

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended October 27, 2018

Commission file number 1-14170

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

Delaware
(State of incorporation)



59-2605822
(I.R.S. Employer Identification No.)

8100 SW Tenth Street, Suite 4000, Fort Lauderdale, FL 33324
(Address of principal executive offices including 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 () No ()

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted 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 and post such files). Yes () No ()

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a 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 ()

The number of shares of registrant's common stock outstanding as of December 3, 2018 was 46,636,740.

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QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS
NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (UNAUDITED)
(In thousands, except share data)

	October 27, 2018	April 28, 2018
Assets		
Current assets:		
Cash and equivalents	\$ 250,060	\$ 189,864
Trade receivables - net	84,310	84,360
Inventories	80,834	60,920
Prepaid and other assets	13,758	17,823
Total current assets	428,962	352,967
Property, plant and equipment - net	95,785	85,807
Goodwill	13,145	13,145
Intangible assets	1,615	1,615
Other assets	4,689	5,298
Total assets	<u>\$ 544,196</u>	<u>\$ 458,832</u>
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	\$ 77,942	\$ 74,853
Accrued liabilities	25,570	29,718
Income taxes payable	0	99
Total current liabilities	103,512	104,670
Deferred income taxes - net	15,974	14,502
Other liabilities	7,676	8,220
Shareholders' equity:		
Preferred stock, \$1 par value - 1,000,000 shares authorized: Series C - 150,000 shares issued	150	150
Common stock, \$.01 par value - 200,000,000 shares authorized; 50,669,284 shares issued (50,650,784 shares at April 28)	507	507
Additional paid-in capital	36,800	36,358
Retained earnings	397,732	307,824
Accumulated other comprehensive income (loss)	(155)	4,601
Treasury stock - at cost:		
Series C preferred stock - 150,000 shares	(5,100)	(5,100)
Common stock - 4,032,544 shares	(12,900)	(12,900)
Total shareholders' equity	417,034	331,440
Total liabilities and shareholders' equity	<u>\$ 544,196</u>	<u>\$ 458,832</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(In thousands, except per share amounts)

	Three Months Ended		Six Months Ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Net sales	\$ 260,709	\$ 244,119	\$ 553,299	\$ 503,951
Cost of sales	157,185	148,039	334,080	303,368
Gross profit	103,524	96,080	219,219	200,583
Selling, general and administrative expenses	51,366	45,423	104,056	92,146
Interest expense	51	51	101	101
Other income - net	1,187	306	2,042	617
Income before income taxes	53,294	50,912	117,104	108,953
Provision for income taxes	12,216	16,932	27,196	36,701
Net income	<u>\$ 41,078</u>	<u>\$ 33,980</u>	<u>\$ 89,908</u>	<u>\$ 72,252</u>
Earnings per common share:				
Basic	<u>\$.88</u>	<u>\$.73</u>	<u>\$ 1.93</u>	<u>\$ 1.55</u>
Diluted	<u>\$.88</u>	<u>\$.72</u>	<u>\$ 1.92</u>	<u>\$ 1.54</u>
Weighted average common shares outstanding:				
Basic	<u>46,628</u>	<u>46,593</u>	<u>46,623</u>	<u>46,589</u>
Diluted	<u>46,928</u>	<u>46,925</u>	<u>46,923</u>	<u>46,921</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (UNAUDITED)

(In thousands)

	Three Months Ended		Six Months Ended	
	October 27, 2018	October 28, 2017	October 27, 2018	October 28, 2017
Net income	\$ 41,078	\$ 33,980	\$ 89,908	\$ 72,252
Other comprehensive (loss) income, net of tax:				
Cash flow hedges	(2,716)	3,247	(4,756)	2,619
Comprehensive income	<u>\$ 38,362</u>	<u>\$ 37,227</u>	<u>\$ 85,152</u>	<u>\$ 74,871</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (UNAUDITED)

(In thousands)

