NATIONAL BEVERAGE CORP
Form 10-K
July 15, 2010

United States
Securities and Exchange Commission
Washington, D.C. 20549
FORM 10-K

þ **Annual Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the fiscal year ended May 1, 2010
or

o **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 1-14170
NATIONAL BEVERAGE CORP.
(Exact name of Registrant as specified in its charter)

Delaware	**59-2605822**
(State of incorporation)	(I.R.S. Employer Identification No.)

8100 SW Tenth Street, Suite 4000, Fort Lauderdale, Florida 33324
(Address of principal executive offices including zip code)
Registrant s telephone number, including area code: (954) 581-0922
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $.01 per share	The NASDAQ Stock Market LLC

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No þ

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes o No þ

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 and (2) has been subject to such filing requirements for the past 90 days. Yes þ No o

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 during the preceding 12 months. Yes o No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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.:

Large accelerated filer o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes o No þ

The aggregate market value of the common stock held by non-affiliates of Registrant computed by reference to the closing sale price on October 30, 2009 was approximately $121.3 million.

The number of shares of Registrant s common stock outstanding as of July 6, 2010 was 46,156,035.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant s Proxy Statement for the 2010 Annual Meeting of Shareholders are incorporated by reference in Part III of
Form 10-K.

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PART I

ITEM 1. BUSINESS

GENERAL

National Beverage Corp. develops, manufactures, markets and distributes a complete portfolio of quality beverage products throughout the United States. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. In this report, the terms we, us, our, Company and National Beverage mean National Beverage Corp. and its subsidiaries.

We consider ourselves to be a leader in the development and sale of flavored beverage products in the United States, offering a wide selection of flavored soft drinks, juices, sparkling waters, energy drinks and nutritionally-enhanced waters. Our flavor development spans over 100 years originating with our flagship brands, Shasta® and Faygo®, each of which has over 50 flavor varieties. We also offer the health-conscious consumer a diverse line of flavored beverage products, including Everfresh®, Home Juice® and Mr. Pure® 100% juice and juice-based products; LaCroix®, Crystal Bay® and ClearFruit® flavored, sparkling and spring water products; and ÀSanté® nutritionally-enhanced waters. In addition, we produce and market Rip It® energy drinks, Ohana® fruit-flavored drinks, St. Nick ®s holiday soft drinks, as well as effervescent powder beverage enhancers sold under the NutraFizz® brand name. Substantially all of our brands are produced in twelve manufacturing facilities that are strategically located near major metropolitan markets throughout the continental United States. To a lesser extent, we develop and produce soft drinks for certain retailers and beverage companies.

We utilize various means to maintain our position as a cost-effective producer of beverage products. These include centralized purchasing of raw materials, vertical integration of the manufacturing process, close proximity to customer distribution centers, regionally targeted media promotions and the use of multiple distribution systems. The strength of our brands and location of our manufacturing facilities distinguish us as a national supplier of beverages to national and regional retailers, mass merchandisers, wholesalers and discount stores.

Our strategy emphasizes the growth of our products by offering a branded beverage portfolio of proprietary flavors, supporting the franchise value of regional brands and expanding those brands with distinctive packaging and broad demographic emphasis, developing and acquiring innovative products tailored toward healthy lifestyles and appealing to the quality-value expectations of the family consumer. We believe that the regional share dynamics of our brands results in more retailer sponsored promotional activities which perpetuate consumer loyalty within local regional markets.

PRODUCTS

Shasta and Faygo, our traditional soft drink brands that emphasize flavor variety and innovation, have been manufactured and marketed throughout the United States for a combined period of over 200 years. Established more than 120 years ago and distributed nationally, Shasta is the largest of National Beverage s brands and includes multiple flavors of carbonated soft drinks as well as various water products. Established over 100 years ago, Faygo products are primarily distributed east of the Mississippi River and include a multi-

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flavored product line. We also produce and market other brands of soft drinks, juices, waters and other beverages, including Ritz®, Big Shot®, Everfresh, Mr. Pure, LaCroix, Crystal Bay, Ohana, Rip It , Mega Sport® and ÀSanté .
Our fantasy of flavors strategy emphasizes our distinctive flavored soft drinks, energy drinks, juices and other specialty beverages. Although cola drinks account for approximately 50% of the soft drink industry s domestic grocery channel volume, colas account for less than 20% of our total volume. We continue to emphasize expanding our beverage portfolio beyond traditional carbonated soft drinks through new product development inspired by lifestyle enhancement trends, innovative package enhancements and the development of products designed to provide functional benefits to the consumer. Such products include our lines of energy drinks and vitamin-enhanced waters. We intend to expand our product offerings through in-house development and acquisitions, to further our strategy within the evolving functional category geared toward consumer health and wellness.

