

BRIDGFORD FOODS CORP  
Form 10-Q  
August 24, 2009

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 July 10, 2009

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 0-2396

BRIDGFORD FOODS CORPORATION  
(Exact name of Registrant as specified in its charter)

California  
(State or other jurisdiction of  
incorporation or organization)

95-1778176  
(I.R.S. Employer  
identification number)

1308 N. Patt Street, Anaheim, CA 92801  
(Address of principal executive offices-Zip code)

714-526-5533  
(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 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

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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

Non-accelerated filer  (Do not check if smaller reporting company)

Smaller reporting company

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

Yes

No

As of August 20, 2009 the registrant had 9,376,194 shares of common stock outstanding.

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References to "Bridgford Foods" or the "Company" contained in this Quarterly Report on Form 10-Q refer to Bridgford Foods Corporation.

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## Part I. Financial Information

## Item 1. a.

BRIDGFORD FOODS CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands, except per share amounts)

ASSETS	July 10, 2009 (Unaudited)	October 31, 2008
<b>Current assets:</b>		
Cash and cash equivalents	\$ 12,407	\$ 6,092
Accounts receivable, less allowance for doubtful accounts of \$378 and \$397, respectively, and promotional allowances of \$2,108 and \$2,015, respectively	7,242	8,867
Inventories (Note 2)	15,047	16,052
Prepaid expenses and other current assets	1,235	906
<b>Total current assets</b>	<b>35,931</b>	<b>31,917</b>
Property, plant and equipment, less accumulated depreciation of \$55,295 and \$53,740, respectively	8,751	9,775
Other non-current assets	10,267	10,263
	<b>\$ 54,949</b>	<b>\$ 51,955</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 3,604	\$ 3,073
Accrued payroll, advertising and other expenses	7,843	8,405
<b>Total current liabilities</b>	<b>11,447</b>	<b>11,478</b>
Non-current liabilities	13,322	7,942
<b>Total liabilities</b>	<b>24,769</b>	<b>19,420</b>
<b>Commitments and Contingencies (Note 5)</b>		
<b>Shareholders' equity:</b>		
Preferred stock, without par value		
Authorized - 1,000 shares		
Issued and outstanding - none	-	-
Common stock, \$1.00 par value		

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Authorized - 20,000 shares		
Issued and outstanding - 9,396 and 9,435 shares	9,453	9,492
Capital in excess of par value	10,973	11,204
Retained earnings	17,926	14,298
Accumulated other comprehensive loss	(8,172)	(2,459)
	30,180	32,535
	\$ 54,949	\$ 51,955

See accompanying notes to condensed consolidated financial statements.

## Item 1. b.

BRIDGFORD FOODS CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
(Unaudited)  
(in thousands, except per share amounts)

	12 weeks ended		36 weeks ended	
	July 10, 2009	July 11, 2008	July 10, 2009	July 11, 2008
Net sales	\$ 26,281	\$ 26,584	\$ 83,435	\$ 82,802
Cost of products sold, excluding depreciation	15,089	17,546	49,105	54,872
Selling, general and administrative expenses	9,393	10,218	28,532	29,311
Depreciation	531	753	1,962	2,249
	25,013	28,517	79,599	86,432
Income (loss) before taxes	1,268	(1,933)	3,836	(3,630)
Income tax provision	208	4,339	208	3,690
Net income (loss)	\$ 1,060	\$ (6,272)	\$ 3,628	\$ (7,320)
Basic income (loss) per share (Note 3)	\$ 0.11	\$ (0.66)	\$ 0.38	\$ (0.76)
Diluted income (loss) per share (Note 3)	\$ 0.11	\$ (0.66)	\$ 0.38	\$ (0.76)
Weighted average common shares - Basic shares computed	9,419	9,445	9,429	9,669
Weighted average common shares - Diluted shares computed	9,419	9,445	9,429	9,669

See accompanying notes to condensed consolidated financial statements.

## Item 1. c.

CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY AND COMPREHENSIVE  
LOSS  
(Unaudited)  
(in thousands)

	Common Stock Shares	Amount	Capital in excess of par	Retained earnings	Accumulated other comprehensive loss	Total
October 31, 2008	9,435	\$ 9,492	\$ 11,204	\$ 14,298	\$ (2,459)	\$ 32,535
Shares repurchased	(39)	(39)	(231)			(270)

Net income						3,628		3,628
Other comprehensive loss:								
Unrealized loss on investments						(8)		(8)
Change in pension liability (Note 4)						(5,705)		(5,705)
Comprehensive loss								(2,085)
July 10, 2009	9,396	\$	9,453	\$	10,973	\$	17,926	\$ (8,172) \$ 30,180

See accompanying notes to condensed consolidated financial statements.



Item 1. d.

