FORM 10-Q

Quarterly report pursuant to sections 13 or 15(d)

Filing Date: **1999-09-10** | Period of Report: **1999-07-30**
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FILER

EVANS BOB FARMS INC
CIK:**33769**| IRS No.: **314421866** | State of Incorp.:**DE** | Fiscal Year End: **0425**
Type: **10-Q** | Act: **34** | File No.: **000-01667** | Film No.: **99709333**
SIC: **5812** Eating places

Mailing Address
3776 S HIGH STREET
COLUMBUS OH 43207

Business Address
3776 S HIGH ST
COLUMBUS OH 43207
6144421866

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

(Mark One)

(X) QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended July 30, 1999

OR

( ) TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE

SECURITIES EXCHANGE ACT OF 1934

For the transition period from

Commission file number 0-1667

Bob Evans Farms, Inc.

(Exact name of registrant as specified in its charter)

Delaware	31-4421866
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

3776 South High Street Columbus, Ohio 43207

(Address of principal executive offices) (Zip Code)

(614) 491-2225

(Registrant's telephone number, including area code)

(Former name, former address and formal fiscal year, if changed since last report)

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

As of the close of the period covered by this report, the registrant had issued 42,638,118 common shares, of which 39,475,175 were outstanding.

BOB EVANS FARMS, INC.
PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS

<TABLE>
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	(Dollars in thousands) July 30, 1999	April 30, 1999
	Unaudited	Audited
<S>	<C>	<C>
ASSETS		
Current assets		
Cash and equivalents	$ 17,521	$ 25,455
Accounts receivable	13,782	17,036
Inventories	14,525	14,299
Deferred income taxes	8,150	8,150
Prepaid expenses	2,811	1,697
TOTAL CURRENT ASSETS	56,789	66,637
Property, plant and equipment	767,118	750,412
Less accumulated depreciation	263,894	257,043
NET PROPERTY, PLANT AND EQUIPMENT	503,224	493,369
Other assets		
Deposits and other	2,870	3,505
Long-term investments	9,872	8,331
Deferred income taxes	9,767	9,767
Cost in excess of net assets acquired	8,232	8,360
Other intangible assets	439	483
TOTAL OTHER ASSETS	31,180	30,446
	$ 591,193	$ 590,452
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Line of credit	$ 36,100	$ 25,000
Accounts payable	9,794	9,559
Dividends payable	3,553	3,626
Federal and state income taxes	5,817	896
Accrued wages and related liabilities	11,211	17,009
Other accrued expenses	41,128	44,919
TOTAL CURRENT LIABILITIES	107,603	101,009
Long-term liabilities		
Deferred compensation	1,951	1,190
Deferred income taxes	17,325	17,325
Notes payable (net of discount of $80 at July 30, 1999, and $97 at April 30, 1999)	850	833
TOTAL LONG-TERM LIABILITIES	20,126	19,348
Stockholders' equity		
Common stock, $.01 par value; authorized 100,000,000 shares; issued 42,638,118 shares at July 30, 1999, and April 30, 1999	426	426
Preferred stock, authorized 1,200 shares; issued 120		

shares at July 30, 1999, and April 30, 1999	60	60
Capital in excess of par value	149,674	151,364
Retained earnings	378,491	366,924
Treasury stock, 3,162,943 shares at July 30, 1999, and 2,353,332 shares at April 30, 1999, at cost	(65,187)	(48,679)
TOTAL STOCKHOLDERS' EQUITY	463,464	470,095
	$ 591,193	$ 590,452

</TABLE>

The accompanying notes are an integral part of the financial statements.

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
UNAUDITED

<TABLE>
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(Dollars in thousands, except per share amounts)

	Three Months Ended	
	July 30, 1999	July 24, 1998
<S>	<C>	<C>
NET SALES	$ 243,757	$ 240,337
Cost of sales	69,046	71,990
Operating wage and fringe benefit expenses	80,324	75,156
Other operating expenses	35,026	32,802
Selling, general and administrative expenses	26,882	29,334
Depreciation expense	8,499	8,314
OPERATING INCOME	23,980	22,741
Net interest income (expense)	20	(356)
INCOME BEFORE INCOME TAXES	24,000	22,385
PROVISIONS FOR INCOME TAXES		
Federal	7,248	6,760
State	1,632	1,522
	8,880	8,282
NET INCOME	$ 15,120	$ 14,103
EARNINGS PER SHARE - BASIC	$ .38	$ .34
EARNINGS PER SHARE - DILUTED	$ .38	$ .34
CASH DIVIDENDS PER SHARE	$ .09	$ .08

