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AMCON DISTRIBUTING CO
Form 8-K
November 08, 2007

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 8-K

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(D) OF THE
SECURITIES ACT OF 1934

Date of Report (Date of earliest event reported) November 8, 2007

AMCON DISTRIBUTING COMPANY

(Exact name of registrant as specified in its charter)

| | | |
|--|-----------------------------|--------------------------------------|
| DELAWARE | 1-15589 | 47-0702918 |
| ----- | ----- | ----- |
| (State or other jurisdiction of incorporation) | (Commission File Number) | (IRS Employer Identification No.) |

7405 Irvington Road, Omaha, NE 68122

(Address of principal executive offices) (Zip Code)

(402) 331-3727

(Registrant's telephone number, including area code)

Not Applicable

(Former name or former address, if changed since last report)

ITEM 2.02. RESULTS OF OPERATIONS AND FINANCIAL CONDITION.

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On November 8, 2007, AMCON Distributing Company ("AMCON or "Company") issued a press release announcing its financial results for the fiscal year ended September 30, 2007. A copy of the press release is being furnished herewith as an exhibit and incorporated herein by reference.

The information in this Current Report (including the exhibit) shall not be deemed to be "filed" for the purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of that Section. The information set forth in this Current Report on Form 8-K (including the exhibit) shall not be incorporated by reference into any registration statement or other document pursuant to the Securities Act of 1933, as amended, except as shall be expressly set forth by specific reference in such filing.

ITEM 9.01. FINANCIAL STATEMENTS AND EXHIBITS

| EXHIBIT NO. | DESCRIPTION |
|-------------|--|
| 99.1 | Press release, dated November 8, 2007, issued by AMCON Distributing Company announcing financial results for the fiscal ended September 30, 2007 |

SIGNATURE

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

AMCON DISTRIBUTING COMPANY
(Registrant)

Date: November 8, 2007

By : Andrew C. Plummer

Name: Andrew C. Plummer
Title: Vice President & Chief
Financial Officer

EXHIBIT INDEX

| Exhibit | Description |
|---------|---|
| 99.1 | Press release, dated November 8, 2007, issued by AMCON Distributing Company announcing financial results for the fiscal year ended September 30, 2007 |

Exhibit 99.1

NEWS RELEASE

AMCON DISTRIBUTING COMPANY REPORTS RECORD FULLY DILUTED EARNINGS PER SHARE OF \$5.16 FOR THE YEAR ENDED SEPTEMBER 30, 2007

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Chicago, IL, November 8, 2007 - AMCON Distributing Company ("AMCON") (AMEX:DIT), an Omaha, Nebraska based consumer products company is pleased to announce for the fiscal year ended September 30, 2007 fully diluted earnings per share of \$5.16 on net income available to common stockholders of \$4.0 million. In addition, AMCON ended the year with consolidated stockholders equity of \$5.5 million.

"We had a fantastic year which reflects our company wide commitment to deliver superior service and value to our customers. Further, this is a reflection of the initial success of our strategic plan which was implemented in connection with our corporate restructuring in 2006," said Christopher H. Atayan AMCON's Chief Executive Officer. Mr. Atayan continued, "We enter fiscal 2008 with considerable momentum as we continue to address our strategic initiatives."

Each of AMCON's business segments had a banner year. The wholesale distribution segment reported revenues of \$815.7 million and operating income before depreciation and amortization of \$14.1 million. The retail health food segment reported revenues of \$37.9 million and operating income before depreciation and amortization of \$3.7 million.

"We continue to maintain an active dialogue with our wholesale customers and vendors focusing on new products and services to increase their bottom line profit. We believe this partnership approach works to our mutual advantage" said Kathleen Evans, President of AMCON's wholesale distribution segment. Ms. Evans added, "The convenience store industry continues to be a vital element of the consumer products marketplace and we are well positioned as a service leader in the industry."

"The trend toward a healthy lifestyle continues in a very strong fashion" said Eric Hinkefent, President of AMCON's retail health food segment. Mr. Hinkefent continued, "We are continually searching for unique products to bundle with our premier level of service. This customer-centric strategy enables us to deliver the premium shopping experience they deserve."

AMCON recently changed its accounting for inventory from last in, first out (LIFO) to first in, first out (FIFO) cost flow assumption. This change did not impact the overall operating results for Fiscal 2007. As a result of the change in accounting method, all prior periods have been reported as if the new accounting method was in place at that time. "We believe that the change to a FIFO inventory accounting methodology will provide a more meaningful presentation of our financial position and results of operation to our stockholders as it values inventory in a manner which more closely approximates current or replacement cost," said Andrew Plummer, AMCON's Chief Financial Officer. In addition, as previously reported during the fourth fiscal quarter the Company settled two significant lawsuits. Mr. Plummer added, "We have spent a considerable amount of time and corporate resources resolving these two legal matters. We will now be able to focus our resources into growing our core businesses."

