------------------------------------|-----------------------------------|-----------|
| | 2016 | 2015 |
| Net sales | \$605,166 | \$667,363 |
| Cost and expenses: | | |
| Cost of sales | 555,061 | 526,201 |
| Selling, general and administrative | 30,294 | 38,105 |
| | 585,355 | 564,306 |
| Operating Income | 19,811 | 103,057 |
| Other income (expense): | | |
| Interest income | — | 26 |
| Interest expense | (431) | (427) |
| Other | 3 | 34 |
| | (428) | (367) |
| Income before income taxes | 19,383 | 102,690 |
| Income tax expense | 8,702 | 36,187 |
| Net income | \$10,681 | \$66,503 |
| Earnings per share: | | |
| Basic | \$0.47 | \$2.87 |
| Diluted | \$0.47 | \$2.87 |
| Dividends per share | \$0.22 | \$0.22 |

See notes to condensed consolidated financial statements.

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SANDERSON FARMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 (In thousands)

| | Three Months Ended January 31, | |
|---|-----------------------------------|-----------|
| | 2016 | 2015 |
| Operating activities | | |
| Net income | \$10,681 | \$66,503 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Depreciation and amortization | 19,871 | 16,256 |
| Non-cash stock compensation | 2,722 | 5,910 |
| Deferred income taxes | 29,735 | 8,976 |
| Change in assets and liabilities: | | |
| Accounts receivable, net | (6,971 |) 1,282 |
| Income taxes | (25,846 |) 1,980 |
| Inventories | (11,019 |) (22,349 |
| Prepaid expenses and other assets | (2,226 |)) |