	Six Months Ended	
	October 27, 2018	October 28, 2017
Series C Preferred Stock		
Beginning and end of period	\$ 150	\$ 150
Common Stock		
Beginning and end of period	507	506
Additional Paid-In Capital		
Beginning of period	36,358	35,638
Stock options exercised	325	282
Stock-based compensation	117	80
Stock-based tax benefits	-	-
End of period	36,800	36,000
Retained Earnings		
Beginning of period	307,824	227,928
Net income	89,908	72,252
Common stock cash dividend	-	(69,878)
End of period	397,732	230,302
Accumulated Other Comprehensive (Loss) Income		
Beginning of period	4,601	(604)
Cash flow hedges, net of tax	(4,756)	2,619
End of period	(155)	2,015
Treasury Stock - Series C Preferred		
Beginning and end of period	(5,100)	(5,100)
Treasury Stock - Common		
Beginning and end of period	(12,900)	(12,900)
Total Shareholders' Equity	<u>\$ 417,034</u>	<u>\$ 250,973</u>

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)
(In thousands)

	Six Months Ended	
	October 27, 2018	October 28, 2017
Operating Activities:		
Net income	\$ 89,908	\$ 72,252
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	7,355	7,087
Deferred income tax provision	2,822	214
Gain on sale of property, net	3	-
Stock-based compensation	117	80
Changes in assets and liabilities:		
Trade receivables	50	(8,974)
Inventories	(19,914)	(6,370)
Prepaid and other assets	(7,999)	(1,069)
Accounts payable	3,089	6,626
Accrued and other liabilities	741	2,492
Net cash provided by operating activities	<u>76,172</u>	<u>72,338</u>
Investing Activities:		
Additions to property, plant and equipment	(16,302)	(10,317)
Proceeds from sale of property, plant and equipment	1	39
Net cash used in investing activities	<u>(16,301)</u>	<u>(10,278)</u>
Financing Activities:		
Dividends paid on common stock	-	(69,878)
Proceeds from stock options exercised	325	282
Net cash provided by (used in) financing activities	<u>325</u>	<u>(69,596)</u>
Net Increase (Decrease) in Cash and Equivalents	60,196	(7,536)
Cash and Equivalents - Beginning of Period	<u>189,864</u>	<u>136,372</u>
Cash and Equivalents - End of Period	<u>\$ 250,060</u>	<u>\$ 128,836</u>
Other Cash Flow Information:		
Interest paid	\$ 38	\$ 38
Income taxes paid	\$ 23,835	\$ 37,643

See accompanying Notes to Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

National Beverage Corp. develops, produces, markets and sells a diverse portfolio of flavored beverage products primarily in North America. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. When used in this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp. and its subsidiaries.

1. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The consolidated financial statements include the accounts of National Beverage Corp. and its subsidiaries. Significant intercompany transactions and accounts have been eliminated.

The consolidated financial statements have been prepared in accordance with United States generally accepted accounting principles (“GAAP”) and rules and regulations of the Securities and Exchange Commission for interim financial reporting. Accordingly, they do not include all information and notes presented in the annual consolidated financial statements. The consolidated financial statements should be read in conjunction with the annual consolidated financial statements and accompanying notes included in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018. Excluding the adoption of the recently issued accounting pronouncements disclosed in Note 6, the accounting policies used in these interim consolidated financial statements are consistent with those used in the annual consolidated financial statements.

The preparation of financial statements requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. Actual results could differ from those estimates. In our opinion, all adjustments (consisting of normal recurring adjustments) 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.

Derivative Financial Instruments

We use derivative financial instruments to partially mitigate our exposure to changes in raw material costs. All derivative financial instruments are recorded at fair value in our Consolidated Balance Sheets. The estimated fair value of derivative financial instruments is calculated based on market rates to settle the instruments. We do not use derivative financial instruments for trading or speculative purposes. Credit risk related to derivative financial instruments is managed by requiring high credit standards for counterparties and frequent cash settlements. See Note 5.

