Form 10-Q
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended January 26, 2002

or

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission file number 1-14170

NATIONAL BEVERAGE CORP.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	59-2605822 (I.R.S. Employer Identification No.)
One North University Drive, Ft. Lauderdale, FL (Address of principal executive offices)	33324 (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 [X] No [ ]

The number of shares of Registrant's common stock outstanding as of March 4, 2002 was 18,187,578.

NATIONAL BEVERAGE CORP.
QUARTERLY REPORT ON FORM 10-Q
FOR THE QUARTERLY PERIOD ENDED JANUARY 26, 2002

INDEX

		Page
	PART I – FINANCIAL INFORMATION	
Item 1.	Financial Statements	
	Condensed Consolidated Balance Sheets as of January 26, 2002 and April 28, 2001	3
	Condensed Consolidated Statements of Income for the three months and nine months ended January 26, 2002 and January 27, 2001	4
	Condensed Consolidated Statements of Cash Flows for the nine months ended January 26, 2002 and January 27, 2001	5
	Notes to Condensed Consolidated Financial Statements	6
Item 2.	Management’s Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3.	Quantitative and Qualitative Disclosures About Market Risk	13
	PART II – OTHER INFORMATION	
Item 6.	Exhibits and Reports on Form 8-K	14

PART I – FINANCIAL INFORMATION

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JANUARY 26, 2002 AND APRIL 28, 2001
(In thousands, except share amounts)

	(Unaudited) January 26, 2002	April 28, 2001
Assets		
Current assets:		
Cash and equivalents	$ 34,965	$ 39,625
Trade receivables – net of allowances of $597 ($559 at April 28, 2001)	33,849	41,068
Inventories	31,391	31,747
Deferred income taxes	1,594	1,333
Prepaid and other	5,004	6,518
Total current assets	106,803	120,291
Property – net	60,619	62,215
Goodwill	13,145	13,145
Intangible assets – net	2,058	2,114
Other assets	6,625	6,103
	$189,250	$203,868
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 21,069	$ 37,651
Accrued liabilities	20,837	20,131
Income taxes payable	265	65
Total current liabilities	42,171	57,847
Long-term debt	11,260	24,136
Deferred income taxes	12,215	10,208
Other liabilities	3,020	3,189
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, 7% cumulative, $1 par value, aggregate liquidation preference of $15,000 - 1,000,000 shares authorized; 150,000 shares issued; no shares outstanding	150	150
Common stock, $.01 par value – authorized 50,000,000 shares; issued 22,181,912 shares (22,134,612 shares at April 28, 2001)	222	221
Additional paid-in capital	15,900	15,638
Retained earnings	121,840	109,705
Treasury stock – at cost:		
Preferred stock - 150,000 shares	(5,100)	(5,100)
Common stock - 4,001,534 shares (3,972,634 shares at April 28, 2001)	(12,428)	(12,126)
Total shareholders' equity	120,584	108,488
	$189,250	$203,868

See accompanying Notes to Condensed Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS AND NINE MONTHS ENDED JANUARY 26, 2002 AND JANUARY 27, 2001
(In thousands, except per share amounts)

	(Unaudited)			
	Three Months Ended		Nine Months Ended	
	2002	2001	2002	2001
Net sales	$100,409	$97,096	$376,918	$358,082
Cost of sales	67,822	66,847	254,225	242,863
Gross profit	32,587	30,249	122,693	115,219
Selling, general and administrative expenses	31,117	29,234	103,027	97,299
Interest expense	168	448	743	1,736
Other income – net	204	292	744	1,258
Income before income taxes	1,506	859	19,667	17,442
Provision for income taxes	576	327	7,532	6,645
Net income	$ 930	$ 532	$ 12,135	$ 10,797
Net income per share -				
Basic	$ .05	$ .03	$ .67	$ .59
Diluted	$ .05	$ .03	$ .64	$ .58
Average common shares outstanding -				
Basic	18,167	18,150	18,165	18,160
Diluted	18,997	18,825	18,976	18,818

See accompanying Notes to Condensed Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED JANUARY 26, 2002 AND JANUARY 27, 2001
(In thousands)

