

DELTA APPAREL, INC
Form 10-Q
August 08, 2016
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended July 2, 2016

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 1-15583

DELTA APPAREL, INC.

(Exact name of registrant as specified in its charter)

GEORGIA 58-2508794
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

322 South Main Street
Greenville, SC 29601
(Address of principal executive offices) (Zip Code)
(864) 232-5200

(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 the definitions of a "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

(Do not check if a 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

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As of August 3, 2016, there were outstanding 7,713,505 shares of the registrant's common stock, par value of \$0.01 per share, which is the only class of outstanding common or voting stock of the registrant.

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PART 1. FINANCIAL INFORMATION

Item 1. Financial Statements

Delta Apparel, Inc. and Subsidiaries

Condensed Consolidated Balance Sheets

(Amounts in thousands, except share amounts and per share data)

(Unaudited)

| | July 2, 2016 | October 3, 2015 |
|--|-----------------|--------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$772 | \$300 |
| Accounts receivable, less allowances of \$2,842 and \$2,984, respectively | 59,865 | 62,741 |
| Income tax receivable | 111 | — |
| Inventories, net | 167,147 | 148,372 |
| Prepaid expenses and other current assets | 5,082 | 2,844 |
| Total current assets | 232,977 | 214,257 |
| Property, plant and equipment, net of accumulated depreciation of \$86,749 and \$81,376, respectively | 43,625 | 39,653 |
| Goodwill | 36,729 | 36,729 |
| Intangibles, net | 21,165 | 22,162 |
| Deferred income taxes | 5,559 | 7,294 |
| Other assets | 5,435 | 4,808 |
| Total assets | \$345,490 | \$324,903 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$49,757 | \$53,349 |
| Accrued expenses | 18,596 | 20,996 |
| Income tax payable | — | 87 |
| Current portion of long-term debt | 8,516 | 8,340 |
| Total current liabilities | 76,869 | 82,772 |
| Long-term debt, less current maturities | 113,786 | 93,872 |
| Other liabilities | 1,395 | 660 |
| Contingent consideration | 2,500 | 3,100 |
| Total liabilities | \$194,550 | \$180,404 |
| Shareholders' equity: | | |
| Preferred stock—\$0.01 par value, 2,000,000 shares authorized, none issued and outstanding | — | — |
| Common stock —\$0.01 par value, 15,000,000 shares authorized, 9,646,972 shares issued, and 7,713,505 and 7,797,166 shares outstanding as of July 2, 2016 and October 3, 2015, respectively | 96 | 96 |
| Additional paid-in capital | 60,448 | 59,399 |
| Retained earnings | 114,376 | 107,715 |
| Accumulated other comprehensive loss | (209) | (429) |
| Treasury stock —1,933,467 and 1,849,806 shares as of July 2, 2016 and October 3, 2015, respectively | (23,771) | (22,282) |
| Total shareholders' equity | 150,940 | 144,499 |

| | | |
|--|-----------|-----------|
| Total liabilities and shareholders' equity | \$345,490 | \$324,903 |
|--|-----------|-----------|

See accompanying Notes to Condensed Consolidated Financial Statements.

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Delta Apparel, Inc. and Subsidiaries
 Condensed Consolidated Statements of Operations
 (Amounts in thousands, except per share data)
 (Unaudited)

| | Three Months Ended | | Nine Months Ended | |
|--|--------------------|------------------|-------------------|------------------|
| | July 2, 2016 | June 27, 2015 | July 2, 2016 | June 27, 2015 |
| Net sales | \$ 111,552 | \$ 120,525 | \$ 310,883 | \$ 328,947 |
| Cost of goods sold | 86,566 | 95,041 | 241,301 | 266,902 |
| Gross profit | 24,986 | 25,484 | 69,582 | 62,045 |
| Selling, general and administrative expenses | 19,396 | 19,641 | 56,311 | 59,821 |
| Change in fair value of contingent consideration | (300 |) (630 | | |