BRIDGFORD FOODS CORPORATION  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (Unaudited)  
 (in thousands)

36 weeks ended  
 July 10, 2009      July 11, 2008

Cash flows from operating activities:

Net income (loss)	\$	3,628	\$	(7,320)
Income or charges not affecting cash and cash equivalents:				
Depreciation		1,962		2,249
Provision for losses on accounts receivable		6		26
Gain on sale of property, plant and equipment		(10)		(35)
Tax valuation allowance on deferred tax assets		-		4,940
Effect on cash and cash equivalents of changes in operating assets and liabilities:				
Accounts receivable, net		1,619		740
Inventories		1,005		(91)
Prepaid expenses and other current assets		(337)		(839)
Other non-current assets		(4)		376
Accounts payable		531		838
Accrued payroll, advertising and other expenses		(562)		(1,062)
Non-current liabilities		(325)		(360)
Net cash provided by (used in) operating activities		7,513		(538)
Cash used in investing activities:				
Proceeds from sale of property, plant and equipment		56		40
Additions to property, plant and equipment		(984)		(1,586)
Net cash used in investing activities		(928)		(1,546)
Cash used in financing activities:				
Shares repurchased		(270)		(3,018)
Net cash used in financing activities		(270)		(3,018)
Net increase (decrease) in cash and cash equivalents		6,315		(5,102)
Cash and cash equivalents at beginning of period		6,092		11,336
Cash and cash equivalents at end of period	\$	12,407	\$	6,234
Cash paid for income taxes	\$	0	\$	0

See accompanying notes to condensed consolidated financial statements.

Item 1. e.

BRIDGFORD FOODS CORPORATION

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)  
(in thousands, except percentages, share and per share amounts)

Note 1 - Summary of Significant Accounting Policies:

The unaudited consolidated condensed financial statements of Bridgford Foods Corporation (the "Company", "we", "our", "us") for the twelve and thirty-six weeks ended July 10, 2009 and July 11, 2008 have been prepared in conformity with the accounting principles described in the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2008 (the "Annual Report") and include all adjustments considered necessary by management for a fair presentation of the interim periods. Such adjustments consist only of normal recurring items. This report should be read in conjunction with the Annual Report. Due to seasonality and other factors, interim results are not necessarily indicative of the results for the full year. New accounting pronouncements and their effect on the Company are discussed in Management's Discussion and Analysis of Financial Condition and Results of Operations in this Form 10-Q.

The October 31, 2008 balance sheet within these interim condensed consolidated financial statements were derived from the audited fiscal 2008 financial statements.

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported revenues and expenses during the reporting periods. Actual results may vary from these estimates. Some of the estimates needed to be made by management include the allowance for doubtful accounts, inventory reserves and the estimated useful lives of property and equipment, and the valuation allowance for the Company's deferred tax asset. Actual results could materially differ from these estimates. Amounts estimated related to liabilities for self-insured workers' compensation, employee healthcare and pension benefits are especially subject to inherent uncertainties and these estimated liabilities may ultimately settle at amounts which vary from our current estimates.

Financial instruments that subject the Company to credit risk consist primarily of cash and cash equivalents, accounts and other receivables, accounts payable and accrued liabilities. The carrying amount of these instruments approximate fair market value due to the short maturity of these instruments. At July 10, 2009, the Company had accounts in excess of the Federal Deposit Insurance Corporation insurance coverage limit. The Company has not experienced any losses in these accounts and believes it is not exposed to any significant credit risk on cash and cash equivalents. The Company issues credit to a significant number of customers that are diversified over a wide geographic area. The Company monitors the payment histories of its customers and maintains an allowance for doubtful accounts which is reviewed for adequacy on a quarterly basis. The Company does not require collateral from its customers.

For the thirty-six weeks ended July 10, 2009 and July 11, 2008, Wal-Mart® accounted for 11.7% and 13.1%, respectively of consolidated revenues or 15.2% and 16.4% of consolidated accounts receivable. For the twelve weeks ended July 10, 2009 and July 11, 2008, Wal-Mart® accounted for 17.3% and 13.6%, respectively of consolidated revenues or 15.2% and 16.4% of consolidated accounts receivable.

Note 2 - Inventories:

Inventories are comprised of the following at the respective periods:

	July 10, 2009	October 31, 2008
Meat, ingredients and supplies	\$ 4,599	\$ 4,086
Work in progress	1,988	2,322
Finished goods	8,460	9,644
	\$ 15,047	\$ 16,052

Inventories are valued at the lower of cost (which approximates actual cost on a first-in, first-out basis) or market. Costs related to warehousing, transportation and distribution to customers are considered when computing market value. Inventories include the cost of raw materials, labor and manufacturing overhead. We regularly review inventory quantities on hand and write down any excess or obsolete inventories to estimated net realizable value. An inventory reserve is created when potentially slow-moving or obsolete inventories are identified in order to reflect the appropriate inventory value. Changes in economic conditions, production requirements, and lower than expected customer demand could result in additional obsolete or slow-moving inventory that cannot be sold or may need to be sold at reduced prices and could result in additional reserve provisions.

#### Note 3 - Basic and Diluted Earnings Per Share:

The employee stock option plan expired by its terms on April 29, 2009 and no further stock options are available for grant under the plan. The Company had 250,000 employee stock options outstanding through April 29, 2009 and the thirty-six week periods ended July 11, 2008. The effect of the employee stock options outstanding for the thirty-six weeks ended July 10, 2009 and July 11, 2008 was not included in the calculation of diluted shares and diluted earnings per share as to do so would be anti-dilutive. No stock options were granted during the first thirty-six weeks ended July 10, 2009 and July 11, 2008.