

BRIDGFORD FOODS CORP
Form 10-Q
May 30, 2014
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES AND EXCHANGE ACT OF 1934**

For the quarterly period ended April 18, 2014

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 0-2396

BRIDGFORD FOODS CORPORATION
(Exact name of Registrant as specified in its charter)

California 95-1778176
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) identification number)

1308 N. Patt Street, Anaheim, CA 92801

(Address of principal executive offices-Zip code)

714-526-5533

(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 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 (§232.405 of this chapter) 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 the 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 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

As of May 27, 2014 the registrant had 9,120,836 shares of common stock outstanding.

BRIDGFORD FOODS CORPORATION

FORM 10-Q QUARTERLY REPORT

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References to "Bridgford Foods" or the "Company" contained in this Quarterly Report on Form 10-Q refer to Bridgford Foods Corporation.

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Part I. Financial Information

Item 1. a.

BRIDGFORD FOODS CORPORATION**CONDENSED CONSOLIDATED BALANCE SHEETS**

(in thousands, except per share amounts)

	April 18, 2014 (Unaudited)	November 1, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,496	\$ 8,325
Accounts receivable, less allowance for doubtful accounts of \$221 and \$119, respectively, and promotional allowances of \$4,888 and \$3,156, respectively	10,033	12,146
Inventories, less inventory reserves of \$519 and \$558, respectively (Note 2)	18,866	18,919
Prepaid expenses and other current assets	811	333
Refundable income taxes	249	683
Deferred income taxes, less valuation allowance of \$2,276	-	-
Total current assets	35,455	40,406
Property, plant and equipment, net of accumulated depreciation and amortization of \$58,352 and \$57,352, respectively	12,156	11,212
Other non-current assets	13,361	13,146
Deferred income taxes, less valuation allowance of \$5,671	-	-
Total assets	\$ 60,972	\$ 64,764
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 4,693	\$ 4,815
Accrued payroll, advertising and other expenses	6,527	7,631
Current portion of non-current liabilities	3,195	3,200
Total current liabilities	14,415	15,646
Non-current liabilities	14,274	15,663
Total liabilities	28,689	31,309

Commitments and contingencies (Note 3)

Shareholders' equity:

Preferred stock, without par value; authorized - 1,000 shares; issued and outstanding – none	-	-
Common stock, \$1.00 par value; authorized - 20,000 shares; issued and outstanding – 9,121 and 9,134 shares, respectively	9,178	9,191
Capital in excess of par value	8,635	8,748
Retained earnings	28,159	29,205
Accumulated other comprehensive loss	(13,689)	(13,689)
Total shareholders' equity	32,283	33,455
Total liabilities and shareholders' equity	\$ 60,972	\$ 64,764

See accompanying notes to condensed consolidated financial statements.

Item 1. b.

BRIDGFORD FOODS CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(unaudited)

(in thousands, except per share amounts)

	12 weeks ended		24 weeks ended	
	April	April	April	April
	18,	19,	18,	19,
	2014	2013	2014	2013
Net sales	\$31,243	\$28,584	\$63,709	\$59,355
Cost of products sold	22,308	18,807	44,506	37,545
Gross margin	8,935	9,777	19,203	21,810
Selling, general and administrative expenses	10,215	9,655	20,249	19,794
(Loss) income before taxes	(1,280)	122	(1,046)	2,016
Income tax provision	-	11	-	183
Net (loss) income	\$(1,280)	\$111	\$(1,046)	\$1,833
Net (loss) income per share – Basic and diluted	\$(0.14)	\$0.01	\$(0.11)	\$0.20
Weighted average common shares – Basic and diluted	9,127	9,156	9,129	9,157
Cash dividends paid per share	\$-	\$-	\$-	\$0.05

See accompanying notes to condensed consolidated financial statements.

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Item 1. c.