MANUFACTURING

Our twelve manufacturing facilities are strategically located near major metropolitan markets across the continental United States, enabling us to efficiently manufacture and distribute beverages to substantially all geographic markets in the United States. Each manufacturing facility is generally equipped to produce both canned and bottled beverage products in a variety of package sizes. We utilize numerous package types and sizes, including cans ranging from eight to sixteen ounces and bottles ranging from seven ounces to three liters.

We believe that ownership of our bottling facilities provides an advantage over certain of our competitors that rely upon independent third party bottlers to manufacture and market their products. Since we control the national production, distribution and marketing of our brands, we believe we can more effectively manage product quality and customer service and respond quickly to changing market conditions.

We produce a substantial portion of the flavor concentrates used in our branded products. By controlling our own formulas throughout our bottling network, we can manufacture our products in accordance with uniform quality standards while tailoring flavors to regional taste preferences. We believe that the combination of a Company-owned bottling network servicing the United States, together with uniform standards for packaging, formulations and customer service, provides us with a strategic advantage in servicing national retailers and mass-merchandisers. We also maintain research and development laboratories at multiple locations. These laboratories continually test products for compliance with our strict quality control standards as well as conduct research for new products and flavors.

DISTRIBUTION

We utilize a hybrid distribution system to deliver our products through three primary distribution channels: take-home, convenience and food-service.

The take-home distribution channel consists of national and regional grocery stores, warehouse clubs, mass-merchandisers, wholesalers and dollar stores. We distribute our products to this channel through the warehouse distribution system and the direct-store delivery system. Under the warehouse distribution system, products are shipped from our manufacturing facilities to the retailer s centralized distribution centers and then distributed by the retailer to each of its outlet locations with other goods. Products sold through the direct-store delivery system are distributed directly to the customer s retail outlets by our direct-store delivery fleet and by independent distributors.

We also distribute our products to the convenience channel through our own direct-store delivery fleet and those of independent distributors. The convenience channel consists 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, we have undertaken several measures to expand convenience channel distribution. These include development of products specifically targeted to this market, such as ClearFruit, Crystal Bay, Rip It and ÀSanté. Additionally, we have created proprietary and specialized packaging with distinctive graphics for these products.

Our food-service division is responsible for sales to hospitals, schools, military bases, airlines, hotels and food-service wholesalers. Food-service products are distributed primarily through independent, specialized distributors. Additionally, our Company-owned direct-store distribution systems service certain schools and other institutions.

Our take-home, convenience and food-service operations use vending machines and glass-door coolers as marketing and promotional tools for our brands. We provide vending machines and coolers on a placement or purchase basis to our customers. We believe that the placement of vending and cooler equipment provides not only increased beverage sales, but also the enhancement of brand awareness and the development of brand loyalty.

SALES AND MARKETING

We sell and market our products through an internal sales force as well as select broker networks. Our sales force is organized to serve a specific market, focusing on one or more geographic territories, distribution channels or product lines. We believe that this focus allows our sales group to provide high level, responsive service and support to the customers and markets served.

Our sales and marketing programs emphasize maintaining and enhancing consumer brand recognition and loyalty and typically utilize a combination of regional advertising, special event marketing, endorsements and sponsorships, along with consumer coupon distribution. We retain advertising agencies to assist with media advertising programs for our brands. Additionally, we offer numerous promotional programs to retail customers, including cooperative advertising support, in-store advertising materials and other incentives. We believe these elements allow us to tailor marketing and advertising programs to meet local and regional economic conditions and demographics. We also seek to maintain points of difference between our brands and those of our competitors by combining high product quality, flavor innovation, unique packaging designs and, for some product lines, value pricing. Additionally, we sponsor special holiday promotions including St. Nick s soft drinks, which feature special holiday flavors and packaging.

Our regional share dynamics strategy emphasizes the acquisition and support of brands that have significant regional presence. We believe these types of products enjoy a regional identification that foster long-term consumer loyalty and make them less vulnerable to brand substitution. In addition, home-town products often generate more aggressive retailer sponsored promotional activities and receive media exposure through community activities and other local events.

RAW MATERIALS

Our centralized procurement group maintains relationships with numerous suppliers of raw materials and packaging goods. By consolidating the purchasing function for our manufacturing facilities, we believe we are able to procure more competitive arrangements with our suppliers, thereby allowing us to compete as a low-cost producer of beverages.

The products we produce and sell are made from various materials, including sweeteners, juice concentrates, carbon dioxide, water, glass and plastic bottles, aluminum cans and ends, paper, cartons and closures. Most of our low-calorie soft drink products use sucralose, aspartame or Acesulfame-K. We manufacture a substantial portion of our flavor concentrates and purchase remaining raw materials from multiple suppliers.

