

NATIONAL BEVERAGE CORP  
Form 10-Q  
September 06, 2018

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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 July 28, 2018

Commission file number 1-14170

**NATIONAL BEVERAGE CORP.**

(Exact name of registrant as specified in its charter)

Delaware 59-2605822

(State of incorporation) (I.R.S. Employer Identification No.)

8100 SW Tenth Street, Suite 4000, Fort Lauderdale, FL 33324

(Address of principal executive offices including zip code)

(954) 581-0922

(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 ( )

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 the definitions of "large accelerated filer", "accelerated filer", "smaller reporting company", and "emerging growth company" in Rule 12b-2 of the Exchange Act. Large accelerated filer ( ) Accelerated filer ( ) Non-accelerated filer ( ) 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 ( )

The number of shares of registrant's common stock outstanding as of September 4, 2018 was 46,625,640.

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**NATIONAL BEVERAGE CORP.**

**QUARTERLY REPORT ON FORM 10-Q**

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**FINANCIAL**  
**STATEMENTS**  
**NATIONAL**  
**BEVERAGE**  
**CORP. AND**  
**SUBSIDIARIES**  
**CONSOLIDATED**  
**BALANCE**  
**SHEETS**  
**(UNAUDITED)**  
(In thousands,  
except share data)

|  | July 28,<br>2018 | April 28,<br>2018 |
|--|------------------|-------------------|
| <b>Assets</b>  |                  |                   |
| Current assets:  |                  |                   |
| Cash and equivalents   | \$243,042        | \$189,864         |
| Trade receivables - net  | 94,666           | 84,360            |
| Inventories  | 67,814           | 60,920            |
| Prepaid and other assets   | 9,045            | 17,823            |
| Total current assets   | 414,567          | 352,967           |
| Property, plant and equipment - net  | 88,608           | 85,807            |
| Goodwill   | 13,145           | 13,145            |
| Intangible assets  | 1,615            | 1,615             |
| Other assets   | 5,215            | 5,298             |
| Total assets   | \$523,150        | \$458,832         |
| <b>Liabilities and Shareholders' Equity</b>  |                  |                   |
| Current liabilities:   |                  |                   |
| Accounts payable   | \$82,805         | \$74,853          |
| Accrued liabilities  | 29,549           | 29,718            |
| Income taxes payable   | 8,557            | 99                |
| Total current liabilities  | 120,911          | 104,670           |
| Deferred income taxes - net  | 15,545           | 14,502            |
| Other liabilities  | 8,302            | 8,220             |
| Shareholders' equity:  |                  |                   |
| Preferred stock, \$1 par value - 1,000,000 shares authorized: Series C - 150,000 shares issued                             | 150              | 150               |
| Common stock, \$.01 par value - 200,000,000 shares authorized; 50,657,784 shares issued<br>(50,650,784 shares at April 28) | 507              | 507               |

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|  |           |           |
|--|-----------|-----------|
| Additional paid-in capital                 | 36,521    | 36,358    |
| Retained earnings                          | 356,654   | 307,824   |
| Accumulated other comprehensive income     | 2,560     | 4,601     |
| Treasury stock - at cost:                  |           |           |
| Series C preferred stock - 150,000 shares  | (5,100 )  | (5,100 )  |
| Common stock - 4,032,784 shares            | (12,900 ) | (12,900 ) |
| Total shareholders' equity                 | 378,392   | 331,440   |
| Total liabilities and shareholders' equity | \$523,150 | \$458,832 |

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)**

(In thousands, except per share amounts)

|  | Three Months Ended |                  |
|--|--------------------|------------------|
|  | July 28,<br>2018   | July 29,<br>2017 |
| Net sales                                    | \$292,590          | \$259,832        |
| Cost of sales                                | 176,896            | 155,329          |
| Gross profit                                 | 115,694            | 104,503          |
| Selling, general and administrative expenses | 52,690             | 46,723           |
| Interest expense                             | 50                 | 50               |
| Other income - net                           | 855                | 311              |
| Income before income taxes                   | 63,809             | 58,041           |
| Provision for income taxes                   | 14,979             | 19,769           |
| Net income                                   | \$48,830           | \$38,272         |
| Earnings per common share:                   |                    |                  |
| Basic  | \$1.05             | \$.82            |
| Diluted                                      | \$1.04             | \$.82            |
| Weighted average common shares outstanding:  |                    |                  |
| Basic  | 46,619             | 46,585           |
| Diluted                                      | 46,919             | 46,916           |

See accompanying Notes to Consolidated Financial Statements.

