

ENNIS, INC.  
Form 10-Q  
January 04, 2019

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 November 30, 2018

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 1-5807

ENNIS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Texas	75-0256410
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)

2441 Presidential Pkwy., Midlothian, Texas	76065
(Address of Principal Executive Offices)	(Zip code)

(972) 775-9801

(Registrant's Telephone Number, Including Area Code)

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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 every Interactive Data File required to be submitted 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 such files). Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, 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

As of December 28, 2018, there were 26,124,429 shares of the Registrant’s common stock outstanding.

ENNIS, INC. AND SUBSIDIARIES

FORM 10-Q

FOR THE PERIOD ENDED NOVEMBER 30, 2018

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## PART I. FINANCIAL INFORMATION

## Item 1. FINANCIAL STATEMENTS

## ENNIS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED BALANCE SHEETS

(in thousands)

	November 30, 2018	February 28, 2018
Assets		
Current assets		
Cash and cash equivalents	\$ 80,818	\$ 96,230
Accounts receivable, net of allowance for doubtful receivables of \$1,365 at November 30, 2018 and \$1,194 at February 28, 2018	41,562	35,654
Prepaid expenses	1,469	1,305
Prepaid income taxes	881	3,600
Inventories	38,242	26,480
Assets held for sale	—	75
Total current assets	162,972	163,344
Property, plant and equipment		
Plant, machinery and equipment	145,864	133,222
Land and buildings	56,199	54,318
Other	23,647	23,208
Total property, plant and equipment	225,710	210,748
Less accumulated depreciation	171,192	164,840
Net property, plant and equipment	54,518	45,908
Goodwill	81,376	70,603
Intangible assets, net	63,139	49,254
Other assets	329	330
Total assets	\$ 362,334	\$ 329,439

See accompanying notes to consolidated financial statements.

## ENNIS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED BALANCE SHEETS-Continued

(in thousands, except for par value and share amounts)

	November 30, 2018	February 28, 2018
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 13,790	\$ 12,168
Accrued expenses	16,842	17,403
Total current liabilities	30,632	29,571
Long-term debt	30,000	30,000
Liability for pension benefits	735	735
Deferred income taxes	11,706	6,189
Other liabilities	1,539	1,240
Total liabilities	74,612	67,735
Commitments and contingencies		
Shareholders' equity		
Preferred stock \$10 par value, authorized 1,000,000 shares; none issued	—	—
Common stock \$2.50 par value, authorized 40,000,000 shares; issued 30,053,443 shares at November 30, 2018 and February 28, 2018	75,134	75,134
Additional paid-in capital	122,715	121,333
Retained earnings	176,677	164,177
Accumulated other comprehensive income (loss):		
Minimum pension liability, net of taxes	(15,673 )	(16,428 )
Total accumulated other comprehensive income (loss)	(15,673 )	(16,428 )
Treasury stock	(71,131 )	(82,512 )
Total shareholders' equity	287,722	261,704
Total liabilities and shareholders' equity	\$ 362,334	\$ 329,439

See accompanying notes to consolidated financial statements.

## ENNIS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except share and per share amounts)

	Three months ended		Nine months ended	
	November 30,		November 30,	
	2018	2017	2018	2017
Net sales	\$108,070	\$93,606	\$300,080	\$283,083
Cost of goods sold	74,315	63,650	205,811	192,276
Gross profit margin	33,755	29,956	94,269	90,807
Selling, general and administrative	19,942	16,642	55,244	50,996
(Gain) loss from disposal of assets	(193 )	(4 )	(199 )	59 )
Income from operations	14,006	13,318	39,224	39,752
Other income (expense)				
Interest expense	(365 )	(163 )	(913 )	(557 )
Other, net	251	(21 )	666	(150 )
Total other income (expense)	(114 )	(184 )	(247 )	(707 )
Earnings before income taxes	13,892	13,134	38,977	39,045
Income tax expense	3,473	4,860	9,744	14,447
Net earnings	\$10,419	\$8,274	\$29,233	\$24,598
Weighted average common shares outstanding				
Basic	26,189,917	25,360,452	25,744,344	25,387,389
Diluted	26,202,430	25,393,482	25,756,831	25,409,259
Earnings per share				
Basic	\$0.40	\$0.33	\$1.14	\$0.97
Diluted	\$0.40	\$0.33	\$1.14	\$0.97
Cash dividends per share	\$0.225	\$0.200	\$0.650	\$0.575

See accompanying notes to consolidated financial statements.

## ENNIS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(in thousands)

	Three months ended November 30,		Nine months ended November 30,	
	2018	2017	2018	2017
Net earnings	\$10,419	\$8,274	\$29,233	\$24,598
Adjustment to pension, net of taxes	247	248	755	744
Comprehensive income	\$10,666	\$8,522	\$29,988	\$25,342

See accompanying notes to consolidated financial statements.



## ENNIS, INC. AND SUBSIDIARIES

## UNAUDITED CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in thousands, except share and per share amounts)

	Common Stock Shares	Common Stock Amount	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock Shares	Treasury Stock Amount	Total
Balance March 1, 2018	30,053,443	\$75,134	\$121,333	\$164,177	\$ (16,428 )	(4,789,228)	\$(82,512)	\$261,704
Net earnings	—	—	—	29,233	—	—	—	29,233
Adjustment to pension, net of deferred tax of \$252	—	—	—	—	755	—	—	755
Dividends paid (\$0.65 per share)	—	—	—	(16,733 )	—	—	—	(16,733 )
Stock based compensation	—	—	1,036	—	—	—	—	1,036
Exercise of stock options and restricted stock	—	—	(1,528 )	—	—	—	—	—