Earnings Per Common Share

Basic earnings per common share is computed by dividing earnings available to common shareholders by the weighted average number of common shares outstanding during the period. Diluted earnings per common share is calculated in a similar manner, but includes the dilutive effect of stock options.

Inventories

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at October 27, 2018 were comprised of finished goods of \$52.5 million and raw materials of \$28.3 million. Inventories at April 28, 2018 were comprised of finished goods of \$37.6 million and raw materials of \$23.3 million.

2. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consist of the following:

	(In thousands)	
	October 27, 2018	April 28, 2018
Land	\$ 9,835	\$ 9,500
Buildings and improvements	56,991	56,947
Machinery and equipment	209,784	194,241
Total	276,610	260,688
Less accumulated depreciation	(180,825)	(174,881)
Property, plant and equipment – net	<u>\$ 95,785</u>	<u>\$ 85,807</u>

Depreciation expense was \$3.4 million and \$6.3 million for the three and six months ended October 27, 2018, respectively, and \$3.1 million and \$6.1 million for the three and six months ended October 28, 2017, respectively.

3. DEBT

At October 27, 2018, a subsidiary of the Company maintained unsecured revolving credit facilities with banks aggregating \$100 million (the “Credit Facilities”). The Credit Facilities expire from October 3, 2020 to June 18, 2021 and any borrowings would currently bear interest at .9% above one-month LIBOR. There were no borrowings outstanding under the Credit Facilities at October 27, 2018 or April 28, 2018. At October 27, 2018, \$2.1 million of the Credit Facilities was reserved for standby letters of credit and \$97.9 million was available for borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios, including debt to net worth and debt to EBITDA (as defined in the Credit Facilities), and contain other restrictions, none of which are expected to have a material effect on our operations or financial position. At October 27, 2018, we were in compliance with all loan covenants.

4. STOCK-BASED COMPENSATION

During the six months ended October 27, 2018, options to purchase 18,500 shares were exercised (weighted average exercise price of \$17.59 per share). At October 27, 2018, options to purchase 328,445 shares (weighted average exercise price of \$10.68 per share) were outstanding and stock-based awards to purchase 2,814,413 shares of common stock were available for grant.

5. DERIVATIVE FINANCIAL INSTRUMENTS

From time to time, we enter into aluminum swap contracts to partially mitigate our exposure to changes in the cost of aluminum cans. Such financial instruments are designated and accounted for as a cash flow hedge. Accordingly, gains or losses attributable to the effective portion of the cash flow hedge are reported in Accumulated Other Comprehensive Income (Loss) (“AOCI”) and reclassified into cost of sales in the period in which the hedged transaction affects earnings. The ineffective portion of the change in fair value of our cash flow hedge was immaterial. The following summarizes the gains (losses) recognized in the Consolidated Statements of Income and AOCI relative to the cash flow hedge for the three and six months ended October 27, 2018 and October 28, 2017:

	(In thousands)			
	Three Months Ended		Six Months Ended	
	2018	2017	2018	2017
Recognized in AOCI:				
Gain before income taxes	\$ 1,076	\$ 5,523	\$ 7,424	\$ 4,556
Less income tax provision	257	2,049	1,776	1,690
Net	<u>\$ 819</u>	<u>\$ 3,474</u>	<u>\$ 5,648</u>	<u>\$ 2,866</u>
Reclassified from AOCI to cost of sales:				
Gain before income taxes	\$ 4,596	\$ 362	\$ 13,530	\$ 393
Less income tax provision	1,061	135	3,126	146
Net	<u>\$ 3,535</u>	<u>\$ 227</u>	<u>\$ 10,404</u>	<u>\$ 247</u>
Net change to AOCI	<u>\$ (2,716)</u>	<u>\$ 3,247</u>	<u>\$ (4,756)</u>	<u>\$ 2,619</u>

As of October 27, 2018, the notional amount of our outstanding aluminum swap contracts was \$43.0 million and, assuming no change in commodity prices, \$101,456 of unrealized gains before tax will be reclassified from AOCI and recognized in earnings over the next 12 months. See Note 1.

