

INGLES MARKETS INC  
Form 10-Q  
April 30, 2009  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**  
**WASHINGTON, D.C. 20549**

**FORM 10-Q**

**x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

**For the quarterly period ended March 28, 2009**

**“ 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 0-14706.**

**INGLES MARKETS, INCORPORATED**

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

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**North Carolina**  
(State or other jurisdiction of  
incorporation or organization)

**56-0846267**  
(I.R.S. Employer  
Identification No.)

**P.O. Box 6676, Asheville NC**  
(Address of principal executive offices)

**28816**  
(Zip Code)

**(828) 669-2941**

**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 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. (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 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 shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No .

As of April 27, 2009, the Registrant had 12,858,608 shares of Class A Common Stock, \$0.05 par value per share, outstanding and 11,653,651 shares of Class B Common Stock, \$0.05 par value per share, outstanding.

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## Part I. Financial Information

**Item 1. Financial Statements****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)**

	MARCH 28, 2009	SEPTEMBER 27, 2008
<b>ASSETS</b>		
Current Assets:		
Cash and cash equivalents	\$ 4,528,862	\$ 4,178,897
Receivables - net	45,634,807	47,272,285
Inventories	274,130,562	258,676,790
Other current assets	17,174,188	24,635,404
Total Current Assets	341,468,419	334,763,376
Property and Equipment - Net	1,080,391,666	1,030,023,241
Other Assets	10,412,723	10,217,540
Total Assets	\$ 1,432,272,808	\$ 1,375,004,157
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current Liabilities:		
Current portion of long-term debt	\$ 74,384,048	\$ 36,155,472
Accounts payable - trade	136,609,078	145,237,791
Accrued expenses and current portion of other long-term liabilities	62,521,789	71,879,501
Total Current Liabilities	273,514,915	253,272,764
Deferred Income Taxes	54,016,000	50,523,000
Long-Term Debt	703,902,932	681,000,630
Other Long-Term Liabilities	4,863,556	5,393,318
Total Liabilities	1,036,297,403	990,189,712
Stockholders Equity:		
Preferred stock, \$0.05 par value; 10,000,000 shares authorized; no shares issued		
Common stocks:		
Class A, \$0.05 par value; 150,000,000 shares authorized; 12,858,608 shares issued and outstanding at March 28, 2009; 12,818,608 shares issued and outstanding at September 27, 2008	642,930	640,930
Class B, convertible to Class A, \$0.05 par value; 100,000,000 shares authorized; 11,653,651 shares issued and outstanding at March 28, 2009; 11,693,651 shares issued and outstanding at September 27, 2008	582,683	584,683
Paid-in capital in excess of par value	118,184,132	118,184,132
Retained earnings	276,565,660	265,404,700
Total Stockholders Equity	395,975,405	384,814,445
Total Liabilities and Stockholders Equity	\$ 1,432,272,808	\$ 1,375,004,157

See notes to unaudited interim financial statements.

**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	<b>THREE MONTHS ENDED</b>	
	<b>MARCH 28, 2009</b>	<b>MARCH 29, 2008</b>
Net sales	<b>\$ 789,175,140</b>	\$ 782,787,385
Cost of goods sold	<b>596,424,287</b>	598,291,757
Gross profit	<b>192,750,853</b>	184,495,628
Operating and administrative expenses	<b>168,653,565</b>	153,063,120
Rental income, net	<b>737,770</b>	880,280
Gain (loss) from sale or disposal of assets	<b>392,219</b>	(487,352)
Income from operations	<b>25,227,277</b>	31,825,436
Other income, net	<b>64,827</b>	826,751
Interest expense	<b>13,118,584</b>	11,645,269
Income before income taxes	<b>12,173,520</b>	21,006,918
Income tax expense (benefit):		
Current	<b>490,000</b>	7,075,000
Deferred	<b>3,912,000</b>	937,000
	<b>4,402,000</b>	8,012,000
Net income	<b>\$ 7,771,520</b>	\$ 12,994,918
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	<b>\$ 0.33</b>	\$ 0.56
Diluted earnings per common share	<b>\$ 0.32</b>	\$ 0.53
Class B Common Stock		
Basic earnings per common share	<b>\$ 0.30</b>	\$ 0.51
Diluted earnings per common share	<b>\$ 0.30</b>	\$ 0.51
Cash dividends per common share:		
Class A Common Stock	<b>\$ 0.165</b>	\$ 0.165
Class B Common Stock	<b>\$ 0.150</b>	\$ 0.150

See notes to unaudited interim financial statements.