Substantially all of the materials and ingredients we purchase are presently available from several suppliers, although strikes, weather conditions, utility shortages, governmental control or regulations, national emergencies, price or supply fluctuations or other events outside our control could adversely affect the supply of specific materials. A significant portion of our raw material purchases, including aluminum cans, plastic bottles and high fructose corn syrup, are derived from commodities. Therefore, pricing and availability tend to fluctuate based upon worldwide market conditions. Our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. In certain cases, we may elect to enter into multi-year agreements for the supply of these materials with one or more suppliers, the terms of which may include variable or fixed pricing, minimum purchase quantities and/or the requirement to purchase all supplies for specified locations. Additionally, we use derivative financial instruments to partially mitigate our exposure to changes in certain raw material costs.

SEASONALITY

Our sales are seasonal with the highest volume typically realized during the summer months. We have sufficient production capacity to meet seasonal increases without maintaining significant quantities of inventory in anticipation of periods of peak demand. Sales volume may be affected by weather conditions.

COMPETITION

The beverage industry is highly competitive and our competitive position varies in each of our market areas. Our products compete with many varieties of liquid refreshment, including soft drinks, water products, juices, fruit drinks, powdered drinks, coffees, teas, energy drinks, sports drinks, dairy-based drinks, functional beverages and various other nonalcoholic beverages. We compete with bottlers and distributors of national, regional and private label products. Several competitors, including the two that dominate the soft drink industry, PepsiCo, Inc. and The Coca-Cola Company, have greater financial resources than we have and aggressive promotion of their products can adversely affect sales of our brands. Principal methods of competition in the beverage industry are price and promotional activity, advertising and marketing programs, point-of-sale merchandising, retail space management, customer service, product differentiation, packaging innovations and distribution methods. We believe our Company differentiates itself through a diversified product portfolio, strong regional brand recognition, innovative flavor variety, attractive packaging, efficient distribution methods, specialized advertising and, for some product lines, value pricing.

TRADEMARKS

We own numerous trademarks for our brands that are significant to our business. We intend to continue to maintain all registrations of our significant trademarks and use the trademarks in the operation of our businesses.

GOVERNMENTAL REGULATION

The production, distribution and sale of our products in the United States are subject to the Federal Food, Drug and Cosmetic Act; the Dietary Supplement Health and Education Act of 1994; the Occupational Safety and Health Act; the Lanham Act; various environmental statutes; and various other federal, state and local statutes regulating the production, transportation, sale, safety, advertising, labeling and ingredients of such products. Our management believes that we are in compliance, in all material respects, with such existing legislation.

Certain states and localities prohibit the sale of certain beverages unless a deposit or tax is charged for containers. These requirements vary by each jurisdiction. Similar legislation has been proposed in certain other states and localities, as well as by Congress. We are unable to predict whether such legislation will be enacted or what impact its enactment would have on our business, financial condition or results of operations.

All of our facilities in the United States are subject to federal, state and local environmental laws and regulations. Compliance with these provisions has not had any material adverse effect on our financial or competitive position. We believe that our current practices and procedures for the control and disposition of toxic or hazardous substances comply in all material respects with applicable law. Compliance with or violation of any current or future regulations could require material expenditures or have a material adverse effect on our financial results.

EMPLOYEES

As of May 1, 2010, we employed approximately 1,200 people, of which approximately 400 are covered by collective bargaining agreements. We believe that relations with employees are generally good.

AVAILABLE INFORMATION

Our Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, proxy statements and amendments to those reports are available free of charge on our website at www.nationalbeverage.com as soon as reasonably practicable after such reports are electronically filed with the Securities and Exchange Commission. In addition, our Code of Ethics is available on our website. The information on the Company s website is not part of this Annual Report on Form 10-K or any other report that we file with, or furnish to, the Securities and Exchange Commission.

ITEM 1A. RISK FACTORS

In addition to other information in this Form 10-K, the following risk factors should be considered carefully in evaluating the Company s business. Our business, financial condition and results of operations could be materially and adversely affected by any of these risks. Additional risks and uncertainties, including risks and uncertainties not presently known to the Company, or that the Company currently deems immaterial, may also impair our business and results of operations.

Changes in consumer preferences and taste. There has been an increasing focus on health and wellness by beverage consumers, which may reduce demand for caloric carbonated soft drinks and increase the consumption of products perceived to deliver health, wellness and/or functionality. If we do not adequately anticipate and react to changing demographics, consumer trends, health concerns and product preferences, our financial results could be adversely affected.

Competition. The beverage industry is extremely competitive. Our products compete with a broad range of beverage products, most of which are manufactured and distributed by companies with substantially greater financial, marketing and distribution resources. In order to generate future revenues and profits, we must continue to sell products that appeal to our customers and consumers. Discounting and other action by our competitors may make it more difficult to sustain revenues and profits.