	(Unaudited)	
	2002	**2001**
Operating Activities:		
Net income	$ 12,135	$ 10,797
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,800	8,265
Deferred income tax provision (benefit)	1,746	(137)
Loss on sale of property	143	43
Changes in assets and liabilities, net of acquisitions:		
Trade receivables	7,219	3,648
Inventories	356	2,238
Prepaid and other assets	(1,390)	(601)
Accounts payable	(16,582)	(12,999)
Other liabilities, net	928	(1,648)
Net cash provided by operating activities	13,355	9,606
Investing Activities:		
Property additions	(4,900)	(3,698)
Proceeds from sale of assets	6	—
Acquisitions, net of cash acquired	—	(3,780)
Net cash used in investing activities	(4,894)	(7,478)
Financing Activities:		
Debt repayments	(8,876)	(8,883)
Borrowings (payments) on credit facilities, net	(4,000)	2,500
Repurchase of common stock	(302)	(260)
Proceeds from stock options exercised	57	18
Net cash used in financing activities	(13,121)	(6,625)
Net Decrease in Cash and Equivalents	(4,660)	(4,497)
Cash and Equivalents – Beginning of Year	39,625	38,482
Cash and Equivalents – End of Period	$ 34,965	$ 33,985
Other Cash Flow Information:		
Interest paid	$ 816	$ 2,013
Income taxes paid	3,750	7,826

See accompanying Notes to Condensed Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JANUARY 26, 2002
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of National Beverage Corp. and its subsidiaries (the “Company”) have been prepared in accordance with generally accepted accounting principles for interim financial information. The financial statements do not include all information and notes required by generally accepted accounting principles for complete financial statements. Except for the matters disclosed herein, there has been no material change in the information disclosed in the notes to consolidated financial statements for the fiscal year ended April 28, 2001. In the opinion of management, all adjustments (consisting of normal recurring accruals) 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. Certain prior year amounts have been reclassified to conform to the current year presentation.

2. CHANGES IN ACCOUNTING STANDARDS

The Company adopted Statement of Financial Accounting Standards (“SFAS”) No. 133 “Accounting for Derivative Instruments and Hedging Activities” in the three months ended July 28, 2001 (first quarter of fiscal 2002). The adoption of SFAS No. 133 did not have a material impact on the Company’s financial position or operating results and has not resulted in significant changes to its financial risk management practices. Also, in the first quarter of fiscal 2002, the Company adopted SFAS No. 142 “Goodwill and Other Intangible Assets”. The adoption of SFAS No. 142 did not materially impact the Company’s financial position or operating results. See Note 5.

3. INVENTORIES

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at January 26, 2002 are comprised of finished goods of $16,690,000 and raw materials of $14,701,000. Inventories at April 28, 2001 are comprised of finished goods of $17,721,000 and raw materials of $14,026,000.

4. PROPERTY

Property consists of the following:

	(In thousands)	
	January 26, 2002	April 28, 2001
Land	$ 10,625	$ 10,625
Buildings and improvements	35,336	35,088
Machinery and equipment	97,351	94,356
Total	143,312	140,069
Less accumulated depreciation	(82,693)	(77,854)
Property – net	$ 60,619	$ 62,215

Depreciation expense was $2,101,000 and $6,347,000 for the three and nine months ended January 26, 2002, respectively, and $2,010,000 and $5,853,000 for the three and nine months ended January 27, 2001, respectively.

5. GOODWILL AND INTANGIBLE ASSETS

In accordance with SFAS No. 142 adopted in the first quarter of fiscal 2002, the Company discontinued the amortization of goodwill and certain intangible assets that were determined to have an indefinite life. Had the Company applied the non-amortization provisions of SFAS No. 142 at the beginning of the first quarter of fiscal 2001, net income for the three and nine months ended January 27, 2001 would have increased by $90,000 (less than $.01 per share) and $269,000 ($.01 per share), respectively. Intangible assets at January 26, 2002 and April 28, 2001 consist of the following:

	(In thousands)	
	January 26, 2002	April 28, 2001
Unamortized trademarks	$ 1,587	$1,601
Amortized distribution rights	$ 855	$ 855
Less accumulated amortization	(384)	(342)
Net	$ 471	$ 513

Amortization expense related to intangible assets was $14,000 and $42,000 for the three and nine months ended January 26, 2002, respectively, and $37,000 and $108,000 for the three and nine months ended January 27, 2001, respectively.

