

Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

AMCON DISTRIBUTING CO  
Form 8-K  
October 02, 2006

SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT  
PURSUANT TO SECTION 13 OR 15(D) OF THE  
SECURITIES ACT OF 1934

Date of Report (Date of earliest event reported) October 2, 2006  
-----

AMCON DISTRIBUTING COMPANY  
-----

(Exact name of registrant as specified in its charter)

DELAWARE	1-15589	47-0702918
-----	-----	-----
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

7405 Irvington Road, Omaha, NE 68122  
-----

(Address of principal executive offices) (Zip Code)

(402) 331-3727  
-----

(Registrant's telephone number, including area code)

Not Applicable  
-----

(Former name or former address, if changed since last report)

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.



## Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

Chicago, IL, October 2, 2006 - AMCON Distributing Company ("AMCON") (AMEX:DIT), an Omaha, Nebraska based consumer products company is pleased to announce its financial results for the first and second quarter of 2006, the half year period ended March 31, 2006 and the corresponding filing of its related Quarterly Report on Forms 10-Q with the Securities and Exchange Commission.

William F. Wright, AMCON's Chairman and CEO, commented: "We continue to see the benefits of our new internal holding company structure. AMCON now has the necessary human resources in place to facilitate our objective of timely reporting of results. This, in turn, has enabled our Senior Operating Executives to focus on profitably growing their businesses. Our core enterprises remain strong and well recognized as industry leaders."

For the first half of the fiscal 2006, AMCON's wholesale consumer products distribution business reported segment operating income before depreciation of approximately \$3.5 million and the Retail Health Food Division reported segment operating income before depreciation of approximately \$1.8 million.

Christopher Atayan, AMCON's Vice Chairman and Chief Corporate Officer, noted: "Our entire organization continues to work around the clock to restore the financial vitality of the enterprise. Our objective in the short to medium term is to reduce the levels of debt AMCON employs in the business which will enhance our ability to grow in the long term. The two primary elements supporting this objective are to preserve and enhance the operating earnings we generate from our core business units and the disposition of assets no longer central to our mission. We believe that by taking this approach and continuing AMCON's tradition of superior customer service we are in a position to enhance shareholder value."

Kathleen Evans, AMCON's president, reported "We were able to continue to carry forward positive momentum during the first half of the year in our Wholesale business. Our strategy of enhanced customer service differentiates us from our competition and makes for long lasting and mutually beneficial customer relationships. As a result, AMCON continues to be awarded new business from leaders in the convenience store industry."

Eric Hinkefent, President of AMCON's Retail Health Food Division, said "Both our Akins's and Chamberlin's retail stores are performing at high levels. Customer satisfaction continues to be a primary mission of ours. This strategy enables us to generate repeat business with our customers and we benefit from attractive gross margins as well."

During the second quarter of fiscal 2006, AMCON began reporting its Trinity Springs subsidiary as a discontinued operation. The reported results for the second quarter of fiscal 2006 included consolidated revenues of approximately \$197.4 million, operating income of approximately \$1.2 million and income from continuing operations before taxes of approximately \$0.1 million. After giving effect to the losses from discontinued operations, income taxes, and preferred dividends, the net loss available to common shareholders for the second fiscal quarter of 2006 was \$0.6 million. For the first half of fiscal 2006, the reported revenues were \$397.0 million and operating earnings were \$1.7 million. The total net loss available to common shareholders for the first half of fiscal 2006 was \$1.8 million.

"It is important to note that incorporated into both our three and six month periods for fiscal 2006 were segment operating losses of approximately \$0.4 million and \$0.8 million, respectively, from our water bottling subsidiary, Hawaiian Natural Water Company, as well as additional net losses of approximately \$0.5 million and \$1.3 million from our discontinued operations at Trinity Springs, Inc. and The Beverage Group, Inc. for the three and six month periods in fiscal 2006" reported Andrew Plummer, AMCON's Acting Chief

## Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

Financial Officer. As previously reported, AMCON has been actively exploring the sale of Hawaiian Natural Water Company and has ceased operations at Trinity Springs and is engaged in settlement discussions.

AMCON is a leading wholesale distributor of consumer products, including beverages, candy, tobacco, groceries, food service, frozen and chilled foods, and health and beauty care products with distribution centers in Illinois, Missouri, Nebraska, North Dakota and South Dakota. Chamberlin's Natural Foods, Inc. and Health Food Associates, Inc., both wholly-owned subsidiaries of The Healthy Edge, Inc., operate health and natural product retail stores in central Florida (6), Kansas, Missouri, Nebraska and Oklahoma (4). The retail stores operate under the names Chamberlin's Market & Cafe and Akins Natural Foods Market. Hawaiian Natural Water Company, Inc. produces and sells natural spring water under the Hawaiian Springs label in Hawaii and other foreign markets and purified bottled water on the Island of Oahu in Hawaii. The natural spring water is bottled at the source on the Big Island of Hawaii.