</TABLE>

The accompanying notes are an integral part of the financial statements

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
UNAUDITED

<TABLE>
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(Dollars in thousands)

	Three Months Ended	
	July 30, 1999	July 24, 1998
<S>	<C>	<C>
OPERATING ACTIVITIES:		
Net income	$ 15,120	$ 14,103
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	8,774	8,614
Loss (gain) on sale of property and equipment	(93)	6
Deferred compensation	722	0
Compensation expense attributable to stock plans	229	297
Cash provided by (used for) current assets and current liabilities:		
Accounts receivable	3,254	(107)
Inventories	(226)	1,628
Prepaid expenses	(1,114)	(1,177)
Accounts payable	235	(197)
Federal and state income taxes	4,921	7,762
Accrued wages and related liabilities	(5,798)	(4,018)
Other accrued expenses	(4,065)	(659)
NET CASH PROVIDED BY OPERATING ACTIVITIES	21,959	26,252
INVESTING ACTIVITIES:		
Purchase of property, plant and equipment	(18,889)	(9,664)
Purchase of long-term investments	(1,644)	(1,309)
Proceeds from sale of property, plant and equipment	628	51
Other	635	58
NET CASH USED IN INVESTING ACTIVITIES	(19,270)	(10,864)
FINANCING ACTIVITIES:		
Cash dividends paid	(3,627)	(3,337)
Line of credit	11,100	3,130
Purchase of treasury stock	(18,635)	(3,154)
Interest accrued on long-term notes	17	23
Distribution of treasury stock due to the exercise of stock options and employee bonuses	522	1,424
NET CASH USED IN FINANCING ACTIVITIES	(10,623)	(1,914)
Increase (decrease) in cash and equivalents	(7,934)	13,474
Cash and equivalents at the beginning of the period	25,455	15,397
Cash and equivalents at the end of the period	$ 17,521	$ 28,871

</TABLE>

The accompanying notes are an integral part of the financial statements.

NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

UNAUDITED

1. Unaudited Financial Statements

The accompanying unaudited financial statements are presented in accordance with the requirements of Form 10-Q and, consequently, do not include all of the disclosures normally required by generally accepted accounting principles, or those normally made in the company's Form 10-K filing. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. No significant changes have occurred in the disclosures made in Form 10-K for the fiscal year ended April 30, 1999 (refer to Form 10-K for a summary of significant accounting policies followed in the preparation of the consolidated financial statements).

2. Earnings Per Share

Basic earnings per share computations are based on the weighted-average number of shares of common stock outstanding during the period presented. Diluted earnings per share calculations reflect the assumed exercise and conversion of employee stock options.

The numerator in calculating both basic and diluted earnings per share for each period is reported net income. The denominator is based on the following weighted-average number of common shares outstanding:

<TABLE>
<CAPTION>

	(in thousands) Three Months Ended	
	July 30, 1999	July 24, 1998
<S>	<C>	<C>
Basic	39,926	41,665
Effect of dilutive stock options	221	265
Diluted	40,147	41,930

</TABLE>

3. Industry Segments

The company's operations include restaurant operations and the processing and sale of food and related products. The revenues from these segments include both sales to unaffiliated customers and intersegment sales, which are accounted for on a basis consistent with sales to unaffiliated customers. Intersegment sales and other intersegment transactions have been eliminated in the consolidated financial statements. Information on the company's operating segments is summarized as follows:

	(in thousands) Three Months Ended	
	July 30, 1999	July 24, 1998
Sales		
Restaurant Operations	$193,783	$177,843
Food Products	57,202	70,698
	250,985	248,541
Intersegment sales of food products	(7,228)	(8,204)
Total	$243,757	$240,337
Operating Income		
Restaurant Operations	$19,919	$17,939
Food Products	4,061	4,802
Total	$23,980	$22,741

4. Reclassifications

Certain prior period amounts have been reclassified to conform to the current classification.

5. New Accounting Standards

In 1998, the FASB issued SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities. SFAS No. 133 requires an entity to recognize all derivatives as either assets or liabilities in the statement of financial position and measure those instruments at fair value. Gains or losses resulting from changes in the values of those derivatives would be accounted for depending on the use of the derivative and whether it qualifies for hedge accounting. The company is currently assessing the impact of this statement on the company's consolidated financial statements and plans to adopt SFAS No. 133 in fiscal 2002.