6. DEBT

Debt consists of the following:

	(In thousands)	
	January 26, 2002	April 28, 2001
Credit Facilities	$ —	$ 4,000
Term Loan Facilities	11,100	19,900
Other	160	236
Total	$ 11,260	$24,136

Certain subsidiaries of the Company maintain unsecured revolving credit facilities aggregating $45 million (the “Credit Facilities”) and unsecured term loan facilities (“Term Loan Facilities”) with banks. The Credit Facilities expire through December 10, 2003 and bear interest at 1/2% below the banks’ reference rate or 1% above LIBOR, at the subsidiaries’ election. The Term Loan Facilities are repayable in installments through July 31, 2004, and bear interest at the banks’ reference rate or 1 1/4% above LIBOR, at the subsidiaries’ election. The Company intends to utilize its existing long-term Credit Facilities to fund the current principal payments due on its Term Loan Facilities.

Certain of the Company's debt agreements contain restrictions which require subsidiaries to maintain certain financial ratios and minimum net worth, and limit subsidiaries with respect to incurring additional indebtedness, paying cash dividends and making certain loans, advances or other investments. These restrictions are not expected to have a material adverse impact on the operations of the Company. At January 26, 2002, retained earnings of approximately $44 million were available for distribution and the Company was in compliance with all loan covenants.

7. CAPITAL STOCK

During the nine months ended January 26, 2002, options for 47,300 shares were exercised at prices ranging from $.38 to $5.00. At January 26, 2002, options to purchase 1,218,491 shares at a weighted average exercise price of $3.79 (ranging from $.13 to $9.88 per share) were outstanding and stock-based awards to purchase 1,145,049 shares of common stock were available for grant. On October 26, 2001, the Company's stockholders approved an amendment to the Company's Omnibus Incentive Plan and Special Stock Option Plan to increase the number of shares available for award by 600,000 and 100,000 shares, respectively.

During the nine months ended January 26, 2002, the Company purchased 28,900 shares of its common stock. Such shares are classified in treasury stock.

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

General Overview

National Beverage Corp. (the “Company”) is a holding company for various operating subsidiaries that develop, manufacture, market and distribute a complete portfolio of quality beverage products throughout the United States. The Company’s brands emphasize distinctive flavor variety, including its flagship brands Shasta® and Faygo®, complete lines of multi-flavored and cola soft drinks. In addition, the Company offers an assortment of premium beverages geared toward the health-conscious consumer, including Everfresh®, Home Juice® and Mr. Pure® 100% juice and juice-based products; and LaCROIX®, Mt. Shasta™, Crystal Bay® and ClearFruit® flavored and spring water products. The Company also produces specialty products, including VooDoo Rain™, a line of alternative beverages geared toward young consumers, Ohana® fruit-flavored drinks, and St. Nick’s® holiday soft drinks. Substantially all of the Company’s brands are produced in its sixteen manufacturing facilities, which are strategically located in major metropolitan markets throughout the continental United States. The Company also develops and produces soft drinks for retail grocery chains, warehouse clubs, mass-merchandisers and wholesalers (“allied brands”) as well as soft drinks for other beverage companies.

The Company’s strategy emphasizes the growth of its branded products by offering a diverse beverage portfolio of proprietary flavors; by supporting the franchise value of regional brands; by developing and acquiring innovative products tailored toward healthy lifestyles; and by appealing to the “quality-price” sensitivity factor of the family consumer. Management believes that the “regional share dynamics” of its brands have a consumer loyalty within local markets that generates more aggressive retailer sponsored promotional activities.

The Company occupies a unique position in the industry as a vertically integrated national company delivering branded and allied branded products through a hybrid distribution network to multiple beverage channels. As part of its sales and marketing strategy, the Company enters into long-term contractual relationships that join the expertise of Company sales, marketing and manufacturing functions with national and regional retailers marketing/sales expertise to cause the maximum joint effort in generating sales for branded and allied branded products. These “Strategic Alliances” provide for retailer promotional support for the Company’s brands and nationally integrated manufacturing and distribution services for the retailer’s allied brands.

Over the last several years, the Company has focused on increasing penetration of its brands in the convenience channel through company-owned and independent distributors. The convenience channel is composed of convenience stores, gas stations and other smaller “up-and-down-the-street” accounts. Because of the higher retail prices and margins that typically prevail, the Company has undertaken specific measures to expand its distribution in this channel. These include the development of products specifically targeted to this market, such as VooDoo Rain, ClearFruit, Everfresh, Home Juice and Mr. Pure. Also, the Company has created proprietary and specialized packaging for these products with specific graphics for the discriminating consumer.

