

UNIFIRST CORP
Form 10-Q
April 04, 2018
Table of Contents

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 February 24, 2018

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: 001-08504

UNIFIRST CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Massachusetts	04-2103460
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

68 Jonspin Road, Wilmington, MA	01887
(Address of Principal Executive Offices)	(Zip Code)

(978) 658-8888

(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 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	Smaller Reporting Company	Non-accelerated filer
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.

Edgar Filing: UNIFIRST CORP - Form 10-Q

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 the latest practicable date.

The number of outstanding shares of UniFirst Corporation Common Stock and Class B Common Stock at March 30, 2018 were 15,420,788 and 3,711,009, respectively.

Table of Contents

UniFirst Corporation

Quarterly Report on Form 10-Q

For the Quarter ended February 24, 2018

Table of Contents

<u>Part I – FINANCIAL INFORMATION</u>	<u>3</u>
<u>Item 1 – Unaudited Financial Statements</u>	<u>3</u>
<u>Consolidated Statements of Income for the Thirteen and Twenty-six Weeks ended February 24, 2018 and February 25, 2017</u>	<u>3</u>
<u>Consolidated Statements of Comprehensive Income for the Thirteen and Twenty-six Weeks ended February 24, 2018 and February 25, 2017</u>	<u>4</u>
<u>Consolidated Balance Sheets as of February 24, 2018 and August 26, 2017</u>	<u>5</u>
<u>Consolidated Statements of Cash Flows for the Twenty-six Weeks ended February 24, 2018 and February 25, 2017</u>	<u>6</u>
<u>Notes to Consolidated Financial Statements</u>	<u>7</u>
<u>Item 2 – Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	<u>23</u>
<u>Item 3 – Quantitative and Qualitative Disclosures About Market Risk</u>	<u>35</u>
<u>Item 4 – Controls and Procedures</u>	<u>36</u>
<u>Part II – OTHER INFORMATION</u>	<u>36</u>
<u>Item 1 – Legal Proceedings</u>	<u>36</u>
<u>Item 1A – Risk Factors</u>	<u>36</u>
<u>Item 2 – Unregistered Sales of Equity Securities and Use of Proceeds</u>	<u>36</u>
<u>Item 3 – Defaults Upon Senior Securities</u>	<u>37</u>
<u>Item 4 – Mine Safety Disclosures</u>	<u>37</u>
<u>Item 5 – Other Information</u>	<u>37</u>
<u>Item 6 – Exhibits</u>	<u>37</u>
<u>Signatures</u>	<u>38</u>
Certifications	
Ex-31.1 Section 302 Certification of CEO	
Ex-31.2 Section 302 Certification of CFO	
Ex-32.1 Section 906 Certification of CEO	
Ex-32.2 Section 906 Certification of CFO	

Table of Contents

PART I – FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Consolidated Statements of Income

UniFirst Corporation and Subsidiaries

(Unaudited)

(In thousands, except per share data)	Thirteen weeks ended		Twenty-six weeks ended	
	February 27, 2018	February 25, 2017	February 27, 2018	February 25, 2017
Revenues	\$419,264	\$ 391,427	\$835,042	\$ 777,535
Operating expenses:				
Cost of revenues (1)	265,400	249,280	519,050	488,045
Selling and administrative expenses (1)	88,648	84,861	176,158	164,307
Depreciation and amortization	23,264	21,140	45,971	43,280
Total operating expenses	377,312	355,281	741,179	695,632
Operating income	41,952	36,146	93,863	81,903
Other (income) expense:				
Interest income, net	(1,430)	(1,120)	(2,706)	(1,921)
Other (income) expense, net	(186)	(108)	(32)	386
Total other income, net	(1,616)	(1,228)	(2,738)	(1,535)
Income before income taxes	43,568	37,374	96,601	83,438
(Benefit) provision for income taxes	(14,810)	14,858	4,017	32,708
Net income	\$58,378	\$ 22,516	\$92,584	\$ 50,730
Income per share – Basic:				
Common Stock	\$3.02	\$ 1.17	\$4.79	\$ 2.63
Class B Common Stock	\$2.42	\$ 0.93	\$3.83	\$ 2.10
Income per share – Diluted:				
Common Stock	\$2.85	\$ 1.10	\$4.53	\$ 2.49
Income allocated to – Basic:				
Common Stock	\$46,744	\$ 17,836	\$74,126	\$ 40,178
Class B Common Stock	\$11,634	\$ 4,518	\$18,458	\$ 10,184
Income allocated to – Diluted:				
Common Stock	\$58,378	\$ 22,362	\$92,584	\$ 50,381
Weighted average number of shares outstanding – Basic:				
Common Stock	15,481	15,305	15,471	15,295
Class B Common Stock	4,816	4,846	4,816	4,846
Weighted average number of shares outstanding – Diluted:				

Edgar Filing: UNIFIRST CORP - Form 10-Q

Common Stock	20,463	20,263	20,434	20,250
--------------	--------	--------	--------	--------

Dividends per share:

Common Stock	\$0.0375	\$ 0.0375	\$0.0750	\$ 0.0750
--------------	----------	-----------	----------	-----------

Class B Common Stock	\$0.0300	\$ 0.0300	\$0.0600	\$ 0.0600
----------------------	----------	-----------	----------	-----------

(1) Exclusive of depreciation on the Company's property, plant and equipment and amortization on its intangible assets.

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

3

Table of Contents

Consolidated Statements of Comprehensive Income
 UniFirst Corporation and Subsidiaries
 (Unaudited)

(In thousands)	Thirteen weeks ended		Twenty-six weeks ended	
	February 24, 2018	February 25, 2017	February 24, 2018	February 25, 2017
Net income	\$58,378	\$ 22,516	\$92,584	\$ 50,730
Other comprehensive income (loss):				
Foreign currency translation adjustments	1,250	3,332	(763)	(1,797)
Pension benefit liabilities	(1,192)	—	(1,192)	—
Change in fair value of derivatives, net of income taxes	(23)	(202)	59	122
Derivative financial instruments reclassified to earnings	10	(27)	14	(103)
Other comprehensive income (loss)	45	3,103	(1,882)	(1,778)
Comprehensive income	\$58,423	\$ 25,619	\$90,702	\$ 48,952

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

Table of Contents

Consolidated Balance Sheets

UniFirst Corporation and Subsidiaries

(Unaudited)

(In thousands, except share and par value data)

	February 24, 2018	August 26, 2017
Assets		
Current assets:		
Cash, cash equivalents and short-term investments	\$387,691	\$349,752
Receivables, less reserves of \$11,538 and \$8,719	195,283	187,174
Inventories	84,509	79,068
Rental merchandise in service	152,669	151,340
Prepaid taxes	9,407	29,968
Prepaid expenses and other current assets	24,945	16,924
Total current assets	854,504	814,226
Property, plant and equipment, net of accumulated depreciation of \$730,702 and \$702,325	543,342	525,115
Goodwill	389,465	376,110
Customer contracts, net	68,333	67,485
Other intangible assets, net	4,104	4,259
Deferred income taxes	418	394
Other assets	30,568	31,539
Total assets	\$1,890,734	\$1,819,128
Liabilities and shareholders' equity		
Current liabilities:		
Accounts payable	\$58,747	\$64,691
Accrued liabilities		