Customer relationships. Our retail customer base has been consolidating over the last several years resulting in fewer customers with increased purchasing power. This increased purchasing power can limit our ability to increase pricing for our products with certain of our customers. Our inability to meet the demands of our larger customers could lead to a loss of business and adversely affect our financial results.

Raw materials and energy. The production of our products is dependent on certain raw materials, including aluminum, resin, linerboard and corn. In addition, the production and distribution of our products is dependent on energy sources, including natural gas, fuel and electricity. These items are subject to price volatility caused by numerous factors. Commodity price increases ultimately result in a corresponding increase in the cost of raw materials and energy. We may be limited in our ability to pass these increases on to our customers or may incur a loss in sales volume to the extent price increases are taken. In addition, strikes, weather conditions, governmental controls, national emergencies, natural disasters, supply shortages or other events could affect our continued supply of raw materials and energy. If raw materials or energy costs increase, or the availability is limited, our financial results could be adversely affected.

Governmental regulation. Our business and properties are subject to various federal, state and local laws and regulations, including those governing the production, packaging, quality, labeling and distribution of beverage products. In addition, various governmental agencies have considered imposing taxes on soda and other sugar-sweetened beverages, including those sweetened with high fructose corn syrup. New laws or regulations or changes in existing

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laws or regulations could negatively affect our financial results through lower sales or higher operating costs.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Our principal properties include twelve manufacturing facilities located in ten states, which aggregate approximately two million square feet. We own ten manufacturing facilities in the following states: California (2), Georgia, Kansas, Michigan (2), Ohio, Texas, Utah and Washington. Two manufacturing facilities, located in Maryland and Florida, are leased subject to agreements that expire through 2020. We believe our facilities are generally in good condition and sufficient to meet present needs.

The production of beverages is capital intensive but is not characterized by rapid technological change. The technological advances that have occurred have generally been of an incremental cost-saving nature, such as the industry s conversion to lighter weight containers or improved blending processes that enhance ingredient yields. We are not aware of any anticipated industry-wide changes in technology that would adversely impact our current physical production capacity or cost of production.

We own and lease trucks, vans and automobiles used in the sale, delivery and distribution of our products. In addition, we lease office and warehouse space, transportation equipment, office equipment, information systems equipment and certain manufacturing equipment.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are a party to various litigation matters arising in the ordinary course of business. We do not expect the ultimate disposition of such matters to have a material adverse effect on our consolidated financial position or results of operations.

ITEM 4. RESERVED

PART II

ITEM 5. MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

The common stock of National Beverage Corp., par value $.01 per share, (Common Stock) is listed on The NASDAQ Global Select Market under the symbol FIZZ . The following table shows the range of high and low prices per share of the Common Stock for the fiscal quarters indicated:

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	Fiscal Year Ended			
	May 1, 2010		May 2, 2009	
	High	Low	High	Low
First Quarter	$11.64	$ 9.25	$ 8.10	$6.72
Second Quarter	$12.00	$ 9.55	$10.10	$6.60
Third Quarter	$14.50	$10.37	$ 9.63	$6.61
Fourth Quarter	$11.82	$10.75	$11.23	$7.17

Of the estimated 4,500 holders of our Common Stock, including those whose securities are held in the names of various dealers and/or clearing agencies, there were 635 shareholders of record at July 6, 2010, according to records maintained by our transfer agent.

The Company paid special cash dividends of $62,295,000 ($1.35 per share) on January 22, 2010 and $36,711,000 ($.80 per share) on August 17, 2007. See Note 4 of Notes to Consolidated Financial Statements for certain restrictions on the payment of dividends.

In January 1998, the Board of Directors authorized the purchase of up to 800,000 shares of National Beverage common stock of which 502,060 shares have been purchased. There were no shares purchased during the last three fiscal years.

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Performance Graph

The following graph shows a comparison of the five-year cumulative returns of an investment of $100 cash on April 30, 2005, assuming reinvestment of dividends, in (i) our Common Stock, (ii) the NASDAQ Composite Index and (iii) a company-constructed peer group consisting of Coca-Cola Enterprises, Inc., Coca-Cola Bottling Company Consolidated and Cott Corporation. (PepsiAmericas, Inc. is no longer a public company as of February 2010 and therefore is not included in the company-constructed peer group.)