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**NATIONAL BEVERAGE CORP. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)**

(In thousands)

|                                       | Three Months<br>Ended |                  |
|---------------------------------------|-----------------------|------------------|
|                                       | July 28,<br>2018      | July 29,<br>2017 |
| Net income                            | \$48,830              | \$38,272         |
| Other comprehensive loss, net of tax: |                       |                  |
| Cash flow hedges                      | (2,041)               | (628)            |
| Comprehensive income                  | \$46,789              | \$37,644         |

See accompanying Notes to Consolidated Financial Statements.

Table of Contents**NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)**

(In thousands)

|  | Three Months Ended |                   |
|--|--------------------|-------------------|
|  | July 28,<br>2018   | July 29,<br>2017  |
| <b>Series C Preferred Stock</b>                      |                    |                   |
| Beginning and end of period                          | \$ 150             | \$ 150            |
| <b>Common Stock</b>                                  |                    |                   |
| Beginning and end of period                          | 507                | 506               |
| <b>Additional Paid-In Capital</b>                    |                    |                   |
| Beginning of period                                  | 36,358             | 35,638            |
| Stock options exercised                              | 123                | 46                |
| Stock-based compensation                             | 40                 | 41                |
| End of period  | 36,521             | 35,725            |
| <b>Retained Earnings</b>                             |                    |                   |
| Beginning of period                                  | 307,824            | 227,928           |
| Net income   | 48,830             | 38,272            |
| Common stock cash dividend                           | -                  | (69,878 )         |
| End of period  | 356,654            | 196,322           |
| <b>Accumulated Other Comprehensive Income (Loss)</b> |                    |                   |
| Beginning of period                                  | 4,601              | (604 )            |
| Cash flow hedges, net of tax                         | (2,041 )           | (628 )            |
| End of period  | 2,560              | (1,232 )          |
| <b>Treasury Stock - Series C Preferred</b>           |                    |                   |
| Beginning and end of period                          | (5,100 )           | (5,100 )          |
| <b>Treasury Stock - Common</b>                       |                    |                   |
| Beginning and end of period                          | (12,900 )          | (12,900 )         |
| <b>Total Shareholders' Equity</b>                    | <b>\$ 378,392</b>  | <b>\$ 213,471</b> |

See accompanying Notes to Consolidated Financial Statements.



Table of Contents**NATIONAL BEVERAGE CORP. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)**

(In thousands)

|   | Three Months Ended |                  |
|---|--------------------|------------------|
|   | July 28,<br>2018   | July 29,<br>2017 |
| <b>Operating Activities:</b>  |                    |                  |
| Net income  | \$48,830           | \$38,272         |
| Adjustments to reconcile net income to net cash provided by (used in) operating activities: |                    |                  |
| Depreciation and amortization   | 3,955              | 3,531            |
| Deferred income tax provision   | 1,588              | 108              |
| Loss on disposal of property, net   | 1                  | 6                |
| Stock-based compensation  | 40                 | 41               |
| Changes in assets and liabilities:  |                    |                  |
| Trade receivables   | (10,306 )          | (14,819 )        |
| Inventories   | (6,894 )           | (3,971 )         |
| Prepaid and other assets  | 769                | (656 )           |
| Accounts payable  | 7,952              | (3,761 )         |
| Accrued and other liabilities   | 13,345             | 24,791           |
| Net cash provided by operating activities   | 59,280             | 43,542           |
| <b>Investing Activities:</b>  |                    |                  |
| Additions to property, plant and equipment  | (6,226 )           | (4,054 )         |
| Proceeds from sale of property, plant and equipment   | 1                  | 9                |
| Net cash used in investing activities   | (6,225 )           | (4,045 )         |
| <b>Financing Activities:</b>  |                    |                  |
| Proceeds from stock options exercised   | 123                | 46               |
| Net cash provided by financing activities   | 123                | 46               |
| <b>Net Increase in Cash and Equivalents</b>   | <b>53,178</b>      | <b>39,543</b>    |
| <b>Cash and Equivalents - Beginning of Period</b>   | <b>189,864</b>     | <b>136,372</b>   |
| <b>Cash and Equivalents - End of Period</b>   | <b>\$243,042</b>   | <b>\$175,915</b> |
| <b>Other Cash Flow Information:</b>   |                    |                  |
| Interest paid   | \$13               | \$25             |
| Income taxes paid   | \$2                | \$648            |

See accompanying Notes to Consolidated Financial Statements.



