

SUPERIOR UNIFORM GROUP INC
Form 10-Q
October 28, 2013

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 September 30, 2013

OR

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

Commission file number 001-05869

SUPERIOR UNIFORM GROUP, INC.

Incorporated - Florida
Employer Identification No.
11-1385670

10055 Seminole Boulevard

Seminole, Florida 33772-2539

Telephone No.: 727-397-9611

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 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 (Do not check if a smaller reporting company) Smaller Reporting Company

Indicate by check mark whether the Company is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of October 25, 2013, the Registrant had 6,354,196 common shares outstanding, which is the registrant's only class of common stock.

PART I - FINANCIAL INFORMATION

ITEM 1. Financial Statements

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME****THREE MONTHS ENDED SEPTEMBER 30,****(Unaudited)**

| | 2013 | 2012 |
|---|---------------------|--------------|
| Net sales | \$44,184,000 | \$30,599,000 |
| Costs and expenses: | | |
| Cost of goods sold | 29,144,000 | 20,567,000 |
| Selling and administrative expenses | 12,817,000 | 8,334,000 |
| Interest expense | 95,000 | 6,000 |
| | 42,056,000 | 28,907,000 |
| Income before taxes on income | 2,128,000 | 1,692,000 |
| Income tax expense | 620,000 | 450,000 |
| Net income | \$1,508,000 | \$1,242,000 |
| Weighted average number of shares outstanding during the period | | |
| (Basic) | 6,346,260 | 6,063,269 |
| (Diluted) | 6,403,893 | 6,148,012 |
| Per Share Data: | | |
| Basic | | |
| Net income | \$0.24 | \$0.20 |
| Diluted | | |
| Net income | \$0.24 | \$0.20 |
| Other comprehensive income, net of tax: | | |
| Defined benefit pension plans: | | |

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| | | |
|--|--------------------|-------------|
| Amortization of prior service costs included in net periodic pension costs | 2,000 | 3,000 |
| Recognition of net losses included in net periodic pension costs | 120,000 | 157,000 |
| Recognition of settlement loss included in net periodic pension costs | 133,000 | - |
| Loss on cash flow hedging activities | (88,000) | - |
| Other comprehensive income | \$167,000 | \$160,000 |
| Comprehensive income | \$1,675,000 | \$1,402,000 |
| Cash dividends per common share | \$0.00 | \$0.135 |

See accompanying notes to consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

NINE MONTHS ENDED SEPTEMBER 30,

(Continued)

(Unaudited)

| | 2013 | 2012 |
|--|----------------------|-------------|
| Net sales | \$106,023,000 | 88,442,000 |
| Costs and expenses: | | |
| Cost of goods sold | 68,492,000 | 59,286,000 |
| Selling and administrative expenses | 31,476,000 | 25,336,000 |
| Interest expense | 110,000 | 24,000 |
| | 100,078,000 | 84,646,000 |
| Income before taxes on income | 5,945,000 | 3,796,000 |
| Income tax expense | 1,770,000 | 1,250,000 |
| Net income | \$4,175,000 | \$2,546,000 |
| Weighted average number of shares outstanding during the period | | |
| (Basic) | 6,197,921 | 6,051,795 |
| (Diluted) | 6,247,830 | 6,143,871 |
| Per Share Data: | | |
| Basic | | |
| Net income | \$0.67 | \$0.42 |
| Diluted | | |
| Net income | \$0.67 | \$0.41 |
| Other comprehensive income, net of tax: | | |
| Defined benefit pension plans: | | |
| Amortization of prior service costs included in net periodic pension costs | 6,000 | 9,000 |
| Recognition of net losses included in net periodic pension costs | 499,000 | 473,000 |

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| | | |
|---|--------------------|-------------|
| Recognition of settlement loss included in net periodic pension costs | 294,000 | - |
| Current period gains | 1,991,000 | - |
| Loss on cash flow hedging activities | (88,000) | - |
| Other comprehensive income | \$2,702,000 | \$482,000 |
| Comprehensive income | \$6,877,000 | \$3,028,000 |
| Cash dividends per common share | \$0.00 | \$0.405 |

