

FARMER BROTHERS CO
Form 10-Q
November 10, 2014

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, 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: 001-34249

FARMER BROS. CO.
(Exact Name of Registrant as Specified in Its Charter)
Delaware
(State of Incorporation)

95-0725980
(I.R.S. Employer Identification No.)

20333 South Normandie Avenue, Torrance, California 90502
(Address of Principal Executive Offices; Zip Code)
310-787-5200
(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. (Check one):

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

As of November 7, 2014 the registrant had 16,593,539 shares outstanding of its common stock, par value \$1.00 per share, which is the registrant's only class of common stock.

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PART I - FINANCIAL INFORMATION (UNAUDITED)

Item 1. Financial Statements

FARMER BROS. CO.

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	September 30, 2014	June 30, 2014
ASSETS		
Current assets:		
Cash and cash equivalents	\$4,782	\$11,993
Short-term investments	22,063	22,632
Accounts and notes receivable, net	46,172	42,230
Inventories	71,931	71,044
Income tax receivable	198	228
Short-term derivative assets	3,531	5,153
Prepaid expenses	3,561	4,180
Total current assets	152,238	157,460
Property, plant and equipment, net	93,989	95,641
Intangible assets, net	5,628	5,628
Other assets	6,556	7,034
Deferred income taxes	414	414
Total assets	\$258,825	\$266,177
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$40,096	\$44,336
Accrued payroll expenses	15,572	22,190
Short-term borrowings under revolving credit facility	2,021	78
Short-term obligations under capital leases	3,747	3,779
Deferred income taxes	1,169	1,169
Other current liabilities	5,472	5,318
Total current liabilities	68,077	76,870
Accrued postretirement benefits	19,740	19,970
Other long-term liabilities—capital leases	5,041	5,924
Accrued pension liabilities	39,804	40,256
Accrued workers' compensation liabilities	7,604	7,604
Deferred income taxes	718	689
Total liabilities	\$140,984	\$151,313
Commitments and contingencies (Note 12)		
Stockholders' equity:		
Preferred stock, \$1.00 par value, 500,000 shares authorized and none issued	\$—	\$—
Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,593,539 and 16,562,450 issued and outstanding at September 30, 2014 and June 30, 2014, respectively	16,594	16,562
Additional paid-in capital	37,725	35,917
Retained earnings	108,727	106,212
Unearned ESOP shares	(16,035)	(16,035)
Accumulated other comprehensive loss	(29,170)	(27,792)
Total stockholders' equity	\$117,841	\$114,864
Total liabilities and stockholders' equity	\$258,825	\$266,177

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)
(In thousands, except share and per share data)

	Three Months Ended September 30,	
	2014	2013
Net sales	\$135,984	\$129,529
Cost of goods sold	87,863	81,524
Gross profit	48,121	48,005
Selling expenses	38,450	36,614
General and administrative expenses	7,009	8,500
Net losses (gains) from sales of assets	61	(123
Operating expenses	45,520	44,991
Income from operations	2,601	3,014
Other income (expense):		
Dividend income	294	268
Interest income	89	108
Interest expense	(207) (372
Other, net	(64) (906
Total other income (expense)	112	(902
Income before taxes	2,713	2,112
Income tax expense	198	306
Net income	\$2,515	\$1,806
Net income per common share—basic	\$0.16	\$0.11
Net income per common share—diluted	\$0.16	\$0.11
Weighted average common shares outstanding—basic	16,003,802	15,715,538
Weighted average common shares outstanding—diluted	16,130,745	15,773,743

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)
(In thousands)

Three Months Ended September 30,