

FORM 10-Q

QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended  
March 31, 1994

Commission file number 0-1375

FARMER BROS. CO.

A California Corporation      95-0725980

20333 S. Normandie Avenue, Torrance, California 90502

Registrant's telephone number: (310) 787-5241

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 ☐.

Number of shares of \$1.00 Par Value Common Stock outstanding as of March 31, 1994: 1,926,414 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

FARMER BROS. CO.

CONSOLIDATED STATEMENTS OF INCOME

(Unaudited)

(Amounts in thousands, except per share data)

	For the three months ended March 31,		For the nine months ended March 31,	
	1994	1993	1994	1993
Net sales	\$ 48,628	\$ 46,667	\$145,191	\$144,171
Cost of goods sold	21,817	18,267	64,747	57,646
	26,811	28,400	80,444	86,525
Selling expense	18,605	18,459	55,825	54,363
General and adminis- trative expense	3,527	2,925	8,804	8,419
	22,132	64,629	62,782	
Income from operations	4,679	7,016	15,815	23,743
Other income:				
Dividend income	305	303	921	913
Interest income	879	1,106	2,700	3,401
Other	655	1,383	654	
	1,839	5,004	4,968	
Income before taxes and cumulative effect of accounting changes	6,518	8,460	20,819	28,711
Provision for income taxes	2,586	3,273	8,326	11,107

Income before cumulative effect of accounting changes	3,932	5,187	12,493	17,604
Cumulative effect of accounting changes, net of income taxes				5,294
Net income	\$ 3,932	\$ 5,187	\$ 12,493	\$ 12,310
Income per share:				
Before accounting changes	\$2.04	\$2.69	\$6.49	\$9.14
Cumulative effect of accounting changes				(2.75)
Net income per share outstanding	\$2.04	\$2.69	\$6.49	\$6.39

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)  
(Amounts in thousands)

		March 31, 1994	June 30, 1993
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 13,819	\$ 64,742	
Short term investments	47,759	40,046	
Accounts and notes receivable, net		15,824	13,813
Inventories	34,268	32,333	
Deferred income taxes	3,356	3,356	
Prepaid expenses	1,689	858	
Total current assets	116,715	155,148	
Property, plant and equipment, net		28,357	27,701
Notes receivable	968	1,050	
Long term investments, net		65,746	20,222
Other assets	12,815	11,179	
Deferred income taxes	966	966	
Total assets	\$225,567	\$216,266	
LIABILITIES AND SHAREHOLDERS' EQUITY			
Current liabilities:			
Accounts payable	\$ 5,497	\$ 6,560	
Accrued payroll expenses	4,516	4,815	
Other	4,215	3,894	
Total current liabilities	14,228	15,269	
Other long term liabilities	9,763	9,025	
Commitments and contingencies:			
Shareholders' equity:			
Common stock, \$1.00 par value, authorized 3,000,000 shares; issued and outstanding 1,926,414 shares		1,926	1,926
Additional paid-in capital		569	569
Retained earnings		199,081	189,477
Total shareholders' equity	201,576	191,972	
Total liabilities and shareholders' equity	\$225,567	\$216,266	

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO.  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(Unaudited)  
(Amounts in thousands)

		For the nine months ended March 31,	
		1994	1993
Cash flows from operating activities:			
Net Income	\$ 12,493	\$ 12,310	
Adjustments to reconcile net income to net cash provided by operating activities:			
Cumulative effect of accounting changes	5,294		
Depreciation	3,717	3,855	
Other	(22)	(62)	
Net (gain) loss on investments (1,007)	(325)		
Changes in Assets and Liabilities:			
Short term investments	(7,712)	(2,080)	
Accounts and notes receivable		(2,120)	242
Inventories	(1,935)		134
Prepaid expenses and other assets	(2,467)	(1,374)	
Accounts payable	(1,062)		(1,008)
Accrued payroll expenses and other liabilities	22		(1,227)
Other long term liabilities		738	671
Total adjustments	(11,848)	4,120	
Net cash provided by operating activities	\$ 645	\$ 16,430	

The accompanying notes are an integral part of these financial statements.

