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 July 31, 2004

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.)
One North University Drive, Ft. Lauderdale, FL	33324
(Address of principal executive offices)	(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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of shares of registrant's common stock outstanding as of September 9, 2004 was 36,886,856.

NATIONAL BEVERAGE CORP.
QUARTERLY REPORT ON FORM 10-Q
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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
AS OF JULY 31, 2004 AND MAY 1, 2004
(In thousands, except share amounts)

	(Unaudited) July 31, 2004	May 1, 2004
Assets		
Current assets:		
Cash and equivalents	$ 43,342	$ 34,365
Trade receivables - net of allowances of $610 ($608 at May 1, 2004)	52,888	48,776
Inventories	32,632	29,754
Deferred income taxes - net	1,705	1,622
Prepaid and other	4,407	6,969
Total current assets	134,974	121,486
Property - net	59,419	59,535
Goodwill	13,145	13,145
Intangible assets - net	1,933	1,948
Other assets	3,414	3,777
	$212,885	$199,891
Liabilities and Shareholders' Equity		
Current liabilities:		
Accounts payable	$ 38,741	$ 37,138
Accrued liabilities	16,967	17,429
Income taxes payable	5,020	1,952
Total current liabilities	60,728	56,519
Deferred income taxes - net	14,905	14,930
Other liabilities	2,889	3,066
Shareholders' equity:		
Preferred stock, 7% cumulative, $1 par value, aggregate liquidation preference of $15,000 - 1,000,000 shares authorized; 150,000 shares issued; no shares outstanding	150	150
Common stock, $.01 par value - authorized 50,000,000 shares; issued 40,919,640 shares (40,894,440 shares at May 1, 2004)	409	409
Additional paid-in capital	18,777	18,646
Retained earnings	133,027	124,171
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	134,363	125,376
	$212,885	$199,891

See accompanying Notes to Condensed Consolidated Financial Statements.

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NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED JULY 31, 2004 AND AUGUST 2, 2003
(In thousands, except per share amounts)

	(Unaudited) 2004	2003
Net sales	$146,512	$145,665
Cost of sales	98,175	97,037
Gross profit	48,337	48,628
Selling, general and administrative expenses	34,126	35,108
Interest expense	25	36
Other income - net	75	137
Income before income taxes	14,261	13,621
Provision for income taxes	5,405	5,171
Net income	$ 8,856	$ 8,450
Net income per share -		
Basic	$ .24	$ .23
Diluted	$ .23	$ .22
Average common shares outstanding - basic	37,560	36,834
Dilutive stock options	704	1,304
Average common shares outstanding - diluted	38,264	38,138

See accompanying Notes to Condensed Consolidated Financial Statements.

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NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED JULY 31, 2004 AND AUGUST 2, 2003
(In thousands)

	(Unaudited) 2004	2003
Operating Activities:		
Net income	$ 8,856	$ 8,450
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	3,039	2,809
Deferred income tax provision (benefit)	(108)	212
Loss on sale of assets	5	5
Changes in assets and liabilities:		
Trade receivables	(4,112)	(12,488)
Inventories	(2,878)	(4,940)
Prepaid and other assets	2,289	1,024
Accounts payable	1,603	5,232
Accrued and other liabilities, net	2,513	4,178
Net cash provided by operating activities	11,207	4,482
Investing Activities:		
Property additions	(2,277)	(2,543)
Proceeds from sale of assets	—	2
Net cash used in investing activities	(2,277)	(2,541)
Financing Activities:		
Debt repayments	—	(250)
Purchase of common stock	—	(228)
Proceeds from stock options exercised	47	20
Net cash provided by (used in) financing activities	47	(458)
Net Increase in Cash and Equivalents	8,977	1,483
Cash and Equivalents — Beginning of Year	34,365	60,334
Cash and Equivalents — End of Period	$43,342	$ 61,817
Other Cash Flow Information:		
Interest paid	$ 26	$ 30
Income taxes paid	198	880

See accompanying Notes to Condensed Consolidated Financial Statements.

NATIONAL BEVERAGE CORP. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
JULY 31, 2004
(UNAUDITED)

1. BASIS OF PRESENTATION

National Beverage Corp. develops, manufactures, markets and distributes a complete portfolio of quality non-alcoholic beverage products throughout the United States. 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.

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (“GAAP”) and rules and regulations of the Securities and Exchange Commission for interim financial information. The financial statements do not include all information and notes required by GAAP for complete financial statements. 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.

These interim financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company’s Annual Report on Form 10-K for the fiscal year ended May 1, 2004.

2. STOCK-BASED COMPENSATION

As provided by SFAS 123 as amended, we use the intrinsic value method to account for stock based compensation awarded to employees, which generally does not recognize any compensation expense with respect to such awards unless the exercise price of options granted is less than the market price on the date of grant. Had the fair value method been used, net income and basic and diluted earnings per share for the three-month periods ended July 31, 2004 and August 2, 2003 would have been reduced on a pro forma basis by less than $100,000 and $.01 per share for each period.