Management intends to continue its focus on enhancing growth in the convenience channel through both specialized packaging and innovative product development.

Beverage industry sales are seasonal with the highest volume typically realized during the summer months. Additionally, the Company’s operating results are subject to numerous factors, including fluctuations in the costs of raw materials, changes in consumer preference for beverage products and competitive pricing in the marketplace.

Results of Operations

Three Months Ended January 26, 2002 (third quarter of fiscal 2002) compared to
Three Months Ended January 27, 2001 (third quarter of fiscal 2001)

Net sales for the three months ended January 26, 2002 increased approximately $3.3 million, or 3.4%, over the three months ended January 27, 2001. This sales growth was due primarily to improved pricing in certain markets and increased volume of the Company’s branded soft drinks. The improvement was partially offset by changes in product mix.

Gross profit approximated 32.5% of net sales for the third quarter of fiscal 2002 compared to 31.2% last year. Gross profit was favorably affected by the improved pricing mentioned above and the effect of volume growth on fixed manufacturing costs, partially offset by unfavorable changes in product mix and increased costs.

Selling, general and administrative expenses were $31.1 million or 31.0% of net sales for the third quarter of fiscal 2002, compared to $29.2 million or 30.1% of net sales last year. The increase was primarily due to higher distribution and selling costs on revenues that will occur in subsequent periods and an increase in the provision for doubtful trade receivables.

Interest expense declined during the third quarter of fiscal 2002 due to reductions in average debt outstanding and interest rates. Other income decreased primarily due to a decrease in interest income resulting from lower yields. See Note 6 of Notes to Condensed Consolidated Financial Statements.

The Company’s effective rate for income taxes, based upon estimated annual income tax rates, approximated 38.2% of income before taxes for the third quarter of fiscal 2002 and 38.1% for the third quarter of fiscal 2001. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes and non-deductible expenses.

Net income amounted to $930,000 or $.05 per share for the three months ended January 26, 2002, compared to $532,000 or $.03 per share for the three months ended January 27, 2001.

Nine Months Ended January 26, 2002 (first nine months of fiscal 2002) compared to
Nine Months Ended January 27, 2001 (first nine months of fiscal 2001)

Net sales for the nine months ended January 26, 2002 increased approximately $18.8 million, or 5.3%, over the nine months ended January 27, 2001. This sales growth was due primarily to improved pricing in certain markets, increased volume of the Company’s branded soft drinks, and sales of Ritz and Crystal Bay brands acquired in September 2000. Additionally, the Company’s premium beverages gained volume during the first nine months of fiscal 2002 as a result of increased distribution within the convenience channel. The improvement was partially offset by unfavorable product mix changes.

Gross profit approximated 32.6% of net sales for the first nine months of fiscal 2002 compared to 32.2% last year. Gross profit was favorably affected by the improved pricing mentioned above and the effect of volume growth on fixed manufacturing costs, partially offset by unfavorable changes in product mix and increased costs.

Selling, general and administrative expenses were $103.0 million or 27.3% of net sales for the first nine months of fiscal 2002, compared to $97.3 million or 27.2% of net sales last year. The increase was primarily due to higher distribution and selling costs on revenues that will occur in subsequent periods.

Interest expense declined during the first nine months of fiscal 2002 compared to the prior year due to reductions in average debt outstanding and interest rates. Other income decreased primarily due to a decrease in interest income resulting from lower yields. See Note 6 of Notes to Condensed Consolidated Financial Statements.

The Company’s effective rate for income taxes, based upon estimated annual income tax rates, approximated 38.3% of income before taxes for the first nine months of fiscal 2002 and 38.1% for the first nine months of fiscal 2001. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes and non-deductible expenses.

Net income amounted to $12.1 million or $.67 per share for the nine months ended January 26, 2002, compared to $10.8 million or $.59 per share for the nine months ended January 27, 2001.

Capital Resources

The Company’s current sources of capital are cash flow from operations and borrowings under existing credit facilities. The Company maintains unsecured revolving credit facilities, of which approximately $43 million was available for future borrowings at January 26, 2002. Management believes that existing capital resources are sufficient to meet the Company’s and the parent company’s capital requirements for the foreseeable future.

