

SANDERSON FARMS INC  
Form 10-Q  
May 30, 2013  
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**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 AND EXCHANGE ACT OF 1934**

For the quarterly period ended April 30, 2013

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 1-14977

**Sanderson Farms, Inc.**

(Exact name of registrant as specified in its charter)

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**Mississippi**  
(State or other jurisdiction of  
incorporation or organization)

**64-0615843**  
(I.R.S. Employer  
Identification No.)

**127 Flynt Road, Laurel, Mississippi**  
(Address of principal executive offices)

**39443**  
(Zip Code)

**(601) 649-4030**  
(Registrant's telephone number, including area code)

(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 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 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 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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS**

**DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes  No

**APPLICABLE ONLY TO CORPORATE ISSUERS:**

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$1 Par Value Per Share: 23,014,872 shares outstanding as of May 24, 2013.



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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

## SANDERSON FARMS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED BALANCE SHEETS

	April 30, 2013 (Unaudited)	October 31, 2012 (Note 1)
	(In thousands)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 24,087	\$ 27,802
Accounts receivable, net	113,092	98,022
Inventories	226,590	235,912
Refundable income taxes	0	4,467
Deferred income taxes	1,895	3,945
Prepaid expenses and other current assets	27,466	27,639
<b>Total current assets</b>	<b>393,130</b>	<b>397,787</b>
Property, plant and equipment	1,009,432	985,198
Less accumulated depreciation	(515,475)	(489,885)
	493,957	495,313
<b>Other assets</b>	<b>3,142</b>	<b>3,353</b>
<b>Total assets</b>	<b>\$ 890,229</b>	<b>\$ 896,453</b>
<b>Liabilities and stockholders' equity</b>		
Current liabilities:		
Accounts payable	\$ 73,704	\$ 82,755
Accrued expenses	40,714	42,082
Current maturities of long-term debt	10,757	10,757
<b>Total current liabilities</b>	<b>125,175</b>	<b>135,594</b>
Long-term debt, less current maturities	139,840	150,212
Claims payable	9,900	4,000
Deferred income taxes	54,378	56,572
Stockholders' equity:		
Preferred Stock:		
Series A Junior Participating Preferred Stock, \$100 par value: authorized 500,000 shares, none issued		
Par value to be determined by the Board of Directors: authorized 4,500,000 shares; none issued		
Common Stock, \$1 par value: authorized 100,000,000 shares; issued and outstanding shares 23,015,322 and 22,968,832 at April 30, 2013 and October 31, 2012, respectively	23,015	22,969
Paid-in capital	136,495	135,283
Retained earnings	401,426	391,823
<b>Total stockholders' equity</b>	<b>560,936</b>	<b>550,075</b>

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Total liabilities and stockholders' equity	\$ 890,229	\$ 896,453
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See notes to condensed consolidated financial statements.

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SANDERSON FARMS, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(UNAUDITED)

	Three Months Ended		Six Months Ended	
	April 30,		April 30,	
	2013	2012	2013	2012
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Net sales	\$ 621,195	\$ 595,046	\$ 1,216,955	\$ 1,112,872
Cost and expenses:				
Cost of sales	562,233	535,901	1,147,100	1,044,905
Selling, general and administrative	19,832	18,165	40,397	36,068
	582,065	554,066	1,187,497	1,080,973
<b>OPERATING INCOME</b>	<b>39,130</b>	<b>40,980</b>	<b>29,458</b>	<b>31,899</b>
Other income (expense):				
Interest income	4	4	7	6
Interest expense	(1,807)	(2,426)	(3,612)	(5,388)
Other	(120)	(1)	51	(565)
	(1,923)	(2,423)	(3,554)	(5,947)
<b>INCOME BEFORE INCOME TAXES</b>	<b>37,207</b>	<b>38,557</b>	<b>25,904</b>	<b>25,952</b>
Income tax expense	12,836	14,692	8,476	10,076
<b>NET INCOME</b>	<b>\$ 24,371</b>	<b>\$ 23,865</b>	<b>17,428</b>	<b>\$ 15,876</b>
Earnings per share:				
Basic	\$ 1.06	\$ 1.04	\$ 0.76	\$ 0.69
Diluted	\$ 1.06	\$ 1.04	\$ 0.76	\$ 0.69
Dividends per share	\$ 0.17	\$ 0.17	\$ 0.34	\$ 0.34

See notes to condensed consolidated financial statements.

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## SANDERSON FARMS, INC. AND SUBSIDIARIES

## CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

	Six Months Ended	
	2013	April 30, 2012
	(In thousands)	
<b>Operating activities</b>		
Net income	\$ 17,428	\$ 15,876
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	30,289	29,761
Non-cash stock compensation	2,359	2,437
Live inventory adjustment	0	(9,000)
Deferred income taxes	(144)	6,268
Change in assets and liabilities:		
Accounts receivable, net	(15,070)	(7,831)
Refundable income taxes	4,467	86,125
Inventories	9,322	7,611
Prepaid expenses and other assets	199	(211)
Accounts payable, accrued expenses and other liabilities	(8,432)	(7,293)
Total adjustments	22,990	107,867
Net cash provided by operating activities	40,418	123,743
<b>Investing activities</b>		
Capital expenditures	(28,918)	(27,704)
Net proceeds from sale of property and equipment	169	0
Net cash used in investing activities	(28,749)	(27,704)
<b>Financing activities</b>		
Principal payments on long-term debt	(10,372)	(10,352)
Borrowings from revolving line of credit	15,000	30,000
Payments on revolving line of credit	(15,000)	(115,201)
Proceeds from issuance of restricted stock under stock compensation plans	430	401
Payments from issuance of common stock under stock compensation plans	(1,676)	(1,071)
Tax benefit on exercised stock options and vesting of restricted stock grants	145	705
Dividends paid	(3,911)	(3,903)
Net cash used in financing activities	(15,384)	(99,421)
Net change in cash and cash equivalents	(3,715)	(3,382)
Cash and cash equivalents at beginning of period	27,802	11,075
Cash and cash equivalents at end of period	\$ 24,087	\$ 7,693
Supplemental disclosure of non-cash financing activity:		
Dividends payable	\$ (3,913)	\$ (3,905)