**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

	SIX MONTHS ENDED	
	MARCH 28, 2009	MARCH 29, 2008
Net sales	\$ 1,594,039,805	\$ 1,559,908,677
Cost of goods sold	1,204,169,023	1,194,755,807
Gross profit	389,870,782	365,152,870
Operating and administrative expenses	336,509,416	303,349,461
Rental income, net	1,545,945	2,112,677
Gain (loss) from sale or disposal of assets	278,553	(559,215)
Income from operations	55,185,864	63,356,871
Other income, net	1,252,420	1,502,385
Interest expense	26,096,462	23,139,529
Income before income taxes	30,341,822	41,719,727
Income tax expense (benefit):		
Current	7,453,000	14,805,000
Deferred	3,989,000	1,227,000
	11,442,000	16,032,000
Net income	\$ 18,899,822	\$ 25,687,727
Per share amounts:		
Class A Common Stock		
Basic earnings per common share	\$ 0.80	\$ 1.10
Diluted earnings per common share	\$ 0.77	\$ 1.05
Class B Common Stock		
Basic earnings per common share	\$ 0.73	\$ 1.00
Diluted earnings per common share	\$ 0.73	\$ 1.00
Cash dividends per common share:		
Class A Common Stock	\$ 0.33	\$ 0.33
Class B Common Stock	\$ 0.30	\$ 0.30

See notes to unaudited interim financial statements.

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SIX MONTHS ENDED MARCH 28, 2009 AND MARCH 29, 2008

	CLASS A COMMON STOCK		CLASS B COMMON STOCK		PAID-IN CAPITAL IN EXCESS OF PAR VALUE	RETAINED EARNINGS	TOTAL
	SHARES	AMOUNT	SHARES	AMOUNT			
Balance, September 29, 2007	12,355,783	\$ 617,789	12,156,476	\$ 607,824	\$ 118,184,132	\$ 228,734,231	\$ 348,143,976
Net income						25,687,727	25,687,727
Cash dividends						(7,724,870)	(7,724,870)
Common stock conversions	98,475	4,924	(98,475)	(4,924)			
<b>Balance, March 29, 2008</b>	<b>12,454,258</b>	<b>\$ 622,713</b>	<b>12,058,001</b>	<b>\$ 602,900</b>	<b>\$ 118,184,132</b>	<b>\$ 246,697,088</b>	<b>\$ 366,106,833</b>
Balance, September 27, 2008	12,818,608	\$ 640,930	11,693,651	\$ 584,683	\$ 118,184,132	\$ 265,404,700	\$ 384,814,445
Net income						18,899,822	18,899,822
Cash dividends						(7,738,862)	(7,738,862)
Common stock conversions	40,000	2,000	(40,000)	(2,000)			
<b>Balance, March 28, 2009</b>	<b>12,858,608</b>	<b>\$ 642,930</b>	<b>11,653,651</b>	<b>\$ 582,683</b>	<b>\$ 118,184,132</b>	<b>\$ 276,565,660</b>	<b>\$ 395,975,405</b>

See notes to unaudited interim financial statements.



**Table of Contents****INGLES MARKETS, INCORPORATED AND SUBSIDIARIES****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

	SIX MONTHS ENDED	
	MARCH 28, 2009	MARCH 29, 2008
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 18,899,822	\$ 25,687,727
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization expense	38,491,214	33,380,780
(Gain) loss on disposals of property and equipment	(278,553)	559,215
Receipt of advance payments on purchase contracts	2,252,413	531,898
Recognition of advance payments on purchase contracts	(2,112,050)	(1,884,349)
Deferred income taxes	3,989,000	1,227,000
Changes in operating assets and liabilities:		
Receivables	1,637,478	(5,291,349)
Inventory	(15,453,772)	(13,523,616)
Other assets	5,923,757	303,589
Accounts payable and accrued expenses	&nbs	