

Turning Point Brands, Inc.
Form 10-Q
June 15, 2016

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2016

or

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

For the transition period from _____ to _____

Commission file number: 001-37763

TURNING POINT BRANDS, INC.
(Exact name of registrant as specified in its charter)

Delaware 20-0709285
(State or other jurisdiction of Incorporation or organization) (I.R.S. Employer Identification No.)

5201 Interchange Way, Louisville, KY 40229
(Address of principal executive offices) (Zip Code)

(502) 778-4421
(Registrant's telephone number, including area code)

Former name, former address and former fiscal year, if changed since last report: not applicable

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, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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Large accelerated filer

Accelerated filer

Non-accelerated filer

(Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

At June 14, 2016, there were 16,927,737 shares outstanding of the registrant's voting common stock, par value \$0.01 per share and 938,857 shares outstanding of the registrant's non-voting common stock, par value \$0.01 per share.

TURNING POINT BRANDS, INC.
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Turning Point Brands, Inc.

Consolidated Balance Sheets

(dollars in thousands except share data) (unaudited)

	March 31, 2016	December 31, 2015
ASSETS		
Current assets:		
Cash	\$2,940	\$ 4,835
Accounts receivable, net of allowances of \$137 in 2016 and 2015	2,649	3,940
Inventories	47,976	44,339
Other current assets	9,383	10,838
Total current assets	62,948	63,952
Property, plant and equipment, net	5,764	5,603
Deferred financing costs, net	191	208
Goodwill	128,697	128,697
Other intangible assets, net	8,553	8,553
Master Settlement Agreement - escrow deposits	31,856	31,842
Other assets	3,530	3,608
Total assets	\$241,539	\$ 242,463
LIABILITIES AND STOCKHOLDERS' DEFICIT		
Current liabilities:		
Accounts payable	\$4,895	\$ 4,087
Accrued expenses	9,743	11,053
Accrued interest expense	866	4,329
First lien term loan	1,650	1,650
Revolving credit facility	1,018	18
Total current liabilities	18,172	21,137
Notes payable and long-term debt	290,480	290,772
Deferred income taxes	7,054	7,013
Postretirement benefits	4,638	4,666
Pension benefits	428	487
Total liabilities	320,772	324,075
Commitments and contingencies		
Stockholders' deficit:		
Preferred stock; \$0.01 par value; authorized shares 40,000,000; issued and outstanding shares -0-		
Common stock, voting, \$0.01 par value; authorized shares, 190,000,000; issued shares, 2016 and 2015 7,312,642; outstanding shares, 2016 and 2015 6,259,480, shares held in treasury, 2016 and 2015 1,053,162	63	63
Common stock, nonvoting, \$0.01 par value; authorized shares, 10,000,000; issued and outstanding shares, 2016 and 2015 938,857	9	9
Additional paid-in capital	12,650	12,628
Accumulated other comprehensive loss	(3,389)	(3,512)
Accumulated deficit	(88,566)	(90,800)

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Total stockholders' deficit	(79,233)	(81,612)
Total liabilities and stockholders' deficit	\$ 241,539	\$ 242,463

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

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Turning Point Brands, Inc.

Consolidated Statements of Income

(dollars in thousands except share data)

(unaudited)

	Three Months Ended	
	March 31,	March 31,
	2016	2015
Net sales	\$49,866	\$51,086
Cost of sales	25,219	26,431
Gross profit	24,647	24,655
Selling, general and administrative expenses	13,738	12,671
Operating income	10,909	11,984
Interest expense and financing costs	8,462	8,482
Income before income taxes	2,447	3,502
Income tax expense	213	75
Net income	\$2,234	\$3,427
Basic earnings per common share:		
Net income	\$0.31	\$0.48
Diluted earnings per common share:		
Net income	\$0.27	\$0.41
Weighted average common shares outstanding:		
Basic - inclusive of voting and non-voting shares	7,198,337	7,197,523
Diluted - inclusive of voting and non-voting shares		