

UNIFIRST CORP
Form 10-Q
July 07, 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 **May 28, 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: **001-08504**

UNIFIRST CORPORATION

(Exact name of Registrant as Specified in Its Charter)

Massachusetts

(State or Other Jurisdiction of Incorporation or Organization)

04-2103460

(I.R.S. Employer Identification No.)

68 Jonspin Road, Wilmington, MA

(Address of Principal Executive Offices)

01887

(Zip Code)

(978) 658-8888

(Registrant's Telephone Number, Including Area Code)

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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.

Large accelerated filer Accelerated filer Smaller Reporting Company Non-accelerated filer

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 July 1, 2016 were 15,406,532 and 4,849,519, respectively.

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Quarterly Report on Form 10-Q

For the Quarter ended May 28, 2016

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(In thousands, except per share data)	Thirteen weeks ended		Thirty-nine weeks ended	
	May 28, 2016	May 30, 2015	May 28, 2016	May 30, 2015
Revenues	\$367,799	\$365,574	\$1,104,280	\$1,097,397
Operating expenses:				
Cost of revenues (1)	224,932	221,995	677,207	665,222
Selling and administrative expenses (1)	74,541	72,205	222,713	221,832
Depreciation and amortization	20,409	19,022	59,956	55,851
Total operating expenses	319,882	313,222	959,876	942,905
Income from operations	47,917	52,352	144,404	154,492
Other (income) expense:				
Interest expense	211	221	650	648
Interest income	(902)	(784)	(2,558)	(2,532)
Foreign exchange (gain) loss	(91)	72	256	1,323
Total other (income) expense	(782)	(491)	(1,652)	(561)
Income before income taxes	48,699	52,843	146,056	155,053
Provision for income taxes	18,555	20,344	56,524	59,695
Net income	\$30,144	\$32,499	\$89,532	\$95,358
Income per share – Basic:				
Common Stock	\$1.57	\$1.70	\$4.67	\$4.99
Class B Common Stock	\$1.26	\$1.36	\$3.74	\$3.99
Income per share – Diluted:				
Common Stock	\$1.49	\$1.61	\$4.43	\$4.72

Income allocated to – Basic:

Common Stock	\$23,939	\$25,817	\$71,172	\$75,650
Class B Common Stock	\$6,061	\$6,483	\$17,956	\$18,954

Income allocated to – Diluted:

Common Stock	\$30,007	\$32,310	\$89,149	\$94,644
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Weighted average number of shares outstanding – Basic:

Common Stock	15,253	15,207	15,238	15,173
Class B Common Stock	4,827	4,773	4,805	4,752

Weighted average number of shares outstanding – Diluted:

Common Stock	20,183	20,118	20,141	20,057
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Dividends per share:

Common Stock	\$0.0375	\$0.0375	\$0.1125	\$0.1125
Class B Common Stock	\$0.0300	\$0.0300	\$0.0900	\$0.0900

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

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

Table Of Contents**UniFirst Corporation and Subsidiaries****Consolidated Statements of Comprehensive Income***(Unaudited)*

	Thirteen weeks ended		Thirty-nine weeks ended	
	May 28, 2016	May 30, 2015	May 28, 2016	May 30, 2015
(In thousands)				
Net Income	\$30,144	\$32,499	\$89,532	\$95,358
Other comprehensive (loss) income:				
Foreign currency translation adjustments	3,806	62	223	(16,830)
Pension benefit liabilities, net of income taxes	—	—	(218)	(1,266)
Change in fair value of derivatives, net of income taxes	(344)	219	(392)	(425)
Derivative financial instruments (gain) loss reclassified	(36)	70	(201)	70
Other comprehensive (loss) income	3,426	351	(588)	(18,451)
Comprehensive income	\$33,570	\$32,850	\$88,944	\$76,907

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

Table Of Contents**UniFirst Corporation and Subsidiaries****Consolidated Balance Sheets***(Unaudited)*

