

MGP INGREDIENTS INC
Form 10-Q
February 07, 2008

**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 30, 2007.

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: 0-17196

MGP INGREDIENTS, INC.

(Exact name of registrant as specified in its charter)

KANSAS

(State or other jurisdiction of incorporation or organization)

48-0531200

(I.R.S. Employer Identification No.)

100 Commercial Street, Atchison Kansas

(Address of principal executive offices)

66002

(Zip Code)

(913) 367-1480

(Registrant's telephone number, including area code)

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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

Indicated 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 the latest practicable date.

Common stock, no par value

16,548,503 shares outstanding

as of December 30, 2007

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors and Stockholders

MGP Ingredients, Inc.

Atchison, Kansas

We have reviewed the accompanying condensed consolidated balance sheets of MGP Ingredients, Inc. as of December 30, 2007 and December 31, 2006, and the related condensed consolidated statements of income for the three-month and six-month periods ended December 30, 2007 and December 31, 2006, and cash flows for the six-month periods ended December 30, 2007 and December 31, 2006. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of July 1, 2007 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated August 31, 2007, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of July 1, 2007 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ BKD, LLP

Kansas City, Missouri

February 7, 2008

MGP INGREDIENTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

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	Quarter Ended		Year to Date Ended	
	December 30, 2007	December 31, 2006	December 30, 2007	December 31, 2006
	Dollars in thousands except per share amounts			
Net sales	\$ 93,995	\$ 87,645	\$ 181,972	\$ 172,640
Cost of sales	90,741	71,147	172,799	140,609
Gross profit	3,254	16,498	9,173	32,031
Selling, general and administrative expenses	4,815	5,108	11,094	9,967
Income (loss) from operations	(1,561)	11,390	(1,921)	22,064
Other income, net	(76)	200	114	560
Gain on settlement of litigation, net of related expenses	7,046		7,046	
Interest expense	(405)	(232)	(681)	(451)
Income before income taxes	5,004	11,358	4,558	22,173
Provision (benefit) for income taxes	(260)	4,523	(388)	8,362
Net income	5,264	6,835	4,946	13,811
Other comprehensive income (loss), net of tax:	4,284	125	5,634	(65)
Comprehensive income	\$ 9,548	\$ 6,960	\$ 10,580	\$ 13,746
Per Share Data				
Total basic earnings per common share	\$ 0.32	\$ 0.42	\$ 0.30	\$ 0.84
Total diluted earnings per common share	\$ 0.31	\$ 0.40	\$ 0.29	\$ 0.82
Dividends per common share	\$ 0.15	\$ 0.20	\$ 0.15	\$ 0.20

See Notes to Condensed Consolidated Financial Statements

MGP INGREDIENTS, INC.

CONDENSED CONSOLIDATED BALANCE SHEETS

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	December 30, 2007 (unaudited)	December 31, 2006 (unaudited)	July 1, 2007
	Dollars in thousands, except share and per share amounts		
ASSETS			
Current Assets			
Cash and cash equivalents	\$	\$	\$
Restricted cash	3	10,479	3,900
Receivables (less allowance for doubtful accounts: December 30, 2007 - \$223; December 31, 2006 - \$320 and July 1, 2007 - \$207)	3	3,146	3,336
Inventory	34,784	35,861	34,298
Prepaid expense	61,287	35,339	42,595
Deposits	2,167	2,705	623
Deferred income taxes	3,247	551	414
Refundable income taxes	2,394	4,277	5,759
Total current assets	103,882	92,358	91,289
Property and equipment, at cost	363,867	346,311	360,472
Less accumulated depreciation	(235,602)	(221,505)	(228,260)
Property and equipment, net	128,265	124,806	132,212
Investment in joint venture	358		
Other assets	511	205	803
Total assets	\$ 233,016	\$ 217,369	\$ 224,304
LIABILITIES AND STOCKHOLDERS EQUITY			
Current Liabilities			
Current maturities of long-term debt	\$	\$	\$
Revolving credit facility	3,826	3,761	4,151
Accounts payable	10,000	16,211	7,000
Accrued expenses	16,061	5,958	15,814
Income taxes payable	7,801	1,614	7,769
Deferred revenue	21	8,609	7,851
Total current liabilities	44,824	36,153	42,585
Long-Term debt	7,169	10,612	8,940
Postretirement and pension benefits	8,115	6,775	7,860
Deferred income taxes	16,269	16,955	16,771
Stockholders' Equity			
Capital stock			
Preferred, 5% non-cumulative; \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4	4
Common stock			
No par value; authorized 40,000,000 shares; issued 19,530,344 shares	6,715	6,715	6,715
Additional paid-in capital	9,198	9,500	9,084
Retained earnings	151,414	146,732	148,929
Accumulated other comprehensive income (loss)	4,402	(547)	(1,232)
	171,733	162,404	163,500
Treasury stock, at cost			
Common; December 30, 2007 - 2,981,841 shares; December 31, 2006 - 3,073,884 shares and July 1, 2007 - 3,037,454 shares	(15,094)	(15,530)	(15,352)
Total stockholders' equity	156,639	146,874	148,148
Total liabilities and stockholders' equity	\$ 233,016	\$ 217,369	\$ 224,304

See Notes to Condensed Consolidated Financial Statements

MGP INGREDIENTS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

Year to Date Ended

(Unaudited)

	December 30, 2007	December 31, 2006
	Dollars in thousands	
Cash Flows from Operating Activities		
Net income	\$ 4,946	\$ 13,811
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	7,644	6,993
Loss (gain) on sale of assets	10	(3)
Deferred income taxes	2,921	1,974
Changes in working capital items:		
Restricted cash	3,333	(855)
Accounts receivable	(486)	(3,664)
Inventory	(13,059)	(4,937)
Accounts payable and accrued expenses		