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

During the fourth quarter of fiscal 1999, the company sold its salad production and charcoal manufacturing businesses. As a result, certain comparisons of the first quarter of fiscal 2000 to the same period in fiscal 1999 have been adjusted to exclude the effect of the businesses sold. The company's results of operations for the first quarter of fiscal 1999 included net sales and operating income of $15.6 million and $0.5 million, respectively, from the divested businesses.

SALES

Consolidated net sales increased $3.4 million, or 1.4%, for the first quarter ended July 30, 1999, compared to the corresponding quarter a year ago.

Excluding the divested businesses, consolidated net sales increased $19.0 million, or 8.5%, for the first quarter of fiscal 2000 compared to a year ago. Restaurant segment sales accounted for approximately 79% of total sales in the first quarter of fiscal 2000.

The restaurant segment's sales increased $15.9 million (9.0%) in the first quarter due to an increase in same-store sales of 4.9 % as well as an additional 17 restaurants in operation (424 restaurants in operation at the end of the first quarter this year versus 407 last year). The same-store sales increase, inclusive of an average menu price increase of 2.0%, reflects the continued trend of same-store sales gains since the third quarter of fiscal 1997.

The chart below summarizes the restaurant openings and closings during the last five quarters:

<TABLE>
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<S>	Beginning <C>	Opened <C>	Closed <C>	Ending <C>
Fiscal 2000				
1st quarter	424	1	1	424
Fiscal 1999				
1st quarter	408	0	1	407
2nd quarter	407	2	1	408
3rd quarter	408	5	1	412
4th quarter	412	13	1	424

</TABLE>

The company expects to open approximately 26 stores in fiscal 2000.

The food products segment sales, excluding the divested businesses, increased $3.1 million (6.6%) over the same period a year ago. A 10% increase in comparable pounds of sausage products sold contributed to the increase in net sales.

COST OF SALES

Consolidated cost of sales (cost of materials) was 28.3% of sales in the first quarter of fiscal 2000 compared to 30.0% of sales in the first quarter of fiscal 1999. Restaurant segment cost of sales (food cost) was more favorable at 25.7% of sales for the first quarter compared to 26.0% of sales for the same period a year ago. Food products segment cost of sales decreased to 38.7% versus 41.2% of sales in the first quarter this year versus the corresponding period last year. Excluding Mrs. Giles and Hickory, food products cost of sales increased to 39.5% of sales in this year's first quarter from 39.1% of sales in the corresponding period a year ago. This increase was mainly due to hog costs averaging $32.60 per hundredweight for the first three months of fiscal 2000 versus $31.77 per hundredweight in the same period last year, a 2.6% increase.

OPERATING WAGE AND FRINGE BENEFIT EXPENSES

Consolidated operating wage and fringe benefit expenses increased to 33.0% of sales for the first quarter of fiscal 2000 compared to 31.3% for the corresponding period in fiscal 1999. In the restaurant segment, operating wage and fringe benefit expenses represented 38.1% of sales for the first three months of fiscal 2000 compared to 37.9% for the same period a year ago. In the food products segment (excluding Mrs. Giles and Hickory), operating wage and fringe benefit expenses were 12.8% of sales versus 12.1% for the corresponding quarter a year ago. Higher health insurance expense and higher hourly wage expense contributed to the increase in both segments' ratios.

OTHER OPERATING EXPENSES

Approximately 93% of other operating expenses occurred in the restaurant segment in the first quarter this year; the most significant components of which were advertising, utilities, restaurant supplies, repair and maintenance, general liability insurance and taxes (other than income taxes). Consolidated other operating expenses for the first three months of fiscal 2000, as a percentage of sales, were 14.4% compared to 13.6% in the same period a year ago. Excluding Mrs. Giles and Hickory, consolidated other operating expenses for the first three months of fiscal 2000, as a percentage of sales, were 14.5% compared to 14.2% for the corresponding period a year ago. The increase was due mostly to higher advertising expense offset partially by lower general liability insurance.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

As a percentage of sales, consolidated selling, general and administrative expenses were 11.0% and 12.2% in the first quarters of fiscal 2000 and fiscal 1999, respectively. Excluding Mrs. Giles and Hickory, consolidated selling, general and administrative expenses were 10.7% and 11.0% of sales in the first quarters of fiscal 2000 and fiscal 1999, respectively. The most significant components of selling, general and administrative expenses were wages, fringe benefits and food products segment promotional expenses. The decrease as a percentage of sales is primarily due to the fact that administrative costs remained somewhat steady while sales increased.