During the three months ended July 31, 2004, options for 7,750 shares were granted at a weighted average exercise price of $5.00 and options for 25,200 shares were exercised at a weighted average exercise price of $1.86. At July 31, 2004, options to purchase 1,015,458 shares at a weighted average exercise price of $2.84 were outstanding and stock-based awards to purchase 2,451,022 shares of common stock were available for grant.

3. INVENTORIES

Inventories are stated at the lower of first-in, first-out cost or market. Inventories at July 31, 2004 are comprised of finished goods of $17,984,000 and raw materials of $14,648,000. Inventories at May 1, 2004 are comprised of finished goods of $16,349,000 and raw materials of $13,405,000.

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4. PROPERTY

Property consists of the following:

	(In thousands) July 31, 2004	May 1, 2004
Land	$ 10,187	$ 10,187
Buildings and improvements	37,964	37,693
Machinery and equipment	110,986	108,989
Total	159,137	156,869
Less accumulated depreciation	(99,718)	(97,334)
Property – net	$ 59,419	$ 59,535

Depreciation expense was $2,388,000 and $2,125,000 for the three-month periods ended July 31, 2004 and August 2, 2003, respectively.

5. DEBT

A subsidiary maintains unsecured revolving credit facilities aggregating $45 million (the "Credit Facilities") with banks. The Credit Facilities expire through February 1, 2006 and bear interest at 1/2% below the banks' reference rate or 1% above LIBOR, at the subsidiary's election. At July 31, 2004, there was no outstanding debt under the Credit Facilities and approximately $42 million was available for future borrowings.

The Credit Facilities require the subsidiary to maintain certain financial ratios and contain other restrictions, none of which are expected to have a material impact on our operations or financial position. At July 31, 2004, retained earnings of approximately $25 million were restricted from distribution.

6. COMMON STOCK

In January 1998, the Board of Directors authorized the purchase of up to 800,000 shares of National Beverage common stock. There were no shares purchased during the three months ended July 31, 2004 and aggregate shares purchased since January 1998 was 502,060. Such shares are classified as treasury stock.

On March 22, 2004, the Company distributed a 100% stock dividend to shareholders of record on March 8, 2004. Average shares outstanding and per share data presented in these financial statements have been adjusted retroactively for the effects of the stock dividend.

7. CHANGES IN ACCOUNTING STANDARDS

Management has reviewed the current changes in accounting standards and does not expect any of these changes to have a material impact on the Company.

ITEM 2. 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 non-alcoholic beverage products throughout the United States. 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.

Our lines of multi-flavored soft drinks, including those of our flagship brands, Shasta® and Faygo®, emphasize distinctive flavor variety. In addition, we offer an assortment of premium beverages geared to the health-conscious consumer, including Everfresh®, Home Juice®, and Mr. Pure® 100% juice and juice-based products; and LaCROIX®, Mt. Shasta™, Crystal Bay® and ClearFruit® flavored and spring water products. We also produce specialty products, including Rip It™, an energy drink geared toward young consumers, Ohana® fruit-flavored drinks and St. Nick's® holiday soft drinks. Substantially all of our brands are produced in 14 manufacturing facilities that are strategically located in major metropolitan markets throughout the continental United States. To a lesser extent, we develop and produce soft drinks for retail grocery chains, warehouse clubs, mass-merchandisers and wholesalers ("allied brands") as well as soft drinks for other beverage companies.

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

Over the last several years, we have focused on increasing penetration of our brands in the convenience channel through Company-owned and independent distributors. The convenience channel is composed of convenience stores, gas stations and other smaller "up-and-down-the-street" accounts. Because of the higher retail prices and margins that typically prevail, we have undertaken specific measures to expand distribution in this channel. These include development of products specifically targeted to this market, such as ClearFruit, Everfresh, Mr. Pure, Crystal Bay, and Rip It. Additionally, we have created proprietary and specialized packaging for these products with distinctive graphics. 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 fluctuations in the costs of raw materials, changes in consumer preference for beverage products and competitive pricing in the marketplace.

RESULTS OF OPERATIONS

Three Months Ended July 31, 2004 (first quarter of fiscal 2005) compared to
Three Months Ended August 2, 2003 (first quarter of fiscal 2004)

Net sales for the three months ended July 31, 2004 increased approximately 1% to $146.5 million compared to the first quarter of fiscal 2004. This increase was primarily the result of pricing improvements and favorable product mix changes. Sales volume was impacted by the soft retail environment during the summer period and a continued decline in allied business.

Gross profit approximated 33.0% of net sales for the first quarter of fiscal 2005 and 33.4% of net sales for the first quarter of fiscal 2004. This change was due to increases in fuel, utility and raw material costs partially offset by pricing improvements mentioned above.