BRIDGFORD FOODS CORPORATION**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(in thousands)**

	24 weeks ended	
	April	April
	18,	19,
	2014	2013
Cash flows from operating activities:		
Net (loss) income	\$(1,046)	\$1,833
Income or charges not affecting cash and cash equivalents:		
Depreciation	1,210	951
Provision for losses (recoveries) on accounts receivable	102	(2)
Gain on sale of property, plant and equipment	(68)	(13)
Accounts receivable	2,011	947
Inventories	53	(4,413)
Prepaid expenses and other current assets	(44)	(41)
Other non-current assets	(215)	(328)
Accounts payable	(122)	(544)
Accrued payroll, advertising and other expenses	(1,114)	(184)
Non-current liabilities	(1,278)	383
Net cash used in operating activities	(511)	(1,411)
Cash used in investing activities:		
Proceeds from sale of property, plant and equipment	77	13
Additions to property, plant and equipment	(2,163)	(1,331)
Net cash used in investing activities	(2,086)	(1,318)
Cash used in financing activities:		
Shares repurchased	(126)	(23)
Payment of capital lease obligations	(106)	(102)
Cash dividends paid	-	(458)

Net cash used in financing activities	(232)	(583)
Net decrease in cash and cash equivalents	(2,829)	(3,312)
Cash and cash equivalents at beginning of period	8,325	9,744
Cash and cash equivalents at end of period	\$5,496	\$6,432
Supplemental cash flow information:		
Cash paid for income taxes	\$-	\$-

See accompanying notes to condensed consolidated financial statements.

Item 1. d.

BRIDGFORD FOODS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(in thousands, except percentages, share and per share amounts)

Note 1 - Summary of Significant Accounting Policies:

The unaudited condensed consolidated financial statements of Bridgford Foods Corporation (the "Company", "we", "our", "us") for the twelve and twenty-four weeks ended April 18, 2014 and April 19, 2013 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K for the fiscal year ended November 1, 2013 (the "Annual Report") and include all adjustments considered necessary by management for a fair presentation of the interim periods. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results for the full year. Recent accounting pronouncements and their effect on the Company are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

The November 1, 2013 balance sheet within these interim condensed consolidated financial statements was derived from the audited fiscal 2013 financial statements.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results may vary from these estimates. Some of the estimates needed to be made by management include the allowance for doubtful accounts, promotional and returns allowances, inventory reserves, the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax assets. Actual results could materially differ from these estimates. Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates. Change in market conditions and volatility in stock markets may cause changes in the measurement of our pension fund liabilities and performance of our life insurance policies in future periods and those changes may be significant.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts receivable, accounts payable and accrued payroll, advertising and other expenses. The carrying amount of these instruments approximate fair market value due to their short term maturity. At April 18, 2014, the Company had accounts in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company grants payment terms to a significant number of customers that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts which is reviewed for adequacy on a quarterly basis. The Company does not require collateral from its customers.

For the twenty-four weeks ended April 18, 2014, Wal-Mart® accounted for 15.7% of consolidated revenues and 29.2% of consolidated accounts receivable. For the twenty-four weeks ended April 19, 2013, Wal-Mart® accounted for 16.3% of consolidated revenues and 15.6% of consolidated accounts receivable. For the twenty-four weeks ended April 19, 2013, Dollar General® accounted for 11.3% of consolidated revenues and 20.2% of consolidated accounts receivable. No other customer accounted for more than 20% of consolidated accounts receivable or 10% of consolidated revenues for the twenty-four weeks ended April 18, 2014 or the twenty-four weeks ended April 19, 2013.

Management has evaluated events subsequent to April 18, 2014 through the date that the accompanying condensed consolidated financial statements were filed with the Securities and Exchange Commission for transactions and other events which may require adjustments of and/or disclosure in such financial statements.

Note 2 - Inventories:

Inventories are comprised of the following at the respective period ends:

	(unaudited)	November
	April 18,	1,
	2014	2013
Meat, ingredients and supplies	\$ 5,490	\$ 4,291
Work in progress	1,492	1,290
Finished goods	11,884	13,338
	\$ 18,866	