FARMER BROS. CO  
CONSOLIDATED STATEMENTS OF CASH FLOWS  
(CONTINUED)  
(Unaudited)  
(Amounts in thousands)

For the nine months  
ended March 31,

1994 1993

Net cash provided by operating  
activities: \$ 645 \$ 16,430

Cash flows from investing  
activities:

Purchases of property, plant and equipment	(4,553)	(2,995)
Proceeds from sales of property, plant and equipment 201	202	
Purchases of investments (64,695)	(16,162)	
Proceeds from sales of investments 20,178	19,200	
Notes issued (833)	(14)	
Notes repaid 1,025	226	
Net cash provided by (used in) investing activities	(48,677)	457

Cash flows from financing  
activities:

Dividends paid (2,890)	(2,504)
Net cash used by financing activities (2,890)	(2,504)

Net increase (decrease) in cash  
and cash equivalents (50,922) 14,383

Cash and cash equivalents at  
beginning of year 64,742 26,352

Cash and cash equivalents at  
end of quarter \$ 13,820 \$ 40,735

Supplemental disclosure of  
cash flow information:

Income tax payments \$ 8,363	\$ 12,344
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The accompanying notes are an integral part of these financial statements.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Unaudited)

## A. Unaudited Financial Statements

The accompanying unaudited financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. It is management's opinion that all adjustments necessary for a fair statement of the results of operations for the interim periods have been made.

## B. Inventories (Amounts in thousands)

	Processed	Unprocessed	Total
March 31, 1994			
Coffee \$ 3,505	\$11,125		\$14,630
Allied products 8,562	3,533	12,095	
Coffee brewing equipment		854	6,689
	\$12,921	\$21,347	\$34,268
June 30, 1993			
Coffee \$ 3,430	\$ 8,544		\$11,974
Allied products 10,079	3,468	13,547	
Coffee brewing equipment		1,523	5,290
	\$15,032	\$17,302	\$32,334

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

A modest sales increase combined with smaller gross profit on green coffee and flat operating expenses resulted in lower earnings per share for the quarter. Net sales for the quarter ending March 31, 1994 increased 4% to \$48,628,000 as compared to \$46,667,000 in the same quarter of the prior fiscal year. Year to date earnings are even with those of the prior fiscal year. Revenue for the first 9 months of fiscal 1994 increased to \$145,191,000 as compared to \$144,172,000 in 1993.

Continued increases in the cost of green coffee, Registrant's major product, have eroded profit margins. Gross profit decreased 6% to \$26,811,000 as compared to \$28,399,000 for the three months ended March 31, 1994 and 1993 respectively. Year to date gross profit decreased 7% to \$80,443,000 as compared to \$86,525,000 in the first three quarters of fiscal 1994 and 1993, respectively.

Operating expenses, composed of selling and general & administrative expenses, increased 5% to \$22,132,000 from \$21,384,000 in the three months ending March 31, 1994 and 1993, respectively, and for the year to date increased 1% to \$64,629,000 from \$62,782,000 for the 9 months ending March 31, 1994 and 1993, respectively.

Net profit for the most recent quarter decreased 24% to \$3,932,000, or \$2.04 per share, as compared to \$5,187,000, or \$2.69 per share in the same quarter of the prior fiscal year. Net profit for the 9 months ended March 31, 1994 reached \$12,493,000, or \$6.49 per share, a 2% increase over the \$12,310,000, or \$6.39 per share, earned in the same nine month period of fiscal 1993.

The market for green coffee can be volatile, and its fluctuations can have a significant impact on Registrant's operations. Management cautions against projecting future results based upon present earnings.

03/31/93 06/30/93 09/30/93 12/30/93 03/30/94

Net sales	\$46,667	\$46,507	\$46,998	\$49,564	\$48,628	
Gross profit	28,400	27,732	26,010	27,621	26,811	
Operating income		7,016	6,187	5,244	5,889	4,679
Net income	5,187	6,640	4,365	4,196	3,932	

Per share:

Net sales	\$24.22	\$24.14	\$24.40	\$25.73	\$25.24	
Gross Profit	14.74	14.40	13.50	14.34	13.92	
Operating income		3.64	3.21	2.72	3.06	2.43
Net income	2.69	3.45	2.27	2.18	2.04	

Common sized:

Net sales	100.0%	100.0%	100.0%	100.0%	100.0%	
Gross profit	60.9	59.6	55.3	55.7	55.1	
Operating income		15.0	13.3	11.1	11.9	9.6
Net income	11.1	14.2	9.3	8.5	8.0	

Part II Other Information

Item 6. Exhibits and reports on Form 8-K none.

(a) Exhibits none.

(b) Reports on Form 8-K No reports have  
been filed on Form  
8-K during this  
quarter.

SIGNATURES

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: May 13, 1994 FARMER BROS. CO.  
(Registrant)

John E. Simmons

John E. Simmons  
Treasurer and  
Chief Financial Officer