

FARMER BROTHERS CO  
Form 10-Q  
February 07, 2018

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 December 31, 2017

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: 001-34249

FARMER BROS. CO.

(Exact Name of Registrant as Specified in Its Charter)

Delaware 95-0725980

(State of Incorporation) (I.R.S. Employer Identification No.)

1912 Farmer Brothers Drive, Northlake, Texas 76262

(Address of Principal Executive Offices; Zip Code)

888-998-2468

(Registrant's Telephone Number, Including Area Code)

None

(Former Address, 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 (§ 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 large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth 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   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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 February 6, 2018, the registrant had 16,899,667 shares outstanding of its common stock, par value \$1.00 per share, which is the registrant's only class of common stock.



TABLE OF CONTENTS

	Page
<u>PART I – FINANCIAL INFORMATION (UNAUDITED)</u>	
<u>Item 1. Financial Statements</u>	<u>1</u>
<u>Condensed Consolidated Balance Sheets at December 31, 2017 and June 30, 2017</u>	<u>1</u>
<u>Condensed Consolidated Statements of Operations for the Three and Six Months Ended December 31, 2017 and 2016</u>	<u>2</u>
<u>Condensed Consolidated Statements of Comprehensive (Loss) Income for the Three and Six Months Ended December 31, 2017 and 2016</u>	<u>3</u>
<u>Condensed Consolidated Statements of Cash Flows for the Six Months Ended December 31, 2017 and 2016</u>	<u>4</u>
<u>Notes to Condensed Consolidated Financial Statements</u>	<u>6</u>
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>34</u>
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk</u>	<u>49</u>
<u>Item 4. Controls and Procedures</u>	<u>51</u>
<u>PART II – OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	<u>52</u>
<u>Item 6. Exhibits</u>	<u>52</u>
<u>SIGNATURES</u>	<u>53</u>
<u>EXHIBIT INDEX</u>	<u>54</u>

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## PART I - FINANCIAL INFORMATION (UNAUDITED)

## Item 1. Financial Statements

## FARMER BROS. CO.

## CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(In thousands, except share and per share data)

	December 31, 2017	June 30, 2017
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$5,414	\$6,241
Short-term investments	—	368
Accounts receivable, net	62,275	46,446
Inventories	73,284	56,251
Income tax receivable	206	318
Prepaid expenses	9,176	7,540
Total current assets	150,355	117,164
Property, plant and equipment, net	178,148	176,066
Goodwill	21,861	10,996
Intangible assets, net	51,036	18,618
Other assets	7,263	6,837
Deferred income taxes	45,593	63,055
Total assets	\$454,256	\$392,736
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	51,218	39,784
Accrued payroll expenses	17,286	17,345
Short-term borrowings under revolving credit facility	84,430	27,621
Short-term obligations under capital leases	488	958
Short-term derivative liabilities	1,649	1,857
Other current liabilities	10,991	9,702
Total current liabilities	166,062	97,267
Accrued pension liabilities	50,505	51,281
Accrued postretirement benefits	19,112	19,788
Accrued workers' compensation liabilities	6,365	7,548
Other long-term liabilities-capital leases	116	237
Other long-term liabilities	2,156	1,480
Total liabilities	\$244,316	\$177,601
Commitments and contingencies (Note 21)		
Stockholders' equity:		
Preferred stock, \$1.00 par value, 500,000 shares authorized; Series A Convertible Participating Cumulative Perpetual Preferred Stock, 21,000 shares authorized; 14,700 and zero shares issued and outstanding at December 31, 2017 and June 30, 2017, respectively; liquidation preference of \$38.32 at December 31, 2017	15	—
Common stock, \$1.00 par value, 25,000,000 shares authorized; 16,899,667 and 16,846,002 shares issued and outstanding at December 31, 2017 and June 30, 2017, respectively	16,900	16,846
Additional paid-in capital	53,322	41,495
Retained earnings	203,289	221,182
Unearned ESOP shares	(2,145 )	(4,289 )
Accumulated other comprehensive loss	(61,441 )	(60,099 )

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Total stockholders' equity	\$209,940	\$215,135
Total liabilities and stockholders' equity	\$454,256	\$392,736

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

1

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## FARMER BROS. CO.

## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

(In thousands, except share and per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2017	2016	2017	2016
Net sales	\$167,366	\$139,025	\$299,079	\$269,513
Cost of goods sold	101,847	83,929	184,553	163,219
Gross profit	65,519	55,096	114,526	106,294
Selling expenses	49,328	39,097	88,243	77,535
General and administrative expenses	13,914	13,793	25,241	22,729
Restructuring and other transition expenses	139	3,965	259	6,995
Net gain from sale of Torrance Facility	—	(37,449 )	—	(37,449 )
Net gains from sale of spice assets	(395 )	(334 )	(545 )	(492 )
Net losses (gains) from sales of other assets	91	114	144	(1,439 )
Operating expenses	63,077	19,186	113,342	67,879