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**NATIONAL BEVERAGE CORP. AND SUBSIDIARIES**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

National Beverage Corp. develops, produces, markets and sells a diverse portfolio of flavored beverage products primarily in North America. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. When used in this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp. and its subsidiaries.

**I. SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Presentation***

The consolidated financial statements include the accounts of National Beverage Corp. and its subsidiaries. Significant intercompany transactions and accounts have been eliminated.

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) and rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do *not* include all information and notes presented in the annual consolidated financial statements. The consolidated financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended *April 28, 2018*. Excluding the adoption of the recently issued accounting pronouncements disclosed in Note 6, the accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In our opinion, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Results for the interim periods presented are *not* necessarily indicative of results which might be expected for the entire fiscal year.

***Derivative Financial Instruments***

We use derivative financial instruments to partially mitigate our exposure to changes in raw material costs. All derivative financial instruments are recorded at fair value in our Consolidated Balance Sheets. The estimated fair

value of derivative financial instruments is calculated based on market rates to settle the instruments. We do *not* use derivative financial instruments for trading or speculative purposes. Credit risk related to derivative financial instruments is managed by requiring high credit standards for counterparties and frequent cash settlements. See Note 5.

### ***Earnings Per Common Share***

Basic earnings per common share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated in a similar manner, but includes the dilutive effect of stock options.

### ***Inventories***

Inventories are stated at the lower of *first-in, first-out* cost or market. Inventories at *July 28, 2018* were comprised of finished goods of \$40.6 million and raw materials of \$27.2 million. Inventories at *April 28, 2018* were comprised of finished goods of \$37.6 million and raw materials of \$23.3 million.

Table of Contents**2. PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment consist of the following:

|                                     | (In thousands) |           |
|-------------------------------------|----------------|-----------|
|                                     | July 28,       | April 28, |
|                                     | 2018           | 2018      |
| Land                                | \$9,500        | \$9,500   |
| Buildings and improvements          | 56,957         | 56,947    |
| Machinery and equipment             | 200,248        | 194,241   |
| Total                               | 266,705        | 260,688   |
| Less accumulated depreciation       | (178,097)      | (174,881) |
| Property, plant and equipment – net | \$88,608       | \$85,807  |

Depreciation expense was \$3.4 million for the *three* months ended *July 28, 2018* and \$3.0 million for the *three* months ended *July 29, 2017*.

**3. DEBT**

At *July 28, 2018*, a subsidiary of the Company maintained unsecured revolving credit facilities with banks aggregating \$100 million (the “Credit Facilities”). The Credit Facilities expire from *October 3, 2020* to *June 18, 2021* and any borrowings would currently bear interest at .9% above *one-month LIBOR*. There were *no* borrowings outstanding under the Credit Facilities at *July 28, 2018* or *April 28, 2018*. At *July 28, 2018*, \$2.1 million of the Credit Facilities was reserved for standby letters of credit and \$97.9 million was available for borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios, including debt to net worth and debt to EBITDA (as defined in the Credit Facilities), and contain other restrictions, *none* of which are expected to have a material effect on our operations or financial position. At *July 28, 2018*, we were in compliance with all loan covenants.

**4. STOCK-BASED COMPENSATION**

During the *three* months ended *July 28, 2018*, options to purchase *7,000* shares were exercised (weighted average exercise price of *\$17.59* per share). At *July 28, 2018*, options to purchase *337,945* shares (weighted average exercise price of *\$10.70* per share) were outstanding and stock-based awards to purchase *2,816,413* shares of common stock were available for grant.