AMCON is a leading wholesale distributor of consumer products, including beverages, candy, tobacco, groceries, food service, frozen and chilled foods, and health and beauty care products with distribution centers in Illinois, Missouri, Nebraska, North Dakota and South Dakota. Chamberlin's Natural Foods, Inc. and Health Food Associates, Inc., both wholly-owned subsidiaries of The Healthy Edge, Inc., operate a total of 13 health and natural product retail stores in central Florida (6), Kansas, Missouri, Nebraska and Oklahoma (4). The retail stores operate under the names Chamberlin's Market & Cafe and Akins Natural Foods Market.

This news release contains forward-looking statements that are subject to risks and uncertainties and which reflect management's current beliefs and

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estimates of future economic circumstances, industry conditions, Company performance and financial results. A number of factors could affect the future results of the Company and could cause those results to differ materially from those expressed in the Company's forward-looking statements including, without limitation, availability of sufficient cash resources to conduct its business and meet its capital expenditures needs. Moreover, past financial performance should not be considered a reliable indicator of future performance. Accordingly, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995 with respect to all such forward-looking statements.

Visit AMCON Distributing Company's web site at: www.amcon.com

For Further Information Contact:

Christopher H. Atayan

AMCON Distributing Company

Ph 312-327-1770

Fax: 312-527-3964

CONSOLIDATED BALANCE SHEETS

AMCON Distributing Company and Subsidiaries

| September 30, | 2007 | 2006 As restated/ |
|---|------------|----------------------|
| ASSETS | | |
| Current assets: | | |
| Cash | \$ 717,554 | \$ 481,13 |
| Accounts receivable, less allowance for doubtful accounts of \$0.3 million and \$0.9 million in 2007 and 2006, respectively | 27,848,938 | 27,815,75 |
| Inventories, net | 29,738,727 | 29,407,20 |

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| | | |
|---|---------------|--------------|
| Deferred income taxes | 1,446,389 | 1,511,65 |
| Current assets of discontinued operations | 18,897 | 1,270,19 |
| Prepaid and other current assets | 5,935,208 | 5,369,15 |
| | ----- | ----- |
| Total current assets | 65,705,713 | 65,855,09 |
| Property and equipment, net | 11,190,768 | 12,528,53 |
| Goodwill | 5,848,808 | 5,848,80 |
| Other intangible assets, net | 3,400,070 | 3,439,80 |
| Deferred income taxes | 2,768,043 | 5,324,04 |
| Non-current assets of discontinued operations | 2,057,033 | 3,774,10 |
| Other assets | 1,093,150 | 1,247,46 |
| | ----- | ----- |
| | \$ 92,063,585 | \$ 98,017,85 |
| | ===== | ===== |
| LIABILITIES AND SHAREHOLDERS' EQUITY | | |
| Current liabilities: | | |
| Accounts payable | \$ 15,253,562 | \$ 14,633,12 |
| Accrued expenses | 5,293,923 | 4,687,78 |
| Accrued wages, salaries and bonuses | 2,202,594 | 1,879,69 |
| Income taxes payable | 367,773 | 168,93 |
| Current liabilities of discontinued operations | 4,035,863 | 7,461,54 |
| Current maturities of credit facility | 3,046,000 | 3,896,00 |
| Current maturities of long-term debt | 568,024 | 524,13 |
| | ----- | ----- |
| Total current liabilities | 30,767,739 | 33,251,22 |
| Credit facility, less current maturities | 35,808,180 | 44,927,42 |
| Long-term debt, less current maturities | 7,123,453 | 7,069,35 |
| Noncurrent liabilities of discontinued operations | 6,542,310 | 5,087,23 |
| Series A cumulative, convertible preferred stock, \$.01 par value 100,000 authorized and issued, liquidation preference \$25.00 per share | 2,438,355 | 2,438,35 |
| Series B cumulative, convertible preferred stock, \$.01 par value 80,000 authorized and issued, liquidation preference \$25.00 per share | 1,857,645 | 1,857,64 |
| Series C cumulative, convertible preferred stock, \$.01 par value 80,000 authorized and issued, liquidation preference \$25.00 per share | 1,982,372 | 1,982,37 |
| Commitments and contingencies | | |
| Shareholders' equity: | | |
| Preferred stock, \$.01 par value, 1,000,000 shares authorized, 260,000 outstanding and issued in Series A, B and C referred to above | - | - |
| Common stock, \$.01 par value, 3,000,000 shares authorized, 529,436 outstanding for 2007 and 527,062 outstanding for 2006 | 5,295 | 5,27 |
| Additional paid-in capital | 6,396,131 | 6,278,47 |
| Accumulated deficit | (857,895) | (4,879,50) |
| | ----- | ----- |
| Total shareholders' equity | 5,543,531 | 1,404,24 |
| | ----- | ----- |
| | \$ 92,063,585 | \$ 98,017,85 |
| | ===== | ===== |

