

OIL DRI CORP OF AMERICA
Form 10-Q
December 08, 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 October 31, 2016

or

Transition Report Pursuant to Section 13 or 15(d) of the
o Securities Exchange Act of 1934

For the transition period from _____ to _____

Commission File Number 001-12622

OIL-DRI CORPORATION OF AMERICA

(Exact name of the registrant as specified in its charter)

Delaware 36-2048898
(State or other jurisdiction of incorporation or (I.R.S. Employer
organization) Identification No.)

410 North Michigan Avenue, Suite 400 60611-4213
Chicago, Illinois (Zip Code)
(Address of principal executive offices)

The registrant's telephone number, including area code: (312) 321-1515

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 at least 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

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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 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

Indicate the number of shares outstanding of each of the issuer’s classes of common stock as of October 31, 2016.

Common Stock – 5,080,689 Shares and Class B Stock – 2,188,771 Shares

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FORWARD-LOOKING STATEMENTS

Certain statements in this report, including, but not limited to, those under the heading “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and those statements elsewhere in this report and other documents that we file with the Securities and Exchange Commission (“SEC”), contain forward-looking statements that are based on current expectations, estimates, forecasts and projections about our future performance, our business, our beliefs and our management’s assumptions. In addition, we, or others on our behalf, may make forward-looking statements in press releases or written statements, or in our communications and discussions with investors and analysts in the normal course of business through meetings, webcasts, phone calls and conference calls. Words such as “expect,” “outlook,” “forecast,” “would,” “could,” “should,” “project,” “intend,” “plan,” “continue,” “believe,” “seek,” “estimate,” “assume,” and variations of such words and similar expressions are intended to identify such forward-looking statements, which are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995.

Such statements are subject to certain risks, uncertainties and assumptions that could cause actual results to differ materially, including those described in Item 1A, Risk Factors, of our Annual Report on Form 10-K for the fiscal year ended July 31, 2016. Should one or more of these or other risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those anticipated, intended, expected, believed, estimated, projected or planned. Investors are cautioned not to place undue reliance on these forward-looking statements, which speak only as of the date hereof. Except to the extent required by law, we do not have any intention or obligation to update publicly any forward-looking statements after the distribution of this report, whether as a result of new information, future events, changes in assumptions or otherwise.

TRADEMARK NOTICE

Cat's Pride, Fresh & Light, Fresh & Light Ultimate Care and Oil-Dri are registered trademarks of Oil-Dri Corporation of America.

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PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	(unaudited)	
	October 31, 2016	July 31, 2016
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 15,991	\$ 18,629
Short-term investments	5,359	10,184
Accounts receivable, less allowance of \$801 and \$753 at October 31, 2016 and July 31, 2016, respectively	30,971	30,386
Inventories	23,567	23,251
Deferred income taxes	3,884	3,884
Prepaid repairs expense	4,235	3,938
Prepaid expenses and other assets	1,992	901
Total Current Assets	85,999	91,173
Property, Plant and Equipment		
Cost	221,164	218,025
Less accumulated depreciation and amortization	(139,476)	(137,314)
Total Property, Plant and Equipment, Net	81,688	80,711
Other Assets		
Goodwill	9,034	9,034
Trademarks and patents, net of accumulated amortization of \$269 and \$261 at October 31, 2016 and July 31, 2016, respectively	979	916
Customer list, net of accumulated amortization of \$3,745 and \$3,460 at October 31, 2016 and July 31, 2016, respectively	4,040	4,325
Deferred income taxes	12,387	12,754
Other	5,940	5,902
Total Other Assets	32,380	32,931
Total Assets	\$ 200,067	\$ 204,815

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Balance Sheets

(in thousands, except share and per share amounts)

	(unaudited)	
	October 31,	July 31,
	2016	2016
LIABILITIES & STOCKHOLDERS' EQUITY		
Current Liabilities		
Current maturities of notes payable	\$ 3,083	\$ 3,083
Accounts payable	6,910	6,635
Dividends payable	1,479	1,477
Accrued expenses:		
Salaries, wages and commissions	4,263	8,656
Trade promotions and advertising	3,076	2,855
Freight	1,378	1,579
Other	7,138	6,455
Total Current Liabilities	27,327	30,740
Noncurrent Liabilities		
Notes payable, net of unamortized debt issuance costs of \$110 and \$118 at October 31, 2016 and July 31, 2016, respectively	9,140	12,215
Deferred compensation	10,778	10,504
Pension and postretirement benefits	32,687	32,492
Other	3,361	3,313
Total Noncurrent Liabilities	55,966	58,524
Total Liabilities	83,293	89,264
Stockholders' Equity		
Common Stock, par value \$.10 per share, issued 7,997,166 shares at October 31, 2016 and 7,982,243 shares at July 31, 2016	800	798
Class B Stock, par value \$.10 per share, issued 2,513,512 shares at October 31, 2016 and 2,515,735 shares at July 31, 2016	251	252
Additional paid-in capital	34,853	34,294
Retained earnings	150,475	149,945
Accumulated other comprehensive loss:		
Pension and postretirement benefits	(13,598)	(13,867)
Cumulative translation adjustment	(169)	(155)
Total accumulated other comprehensive loss	(13,767)	(14,022)
Less Treasury Stock, at cost (2,916,477 Common and 324,741 Class B shares at October 31, 2016 and 2,912,953 Common and 324,741 Class B shares at July 31, 2016)	(55,838)	(55,716)
Total Stockholders' Equity	116,774	115,551
Total Liabilities & Stockholders' Equity	\$ 200,067	\$ 204,815

