

SANDERSON FARMS INC
Form 10-Q
February 21, 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 AND EXCHANGE ACT OF 1934

For the quarterly period ended January 31, 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 1-14977

Sanderson Farms, Inc.
(Exact name of registrant as specified in its charter)

Mississippi 64-0615843
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

127 Flynt Road, Laurel, Mississippi 39443
(Address of principal executive offices) (Zip Code)
(601) 649-4030
(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, a smaller reporting company or an emerging growth company. See definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth 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
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

**APPLICABLE ONLY TO ISSUERS INVOLVED IN BANKRUPTCY PROCEEDINGS
DURING THE PRECEDING FIVE YEARS:**

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes " No "

APPLICABLE ONLY TO CORPORATE ISSUERS:

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date. Common Stock, \$1 Par Value Per Share: 22,835,774 shares outstanding as of February 19, 2018.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

SANDERSON FARMS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

(In thousands, except number of shares)

	January 31, 2018 (Unaudited)	October 31, 2017 (Note 1)
Assets		
Current assets:		
Cash and cash equivalents	\$388,896	\$419,285
Accounts receivable, net	134,045	138,868
Inventories	253,081	252,765
Prepaid expenses and other current assets	43,497	38,620
Total current assets	819,519	849,538
Property, plant and equipment	1,700,092	1,657,084
Less accumulated depreciation	(804,382)	(780,276)
	895,710	876,808
Other assets	6,995	6,897
Total assets	\$1,722,224	\$1,733,243
Liabilities and stockholders' equity		
Current liabilities:		
Accounts payable	\$104,990	\$90,904
Dividends payable	7,305	—
Accrued expenses	56,606	101,168
Accrued income taxes	6,649	6,649
Total current liabilities	175,550	198,721
Claims payable and other liabilities	10,481	9,762
Deferred income taxes	57,862	91,898
Commitments and contingencies		
Stockholders' equity:		
Preferred Stock:		
Series A Junior Participating Preferred Stock, \$100 par value: authorized 500,000 shares, none issued		
Par value to be determined by the Board of Directors: authorized 4,500,000 shares; none issued		
Common Stock, \$1 par value: authorized 100,000,000 shares; issued and outstanding shares—22,828,898 and 22,802,690 at January 31, 2018 and October 31, 2017, respectively	22,829	22,803
Paid-in capital	136,541	134,999
Retained earnings	1,318,961	1,275,060
Total stockholders' equity	1,478,331	1,432,862
Total liabilities and stockholders' equity	\$1,722,224	\$1,733,243
See notes to condensed consolidated financial statements.		

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SANDERSON FARMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
 (In thousands, except per share amounts)

	Three Months Ended	
	January 31,	
	2018	2017
Net sales	\$771,948	\$688,346
Cost and expenses:		
Cost of sales	702,101	606,391
Selling, general and administrative	52,575	46,070
	754,676	652,461
Operating Income	17,272	35,885
Other income (expense):		
Interest income	419	195
Interest expense	(523)	(432)
Other	2	2
	(102)	(235)
Income before income taxes	17,170	35,650
Income tax expense (benefit)	(34,036)	11,625
Net income	\$51,206	\$24,025
Earnings per share:		
Basic	\$2.24	\$1.06
Diluted	\$2.24	\$1.06
Dividends per share	\$0.32	\$0.24

See notes to condensed consolidated financial statements.

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SANDERSON FARMS, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Unaudited)
 (In thousands)

	Three Months Ended January 31,	
	2018	2017
Operating activities		
Net income	\$51,206	\$24,025
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	26,630	22,641
Non-cash stock compensation	6,230	5,685
Deferred income taxes	(34,036)	11,927
Change in assets and liabilities:		
Accounts receivable, net	4,823	8,715
Income taxes		