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CONSOLIDATED STATEMENTS OF OPERATIONS
AMCON Distributing Company and Subsidiaries

| Fiscal Years Ended September | 2007 | 2006 As restated/1/ | 2005 As restated/1/ |
|--|----------------|------------------------|------------------------|
| Sales (including excise taxes of \$208.2 million, \$200.6 million and \$197.7 million, respectively) | \$ 853,566,512 | \$ 839,539,780 | \$ 834,551,448 |
| Cost of sales | 789,317,758 | 779,189,369 | 773,292,164 |
| Gross profit | 64,248,754 | 60,350,411 | 61,259,284 |
| Selling, general and administrative expenses | 50,963,645 | 51,721,525 | 51,032,197 |
| Depreciation and amortization | 1,831,640 | 1,936,897 | 2,155,983 |
| Impairment charges | - | - | 4,234,856 |
| | 52,795,285 | 53,658,422 | 57,423,036 |
| Operating income | 11,453,469 | 6,691,989 | 3,836,248 |
| Other expense (income): | | | |
| Interest expense | 4,816,324 | 4,858,012 | 4,211,685 |
| Other (income), net | (194,608) | (137,241) | (80,105) |
| | 4,621,716 | 4,720,771 | 4,131,580 |
| Income (loss) from continuing operations before income tax expense | 6,831,753 | 1,971,218 | (295,332) |
| Income tax expense | 2,626,000 | 514,000 | 94,000 |
| Minority interest in loss, net of tax | - | - | (97,100) |
| Income (loss) from continuing operations | 4,205,753 | 1,457,218 | (292,232) |
| Discontinued operations | | | |
| Gain on disposal of discontinued operations, net of income tax expense of \$0.6 million | 829,090 | - | - |
| Loss from discontinued operations, net of income tax benefit of \$0.3 million, \$1.1 million and \$5.4 million, respectively | (594,539) | (2,435,766) | (11,960,904) |
| Income (loss) on discontinued operations | 234,551 | (2,435,766) | (11,960,904) |
| Net income (loss) | 4,440,304 | (978,548) | (12,253,136) |
| Preferred stock dividend requirements | (418,692) | (366,042) | (294,640) |
| Net income (loss) available to common shareholders | \$ 4,021,612 | \$ (1,344,590) | \$ (12,547,776) |
| Basic earnings (loss) per share available to common shareholders: | | | |
| Continuing operations | \$ 7.19 | \$ 2.07 | \$ (1.11) |
| Discontinued operations | 0.44 | (4.62) | (22.70) |
| Net basic earnings (loss) per share available to common shareholders | \$ 7.63 | \$ (2.55) | \$ (23.81) |

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| | | | | |
|--|----|---------|----|---------|
| Diluted earnings (loss) per share available to common shareholders: | | | | |
| Continuing operations | \$ | 4.89 | \$ | 1.82 |
| Discontinued operations | | 0.27 | | (3.44) |
| | | | | (1.11) |
| | | | | (22.70) |
| Net diluted earnings (loss) per share available to common shareholders | \$ | 5.16 | \$ | (1.62) |
| | | | | (23.81) |
| Weighted average shares outstanding: | | | | |
| Basic | | 527,062 | | 527,062 |
| Diluted | | 860,121 | | 708,946 |
| | | | | 527,062 |

CONSOLIDATED STATEMENTS OF CASH FLOWS
AMCON Distributing Company and Subsidiaries

| Fiscal Years | 2007 | 2006 | As restated/1/ | As re |
|--|--------------|--------------|----------------|--------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | | | |
| Net income (loss) | \$ 4,440,304 | \$ (978,548) | | \$ (12 |
| Deduct: Income (loss) from discontinued operations, net of tax | 234,551 | (2,435,766) | | (11 |
| Income (loss) from continuing operations | 4,205,753 | 1,457,218 | | |
| Adjustments to reconcile income (loss) from continuing operations to net cash flows from operating activities: | | | | |
| Depreciation | 1,791,907 | 1,897,166 | | 2 |
| Amortization | 39,733 | 39,731 | | |
| Impairment charges | - | - | | 4 |
| Loss (gain) on sale of property and equipment | 27,235 | 30,082 | | |
| Stock based compensation | 70,993 | 60,000 | | |
| Deferred income taxes | 2,621,261 | (722,727) | | (5 |
| (Benefit) provision for losses on doubtful accounts | (250,196) | 179,196 | | |
| (Benefit) provision for losses on inventory obsolescence | 52,242 | 77,940 | | |
| Minority interest | - | - | | |
| Changes in assets and liabilities, net of effect of acquisitions: | | | | |
| Accounts receivable | 217,009 | (814,916) | | 1 |
| Inventories | (383,768) | (1,396,154) | | 9 |
| Other current assets | (566,058) | (205,819) | | (4 |
| Other assets | 254,314 | (10,891) | | |
| Accounts payable | 739,188 | (805,235) | | |
| Accrued expenses and accrued wages, salaries and bonuses | 1,574,429 | 641,863 | | 1 |
| Income taxes payable and receivable | 198,837 | 50,138 | | 1 |
| Net cash flows from operating activities - continuing operations | 10,592,879 | 477,592 | | 7 |
| Net cash flows from operating activities | | | | |