LIQUIDITY AND CAPITAL RESOURCES

Cash generated from both the restaurant and food products segments has been used as the main source of working capital and capital expenditure requirements. Bank lines of credit were also used for liquidity needs and capital expansion at various times. The total bank lines of credit available is $100.0 million, of which $36.1 million was outstanding at July 30, 1999.

The company believes that the funds needed for capital expenditures and working capital during the remainder of fiscal 2000 will be generated both internally and from available bank lines of credit. Longer-term financing alternatives will continue to be evaluated by the company as conditions warrant.

YEAR 2000

In 1998, the company established a formal plan to assess the impact of the year 2000 issue on the software and hardware utilized in its internal operations, including those that affect customers, suppliers and other constituents. The company has plans such that all changes to software and hardware necessitated by the year 2000 issue will be completed in a timely manner, and that all such systems will be year 2000 compliant by Dec. 31, 1999. The company is also contacting critical suppliers of products and services to determine that the suppliers' operations and the products and services they provide are year 2000 compliant. The current estimated costs associated with the necessary changes are not material in any year to the company's consolidated financial position, results of operations or cash flows. However, the company could be adversely impacted if its suppliers and customers do not make necessary changes to their own systems and products successfully and in a timely manner. All modification costs relating to this issue are expensed as incurred.

STATE OF READINESS: The company has addressed the impact on both information technology ("IT") and non-IT systems. An assessment of steps the company will take to address year 2000 problems, with all of its systems, is complete. The implementation of these steps and the testing of systems are more than 95% complete. All phases of implementation and testing are expected to be completed by the fall of 1999. The company is actively monitoring the status of year 2000 projects at third parties with which the company has material relationships.

COSTS TO ADDRESS YEAR 2000 ISSUES: Historical and estimated future costs of remediation are expected to total less than $500,000.

RISKS ASSOCIATED WITH YEAR 2000 ISSUES: Management believes that the aforementioned plan is comprehensive and will reduce the risks associated with year 2000 issues to a minimal level for its internal systems. The risks to the company of third parties' (e.g. utility companies, banks and other critical suppliers and customers) failure to be year 2000 compliant is difficult to determine, but could be potentially significant.

CONTINGENCY PLAN: The company does not yet have a formal contingency plan, but is in the process of creating one. The contingency plan is expected to be completed by December 15, 1999.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995
The statements contained in this report which are not historical fact are "forward-looking statements" that involve various important assumptions, risks, uncertainties and other factors which could cause the company's actual results for fiscal 2000 and beyond to differ materially from those expressed in such forward-looking statements. These important factors include, without limitation, changes in hog costs and the possibility of severe weather conditions where the company operates its restaurants, as well as other risks previously disclosed in the company's securities filings and press releases.

PART II - OTHER INFORMATION

ITEM 5. OTHER INFORMATION

As discussed in the company's Proxy Statement for the 1999 Annual Meeting of Stockholders, any qualified stockholder of the company who intends to submit a proposal at the 2000 Annual Meeting of Stockholders (the "2000 Annual Meeting") must submit such proposal to the company not later than April 11, 2000 to be considered for inclusion in the company's Proxy Statement and form of Proxy (the "Proxy Materials") relating to that meeting. If a stockholder intends to present a proposal at the 2000 Annual Meeting of Stockholders, but has not sought the inclusion of such proposal in the company's Proxy Materials, such proposal must be received by the company prior to June 27, 2000 or the company's management proxies for the 2000 Annual Meeting will be entitled to use their discretionary voting authority should such proposal then be raised, without any discussion of the matter in the company's Proxy Materials.

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits
27. Financial Data Schedule

(b) Reports on Form 8-K
None

SIGNATURES

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.

Bob Evans Farms, Inc.

Registrant

/s/ Daniel E. Evans

Daniel E. Evans
Chairman of the Board
(Chief Executive Officer)

/s/ Donald J. Radkoski

Donald J. Radkoski
Group Vice President and Treasurer
(Chief Financial Officer)

September 10, 1999

Date

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE CONDENSED CONSOLIDATED BALANCE SHEETS AND STATEMENTS OF INCOME OF BOB EVANS FARMS, INC. AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FORM 10-Q FOR THE PERIOD ENDED JULY 30, 1999.
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