**5. DERIVATIVE FINANCIAL INSTRUMENTS**

From time to time, we enter into aluminum swap contracts to partially mitigate our exposure to changes in the cost of aluminum cans. Such financial instruments are designated and accounted for as a cash flow hedge. Accordingly, gains or losses attributable to the effective portion of the cash flow hedge are reported in Accumulated Other Comprehensive Income (Loss) (“AOCI”) and reclassified into cost of sales in the period in which the hedged transaction affects earnings. The ineffective portion of the change in fair value of our cash flow hedge was immaterial. The following summarizes the gains (losses) recognized in the Consolidated Statements of Income and AOCI relative to the cash flow hedge for the *three* months ended *July 28, 2018* and *July 29, 2017*:

|  | (In thousands) |         |
|--|----------------|---------|
|  | 2018           | 2017    |
| Recognized in AOCI:                      |                |         |
| Gain (loss) before income taxes          | \$6,347        | \$(967) |
| Less income tax provision (benefit)      | 1,518          | (359)   |
| Net                                      | 4,829          | (608)   |
| Reclassified from AOCI to cost of sales: |                |         |
| Gain before income taxes                 | 8,934          | 31      |
| Less income tax provision                | 2,064          | 11      |
| Net                                      | 6,870          | 20      |
| Net change to AOCI                       | \$(2,041)      | \$(628) |

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As of *July 28, 2018*, the notional amount of our outstanding aluminum swap contracts was \$26.3 million and, assuming *no* change in commodity prices, \$3.6 million of unrealized gains before tax will be reclassified from AOCI and recognized in earnings over the next *12* months. See Note *1*.

As of *July 28, 2018*, the fair value of the derivative asset was \$3.6 million, which was included in prepaid and other assets. At *April 28, 2018*, the fair value of the derivative asset was \$6.2 million, which was included in prepaid and other assets. Such valuation does *not* entail a significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 as defined by the fair value hierarchy as they are observable market based inputs or unobservable inputs that are corroborated by market data.

**6. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS**

In *May 2014*, the FASB issued Accounting Standards Update *No. 2014-09*, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize revenue in an amount that reflects the consideration it expects to receive in exchange for goods or services. On *August 12, 2015*, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by *one* year and is effective for annual and fiscal periods beginning after *December 15, 2017*. We adopted the revenue recognition standard as of *April 29, 2018* using the modified retrospective approach for all contracts at the date of initial adoption. Upon adoption of the guidance, there was *no* material impact to the Company’s consolidated financial statements.

In *February 2016*, the FASB issued Accounting Standards Update *No. 2016-02*, “Leases” (“ASU 2016-02”). ASU 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. In *March 2018*, the FASB approved a new optional transition method that will give companies the option to use the effective date as the date of initial application on transition. We plan to elect this transition method, and as a result, we intend to adjust our financial information prospectively as of the effective date. ASU 2016-02 is effective for our fiscal year beginning *April 28, 2019*. We anticipate the adoption of this standard will result in a increase in lease-related assets and liabilities on our consolidated balance sheet. We continue to evaluate the impact on the consolidated statement of income. As the impact of this standard is non-cash in nature, we do *not* anticipate its adoption having an impact on the consolidated statement of cash flows.

In *August 2017*, the FASB issued Accounting Standards Update *2017-12*, “Targeted Improvements to Accounting for Hedge Activities” (“ASU 2017-12”). This amendment simplifies the application of hedge accounting and enables companies to better portray the economics of risk management activities in their financial statements. ASU 2017-12 is effective for our fiscal year beginning *April 28, 2019*. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.





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**ITEM 2. MANAGEMENT’S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Overview**

National Beverage Corp. innovatively refreshes America with a distinctive portfolio of sparkling waters, juices and, to a lesser degree, energy drinks. Over the past few years, our carbonated soft drink brands continue to be modified as we endeavor to make them more adaptable to our consumers. We believe our ingenious product designs, innovative packaging and imaginative flavors, along with our corporate culture and philosophy, make National Beverage unique as a stand-alone entity in the beverage industry.

Our strategy seeks the profitable growth of our products by (i) developing healthier beverages in response to the global shift in consumer buying habits and tailoring our beverage portfolio to the preferences of a diverse mix of ‘crossover consumers’ – a growing group desiring a healthier alternative to artificially sweetened and high-caloric beverages; (ii) emphasizing unique flavor development and variety throughout our brands that appeal to multiple demographic groups; (iii) maintaining points of difference through innovative marketing, packaging and consumer engagement and (iv) responding faster and more creatively to changing consumer trends that larger competitors who are burdened by legacy production, distribution complexity and costs cannot quickly comply with.

