

SUPERIOR UNIFORM GROUP INC
Form 10-Q
July 26, 2011

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 June 30, 2011

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.

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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 July 20, 2011, the Registrant had 5,993,021 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
 CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS
 THREE MONTHS ENDED JUNE 30,
 (Unaudited)

	2011	2010
Net sales	\$ 27,505,656	\$ 26,629,161
Costs and expenses:		
Cost of goods sold	17,577,789	17,245,178
Selling and administrative expenses	8,489,733	7,845,209
Interest expense	5,735	5,604
	26,073,257	25,095,991
Earnings before taxes on income	1,432,399	1,533,170
Income tax expense	500,000	550,000
Net earnings	\$ 932,399	\$ 983,170
Weighted average number of shares outstanding during the period	(Basic) 5,995,147	5,901,723
	(Diluted) 6,092,118	5,957,641
Per Share Data:		
Basic		
Net earnings	\$ 0.16	\$ 0.17
Diluted		
Net earnings	\$ 0.15	\$ 0.17
Cash dividends per common share	\$ 0.135	\$ 0.135

See accompanying notes to condensed consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF EARNINGS

SIX MONTHS ENDED JUNE 30,

(Continued)

(Unaudited)

	2011	2010
Net sales	\$ 54,404,256	\$ 52,609,023
Costs and expenses:		
Cost of goods sold	34,625,470	34,293,552
Selling and administrative expenses	17,395,583	15,966,006
Interest expense	11,882	8,078
	52,032,935	50,267,636
Earnings before taxes on income	2,371,321	2,341,387
Income tax expense	840,000	850,000
Net earnings	\$ 1,531,321	\$ 1,491,387
Weighted average number of shares outstanding during the period	(Basic) 5,986,987	5,904,889
	(Diluted) 6,081,544	5,958,825
Per Share Data:		
Basic		
Net earnings	\$ 0.26	\$ 0.25
Diluted		
Net earnings	\$ 0.25	\$ 0.25
Cash dividends per common share	\$ 0.27	\$ 0.27

See accompanying notes to condensed consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

ASSETS

	June 30, 2011 (Unaudited)	December 31, 2010(1)
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,305,724	\$ 9,107,461
Accounts receivable and other current assets	25,333,960	21,827,978
Inventories*	34,198,932	31,029,947
TOTAL CURRENT ASSETS	61,838,616	61,965,386
PROPERTY, PLANT AND EQUIPMENT, NET	9,199,546	9,463,884
OTHER INTANGIBLE ASSETS, NET	3,231,317	911,225
DEFERRED INCOME TAXES	2,090,000	1,680,000
OTHER ASSETS	135,259	173,403
	\$ 76,494,738	\$ 74,193,898

LIABILITIES AND SHAREHOLDERS EQUITY

CURRENT LIABILITIES:		
Accounts payable	\$ 5,781,605	\$ 5,103,768
Other current liabilities	3,198,062	3,713,038
TOTAL CURRENT LIABILITIES	8,979,667	8,816,806
LONG-TERM PENSION LIABILITY	3,687,340	3,535,470
OTHER LONG-TERM LIABILITIES	800,000	742,000
SHAREHOLDERS EQUITY:		
Preferred stock, \$1 par value - authorized 300,000 shares (none issued)		
Common stock, \$.001 par value - authorized 50,000,000 shares, issued and outstanding - 5,993,551 and 5,959,975 shares, respectively.	5,993	5,960
Additional paid-in capital	18,877,138	16,753,094
Retained earnings	48,040,472	48,402,710
Accumulated other comprehensive loss, net of tax:		
Pensions	(3,895,872)	(4,062,142)
TOTAL SHAREHOLDERS EQUITY	63,027,731	61,099,622
	\$ 76,494,738	\$ 74,193,898

* Inventories consist of the following:

	June 30, 2011 (Unaudited)	December 31, 2010
Finished goods	\$ 22,487,052	\$ 23,828,283
Work in process	112,507	66,853

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Raw materials	11,599,373	7,134,811
	\$ 34,198,932	\$ 31,029,947

(1) The balance sheet as of December 31, 2010 has been derived from the audited balance sheet as of that date and has been condensed. See accompanying notes to condensed consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

SIX MONTHS ENDED JUNE 30,

(Unaudited)