See accompanying notes to consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES**CONSOLIDATED BALANCE SHEETS**

| | September 30, | December 31, |
|--|--------------------------|-----------------|
| | 2013 | 2012 |
| | (Unaudited) | |
| <u>ASSETS</u> | | |
| CURRENT ASSETS: | | |
| Cash and cash equivalents | \$6,419,000 | \$3,554,000 |
| Accounts receivable - trade, net | 25,375,000 | 16,655,000 |
| Accounts receivable - other | 3,196,000 | 2,995,000 |
| Prepaid expenses and other current assets | 3,948,000 | 2,794,000 |
| Inventories* | 48,122,000 | 39,246,000 |
| TOTAL CURRENT ASSETS | 87,060,000 | 65,244,000 |
| PROPERTY, PLANT AND EQUIPMENT, NET | 13,084,000 | 8,723,000 |
| OTHER INTANGIBLE ASSETS, NET | 18,382,000 | 559,000 |
| GOODWILL | 5,092,000 | - |
| DEFERRED INCOME TAXES | 3,360,000 | 4,205,000 |
| OTHER ASSETS | 347,000 | 182,000 |
| | \$127,325,000 | \$78,913,000 |
| <u>LIABILITIES AND SHAREHOLDERS' EQUITY</u> | | |
| CURRENT LIABILITIES: | | |
| Accounts payable | \$8,937,000 | \$6,629,000 |
| Other current liabilities | 9,905,000 | 3,222,000 |
| Current portion of long-term debt | 1,688,000 | - |
| TOTAL CURRENT LIABILITIES | 20,530,000 | 9,851,000 |
| LONG-TERM DEBT | 25,062,000 | - |
| LONG-TERM PENSION LIABILITY | 6,644,000 | 10,468,000 |
| ACQUISITION-RELATED CONTINGENT LIABILITY | 7,200,000 | - |
| OTHER LONG-TERM LIABILITIES | 603,000 | 736,000 |
| DEFERRED INCOME TAXES | 120,000 | 70,000 |
| COMMITMENTS AND CONTINGENCIES (NOTE 6) | | |
| SHAREHOLDERS' EQUITY: | | |

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| | | |
|---|----------------------|--------------|
| Preferred stock, \$1 par value - authorized 300,000 shares (none issued) | - | - |
| Common stock, \$.001 par value - authorized 50,000,000 shares, issued and outstanding - 6,346,071 and 6,115,907, shares, respectively. | 6,000 | 6,000 |
| Additional paid-in capital | 23,901,000 | 21,288,000 |
| Retained earnings | 48,514,000 | 44,451,000 |
| Accumulated other comprehensive loss, net of tax: | | |
| Pensions | (5,167,000) | (7,957,000) |
| Cash flow hedges | (88,000) | - |
| TOTAL SHAREHOLDERS' EQUITY | 67,166,000 | 57,788,000 |
| | \$127,325,000 | \$78,913,000 |

* Inventories consist of the following:

| | September 30, 2013 | December 31, 2012 |
|-----------------|-----------------------------------|-------------------------|
| | (Unaudited) | |
| Finished goods | \$35,613,000 | \$27,382,000 |
| Work in process | 112,000 | 71,000 |
| Raw materials | 12,397,000 | 11,793,000 |
| | \$48,122,000 | \$39,246,000 |

See accompanying notes to consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

NINE MONTHS ENDED SEPTEMBER 30,

(Unaudited)

| | 2013 | 2012 |
|---|--------------------|-------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net income | \$4,175,000 | \$2,546,000 |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: | | |
| Depreciation and amortization | 1,620,000 | 1,740,000 |
| Provision for bad debts - accounts receivable | 86,000 | 61,000 |