COMPARISON OF FIVE-YEAR CUMULATIVE TOTAL RETURN

	4/30/05	4/29/06	4/28/07	5/3/08	5/2/09	5/1/10
National Beverage Corp.	$100.00	$247.96	$254.25	$167.44	$217.78	$266.36
NASDAQ Composite	100.00	121.25	134.58	127.40	89.92	129.99
Peer Group	100.00	93.01	105.59	101.08	78.87	130.56

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data should be read in conjunction with the Company s financial statements and the accompanying notes listed in Item 8 of this report.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

(In thousands, except per share and footnote amounts)

	Fiscal Year Ended				
	May 1, 2010	May 2, 2009	May 3, 2008 (1)	April 28, 2007	April 29, 2006
SUMMARY OF OPERATIONS:					
Net sales	$ 593,465	$ 575,177	$ 566,001	$ 539,030	$ 516,802
Cost of sales (2)	396,450	405,322	393,420	365,793	349,131
Gross profit	197,015	169,855	172,581	173,237	167,671
Selling, general and administrative expenses	145,159	131,918	138,447	137,212	135,090
Interest expense	120	107	109	106	105
Other (expense) income net	(351)	967	1,053	2,587	2,416
Income before income taxes	51,385	38,797	35,078	38,506	34,892
Provision for income taxes	18,532	14,055	12,598	13,824	12,666
Net income	$ 32,853	$ 24,742	$ 22,480	$ 24,682	$ 22,226
PER SHARE DATA:					
Basic net income (3)	$ .71	$ .54	$ .49	$ .54	$ .49
Diluted net income (3)	.71	.54	.49	.54	.48
Closing stock price (3)	11.60	10.47	8.05	13.13	12.80
Cash dividends paid (4)	1.35		.80		.83
BALANCE SHEET DATA:					
Cash and equivalents	$ 68,566	$ 84,140	$ 51,497	$ 65,579	$ 42,119
Working capital	92,898	117,840	89,396	97,684	75,025
Property, plant and equipment net	53,401	56,141	57,639	57,369	56,027
Total assets	240,359	265,682	239,122	257,632	218,339
Deferred income tax liability	15,597	16,517	16,624	15,217	17,783
Shareholders equity (4)	141,572	170,012	144,625	157,361	130,860

(1) Fiscal 2008 consisted of 53 weeks.

(2) Fiscal 2006 cost of sales includes a fructose settlement gain of $8,382,000.

(3) Basic net income per share is computed by dividing earnings applicable to common shares by the weighted average number of shares outstanding. Diluted net income per share includes the dilutive effect of stock options. Net income per share and the closing stock price have been adjusted for the 20% stock dividend distributed on June 22, 2007.

(4) The Company paid special cash dividends of $62,295,000 ($1.35 per share), $36,711,000 ($.80 per share) and $38,021,000 ($.83 per share) on January 22, 2010, August 17, 2007 and January 27, 2006, respectively.

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ITEM 7. MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

OVERVIEW

National Beverage Corp. develops, manufactures, markets and distributes a complete portfolio of quality beverage products throughout the United States. Incorporated in Delaware in 1985, National Beverage Corp. is a holding company for various operating subsidiaries. In this report, the terms we, us, our, Company and National Beverage mean National Beverage Corp. and its subsidiaries.

We consider ourselves to be a leader in the development and sale of flavored beverage products in the United States, offering a wide selection of flavored soft drinks, juices, sparkling waters, energy drinks and nutritionally-enhanced waters. Our flavor development spans over 100 years originating with our flagship brands, Shasta® and Faygo®, each of which has over 50 flavor varieties. We also offer the health-conscious consumer a diverse line of flavored beverage products, including Everfresh®, Home Juice® and Mr. Pure® 100% juice and juice-based products; LaCroix®, Crystal Bay® and ClearFruit® flavored, sparkling and spring water products; and ÀSanté® nutritionally-enhanced waters. In addition, we produce and market Rip It® energy drinks, Ohana® fruit-flavored drinks, St. Nick s® holiday soft drinks, as well as effervescent powder beverage enhancers sold under the NutraFizz® brand name. Substantially all of our brands are produced in twelve manufacturing facilities that are strategically located near major metropolitan markets throughout the continental United States. To a lesser extent, we develop and produce soft drinks for certain retailers and beverage companies (allied brands).

Our strategy emphasizes the growth of our products by offering a branded beverage portfolio of proprietary flavors, supporting the franchise value of regional brands and expanding those brands with distinctive packaging and broad demographic emphasis, developing and acquiring innovative products tailored toward healthy lifestyles and appealing to the quality-value expectations of the family consumer. We believe that the regional share dynamics of our brands results in more retailer sponsored promotional activities which perpetuate consumer loyalty within local regional markets.