(In thousands, except share and par value data)	May 28, 2016	August 29, 2015
Assets		
Current assets:		
Cash and cash equivalents	\$347,583	\$276,553
Receivables, less reserves of \$10,252 and \$6,007	158,273	151,851
Inventories	76,347	80,449
Rental merchandise in service	140,279	140,384
Prepaid and deferred income taxes	424	204
Prepaid expenses and other current assets	12,993	12,382
Total current assets	735,899	661,823
Property, plant and equipment, net of accumulated depreciation of \$649,289 and \$618,269	532,881	513,853
Goodwill	320,247	313,133
Customer contracts, net	35,889	38,024
Other intangible assets, net	2,687	2,025
Deferred income taxes	—	1,475
Other assets	3,388	2,904
Total assets	\$1,630,991	\$1,533,237
Liabilities and shareholders' equity		
Current liabilities:		
Loans payable	\$—	\$1,385
Accounts payable	49,216	50,826
Accrued liabilities	120,425	113,022
Accrued and deferred income taxes	—	18,878
Total current liabilities	169,641	184,111
Accrued liabilities	58,151	54,566
Accrued and deferred income taxes	73,623	52,352
Total liabilities	301,415	291,029
Commitments and contingencies (Note 10)		
Shareholders' equity:	—	—

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Preferred Stock, \$1.00 par value; 2,000,000 shares authorized; no shares issued and outstanding		
Common Stock, \$0.10 par value; 30,000,000 shares authorized; 15,400,818 and 15,246,588 shares issued and outstanding as of May 28, 2016 and August 29, 2015, respectively	1,540	1,525
Class B Common Stock, \$0.10 par value; 20,000,000 shares authorized; 4,849,519 and 4,854,519 shares issued and outstanding as of May 28, 2016 and August 29, 2015, respectively	485	485
Capital surplus	68,179	67,611
Retained earnings	1,284,373	1,197,000
Accumulated other comprehensive (loss) income	(25,001)	(24,413)
Total shareholders' equity	1,329,576	1,242,208
Total liabilities and shareholders' equity	\$1,630,991	\$1,533,237

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

Table Of Contents**UniFirst Corporation and Subsidiaries****Consolidated Statements of Cash Flows***(Unaudited)*

Thirty-nine weeks ended	May 28,	May 30,
(In thousands)	2016	2015
Cash flows from operating activities:		
Net income	\$89,532	\$95,358
Adjustments to reconcile net income to cash provided by operating activities:		
Depreciation	53,556	49,270
Amortization of intangible assets	6,400	6,581
Amortization of deferred financing costs	156	156
Share-based compensation	3,625	4,413
Accretion on environmental contingencies	502	452
Accretion on asset retirement obligations	599	503
Deferred income taxes	6,034	6,668
Changes in assets and liabilities, net of acquisitions:		
Receivables, less reserves	(5,698)	(9,463)
Inventories	4,063	(5,714)
Rental merchandise in service	1,571	1,417
Prepaid expenses and other current assets	(1,356)	(7,812)
Accounts payable	(1,627)	(2,106)
Accrued liabilities	6,358	10,283
Prepaid and accrued income taxes	(2,635)	8,408
Net cash provided by operating activities	161,080	158,414
Cash flows from investing activities:		
Acquisition of businesses, net of cash acquired	(10,861)	(19,815)
Capital expenditures	(72,065)	(82,272)
Other	(64)	(1,160)
Net cash used in investing activities	(82,990)	(103,247)
Cash flows from financing activities:		
Proceeds from loans payable and long-term debt	—	5,401
Payments on loans payable and long-term debt	(1,326)	(9,580)
Payment of deferred financing costs	(813)	—
Proceeds from exercise of share-based awards, including excess tax benefits	1,394	8,055
Taxes withheld and paid related to net share settlement of equity awards	(4,425)	(5,002)
Payment of cash dividends	(2,155)	(2,151)
Net cash used in financing activities	(7,325)	(3,277)
Effect of exchange rate changes	265	(7,987)

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Net increase in cash and cash equivalents	71,030	43,903
Cash and cash equivalents at beginning of period	276,553	191,769
Cash and cash equivalents at end of period	\$347,583	\$2