As of October 27, 2018, the fair value of the derivative asset was \$101,456 which was included in prepaid and other assets. At April 28, 2018, the fair value of the derivative asset was \$6.2 million, which was included in prepaid and other assets. Such valuation does not entail a significant amount of judgment and the inputs that are significant to the fair value measurement are Level 2 as defined by the fair value hierarchy as they are observable market based inputs or unobservable inputs that are corroborated by market data.

6. RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In May 2014, the FASB issued Accounting Standards Update No. 2014-09, “Revenue from Contracts with Customers” (“ASU 2014-09”). ASU 2014-09 requires an entity to recognize revenue in an amount that reflects the consideration it expects to receive in exchange for goods or services. On August 12, 2015, the FASB issued ASU 2015-14 which deferred the effective date of ASU 2014-09 by one year and is effective for annual and fiscal periods beginning after December 15, 2017. We adopted the revenue recognition standard as of April 29, 2018 using the modified retrospective approach for all contracts at the date of initial adoption. Upon adoption of the guidance, there was no material impact to the Company’s consolidated financial statements.

In February 2016, the FASB issued Accounting Standards Update No. 2016-02, “Leases” (“ASU 2016-02”). ASU 2016-02 requires the lease rights and obligations arising from lease contracts, including existing and new arrangements, to be recognized as assets and liabilities on the balance sheet. In March 2018, the FASB approved a new optional transition method that will give companies the option to use the effective date as the date of initial application on transition. We plan to elect this transition method, and as a result, we intend to adjust our financial information prospectively as of the effective date. ASU 2016-02 is effective for our fiscal year beginning April 28, 2019. We anticipate the adoption of this standard will result in an increase in lease-related assets and liabilities on our consolidated balance sheet. We continue to evaluate the impact on the consolidated statement of income. As the impact of this standard is non-cash in nature, we do not anticipate its adoption having an impact on the consolidated statement of cash flows.

In August 2017, the FASB issued Accounting Standards Update 2017-12, “Targeted Improvements to Accounting for Hedge Activities” (“ASU 2017-12”). This amendment simplifies the application of hedge accounting and enables companies to better portray the economics of risk management activities in their financial statements. ASU 2017-12 is effective for our fiscal year beginning April 28, 2019. We are currently evaluating the potential impact of adopting this guidance on our consolidated financial statements.

7. LEGAL PROCEEDINGS

The Company has been named a defendant in certain legal proceedings, including derivative and class action complaints. The Company believes each complaint is without merit and is pursuing vigorous defenses. The Company further believes litigation will not have a material adverse effect on the Company’s financial position, cash flows or results of operations.

8. SUBSEQUENT EVENT

On November 20, 2018, the Company declared a special cash dividend of \$2.90 per share payable to shareholders of record on November 30, 2018. The cash dividend, expected to approximate \$135 million, will be paid on or before January 29, 2019.

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

OVERVIEW

National Beverage Corp. innovatively refreshes America with a distinctive portfolio of sparkling waters, juices and, to a lesser degree, energy drinks. Over the past few years, our carbonated soft drink brands continue to be modified as we endeavor to make them more adaptable to our consumers. We believe our ingenious product designs, innovative packaging and imaginative flavors, along with our corporate culture and philosophy, make National Beverage unique as a stand-alone entity in the beverage industry.

Our strategy seeks the profitable growth of our products by (i) developing healthier beverages in response to the global shift in consumer buying habits and tailoring our beverage portfolio to the preferences of a diverse mix of ‘crossover consumers’ – a growing group desiring a healthier alternative to artificially sweetened and high-caloric beverages; (ii) emphasizing unique flavor development and variety throughout our brands that appeal to multiple demographic groups; (iii) maintaining points of difference through innovative marketing, packaging and consumer engagement and (iv) responding faster and more creatively to changing consumer trends that larger competitors who are burdened by legacy production, distribution complexity and costs cannot quickly comply with.

