

Green Mountain Coffee Roasters, Inc. Reports Fiscal 2008 Third Quarter Results

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Success of Keurig single-cup brewing system and K-Cups drives strong sales and earnings growth

Green Mountain Coffee Roasters, Inc., (NASDAQ: GMCR) today announced its fiscal 2008 third quarter results for the thirteen weeks ended June 28, 2008.

Net sales for the third quarter of fiscal 2008 were up 43.3% to \$118.1 million as compared to \$82.4 million reported in the third quarter of fiscal 2007. During the third quarter of fiscal 2008, approximately 153,000 Keurig brewers were shipped, up 61% from the 95,000 Keurig brewers shipped during the third quarter of fiscal 2007. The Green Mountain Coffee segment shipped over 134 million K-Cup portion packs, which was 49% more than the year-ago quarter.

Net income for the fiscal third quarter of 2008 was \$6.3 million or \$0.25 per diluted share, up 72% from \$3.7 million or \$0.15 per diluted share in the fiscal third quarter of 2007.

Excluding the impact of the non-cash amortization expense related to the Keurig intangibles of approximately \$1.2 million (pre-tax) in each of the third quarters of fiscal 2008 and 2007, non-GAAP net income totaled \$7.1 million in the third fiscal quarter of 2008 compared to non-GAAP net income of \$4.4 million for the comparable year-ago period.

Net sales for the thirty-nine weeks ended June 28, 2008 were up 47% to \$365.4 million as compared to \$248.6 million reported in the comparable year-ago period. Net income for the first three quarters of fiscal 2008 was \$15.2 million or \$0.60 per diluted share, up 64% from \$9.3 million or \$0.38 per diluted share in the first nine months of fiscal 2007.

Lawrence J. Blanford, President and CEO, said, "I am proud of our continued, strong financial performance, particularly in today's business environment. Our two business segments - Green Mountain Coffee and Keurig - have done an exceptional job in both servicing customers and actively managing expenses to bring profits to the bottom line. At the same time, we have maintained our commitment to being socially and environmentally responsible in our business practices and initiatives. The enthusiastic endorsement of our customers - for the Keurig Single-Cup Brewing system and for our coffee - lends even further credence to our belief that we will continue to deliver strong multi-channel sales and profit growth for long-term sustainability and shareholder value."

Fiscal 2008 Third Quarter Financial Review

Net Sales

Net sales for the Green Mountain Coffee segment for the third quarter of fiscal 2008 were up 27% to \$76.7 million, prior to the elimination of inter-company sales, as compared to \$60.3 million reported in the third quarter of fiscal 2007. Dollar sales growth was strongest in the channels that benefit from sales of the Keurig Single-Cup Brewing system including office coffee service (OCS), reseller, and consumer direct channels. Coffee, tea and hot cocoa pounds shipped by channel are shown in the table accompanying this press release.

Net sales for the Keurig segment (prior to the elimination of inter-company sales) included in the Company's third quarter of fiscal 2008 were \$54.4 million, up 79% from net sales of \$30.4 million in the third fiscal quarter of 2007. This increase in sales was primarily due to higher K-Cup and brewer sales and royalty income from the sales of K-Cups. Further detail on shipments of Keurig brewers and K-Cups is provided in the chart accompanying this press release.

As part of the consolidation, \$8.6 million of inter-company Keurig segment sales and \$4.4 million of inter-company Green Mountain Coffee segment sales were eliminated in the third quarter of fiscal 2008.

Costs, Margins and Income

Consolidated cost of sales increased to 64.0% of total net sales compared to 58.6% for the corresponding quarter last year. The increase over last year primarily is due to the significant increase in sales of Keurig At Home Single-Cup Brewers as a percentage of total net sales (which have lower gross margins than the Company's other products). In addition, higher green coffee and other commodity costs, and higher manufacturing costs due to the continued capacity investment in our new Essex, Vermont packaging facility contributed to the increase in cost of sales as compared to the year ago third quarter.

Selling, general and administrative (S,G&A) expenses improved as a percentage of net sales to 26.4% from 32.5% in the prior year quarter. This improvement was the result of leveraging selling and organizational resources on a higher sales base. It was achieved even though the Company incurred approximately \$800,000 in litigation expenses related to the patent infringement suit filed against Kraft.

Pre-tax non-cash stock compensation was \$1,620,000 in the third fiscal quarter of 2008, up from \$1,189,000 in the prior year period. The increase is primarily due to new grants issued in fiscal 2007.

The Company's operating income was \$11.3 million in the third quarter of fiscal 2008, as compared to \$7.4 million reported in the third quarter of fiscal 2007, and improved as a percentage of net sales to 9.6% from 8.9%.

Interest expense declined by \$75,000 this past quarter to \$1.4 million from \$1.5 million in the prior year third quarter due primarily to lower interest rates.

Income before taxes for the third quarter of fiscal 2008 increased 66.4 % to \$9.9 million as compared to \$6.0 million reported in the third quarter of fiscal 2007.

The Company's tax rate was 36.3% as compared to 38.2% in the prior year quarter. The difference was primarily due to foreign tax credits associated with royalties earned on K-Cup portion packs from the Canadian licensed roasters for fiscal 2008 and fiscal 2007.

Net income for the third quarter of fiscal 2008 was \$6.3 million or 5.4% of net sales as compared to \$3.7 million or 4.5% of net sales in the corresponding quarter last year.

Business Outlook and Other Forward-Looking Information

Company Estimates for Fiscal Year 2008:

Total consolidated net sales growth of 44% to 46% primarily due to anticipated strong sales of Keurig Single-Cup Brewers and K-Cups in the office coffee channel, consumer direct, reseller and supermarket channels.

An operating margin in the range of 7.9% to 8.2%, including \$4.8 million or \$0.11 per diluted share for non-cash amortization expenses related to the identifiable intangibles.

Interest expense of \$6.0 million to \$6.5 million.

A tax rate of 39.2% as compared to 40.5% in fiscal 2007.

Fully diluted GAAP earnings per share in the range of \$0.79 to \$0.81 per share including the non-cash amortization expenses related to the identifiable intangibles mentioned above of \$0.11 per diluted share. Excluding the impact of these non-cash amortization expenses, non-GAAP EPS in the range of \$0.90 to \$0.92 per share.

Company Estimates Relating to Balance Sheet and Cash Flow:

Capital expenditures for fiscal 2008 in the range of \$46 to \$50 million, up from the previously reported estimates of \$37 to \$41 million due to the expected \$10.5 million purchase of the Knoxville, Tennessee building and land.

Depreciation and amortization expenses in the range of \$18.8 to \$19.2 million including \$4.8 million for amortization of identifiable intangibles.

Company Estimates for Fourth Quarter Fiscal Year 2008:

Total consolidated net sales growth of 37% to 41%.

An operating margin in the range of 7.9% to 8.3% including non-cash amortization expenses for identifiable intangibles of approximately \$1.2 million or \$0.03 per share.

Fully diluted GAAP earnings per share in the range of \$0.19 to \$0.21 per share, including the non-cash amortization expenses related to the identifiable intangibles that are estimated to reduce EPS by approximately \$0.03 per share.

Company Estimates for Fiscal Year 2009:

Total consolidated net sales growth of 40% to 45%.

Fully diluted GAAP earnings per share in the range of \$1.20 to \$1.30 per share, including the non-cash amortization expenses related to the identifiable intangibles mentioned above of \$4.8 million or approximately \$0.10 per share. Non-GAAP EPS in the range of \$1.30 to \$1.40 per share.

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