Our focus is to increase penetration of our brands in the convenience channel through Company-owned and independent distributors. The convenience channel consists 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 in this market, we have undertaken several measures to expand convenience channel distribution. These measures include development of new products and serving sizes specifically targeted for this market, such as ClearFruit, Crystal Bay, Rip It and ÀSanté. Additionally, we have created proprietary and specialized packaging with distinctive graphics for these products. We intend to continue our 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, our operating results are subject to numerous factors, including

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fluctuations in the costs of raw materials, changes in consumer preference for beverage products and competitive pricing in the marketplace.

RESULTS OF OPERATIONS

Net Sales

Net sales for the fiscal year ended May 1, 2010 (Fiscal 2010) increased 3.2% to $593,465,000 as compared to $575,177,000 for the fiscal year ended May 2, 2009 (Fiscal 2009). The net sales increase reflects case volume growth of 1.2% for our energy drinks, juices and waters and 5.1% for branded carbonated soft drinks. In addition, unit pricing increased .9% largely due to favorable product mix changes. This improvement was partially offset by a decline in allied branded volume.

Fiscal 2009 consisted of 52 weeks while the fiscal year ended May 3, 2008 (Fiscal 2008) consisted of 53 weeks. Net sales for Fiscal 2009 increased to $575,177,000 or 3.8% after adjusting for the effect of the extra week in Fiscal 2008. The net sales increase reflects case volume growth of 3.1% for our energy drinks, juices and waters and 2.1% for branded carbonated soft drinks. In addition, unit pricing increased 3.4% due to product mix and price increases instituted to recover higher raw material costs. This improvement was partially offset by a decline in allied branded volume.

Gross Profit

Gross profit approximated 33.2% of net sales for Fiscal 2010 and 29.5% of net sales for Fiscal 2009. The gross margin improvement was due to higher sales volume, favorable changes in product mix and lower raw material costs. Cost of goods sold per unit decreased 4.4%.

Gross profit approximated 29.5% of net sales for Fiscal 2009 and 30.5% of net sales for Fiscal 2008. The decline in gross margin was due to higher manufacturing and raw material costs and the effect of a $1,423,000 business interruption insurance recovery in Fiscal 2008. This decline was partially offset by the higher unit pricing noted above. Cost of goods sold per unit increased 4.9%.

Shipping and handling costs are included in selling, general and administrative expenses, the classification of which is consistent with many beverage companies. However, our gross margin may not be comparable to companies that include shipping and handling costs in cost of sales. See Note 1 of Notes to Consolidated Financial Statements.

Selling, General and Administrative Expenses

Selling, general and administrative expenses were $145,159,000 or 24.5% of net sales for Fiscal 2010 compared to $131,918,000 or 22.9% of net sales for Fiscal 2009. The increase in expenses was primarily due to higher marketing and administrative costs. Marketing costs reflect increased cooperative advertising programs with customers and increased brand support expenditures.

Selling, general and administrative expenses were $131,918,000 or 22.9% of net sales for Fiscal 2009 compared to $138,447,000 or 24.5% of net sales for Fiscal 2008. The decline in expenses was primarily due to lower distribution and marketing costs.

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Interest Expense and Other Income-Net

Interest expense is comprised of financing costs related to maintaining lines of credit. Other income includes interest income of $229,000 for Fiscal 2010, $865,000 for Fiscal 2009 and $1,218,000 for Fiscal 2008. The decline in interest income for Fiscal 2010 and Fiscal 2009 was due to lower investment yields. Other income for Fiscal 2009 includes a gain of $728,000 related to a legal settlement concerning certain leased property. See Note 7 of Notes to Consolidated Financial Statements.

Income Taxes

Our effective tax rate was approximately 36.1% for Fiscal 2010, 36.2% for Fiscal 2009 and 35.9% for Fiscal 2008. The difference between the effective rate and the federal statutory rate of 35% was primarily due to the effects of state income taxes, nondeductible expenses and nontaxable interest income. See Note 8 of Notes to Consolidated Financial Statements.

LIQUIDITY AND FINANCIAL CONDITION

Liquidity and Capital Resources

Our principal source of funds is cash generated from operations, which may be supplemented by borrowings available under our credit facilities. The Company maintains unsecured revolving credit facilities aggregating $75,000,000, of which $3,042,000 was utilized for standby letters of credit at May 1, 2010. We believe that existing capital resources, including cash and equivalents aggregating $68,566,000 as of May 1, 2010, will be sufficient to meet our capital requirements for the foreseeable future. See Note 4 of Notes to Consolidated Financial Statements.

Although we continually make capital improvements to expand our production capacity, enhance packaging capabilities or improve efficiencies at our manufacturing facilities, the Company did not have any material capital expenditure commitments as of May 1, 2010. We anticipate that Fiscal 2011 capital expenditures will be higher than Fiscal 2010 expenditures.