Our brands consist of beverages geared to the active and health-conscious consumer (“Power+ Brands”) including sparkling waters, energy drinks, and juices. Our portfolio of Power+ Brands includes LaCroix®, LaCroix Cúrate®, LaCroix NiCola® and Shasta® Sparkling Water products; Rip It® energy drinks and shots; and Everfresh®, Everfresh Premier Varietals™ and Mr. Pure® 100% juice and juice-based products. Additionally, we produce and distribute carbonated soft drinks including Shasta® and Faygo®, iconic brands whose consumer loyalty spans more than 125 years.

Presently, our primary market focus is the United States and Canada. Certain of our products are also distributed on a limited basis in other countries and expanding distribution to other regions is being considered. To service a diverse customer base that includes numerous national retailers, as well as thousands of smaller “up-and-down-the-street” accounts, we utilize a hybrid distribution system to deliver our products primarily through the warehouse delivery system and distributors.

National Beverage Corp. is incorporated in Delaware and began trading as a public company on the NASDAQ Stock Market in 1991. In this report, the terms “we,” “us,” “our,” “Company” and “National Beverage” mean National Beverage Corp. and its subsidiaries unless indicated otherwise.

Our operating results are affected by numerous factors, including fluctuations in the costs of raw materials, holiday and seasonal programming and weather conditions. While yesteryear we witnessed more seasonality, we continue to see higher sales during the summer when outdoor activities are more prevalent.

Our highly innovative business, where new beverages are developed and produced for selective holidays and ceremonial dates, should not be analyzed on the common three-month (quarterly) periods, traditionally found acceptable. Today, costly development projects and seasonal weather periods plus promotional packaging, make quarter-to-quarter comparisons unworthy statistics and forcing companies into decision making for that purpose is not truly beneficial for investors and shareholders alike.

Traditional and typical are not a part of an innovator’s vocabulary.

RESULTS OF OPERATIONS

Three Months Ended October 27, 2018 (second quarter of fiscal 2019) compared to Three Months Ended October 28, 2017 (second quarter of fiscal 2018)

Net sales for the second quarter of fiscal 2019 increased 6.8% to \$260.7 million compared to \$244.1 million for the second quarter of fiscal 2018. The increase in sales resulted primarily from a 8.5% increase in branded case volume and a higher average selling price. The volume increase includes 16.0% growth of our Power+ Brands, partially offset by a decline in Carbonated Soft Drinks. The Company discontinued its lower-margin, private-label carbonated soft drink business in the third quarter of Fiscal 2018, allowing future performance to be more focused on brand equity appreciation. Average selling price per case increased 5.7% due to pricing increases and changes in product mix.

Gross profit for the second quarter of fiscal 2019 increased 7.7% to \$103.5 million compared to \$96.1 million for the second quarter of fiscal 2018. The increase in gross profit is due to increased volume and growth in higher margin Power+ Brands. The cost of sales per case increased 5.4% primarily due to higher aluminum and freight costs. Gross margin was 39.7% compared to 39.4% for the second quarter of fiscal 2018.

Selling, general and administrative expenses for the second quarter of fiscal 2019 increased \$5.9 million to \$51.4 million from \$45.4 million for the second quarter of fiscal 2018. The increase was primarily due to higher distribution costs and marketing spending. As a percent of net sales, selling, general and administrative expenses increased to 19.7% from 18.6%.

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Other income, net includes interest income of \$1,189,000 for the second quarter of fiscal 2019 and \$315,000 for the second quarter of fiscal 2018. The increase in interest income is due to increased invested balances and returns on investments.