Our brands consist of beverages geared to the active and health-conscious consumer (“Power+ Brands”) including sparkling waters, energy drinks, and juices. Our portfolio of Power+ Brands includes LaCroix®, LaCroix Cúrate®, LaCroix NiCola® and Shasta® Sparkling Water products; Rip It® energy drinks and shots; and Everfresh®, Everfresh Premier Varietals™ and Mr. Pure® 100% juice and juice-based products. Additionally, we produce and distribute carbonated soft drinks including Shasta® and Faygo®, iconic brands whose consumer loyalty spans more than 125 years.

Presently, our primary market focus is the United States and Canada. Certain of our products are also distributed on a limited basis in other countries and expanding distribution to other regions is being considered. To service a diverse customer base that includes numerous national retailers, as well as thousands of smaller “up-and-down-the-street” accounts, we utilize a hybrid distribution system to deliver our products primarily through the warehouse delivery system and distributors.

National Beverage Corp. is incorporated in Delaware and began trading as a public company on the NASDAQ Stock Market in 1991. In this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp.

and its subsidiaries unless indicated otherwise.

Our operating results are affected by numerous factors, including fluctuations in the costs of raw materials, holiday and seasonal programming and weather conditions. While yesteryear we witnessed more seasonality, we continue to see higher sales during the summer when outdoor activities are more prevalent.

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Our highly innovative business, where new beverages are developed and produced for selective holidays and ceremonial dates, should not be analyzed on the common three-month (quarterly) periods, traditionally found acceptable. Today, costly development projects and seasonal weather periods plus promotional packaging, make quarter-to-quarter comparisons unworthy statistics and forcing companies into decision making for that purpose is not truly beneficial for investors and shareholders alike.

Traditional and typical are not a part of an innovator's vocabulary.

**RESULTS OF OPERATIONS**

Three Months Ended July 28, 2018 (first quarter of fiscal 2019) compared to Three Months Ended July 29, 2017 (first quarter of fiscal 2018)

Net sales for the first quarter of fiscal 2019 increased 12.6% to \$292.6 million compared to \$259.8 million for the first quarter of fiscal 2018. The increase in sales resulted primarily from a 10.4% increase in case volume and, to a lesser extent, a higher average selling price. The volume increase includes 29.1% growth of our Power+ Brands, partially offset by a decline in Carbonated Soft Drinks. The Company discontinued its lower-margin, private-label carbonated soft drink business in the third quarter of Fiscal 2018, allowing future performance to be more focused on brand equity appreciation. Average selling price per case increased 3.8% due to changes in product mix.

Gross profit for the first quarter of fiscal 2019 increased 10.7% to \$115.7 million compared to \$104.5 million for the first quarter of fiscal 2018. The increase in gross profit is due to increased volume and growth in higher margin Power+ Brands. The cost of sales per case increased 2.1% primarily due to higher aluminum and freight costs. As a result, the gross margin was 39.5% compared to 40.2% for the first quarter of fiscal 2018.

Selling, general and administrative expenses for the first quarter of fiscal 2019 increased \$6.0 million to \$52.7 million from \$46.7 million for the first quarter of fiscal 2018. The increase was primarily due to higher distribution costs and marketing spending. As a percent of net sales, selling, general and administrative expenses remained at 18.0%.

Other income includes interest income of \$871,000 for the first quarter of fiscal 2019 and \$281,000 for the first quarter of fiscal 2018. The increase in interest income is due to changes in average invested balances and increased return on investments.

The Tax Cuts and Jobs Act (“the Tax Act”) was signed into law on December 22, 2017 which reduced the applicable federal statutory rate from 35% to 21% for fiscal 2019. The federal statutory rate for fiscal 2018 was 30.4%. The Company’s effective income tax rate, based upon estimated annual income tax rates, was 23.5% for the first quarter of fiscal 2019 and 34.1% for the first quarter of fiscal 2018. The difference between the effective rate and the federal statutory rate of 21% was primarily due to the effects of state income taxes.