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| | | | |
|---|--------------|-----------|-----|
| - discontinued operations | (1,929,323) | (820,913) | |
| Net cash flows from operating activities | 8,663,556 | (343,321) | 8 |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | | |
| Purchase of property and equipment | (514,277) | (980,510) | (2) |
| Proceeds from sales of property and equipment | 101,328 | 39,665 | |
| Purchase of trademark | - | (15,000) | |
| Net cash flows from investing activities | | | |
| - continuing operations | (412,949) | (955,845) | (2) |
| Net cash flows from investing activities | | | |
| - discontinued operations | 3,965,394 | (16,818) | |
| Net cash flows from investing activities | 3,552,445 | (972,663) | (2) |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | | |
| Net principal (payments) borrowings on bank credit agreements | (9,969,248) | (338,959) | 4 |
| Net proceeds from preferred stock issuance | - | 1,982,372 | 1 |
| Proceeds from borrowings of long-term debt | - | 237,266 | 1 |
| Payments on long-term and subordinated debt | (734,416) | (670,966) | (8) |
| Proceeds from exercise of stock options | 46,686 | - | |
| Debt issuance costs | (100,000) | - | |
| Dividends paid on preferred stock | (418,692) | (366,042) | |
| Net cash flows from financing activities | | | |
| - continuing operations | (11,175,670) | 843,671 | (1) |

| Fiscal Years | 2007 | 2006 | |
|--|----------------|----------------|--------|
| | | As restated/1/ | As res |
| Net cash flows from financing activities | | | |
| - discontinued operations | (803,915) | 407,178 | (3) |
| Net cash flow from financing activities | (11,979,585) | 1,250,849 | (5) |
| Net change in cash | 236,416 | (65,135) | |
| Cash, beginning of year | 481,138 | 546,273 | |
| Cash, end of year | \$ 717,554 | \$ 481,138 | \$ |
| Supplemental disclosure of cash flow information: | | | |
| Cash paid during the year for interest | \$ 4,890,997 | \$ 4,858,960 | \$ 4 |
| Cash paid (refunded) during the year for income taxes | 94,901 | (647) | |
| Supplemental disclosure of non-cash information: | | | |
| Forgiveness of debt and related interest in connection with settlement of TSI litigation | \$ (3,735,145) | \$ - | \$ |

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| | | |
|---|-------------|---------|
| Forgiveness of water royalty in connection with settlement of TSI litigation | (2,807,000) | - |
| Issuance of note payable in connection with TSI litigation | 5,000,000 | - |
| Issuance of note payable in settlement for accounts payable and accrued liability in connection with settlement of TBG litigation | 763,983 | - |
| Buyer's assumption of HNWC lease in connection with the sale of HNWC's assets - discontinued operations | (225,502) | - |
| Issuance of note payable in exchange for accounts payable - discontinued operations | - | 362,716 |
| Acquisition of equipment through capital leases | 68,422 | - |

/1/ In the fourth quarter of fiscal 2007, the Company changed its inventory valuation method from Last-In First-Out (LIFO) method to the First-In First-Out (FIFO) method. The change is preferable provides a more meaningful presentation of the Company's financial position as it values inventory in a manner which more closely approximates current cost; better represents the underlying commercial nature of selling the oldest products first; and more accurately reflects the Company's realized period

As required by U.S. generally accepted accounting principles, this change in accounting principle was reflected in the consolidated statements of financial position, consolidated statements of operations, and consolidated statements of cash flows through retroactive application of the FIFO method. Accordingly, inventories from continuing operations as of the beginning of fiscal 2005 were increased by the LIFO reserve (\$4.0 million), net current deferred tax assets were decreased (\$0.7 million), current assets from discontinued operations were increased for the impact of related LIFO reserves (\$0.1 million), net non-current deferred tax liabilities were increased (\$0.9 million), and shareholders' equity was increased by the after-tax effect (\$2.5 million). Previously reported net income (loss) available to common shareholders' for the fiscal years 2006 and 2005 were also increased by \$0.1 million and \$0.5 million after income taxes, respectively.