

MGP INGREDIENTS INC
Form 10-Q
May 10, 2006

**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 March 31, 2006.

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: 0-17196

MGP INGREDIENTS, INC.

(Exact name of registrant as specified in its charter)

KANSAS

(State or other jurisdiction of incorporation or organization)

48-0531200

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

1300 Main Street, Atchison Kansas

(Address of principal executive offices)

66002

(Zip Code)

(913) 367-1480

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b02 of the Exchange Act.

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(Check One) Large accelerated filer Accelerated filer Non-accelerated filer

Indicated 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.

Common stock, no par value
16,149,090 shares outstanding
as of March 31, 2006

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Report of Independent Registered Public Accounting Firm

Audit Committee, Board of Directors
and Stockholders
MGP Ingredients, Inc.
Atchison, Kansas

We have reviewed the accompanying condensed consolidated balance sheet of MGP Ingredients, Inc. as of March 31, 2006 and the related condensed consolidated statements of income for the three-month and nine-month periods ended March 31, 2006 and 2005, and cash flows for the nine-month periods ended March 31, 2006 and 2005. These interim financial statements are the responsibility of the Company's management.

We conducted our reviews in accordance with the standards of the Public Company Accounting Oversight Board (United States). A review of interim financial information consists principally of applying analytical procedures to financial data and making inquiries of persons responsible for financial and accounting matters. It is substantially less in scope than an audit conducted in accordance with the standards of the Public Company Accounting Oversight Board, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our reviews, we are not aware of any material modifications that should be made to the condensed consolidated financial statements referred to above for them to be in conformity with accounting principles generally accepted in the United States of America.

We have previously audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheet as of June 30, 2005 and the related consolidated statements of income, stockholders' equity and cash flows for the year then ended (not presented herein); and in our report dated August 26, 2005, we expressed an unqualified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying condensed consolidated balance sheet as of June 30, 2005 is fairly stated, in all material respects, in relation to the consolidated balance sheet from which it has been derived.

/s/ **BKD, LLP**

Kansas City, Missouri
May 2, 2006

MGP Ingredients, Inc.**Condensed Consolidated Balance Sheets (in Thousands)**

Assets	March 31, 2006 (Unaudited)	June 30, 2005
Current Assets		
Cash and cash equivalents	\$ 3,586	\$ 10,384
Receivables, net of allowance of \$320 at March 31, 2006 and \$320 at June 30, 2005	32,024	28,097
Inventories	40,071	31,252
Prepaid expenses	1,446	628
Refundable income taxes		2,622
Deferred income taxes	945	663
Total current assets	78,072	73,646
Property and Equipment, at cost	331,514	317,626
Less accumulated depreciation	(211,080)	(201,997)
Total property and equipment, net	120,434	115,629
Other Assets	215	225
Total assets	\$ 198,721	\$ 189,500

See Accompanying Notes to Condensed Consolidated Financial Statements
and Independent Accountants' Review Report

MGP Ingredients, Inc.

Condensed Consolidated Balance Sheets (in Thousands)

Liabilities and Stockholders Equity	March 31, 2006 (Unaudited)	June 30, 2005
Current Liabilities		
Current maturities of long-term debt	\$ 3,757	\$ 4,705
Note payable bank	6,000	
Accounts payable	11,701	11,744
Accrued expenses	6,819	5,621
Deferred revenue	9,767	10,948
Income taxes payable	1,186	
Total current liabilities	39,230	33,018
Long-term Debt	13,317	16,785
Post-Retirement Benefits	6,624	6,342
Deferred Income Taxes	12,811	12,828
Stockholders Equity		
Capital stock		
Preferred, 5% cumulative, \$10 par value; authorized 1,000 shares; issued and outstanding 437 shares	4	4
Common, no par; authorized 40,000,000 shares; issued 19,530,344 shares	6,715	6,715
Additional paid-in capital	6,117	5,341
Retained earnings	128,901	124,754
Accumulated other comprehensive loss - Cash flow hedges	360	(228)
	142,097	136,586
Treasury stock, at cost		
Common		
March 31, 2006 - 3,381,254 shares		
June 30, 2005 - 3,536,064 shares	(15,358)	(16,059)
Total stockholders equity	126,739	120,527
Total liabilities and stockholders equity	\$ 198,721	\$ 189,500

See Accompanying Notes to Condensed Consolidated Financial Statements
and Independent Accountants Review Report.

MGP Ingredients, Inc.

Condensed Consolidated Statements of Income (in Thousands)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	March 31, 2006	2005	March 31, 2006	2005
Net sales	\$ 79,422	\$ 71,186	\$ 232,139	\$ 201,228
Cost of sales	71,348	64,270	206,141	182,466
Gross profit	8,074	6,916	25,998	18,762
Selling, general and administrative	5,471	4,864	16,219	14,254
	2,603	2,052	9,779	4,508
Other operating income	150	153	599	579
Operating income	2,753	2,205	10,378	5,087
Other income (expense)	417	505	1,054	870
Interest (expense)	(350)	(350)	(1,182)	(1,040)
Income before income taxes	2,820	2,360	10,250	4,917
Provision for income taxes	737	733	3,618	1,645
Net income	2,083	1,627	6,632	3,272
Other comprehensive income, net of taxes	330	569	588	222
Comprehensive income	\$ 2,413	\$ 2,196	\$ 7,220	\$ 3,494
Basic earnings per common share	\$ 0.13	\$ 0.10	\$ 0.41	\$ 0.20
Diluted earnings per common share	\$ 0.12	\$ 0.10	\$ 0.40	\$ 0.20
Dividends per common share	\$	\$	\$ 0.15	\$ 0.15

See Accompanying Notes to Condensed Consolidated Financial Statements and Independent Accountants' Review Report.

MGP Ingredients, Inc.

Condensed Consolidated Statements of Cash Flows (in Thousands)

Nine Months Ended March 31,

(Unaudited)

	2006	2005
Operating Activities		
Net income	\$ 6,632	\$ 3,272
Items not requiring cash		
Depreciation and amortization	9,130	11,867
Gain on sale/conversion of property and equipment	(14)	(811)
Deferred income taxes	(299)	(2,700)
Changes in:		
Accounts receivable	(3,927)	2,321
Inventories	(8,231)	(4,936)
Insurance receivable		1,425
Accounts payable and accrued expenses	1,207	(2,346)
Deferred income	(1,181)	(1,242)
Income taxes receivable/payable	3,808	(7)
Prepaid expenses and other current assets	(818)	(686)
Net cash provided by operating activities	6,307	6,157
Investing Activities		
Additions to property and equipment	(13,732)	(13,695)
Proceeds from sale/conversion of property and equipment	51	1,005
Net cash used in investing activities	(13,681)	(12,690)
Financing Activities		
Proceeds from stock options exercised	1,477	721
Proceeds from issuance of long-term debt		