This news release contains forward-looking statements that are subject to risks and uncertainties and which reflect management's current beliefs and estimates of future economic circumstances, industry conditions, Company performance and financial results. A number of factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the Company's forward-looking statements including, without limitation, availability of sufficient cash resources to conduct its business and meet its capital expenditures needs. Moreover, past financial performance should not be considered a reliable indicator of future performance. Accordingly, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 with respect to all such forward-looking statements.

Visit AMCON Distributing Company's web site at: [www.amcon.com](http://www.amcon.com)

For Further Information Contact:  
 Christopher H. Atayan  
 AMCON Distributing Company  
 Ph 312-327-1770  
 Fax: 312-527-3964

### AMCON Distributing Company and Subsidiaries Condensed Consolidated Balance Sheets March 31, 2006 and September 30, 2005

	March 2006 (Unaudited)	September
ASSETS		
Current assets:		
Cash	\$ 605,801	\$ 546,
Accounts receivable, less allowance for doubtful		

Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

accounts of \$1.0 million and \$0.6 million, respectively	25,736,271	28,202,
Inventories	24,711,252	23,977,
Deferred income taxes	1,642,212	1,642,
Current assets of discontinued operations	89,747	1,159,
Prepaid and other current assets	4,666,230	5,269,
	-----	-----
Total current assets	57,451,513	60,798,
Property and equipment	14,425,882	15,162,
Deferred income taxes	7,130,729	6,300,
Noncurrent assets from discontinued operations	2,414,795	2,475,
Goodwill	5,848,808	5,848,
Other intangible assets	3,459,669	3,464,
Other assets	1,165,879	1,258,
	-----	-----
	\$ 91,897,275	\$ 95,308,
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY (DEFICIENCY)		
Current liabilities:		
Accounts payable	\$ 15,713,441	\$ 17,047,
Accrued expenses	4,409,843	4,990,
Accrued wages, salaries and bonuses	1,322,565	1,601,
Income taxes payable	-	118,
Current liabilities of discontinued operations	5,096,627	4,098,
Current portion of revolving credit facility	1,432,000	1,432,
Current portion of long-term debt	879,437	936,
	-----	-----
Total current liabilities	28,853,913	30,225,
	-----	-----
Revolving credit facility, less current portion	46,110,160	47,730,
Long-term debt, less current portion	7,319,558	7,636,
Noncurrent liabilities of discontinued operations	5,424,032	5,648,
Series A cumulative, convertible preferred stock, \$.01 par value 100,000 shares authorized and issued, liquidation preference \$25.00 per share	2,438,355	2,438,
Series B cumulative, convertible preferred stock, \$.01 par value 80,000 shares authorized and issued, liquidation preference \$25.00 per share	1,857,645	1,857,
Series C cumulative, convertible preferred stock, \$.01 par value 80,000 shares authorized and issued, liquidation preference \$25.00 per share	1,982,372	
Commitments and contingencies (Note 12)		
Shareholders' equity (deficiency):		
Preferred stock, \$0.01 par, 1,000,000 shares authorized, none outstanding	-	
Common stock, \$.01 par value, 3,000,000 shares authorized, 527,062 shares issued	5,271	5,
Additional paid-in capital	6,248,476	6,218,
Accumulated other comprehensive income, net of tax of \$0.1 million in 2006 and 2005	53,814	101,
Accumulated deficit	(8,396,321)	(6,553,
	-----	-----
Total shareholders' deficiency	(2,088,760)	(228,
	-----	-----
	\$ 91,897,275	\$ 95,308,
	=====	=====

Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

AMCON Distributing Company and Subsidiaries  
Condensed Consolidated Unaudited Statements of Operations  
for the three and six month periods ended March 31, 2006 and 2005