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**LIQUIDITY AND FINANCIAL CONDITION**

**Liquidity and Capital Resources**

Our principal source of funds is cash generated from operations. At July 28, 2018, we maintained \$100 million unsecured revolving credit facilities, under which no borrowings were outstanding and \$2.1 million was reserved for standby letters of credit. We believe existing capital resources will be sufficient to meet our liquidity and capital requirements for the next twelve months.

**Cash Flows**

The Company's cash position increased \$53.0 million for the first quarter of fiscal 2019, which compares to an increase of \$39.5 million for the first quarter of fiscal 2018.

Net cash provided by operating activities for the first quarter of fiscal 2019 amounted to \$59.3 million compared to \$43.5 million for the first quarter of fiscal 2018. For the first quarter of fiscal 2019, cash flow was principally provided by net income of \$48.8 million, an increase in accrued and other liabilities of \$13.3 million and depreciation and amortization aggregating \$4.0 million, offset in part by seasonal and sales volume related increases in trade receivables and inventory.

Net cash used in investing activities for the first quarter of fiscal 2019 reflects capital expenditures of \$6.2 million, compared to capital expenditures of \$4.1 million for the first quarter of fiscal 2018. The Company expects capital expenditures to increase in Fiscal 2019 primarily to expand production capacity to support volume growth.

**Financial Position**

During the first quarter of fiscal 2019, our working capital increased to \$293.7 million from \$248.3 million at April 28, 2018. The increase in working capital was due to higher cash, trade receivables and inventory, partially offset by higher accounts payable and income taxes payable. Trade receivables increased \$10.3 million due to increased sales, while days sales outstanding improved to 29.4 days from 31.4 days. Inventories increased \$6.9 million as a result of the Company maintaining higher inventory levels to support sales increases. Inventory turns improved to 10.4 from 9.5 times. At July 28, 2018, the current ratio of 3.4 was unchanged from April 29, 2018.

**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes in market risks from those reported in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018.

#### **ITEM 4. CONTROLS AND PROCEDURES**

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to ensure information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

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There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**FORWARD-LOOKING STATEMENTS**

Certain statements in this Quarterly Report on Form 10-Q (the “Form 10-Q”) constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risk, uncertainties and other factors that may cause the actual results, performance or achievements of our Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: general economic and business conditions, pricing of competitive products, success of new product and flavor introductions, fluctuations in the costs of raw materials and packaging supplies, ability to pass along cost increases to our customers, labor strikes or work stoppages or other interruptions in the employment of labor, continued retailer support for our products, changes in brand image, consumer preferences and our success in creating products geared toward consumers’ tastes, success in implementing business strategies, changes in business strategy or development plans, government regulations, taxes or fees imposed on the sale of our products, unfavorable weather conditions and other factors referenced in this Form 10-Q. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections contained in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018 and other filings with the Securities and Exchange Commission. We disclaim an obligation to update any such factors or to publicly announce the results of any revisions to any forward-looking statements contained herein to reflect future events or developments.

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**PART II - OTHER INFORMATION**

**ITEM 1A. RISK FACTORS**

There have been no material changes in risk factors from those reported in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018.

**ITEM 6. EXHIBITS**

Exhibit No. Description

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

31.2 Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

32.2 Certification of Principal Financial Officer pursuant



to Section 906  
of the  
Sarbanes-Oxley  
Act of 2002

The following  
financial  
information  
from National  
Beverage Corp.  
Quarterly  
Report on Form  
10-Q for the  
quarterly period  
ended July 28,  
2018, formatted  
in XBRL  
(eXtensible  
Business  
Reporting  
Language): (i)  
Consolidated  
Balance Sheets;  
(ii)  
Consolidated  
Statements of  
Income; (iii)  
Consolidated  
Statements of  
Comprehensive  
Income; (iv)  
Consolidated  
Statements of  
Shareholders'  
Equity; (v)  
Consolidated  
Statements of  
Cash Flows; and  
(vi) the Notes to  
Consolidated  
Financial  
Statements.

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**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: September 6, 2018

National Beverage Corp.

(Registrant)

By: /s/ George R. Bracken

George R. Bracken

Executive Vice President – Finance

(Principal Financial Officer)