	2011	2010
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 1,531,321	\$ 1,491,387
Adjustments to reconcile net earnings to net cash (used in) provided from operating activities:		
Depreciation and amortization	1,532,531	1,317,664
Provision for bad debts	55,941	111,900
Share-based compensation expense	823,846	408,834
Deferred income tax benefit	(496,000)	(360,500)
Gain on sales of property, plant and equipment	(13,000)	(45,437)
Changes in assets and liabilities:		
Accounts receivable and other current assets	(3,561,923)	(200,877)
Inventories	(3,168,985)	187,297
Other assets	38,144	(7,473)
Accounts payable	677,837	202,941
Other current liabilities	(514,976)	53,929
Pension liability	404,140	56,094
Other long-term liabilities	58,000	55,000
Net cash (used in) provided from operating activities	(2,633,124)	3,270,759
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	(733,052)	(791,705)
Disposals of property, plant and equipment	19,199	51,657
Proceeds from notes receivable collections		15,250
Acquisition of intangible assets	(2,061,432)	
Net cash used in investing activities	(2,775,285)	(724,798)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	3,320,000	3,035,000
Repayment of long-term debt	(3,320,000)	(3,035,000)
Payment of cash dividends	(1,616,429)	(1,595,055)
Proceeds received on exercise of stock options	503,692	109,717
Common stock reacquired and retired	(280,591)	(269,096)
Net cash used in financing activities	(1,393,328)	(1,754,434)
Net (decrease) increase in cash and cash equivalents	(6,801,737)	791,527
Cash and cash equivalents balance, beginning of year	9,107,461	6,365,557
Cash and cash equivalents balance, end of period	\$ 2,305,724	\$ 7,157,084

See accompanying notes to condensed consolidated interim financial statements.

SUPERIOR UNIFORM GROUP, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED INTERIM FINANCIAL STATEMENTS

SIX MONTHS ENDED JUNE 30, 2011 AND 2010

(Unaudited)

NOTE 1 Summary of Significant Interim Accounting Policies:

a) Basis of presentation

The condensed consolidated interim financial statements include the accounts of Superior Uniform Group, Inc. and its wholly owned subsidiaries Fashion Seal Corporation, Superior Office Solutions, and their jointly owned subsidiaries, The Office Gurus, Ltda, De C.V. and The Office Masters. They also include The Office Gurus, Ltda and Scratt Kit S.R.L., wholly owned subsidiaries of Superior Office Solutions. Intercompany items have been eliminated in consolidation. The accompanying unaudited interim financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in the financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. These condensed consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2010, and filed with the Securities and Exchange Commission. The interim financial information contained herein is not certified or audited; it reflects all adjustments (consisting of only normal recurring accruals) which are, in the opinion of management, necessary for a fair statement of the operating results for the periods presented, stated on a basis consistent with that of the audited financial statements. The unaudited financial information included in this report as of and for the three and six months ended June 30, 2011 has been reviewed by Grant Thornton LLP, independent registered public accounting firm, and their review report thereon accompanies this filing. Such review was made in accordance with established professional standards and procedures for such a review. The results of operations for any interim period are not necessarily indicative of results to be expected for the full year.

b) Revenue recognition

The Company records revenue as products are shipped and title passes. A provision for estimated returns and allowances is recorded based on historical experience and current allowance programs.

c) Recognition of costs and expenses

Costs and expenses other than product costs are charged to income in interim periods as incurred, or allocated among interim periods based on an estimate of time expired, benefit received or activity associated with the periods. Procedures adopted for assigning specific cost and expense items to an interim period are consistent with the basis followed by the registrant in reporting results of operations at annual reporting dates. However, when a specific cost or expense item charged to expense for annual reporting purposes benefits more than one interim period, the cost or expense item is allocated to the interim periods.

d) Amortization of other intangible assets

The Company amortizes identifiable intangible assets on a straight line basis over their expected useful lives. Amortization expense for other intangible assets was \$241,000 and \$96,000 for the three-month periods ended June 30, 2011 and 2010, respectively, and \$541,000 and \$192,000 for the six-month periods ended June 30, 2011 and 2010, respectively.

e) Advertising expenses

The Company expenses advertising costs as incurred. Advertising costs for the three-month periods ended June 30, 2011 and 2010, respectively were \$38,000 and \$25,000. Advertising costs for the six-month periods ended June 30, 2011 and 2010, respectively were \$59,000 and \$32,000.

f) Shipping and handling fees and costs

The Company includes shipping and handling fees billed to customers in net sales. Shipping and handling costs associated with in-bound and out-bound freight are generally recorded in cost of goods sold. Other shipping and handling costs such as labor and overhead are included in selling and administrative expenses and totaled \$1,368,000 and \$1,512,000 for the three months ended June 30, 2011