

LIFEWAY FOODS INC
Form 10-Q
November 10, 2016

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

FORM 10-Q

(Mark
One)

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934

For the quarterly period ended: September 30, 2016

TRANSITION REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number: 000-17363

LIFEWAY FOODS, INC.
(Exact Name of Registrant as Specified in its Charter)

Illinois 36-3442829
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

6431 West Oakton, Morton Grove, IL 60053
(Address of Principal Executive Offices, Zip Code)

(847) 967-1010
(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

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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 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 1, 2016, 16,140,633 shares of the registrant's common stock, no par value, were outstanding.

LIFEWAY FOODS, INC.

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ITEM 1. FINANCIAL STATEMENTS.

LIFEWAY FOODS, INC. AND SUBSIDIARIES

Consolidated Balance Sheets

September 30, 2016 and December 31, 2015

(In thousands)

	September 30, 2016 (Unaudited)	December 31, 2015
Current assets		
Cash and cash equivalents	\$ 9,164	\$ 5,646
Investments, at fair value	—	2,216
Certificates of deposits in financial institutions	—	513
Inventories	9,186	7,664
Accounts receivable, net of allowance for doubtful accounts and discounts & allowances of \$1,800 at September 30, 2016 and December 31, 2015	10,426	9,604
Prepaid expenses and other current assets	550	201
Deferred income taxes	509	556
Refundable income taxes	521	449
Total current assets	30,356	26,849
Property and equipment, net	21,603	21,375
Intangible assets		
Goodwill & indefinite-lived intangibles	14,068	14,068
Other intangible assets, net	1,815	2,344
Total intangible assets	15,883	16,412
Other Assets	368	282
Total assets	\$ 68,210	\$ 64,918
Current liabilities		
Current maturities of notes payable	\$ 840	\$ 840
Accounts payable	8,762	8,393
Accrued expenses	2,002	1,538
Accrued income taxes	267	52
Total current liabilities	11,871	10,823
Notes payable	6,489	7,119
Deferred income taxes	2,162	1,719
Total liabilities	20,522	19,661
Stockholders' equity		
Common stock, no par value; 40,000 shares authorized; 17,274, shares issued; 16,141 and 16,210 shares outstanding at September 30, 2016 and December 31, 2015 respectively	6,509	6,509
Paid-in-capital	2,133	2,033

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Treasury stock, at cost	(10,468)	(9,730)
Retained earnings	49,514	46,516
Accumulated other comprehensive income (loss), net of taxes	—	(71)
Total stockholders' equity	47,688	45,257
Total liabilities and stockholders' equity	\$ 68,210	\$ 64,918

See accompanying notes to consolidated financial statements

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LIFEWAY FOODS, INC. AND SUBSIDIARIES

Consolidated Statements of Income (Loss) and Comprehensive Income (Loss)

For the Three Months and Nine Months ended September 30, 2016 and 2015

(Unaudited)

(In thousands, except per share data)

	Three Months		Nine Months Ended	
	Ended September 30, 2016	(Revised) 2015	September 30, 2016	(Revised) 2015
Net sales	\$29,990	\$ 29,599	\$93,691	\$ 89,042
Cost of goods sold	21,478	20,049	65,480	63,916
Depreciation expense	533	614	1,797	1,809
Total cost of goods sold	22,011	20,663	67,277	65,725
Gross profit	7,979	8,936	26,414	23,317
Selling expenses	4,306	2,706	10,733	8,626
General and administrative	3,308	3,998	10,300	10,643
Amortization expense	176	179	529	537
Total operating expenses	7,790	6,883	21,562	19,806
Income from operations	189	2,053	4,852	3,511
Other income (expense):				
Interest expense	(56)	(55)	(161)	(179)
Gain / (Loss) on sale of investments, net reclassified from OCI	12	1	(15)	(21)
Impairment of investments	—	(205)	—	(385)
(Loss) / Gain on sale of property and equipment	(156)	—	(307)	243
Other income (expense), net	28	26	105	173
Total other income (expense)	(172)	(233)	(378)	