The Tax Cuts and Jobs Act (“the Tax Act”) which was signed into law on December 22, 2017 reduced the applicable federal statutory rate from 35% to 21% effective January 1, 2018. The federal statutory rate for fiscal 2018 was 30.4%. The Company’s effective income tax rate, based upon estimated annual income tax rates, was 22.9% for the second quarter of fiscal 2019 and 33.3% for the second quarter of fiscal 2018. The difference between the effective rate and the federal statutory rate of 21% was primarily due to the effects of state income taxes.

Six Months Ended October 27, 2018 (first six months of fiscal 2019) compared to Six Months Ended October 28, 2017 (first six months of fiscal 2018)

Net sales for the first six months of fiscal 2019 increased 9.8% to \$553.3 million compared to \$503.4 million for the six months of fiscal 2018. The increase in sales resulted primarily from a 13.0% increase in branded case volume and, to a lesser extent, a higher average selling price. The volume increase includes 22.8% growth of our Power+ Brands, partially offset by a decline in Carbonated Soft Drinks. Average selling price per case increased 4.0% due to pricing increases and changes in product mix.

Gross profit for the first six months of fiscal 2019 increased 9.3% to \$219.2 million compared to \$200.6 million for the first six months of fiscal 2018. The increase in gross profit is due to increased volume and growth in higher margin Power+ Brands. The cost of sales per case increased 4.7% primarily due to higher aluminum and freight costs. As a result, gross margin declined slightly to 39.6% compared to 39.8% for the first six months of fiscal 2018.

Selling, general and administrative expenses for the first six months of fiscal 2019 increased \$11.9 million to \$104.1 million from \$92.1 million for the first six months of fiscal 2018. The increase was primarily due to distribution and marketing spending. As a percent of net sales, selling, general and administrative expenses increased to 18.8% from 18.3%.

Other income, net includes interest income of \$2,060,000 for the first six months of fiscal 2019 and \$596,000 for the first six months of fiscal 2018. The increase in interest income is due to increased invested balances and returns on investments.

The Tax Act which was signed into law on December 22, 2017 reduced the applicable federal statutory rate from 35% to 21% effective January 1, 2018. The federal statutory rate for fiscal 2018 was 30.4%. The Company’s effective income tax rate, based upon estimated annual income tax rates, was 23.2% for the first six months of fiscal 2019 and 33.7% for the first six months of fiscal 2018. The difference between the effective rate and the federal statutory rate of 21% was primarily due to the effects of state income taxes.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Our principal source of funds is cash generated from operations. At October 27, 2018, we maintained \$100 million unsecured revolving credit facilities, under which no borrowings were outstanding and \$2.1 million was reserved for standby letters of credit. We believe existing capital resources will be sufficient to meet our liquidity and capital requirements for the next twelve months.

On November 20, 2018, the Company declared a special cash dividend of \$2.90 per share payable to shareholders of record on November 30, 2018. The cash dividend, expected to approximate \$135 million, will be paid on or before January 29, 2019.

Cash Flows

The Company's cash position increased \$60.2 million for the second quarter of fiscal 2019, which compares to a decrease of \$7.5 million for the second quarter of fiscal 2018.

Net cash provided by operating activities for the first six months of fiscal 2019 amounted to \$76.2 million compared to \$72.3 million for the first six months of fiscal 2018. For the first six months of fiscal 2019, cash flow was principally provided by net income of \$89.9 million, an increase in accounts payable of \$3.1 million and depreciation and amortization aggregating \$7.4 million, offset in part by increases in inventory.

Net cash used in investing activities for the first six months of fiscal 2019 reflects capital expenditures of \$16.3 million, compared to capital expenditures of \$10.3 million for the first six months of fiscal 2018. The Company expects capital expenditures to increase in Fiscal 2019 primarily to expand production capacity to support volume growth.