The Company paid special cash dividends of $62,295,000 ($1.35 per share) on January 22, 2010 and $36,711,000 ($.80 per share) on August 17, 2007. On June 22, 2007, the Company distributed a 20% stock dividend to shareholders.

Pursuant to a management agreement, we incurred a fee to Corporate Management Advisors, Inc. (CMA) of approximately $5,935,000 for Fiscal 2010, $5,752,000 for Fiscal 2009 and $5,660,000 for Fiscal 2008. At May 1, 2010, we owed $2,823,000 to CMA for unpaid management fees. See Note 5 of Notes to Consolidated Financial Statements.

Cash Flows

During Fiscal 2010, $54,385,000 was provided from operating activities, which was offset by $8,314,000 used for investing activities and $61,645,000 used for financing activities. Cash provided by operating activities increased $18,556,000 primarily due to higher earnings. Cash used in investing activities increased $4,823,000 due to changes in net marketable securities transactions and higher capital expenditures. Cash used in financing activities was $61,645,000, which includes the $62,295,000 cash dividend noted above.

During Fiscal 2009, $35,829,000 was provided from operating activities, which was partially offset by $3,491,000 used for investing activities. Cash provided by operating activities

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increased $1,841,000 primarily due to higher earnings. Cash used in investing activities decreased $9,222,000 due to changes in net marketable securities transactions and reduced capital expenditures. Cash provided by financing activities aggregated $305,000 in Fiscal 2009.

Financial Position

During Fiscal 2010, our working capital decreased $24,942,000 to $92,898,000 due to the special cash dividend paid in January 2010. Inventory decreased $4,940,000 due to lower raw material costs and reduced inventory levels. Prepaid and other assets decreased $1,368,000 primarily due to changes in income tax receivables. At May 1, 2010, the current ratio was 2.3 to 1, as compared to 2.7 to 1 at May 2, 2009.

During Fiscal 2009, our working capital increased $28,444,000 to $117,840,000 primarily due to cash provided from operations. Trade receivables increased $4,549,000 due to changes in customer mix and timing of customer payments. Prepaid and other assets decreased $6,457,000 primarily due to changes in income tax refunds. At May 2, 2009, the current ratio was 2.7 to 1, as compared to 2.3 to 1 at May 3, 2008.

CONTRACTUAL OBLIGATIONS

Contractual obligations at May 1, 2010 are payable as follows:

			(In thousands)		
		Less Than	1 to 3	3 to 5	More Than
	Total	1 Year	Years	Years	5 Years
Operating leases	$18,218	$5,180	$5,821	$2,350	$4,867

We have guaranteed the residual value of certain leased equipment in the amount of $11,300,000. Management believes that the net realizable value of such equipment will be in excess of the guaranteed amount when the lease terminates in July 2012.

We contribute to certain pension plans under collective bargaining agreements based on hours worked and to a discretionary profit sharing plan, none of which have any long-term contractual funding requirements. Contributions were $2,309,000 for Fiscal 2010, $2,304,000 for Fiscal 2009 and $2,237,000 for Fiscal 2008.

We maintain self-insured and deductible programs for certain liability, medical and workers compensation exposures. Other long-term liabilities include known claims and estimated incurred but not reported claims not otherwise covered by insurance, based on actuarial assumptions and historical claims experience. Since the timing and amount of claim payments vary significantly, we are not able to reasonably estimate future payments for the specific periods indicated in the table above.

We have standby letters of credit aggregating $3,042,000, which expire in fiscal 2011, that relate to our self-insurance programs. We expect to renew these standby letters of credit.

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OFF-BALANCE SHEET ARRANGEMENTS

We do not have any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our financial condition.

CRITICAL ACCOUNTING POLICIES

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Although these estimates are based on management s knowledge of current events and actions it may undertake in the future, they may ultimately differ from actual results. We believe that the critical accounting policies described in the following paragraphs comprise the most significant estimates and assumptions used in the preparation of our consolidated financial statements. For these policies, we caution that future events rarely develop exactly as estimated and the best estimates routinely require adjustment.

Credit Risk

We sell products to a variety of customers and extend credit based on an evaluation of each customer s financial condition, generally without requiring collateral. Exposure to credit losses varies by customer principally due to the financial condition of each customer. We monitor our exposure to credit losses and maintain allowances for anticipated losses based on specific customer circumstances, credit conditions and historical write-offs.

Impairment of Long-Lived Assets

All long-lived assets, excluding goodwill and intangible assets not subject to amortization, are evaluated for impairment on the basis of undiscounted cash flows whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. An impaired asset is written down to its estimated fair market value based on the best information available. Estimated fair market value is generally measured by discounting future cash flows. Goodwill and intangible assets not subject to amortization are evaluated for impairment annually or sooner if we believe such assets may be impaired. An impairment loss is recognized if the carrying amount or, for goodwill, the carrying amount of its reporting unit, is greater than its fair value.