	For the three months ended March		For the six months ended March	
	2006	2005	2006	2005
Sales (including excise taxes of \$46.9 million and \$45.4 million, and \$95.1 million and \$95.0 million, respectively)	\$ 197,372,151	\$ 193,058,021	\$ 397,018,642	\$ 406,811,000
Cost of sales	182,725,769	179,443,803	368,454,419	377,111,000
Gross profit	14,646,382	13,614,218	28,564,223	28,700,000
Selling, general and administrative expenses	12,986,065	12,774,757	25,892,724	25,892,724
Depreciation and amortization	494,867	553,928	985,597	1,000,000
	13,480,932	13,328,685	26,878,321	26,892,724
Operating income	1,165,450	285,533	1,685,902	1,000,000
Other expense (income):				
Interest expense	1,112,440	1,015,348	2,277,969	2,277,969
Other (income) expense, net	(28,809)	43,538	(49,591)	0
	1,083,631	1,058,886	2,228,378	2,277,969
Income (loss) from continuing operations before income taxes	81,819	(773,353)	(542,476)	0
Income tax expense (benefit)	65,000	(281,000)	(146,000)	0
Minority interest	-	-	-	0
Income (loss) from continuing operations	16,819	(492,353)	(396,476)	0
Loss from discontinued operations, net of income tax benefit of \$0.3 million and \$0.9 million, \$0.8 million and \$1.5 million, respectively	(516,631)	(1,412,055)	(1,290,270)	(2,000,000)
Net loss	(499,812)	(1,904,408)	(1,686,746)	(2,000,000)
Preferred stock dividend requirements	(81,239)	(73,239)	(156,106)	0
Net loss available to common shareholders	\$ (581,051)	\$ (1,977,647)	\$ (1,842,852)	\$ (2,000,000)
Basic loss per share available to common shareholders:				
Continuing operations	\$ (0.12)	\$ (1.07)	\$ (1.05)	\$ (1.00)
Discontinued operations	(0.98)	(2.68)	(2.45)	(2.00)

Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

Net basic loss per share available to common shareholders	\$ (1.10)	\$ (3.75)	\$ (3.50)	\$
Diluted loss per share available to common shareholders:				
Continuing operations	\$ (0.12)	\$ (1.07)	\$ (1.05)	\$
Discontinued operations	(0.98)	(2.68)	(2.45)	
Net diluted loss per share available to common shareholders	\$ (1.10)	\$ (3.75)	\$ (3.50)	\$
Weighted average shares outstanding:				
Basic	527,062	527,062	527,062	
Diluted	527,062	527,062	527,062	

AMCON Distributing Company and Subsidiaries  
Condensed Consolidated Unaudited Statements of Cash Flows  
for the six month periods ended March 31, 2006 and 2005

	2006	2005
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net loss	\$ (1,686,746)	\$ (2,368,400)
Deduct: Loss from discontinued operations, net of tax	1,290,270	2,361,600
Loss from continuing operations	(396,476)	(6,800)
Adjustments to reconcile loss from continuing operations to net cash flows from operating activities:		
Depreciation	1,074,655	1,147,700
Amortization	19,865	107,400
(Gain) loss on sale of property and equipment	5,171	(5,000)
Stock based compensation	30,000	
Deferred income taxes	(830,226)	(1,416,000)
Provision for losses on doubtful accounts	394,792	230,400
Provision for losses on inventory obsolescence	16,313	139,800
Minority interest	-	(97,100)
Changes in assets and liabilities, net of effect of acquisitions:		
Accounts receivable	2,071,794	(630,500)
Inventories	(749,676)	5,732,400
Other current assets	556,074	(490,400)
Other assets	93,020	92,000
Accounts payable	(1,334,392)	(4,238,600)
Accrued expenses and accrued wages, salaries and bonuses	(860,072)	163,200
Income taxes payable and receivable	(118,798)	205,200
Net cash flows from operating activities - continuing operations	(27,956)	933,800
Net cash flows from operating activities - discontinued operations	(91,164)	(1,401,600)

Edgar Filing: AMCON DISTRIBUTING CO - Form 8-K

Net cash flows from operating activities	(119,120)	(467,8
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property and equipment	(392,349)	(2,244,5
Proceeds from sales of property and equipment	48,648	77,4
Purchase of trademark	(15,000)	
	-----	-----
Net cash flows from investing activities - continuing operations	(358,701)	(2,167,1
Net cash flows from investing activities - discontinued operations	(2,671)	(67,5
	-----	-----
Net cash flows from investing activities	(361,372)	(2,234,7
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net (payments) borrowings on revolving credit facility	(1,620,228)	11,231,4
Net proceeds from preferred stock issuance	1,982,372	1,857,6
Proceeds from borrowings of long-term debt	109,811	1,295,9
Dividends paid on preferred stock	(156,106)	(145,7
Principal payments on long-term debt and subordinated debt	(483,482)	(11,396,1
Debt issue costs	-	(446,6
	-----	-----
Net cash flows from financing activities - continuing operations	(167,633)	2,396,5
Net cash flows from financing activities - discontinued operations	707,653	465,2
	-----	-----
Net cash flows from financing activities	540,020	2,861,7
	-----	-----
Net change in cash	59,528	159,2
Cash, beginning of period	546,273	416,0
	-----	-----
Cash, end of period	\$ 605,801	\$ 575,3
	=====	=====
Supplemental disclosure of cash flow information:		
Cash paid during the period for interest	\$ 2,130,593	\$ 1,748,2
Cash paid (refunded) during the period for income taxes	1,024	(197,4

-end-