Financial Position

During the first six months of fiscal 2019, our working capital increased to \$325.5 million from \$248.3 million at April 28, 2018. The increase in working capital was due to higher cash and inventory, partially offset by higher accounts payable. Trade receivables were flat, with days sales outstanding improving to 29.4 days from 31.4 days. Inventories increased \$19.9 million in anticipation of future sales growth. Inventory turns declined to 7.6 from 9.5 times. At October 27, 2018, the current ratio increased to 4.1 to 1 compared to 3.4 to 1 at April 29, 2018, primarily due to the effect of cash balances and inventory.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There have been no material changes in market risks from those reported in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018.

ITEM 4. CONTROLS AND PROCEDURES

As of the end of the period covered by this report, we carried out an evaluation, under the supervision and with the participation of the Company's management, including our Chief Executive Officer and Principal Financial Officer, of the effectiveness of the design and operation of our "disclosure controls and procedures" (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Principal Financial Officer concluded that our disclosure controls and procedures were effective to ensure information required to be disclosed by us in reports we file or submit under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and (2) accumulated and communicated to our management, including our Chief Executive Officer and Principal Financial Officer, to allow timely decisions regarding required disclosure.

There were no changes in our internal control over financial reporting during our most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q (the “Form 10-Q”) constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risk, uncertainties and other factors that may cause the actual results, performance or achievements of our 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 new product and flavor introductions, fluctuations in the costs of raw materials and packaging supplies, ability to pass along cost increases to our customers, labor strikes or work stoppages or other interruptions in the employment of labor, continued retailer support for our products, changes in brand image, consumer preferences and our success in creating products geared toward consumers’ tastes, success in implementing business strategies, changes in business strategy or development plans, government regulations, taxes or fees imposed on the sale of our products, unfavorable weather conditions and other factors referenced in this Form 10-Q. For a further list and description of various risks, relevant factors and uncertainties that could cause future results or events to differ materially from those expressed or implied in our forward-looking statements, see the “Risk Factors” and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” sections contained in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018 and other filings with the Securities and Exchange Commission. We disclaim 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.

PART II - OTHER INFORMATION**ITEM 1A. RISK FACTORS**

There have been no material changes in risk factors from those reported in our Annual Report on Form 10-K for the fiscal year ended April 28, 2018.

ITEM 6. EXHIBITS

<u>Exhibit No.</u>	<u>Description</u>
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101	The following financial information from National Beverage Corp. Quarterly Report on Form 10-Q for the quarterly period ended October 27, 2018, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets; (ii) Consolidated Statements of Income; (iii) Consolidated Statements of Comprehensive Income; (iv) Consolidated Statements of Shareholders' Equity; (v) Consolidated Statements of Cash Flows; and (vi) the Notes to Consolidated Financial Statements.

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: December 6, 2018

National Beverage Corp.
(Registrant)

By: /s/ George R. Bracken
George R. Bracken
Executive Vice President – Finance
(Principal Financial Officer)

CERTIFICATION

I, Nick A. Caporella, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Beverage Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2018

/s/ Nick A. Caporella

Nick A. Caporella
Chairman of the Board and
Chief Executive Officer

CERTIFICATION

I, George R. Bracken, certify that:

1. I have reviewed this quarterly report on Form 10-Q of National Beverage Corp.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: December 6, 2018

/s/ George R. Bracken

George R. Bracken

Executive Vice President – Finance

(Principal Financial Officer)

**CERTIFICATION PURSUANT TO 18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of National Beverage Corp. (the "Company") on Form 10-Q for the period ended October 27, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Nick A. Caporella, Chairman of the Board and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: December 6, 2018

/s/ Nick A. Caporella

Nick A. Caporella
Chairman of the Board and
Chief Executive Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

In connection with the Quarterly Report of National Beverage Corp. (the "Company") on Form 10-Q for the period ended October 27, 2018 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George R. Bracken, Executive Vice President - Finance of the Company, certify, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Report fairly presents, in all material respects, the financial condition and result of operations of the Company.

Date: December 6, 2018

/s/ George R. Bracken

George R. Bracken

Executive Vice President – Finance

(Principal Financial Officer)