Income Taxes

Our effective income tax rate is based on estimates of taxes which will ultimately be payable. Deferred taxes are recorded to give recognition to temporary differences between the tax bases of assets or liabilities and their reported amounts in the financial statements. Valuation allowances are established to reduce the carrying amounts of deferred tax assets when it is deemed, more likely than not, that the benefit of deferred tax assets will not be realized.

Insurance Programs

We maintain self-insured and deductible programs for certain liability, medical and workers compensation exposures. Accordingly, we accrue for known claims and estimated incurred but not reported claims not otherwise covered by insurance based on actuarial assumptions and historical claims experience.

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Sales Incentives

We offer various sales incentive arrangements to our customers which require customer performance or achievement of certain sales volume targets. In those circumstances when the incentive is paid in advance, we amortize the amount paid over the period of benefit or contractual sales volume. When the incentive is paid in arrears, we accrue the expected amount to be paid over the period of benefit or expected sales volume. The recognition of these incentives involves the use of judgment related to performance and sales volume estimates that are made based on historical experience and other factors. Sales incentives are accounted for as a reduction of sales and actual amounts ultimately realized may vary from accrued amounts.

NEW ACCOUNTING STANDARDS

See Note 1 of Notes to Consolidated Financial Statements for information about recently issued accounting standards.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Commodities

We purchase various raw materials, including aluminum cans, plastic bottles, high fructose corn syrup and various juice concentrates, the prices of which fluctuate based on commodity market conditions. Our ability to recover increased costs through higher pricing may be limited by the competitive environment in which we operate. At times, we manage our exposure to this risk through the use of supplier pricing agreements that enable us to establish the purchase prices for certain commodities. Additionally, we use derivative financial instruments to partially mitigate our exposure to changes in certain raw material costs.

Interest Rates

We had no debt-related interest rate exposure during Fiscal 2010. Our investment portfolio is comprised of highly liquid securities consisting primarily of short-term money market investments, the yields of which fluctuate based largely on short-term Treasury rates. If the yield of these investments had changed by 100 basis points (1%), interest income for Fiscal 2010 would have changed by approximately $435,000.

FORWARD-LOOKING STATEMENTS

National Beverage and its representatives may from time to time make written or oral statements relating to future events or results relative to our financial, operational and business performance, achievements, objectives and strategies. These statements are forward-looking within the meaning of the Private Securities Litigation Reform Act of 1995 and include statements contained in this report and other filings with the Securities and Exchange Commission and in reports to our stockholders. Certain statements including, without limitation, statements containing the words believes, anticipates, intends, plans, expects, and estimates constitute forward-looking statements and invo 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 in acquiring other beverage businesses, success of

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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 or difficulties in the employment of labor, continued retailer support for our products, changes in consumer preferences and our success in creating products geared toward consumers tastes, success of implementing business strategies, changes in business strategy or development plans, government regulations, taxes or fees imposed on the sale of our products, unseasonably cold or wet weather conditions and other factors referenced in this Form 10-K. 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.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
NATIONAL BEVERAGE CORP. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except share amounts)

	May 1, 2010	May 2, 2009
Assets		
Current assets:		
Cash and equivalents	$ 68,566	$ 84,140
Trade receivables net of allowances of $509 (2010) and $445 (2009)	53,834	53,735
Inventories	34,672	39,612
Deferred income taxes net	3,367	3,262
Prepaid and other assets	4,184	5,552
Total current assets	164,623	186,301
Property, plant and equipment net	53,401	56,141
Goodwill net	13,145	13,145
Intangible assets net	1,615	1,861
Other assets	7,575	8,234
	$ 240,359	$ 265,682
Liabilities and Shareholders Equity		
Current liabilities:		
Accounts payable	$ 48,428	$ 48,005
Accrued liabilities	23,170	20,142
Income taxes payable	127	314
Total current liabilities	71,725	68,461
Deferred income taxes net	15,597	16,517
Other liabilities	11,465	10,692
Shareholders equity:		
Preferred stock, 7% cumulative, $1 par value, aggregate liquidation preference of $15,000 - 1,000,000 shares authorized; 150,000 shares issued	150	150
Common stock, $.01 par value - 75,000,000 shares authorized; 50,188,819 shares (2010) and 50,045,718 shares (2009) issued	502	500
Additional paid-in capital	28,150	27,153
Retained earnings	130,767	160,209
Accumulated other comprehensive income	3	
Treasury stock at cost:		
Preferred stock - 150,000 shares	(5,100)	(5,100)
Common stock - 4,032,784 shares	(12,900)	(12,900)
Total shareholders equity	141,572	170,012