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
Condensed Consolidated Statements of Income and Retained Earnings
(in thousands, except for per share amounts)

	(unaudited)	
	For the Three Months	
	Ended October 31,	
	2016	2015
Net Sales	\$66,612	\$67,795
Cost of Sales	(45,887)	(47,142)
Gross Profit	20,725	20,653
Selling, General and Administrative Expenses	(17,679)	(12,877)
Income from Operations	3,046	7,776
Other Income (Expense)		
Interest expense	(251)	(259)
Interest income	8	3
Other, net	(124)	20
Total Other Expense, Net	(367)	(236)
Income Before Income Taxes	2,679	7,540
Income Taxes	(670)	(2,117)
Net Income	2,009	5,423
Retained Earnings:		
Balance at beginning of period	149,945	142,095
Cash dividends declared and treasury stock issuances	(1,479)	(1,438)
Balance at End of Period	\$ 150,475	\$ 146,080
Net Income Per Share		
Basic Common	\$0.30	\$0.82
Basic Class B Common	\$0.23	\$0.61
Diluted Common	\$0.28	\$0.75
Average Shares Outstanding		
Basic Common	5,004	4,975
Basic Class B Common	2,067	2,037
Diluted Common	7,138	7,063
Dividends Declared Per Share		
Basic Common	\$0.2200	\$0.2100
Basic Class B Common	\$0.1650	\$0.1575

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
 Condensed Consolidated Statements of Comprehensive Income
 (in thousands of dollars)

(unaudited)
 For the Three
 Months Ended
 October 31,
 2016 2015

Net Income \$2,009 \$5,423

Other Comprehensive Income:

Pension and postretirement benefits (net of tax)	269	178
Cumulative translation adjustment	(14)	(11)
Other Comprehensive Income	255	167
Total Comprehensive Income	\$2,264	\$5,590

The accompanying notes are an integral part of the Condensed Consolidated Financial Statements.

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES

Condensed Consolidated Statements of Cash Flows

(in thousands)

	(unaudited)	
	For the Three	
	Months Ended	
	October 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income	\$2,009	\$5,423
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	3,159	2,939
Amortization of investment net discount	(2) —
Non-cash stock compensation expense	431	332
Excess tax benefits for share-based payments	(128	) (17
Deferred income taxes	165	109
Provision for bad debts and cash discounts	48	(22
Loss on the sale of fixed assets	161	23
(Increase) Decrease in assets:		
Accounts receivable	(688	) (414
Inventories	(367	) (126
Prepaid expenses	(1,057	) (862
Other assets	(114	) (47
Increase (Decrease) in liabilities:		
Accounts payable	476	387
Accrued expenses	(3,592	) 33
Deferred compensation	274	86
Pension and postretirement benefits	464	432
Other liabilities	86	240
Total Adjustments	(684	) 3,093
Net Cash Provided by Operating Activities	1,325	8,516
CASH FLOWS FROM INVESTING ACTIVITIES		
Capital expenditures	(4,295	) (1,765
Proceeds from sale of property, plant and equipment	1	—
Purchases of short-term investments	(5,119	) (1,690
Dispositions of short-term investments	9,946	490
Net Cash Provided by (Used in) Investing Activities	533	(2,965
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments on notes payable	(3,083	) (3,484
Dividends paid	(1,477	) (1,377
Purchase of treasury stock	(122	) (18
Proceeds from issuance of common stock	—	185
Excess tax benefits for share-based payments	128	17
Net Cash Used in Financing Activities	(4,554	) (4,677
Effect of exchange rate changes on cash and cash equivalents	58	(1
Net (Decrease) Increase in Cash and Cash Equivalents	(2,638	) 873
Cash and Cash Equivalents, Beginning of Period	18,629	20,138
Cash and Cash Equivalents, End of Period	\$15,991	\$21,011

OIL-DRI CORPORATION OF AMERICA & SUBSIDIARIES
Condensed Consolidated Statements of Cash Flows - Continued
(in thousands)

	(unaudited)	
	For the	
	Three	
	Months	
	Ended	
	October	
	31,	
	2016	2015
Supplemental disclosure of non-cash investing and financing activities:		
Capital expenditures accrued, but not paid	\$821	\$192
Cash dividends declared and accrued, but not paid	\$	