Management views earnings before interest expense, taxes, depreciation and amortization (“EBITDA”) as a key indicator of the Company’s operating performance and enterprise value, although not as a substitute for cash flow from operations or operating income. The Company’s EBITDA increased 6.4% to $29.2 million for the first nine months of fiscal 2002 from $27.4 million last year. Management believes that EBITDA is sufficient to support additional growth and debt capacity.

Summary Of Cash Flows

The Company’s principal source of cash during the first nine months of fiscal 2002 was $13.4 million provided by operating activities. The Company’s primary uses of cash were net debt repayments of $12.9 million and capital expenditures of $4.9 million.

Net cash provided by operating activities for the first nine months of fiscal 2002 increased to $13.4 million due to increases in net income and non-cash charges while net cash used in investing activities decreased to $4.9 million due to cash used for acquisitions in the prior year. Net cash used in financing activities increased $6.5 million for the first nine months of fiscal 2002 as compared to last year primarily due to payments on credit facilities.

Financial Condition

During the first nine months of fiscal 2002, the Company's working capital improved to $64.6 million from $62.4 million primarily due to cash generated from operations and a decrease in accounts payable. The decline in trade receivables, inventories, and accounts payable was primarily due to the seasonal decline in sales. Prepaid and other assets decreased due to a decline in income tax refunds receivable. At January 26, 2002, the current ratio was 2.5 to 1 while the debt-to-equity ratio was to .1 to 1.

Liquidity

The Company continually evaluates capital projects designed to expand capacity and improve efficiency at its manufacturing facilities. The Company presently has no material commitments for capital expenditures and expects that fourth quarter fiscal 2002 capital expenditures will be comparable to fourth quarter fiscal 2001.

Certain debt agreements contain restrictions which require subsidiaries to maintain certain financial ratios and minimum net worth, and limit the subsidiaries with respect to incurring additional indebtedness, paying cash dividends and making loans, advances or other investments. These restrictions are not expected to have a material adverse impact on the operations of the Company. At January 26, 2002, retained earnings of approximately $44 million were available for distribution and the Company was in compliance with all loan covenants and restrictions. See Note 6 of Notes to Condensed Consolidated Financial Statements.

Changes in Accounting Standards

In May 2000, the Emerging Issues Task Force ("EITF") reached a consensus on Issue 00-14, "Accounting for Certain Sales Incentives", which requires the cost of consumer coupons and other sales incentives to be classified as a reduction of revenues. In addition, in April 2001, the EITF reached a consensus on Issue 00-25, "Vendor Income Statement Characterization of Consideration from a Vendor to a Retailer", which requires slotting costs and other payments made to retailers to be classified as a reduction of revenue. The Company currently classifies certain sales incentives and payments to retailers as "Selling, general and administrative expenses". The Company will adopt EITF 00-14 and EITF 00-25 in the fourth quarter of fiscal 2002 and has not yet made a determination of the impact on its consolidated financial statements.

In October 2001, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards ("SFAS ") No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." This statement supersedes SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed of," and addresses financial accounting and reporting for the impairment or disposal of long-lived assets. SFAS No. 144 is effective for the Company's fiscal year beginning April 28, 2002. The Company is currently assessing the impact, if any, of the adoption of this statement.

Forward-Looking Statements

Certain statements in this Quarterly Report on Form 10-Q (this “Form 10-Q”), including statements under “Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations,” constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the 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 the Company’s Strategic Alliance objective; success in acquiring other beverage businesses; success of new product and flavor introductions; fluctuations in the costs of raw materials; the Company’s ability to increase prices; continued retailer support for the Company’s brands; changes in consumer preferences; success of implementing business strategies; changes in business strategy or development plans; government regulations; regional weather conditions; and other factors referenced in this Form 10-Q. The Company disclaims 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the disclosures made on this matter in the Company’s Annual Report on Form 10-K for the fiscal year ended April 28, 2001.

PART II — OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits: None

(b) Reports on Form 8-K: None

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: March 12, 2002

NATIONAL BEVERAGE CORP.
(Registrant)

By: \s\ Dean A. McCoy
Dean A. McCoy
Senior Vice President – Controller
(On behalf of the Registrant and as
Principal Accounting Officer)