Selling, general and administrative expenses were $34.1 million or 23.3% of net sales for the first quarter of fiscal 2005, compared to $35.1 million or 24.1% of net sales for last year. The decline was due to lower selling and marketing costs.

Interest expense declined during the first quarter of fiscal 2005 compared to the prior year due to reductions in average debt outstanding. Other income, which is comprised primarily of interest income, decreased due to a decline in average investments outstanding as a result of the $38.4 million cash dividend paid on April 30, 2004.

The Company’s effective rate for income taxes, based upon estimated annual income tax rates, approximated 37.9% of income before taxes for the first quarter of fiscal 2005 and 38.0% for fiscal 2004. 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.

Net income was $8,856,000 for the first quarter of fiscal 2005, compared to $8,450,000 for the first quarter of fiscal 2004.

LIQUIDITY AND FINANCIAL CONDITION

Capital Resources

Our current sources of capital are cash flow from operations and borrowings under existing credit facilities. We maintain unsecured revolving credit facilities aggregating $45 million of which approximately $42 million was available for future borrowings at July 31, 2004. We believe that existing capital resources are sufficient to meet our capital requirements and those of the parent company for the foreseeable future.

Cash Flows

During the first three months of fiscal 2005, we generated cash of $11.2 million from operating activities, which was partially offset by $2.3 million expended for investing activities. Cash provided by operating activities increased $6.7 million primarily due to an increase in earnings and a decrease in working capital requirements. Cash used in investing activities decreased $264,000 due to a reduction in property additions.

Financial Position

During the first three months of fiscal 2005, our working capital increased $9.3 million to $74.2 million primarily due to cash generated from operations. The increase in trade receivables, inventories and accounts payable was due to higher sales volume related to seasonality. The decrease in prepaid and other is due to changes in income tax refund receivables. At July 31, 2004, the current ratio was 2.2 to 1 compared to 2.1 to 1 at May 1, 2004.

Liquidity

We continually evaluate capital projects designed to expand capacity and improve efficiency at our manufacturing facilities. During fiscal 2004, management initiated programs intended to improve plant efficiency and, as a result, the Company expects that fiscal 2005 capital expenditures will be higher than fiscal 2004.

FORWARD-LOOKING STATEMENTS

Certain statements in this Quarterly Report on Form 10-Q (this “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 risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Company to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Such factors include, but are not limited to, the following: general economic and business conditions; pricing of competitive products; success in acquiring other beverage businesses; success of new product and flavor introductions; fluctuations in the costs of raw materials; our ability to increase prices; continued retailer support for our products; changes in consumer preferences; success of implementing business strategies; changes in business strategy or development plans; government regulations; regional weather conditions; and other factors referenced in this Form 10-Q. 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.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

There are no material changes to the disclosures made on this matter in the Company’s Annual Report on Form 10-K for the fiscal year ended May 1, 2004.

ITEM 4. CONTROLS AND PROCEDURES

As of July 31, 2004, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures. This evaluation was done under the supervision and with the participation of management, including our Chief Executive Officer (“CEO”) and Principal Financial Officer (“PFO”). Based on that evaluation, our CEO and PFO concluded that our disclosure controls and procedures as of July 31, 2004 were effective in timely alerting them to material information required to be included in this report. There has been no change in our internal control over financial reporting that occurred during our most recent fiscal quarter that has materially affected or is reasonably likely to materially affect our internal control over financial reporting.

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PART II — OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits:

Exhibit 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 31.2	Certification of Principal Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
Exhibit 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
Exhibit 32.2	Certification of Principal Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(b) Reports on Form 8-K:

On July 13, 2004, the Company filed a Form 8-K Current Report regarding a press release issued July 13, 2004, announcing the introduction of a new energy drink.

On July 20, 2004, the Company filed a Form 8-K Current Report regarding a press release issued July 20, 2004, announcing the Company's financial results for the fiscal year ended May 1, 2004.

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: September 14, 2004

National Beverage Corp.
(Registrant)

By: /s/ Dean A. McCoy
Dean A. McCoy
Senior Vice President and
Chief Accounting Officer

EXHIBIT 31.1

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)) 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) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c) 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 function):

   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: September 14, 2004

/s/ Nick A. Caporella

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

EXHIBIT 31.2

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)) 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. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosures controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   c. 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 function):

   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: September 14, 2004

/s/ George R. Bracken

George R. Bracken
Senior Vice President – Finance
(Principal Financial Officer)

EXHIBIT 32.1

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 July 31, 2004 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 the best of 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: September 14, 2004

/s/ Nick A. Caporella

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

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.

EXHIBIT 32.2

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 July 31, 2004 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, George R. Bracken, Senior 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 the best of 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: September 14, 2004

/s/ George R. Bracken

George R. Bracken
Senior Vice President – Finance
(Principal Financial Officer)

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.