

SUPERIOR UNIFORM GROUP INC
Form 10-Q
October 27, 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 EXCHANGE ACT OF 1934**

For the quarterly period ended September 30, 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: 001-05869

Exact name of registrant as specified in its charter:

SUPERIOR UNIFORM GROUP, INC.

State or other jurisdiction of incorporation or organization: I.R.S. Employer Identification No.:
Florida 11-1385670

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Address of principal executive offices:

10055 Seminole Boulevard

Seminole, Florida 33772-2539

Registrant's telephone number, including area code:

727-397-9611

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 (§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

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

Accelerated filer

Smaller Reporting Company

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 24, 2016, the registrant had 14,436,352 shares of common stock outstanding, which is the registrant's only class of common stock.

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****THREE MONTHS ENDED SEPTEMBER 30,****(Unaudited)**

	2016	2015
Net sales	\$65,282,000	\$56,662,000
Costs and expenses:		
Cost of goods sold	42,142,000	37,438,000
Selling and administrative expenses	16,962,000	13,513,000
Interest expense	172,000	130,000
	59,276,000	51,081,000
Income before taxes on income	6,006,000	5,581,000
Income tax expense	1,620,000	1,550,000
Net income	\$4,386,000	\$4,031,000
Weighted average number of shares outstanding during the period		
(Basic)	14,118,354	13,833,561
(Diluted)	14,984,084	14,585,688
Per Share Data:		
Basic		
Net income	\$0.31	\$0.29
Diluted		
Net income	\$0.29	\$0.28
Other comprehensive income, net of tax:		
Defined benefit pension plans:		
Recognition of net losses included in net periodic pension costs	152,000	129,000
Recognition of settlement loss included in net periodic pension costs	61,000	10,000

Gain (loss) on cash flow hedging activities	44,000	(12,000)
Foreign currency translation adjustment:		
Reclassification of gain on foreign currency transactions included in net income	(170,000)	-
Foreign currency translation adjustments	(72,000)	-
Other comprehensive income	15,000	127,000
Comprehensive income	\$4,401,000	\$4,158,000
Cash dividends per common share	\$0.088	\$0.083

See accompanying notes to consolidated interim financial statements.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****NINE MONTHS ENDED SEPTEMBER 30,****(Continued)****(Unaudited)**

	2016	2015
Net sales	\$187,910,000	157,125,000
Costs and expenses:		
Cost of goods sold	122,986,000	103,574,000
Selling and administrative expenses	50,381,000	38,958,000
Interest expense	512,000	395,000
	173,879,000	142,927,000
Income before taxes on income	14,031,000	14,198,000
Income tax expense	4,310,000	4,500,000
Net income	\$9,721,000	\$9,698,000
Weighted average number of shares outstanding during the period		
(Basic)	14,055,345	13,716,376
(Diluted)	14,870,071	14,570,371
Per Share Data:		
Basic		
Net income	\$0.69	0.71
Diluted		
Net income	\$0.65	0.67

Other comprehensive income, net of tax:

Defined benefit pension plans:

Recognition of net losses included in net periodic pension costs

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	494,000	386,000
Recognition of settlement loss included in net periodic pension costs	259,000	211,000
Gain (loss) on cash flow hedging activities	50,000	(13,000)
Foreign currency translation adjustment:		
Reclassification of gain on foreign currency transactions included in net income	(170,000)	-
Foreign currency translation adjustments	222,000	-
Other comprehensive income	855,000	584,000
Comprehensive income	\$10,576,000	\$10,282,000
Cash dividends per common share	\$0.253	\$0.233

See accompanying notes to consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

	September 30, 2016 (Unaudited)	December 31, 2015
<u>ASSETS</u>		
CURRENT ASSETS:		
Cash and cash equivalents	\$2,800,000	\$ 1,036,000
Accounts receivable, less allowance for doubtful accounts of \$1,202,000 and \$848,000, respectively	41,335,000	29,914,000
Accounts receivable - other	2,845,000	3,262,000
Prepaid expenses and other current assets	10,650,000	6,214,000
Inventories*	65,713,000	63,573,000
TOTAL CURRENT ASSETS	123,343,000	103,999,000
PROPERTY, PLANT AND EQUIPMENT, NET	27,496,000	22,524,000
OTHER INTANGIBLE ASSETS, NET	23,821,000	14,222,000
GOODWILL	11,277,000	4,135,000
DEFERRED INCOME TAXES	6,690,000	4,980,000
OTHER ASSETS	2,138,000	1,871,000
	\$194,765,000	\$ 151,731,000
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
CURRENT LIABILITIES:		
Accounts payable	\$14,658,000	\$ 11,775,000
Other current liabilities	9,812,000	8,307,000
Current portion of long-term debt	5,894,000	2,750,000
Current portion of acquisition-related contingent liabilities	1,978,000	1,787,000
TOTAL CURRENT LIABILITIES	32,342,000	24,619,000
LONG-TERM DEBT, net of issuance costs	38,611,000	21,131,000
LONG-TERM PENSION LIABILITY	8,318,000	8,925,000
LONG-TERM ACQUISITION-RELATED CONTINGENT LIABILITIES	7,205,000	3,866,000
OTHER LONG-TERM LIABILITIES	480,000	500,000
COMMITMENTS AND CONTINGENCIES (NOTE 5)		
SHAREHOLDERS' EQUITY:		
Preferred stock, \$.001 par value - authorized 300,000 shares (none issued)	-	-
Common stock, \$.001 par value - authorized 50,000,000 shares, issued and outstanding - 14,422,813 and 13,917,465 respectively.	14,000	14,000
Additional paid-in capital	42,296,000	33,806,000

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Retained earnings	71,166,000	65,392,000
Accumulated other comprehensive income (loss), net of tax:		
Pensions	(5,695,000)	(6,448,000)
Cash flow hedges	(24,000)	(74,000)
Foreign currency translation adjustment	52,000	-
TOTAL SHAREHOLDERS' EQUITY	107,809,000	92,690,000
	\$ 194,765,000	\$ 151,731,000

* Inventories consist of the following:

	September 30, 2016 (Unaudited)	December 31, 2015
Finished goods	\$53,437,000	\$48,206,000
Work in process	672,000	860,000
Raw materials	11,604,000	14,507,000
	\$65,713,000	\$63,573,000

See accompanying notes to consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30,

(Unaudited)

	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	\$9,721,000	\$9,698,000
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,602,000	2,834,000
Realized gain on foreign currency exchange rate	(264,000)	-
Provision for bad debts - accounts receivable	410,000	232,000
Share-based compensation expense	1,481,000	