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TODHUNTER INTERNATIONAL INC
Form 10-Q
May 15, 2001

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 March 31, 2001

Commission File No. 1-13453

TODHUNTER INTERNATIONAL, INC.

(Exact name of registrant as specified in its charter)

Delaware

59-1284057

(State or other jurisdiction of
incorporation or organization)

IRS Employer Identification No.

222 Lakeview Avenue, Suite 1500, West Palm Beach, Fl 33401

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (561) 655-8977

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 X No

The number of shares outstanding of registrant's Common Stock, \$.01 par value per share, as of May 9, 2001 was 5,513,734.

TODHUNTER INTERNATIONAL, INC.

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PART I - FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	March 31, 2001	
	-----	-----
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 2,256,795	\$
Short-term investments	7,068,264	
Trade receivables	15,619,324	
Other receivables	2,755,809	

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Inventories	25,339,487	
Notes receivable, current maturities	897,615	
Deferred income taxes	1,347,500	
Other current assets	5,346,920	
	-----	-----
Total current assets	60,631,714	
	-----	-----
LONG-TERM INVESTMENTS AND NOTES RECEIVABLE		
Investments in subsidiaries	1,277,701	
Note receivable from affiliate, less current maturities	3,431,157	
Notes receivable, less current maturities	2,731,695	
	-----	-----
	7,440,553	
	-----	-----
PROPERTY AND EQUIPMENT	81,520,073	
Less accumulated depreciation	41,415,651	
	-----	-----
	40,104,422	
	-----	-----
GOODWILL, less accumulated amortization	21,403,597	
	-----	-----
OTHER ASSETS	2,154,887	
	-----	-----
	\$ 131,735,173	\$
	=====	=====

*From audited financial statements.
See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	March 31,	
	2001	
	-----	-----
	(Unaudited)	
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES		
Current maturities of long-term debt	\$ 8,000,000	
Accounts payable	6,234,913	
Accrued interest expense	104,994	
Other accrued expenses	1,799,551	
	-----	-----
Total current liabilities	16,139,458	
LONG-TERM DEBT, less current maturities	52,679,531	

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DEFERRED INCOME TAXES	3,989,500
OTHER LIABILITIES	1,270,523
	74,079,012
STOCKHOLDERS' EQUITY	
Preferred stock, par value \$.01 per share; authorized 2,500,000 shares; no shares issued	-
Common stock, par value \$.01 per share; authorized 10,000,000 shares; issued 5,612,934 shares as of March 31, 2001 and September 30, 2000	56,129
Additional paid-in capital	18,326,014
Accumulated other comprehensive loss	(155,500)
Retained earnings	40,167,298
	58,393,941
Less cost of 99,200 shares of treasury stock	(737,780)
	57,656,161
	\$ 131,735,173

*From audited financial statements.
See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

	Six Months Ended March 31,		
	2001	2000	
Sales	\$ 62,314,094	\$ 60,819,573	\$ 3
Less excise taxes	14,576,620	16,900,111	
Net sales	47,737,474	43,919,462	2
Cost of goods sold	32,269,277	30,136,075	1
Gross profit	15,468,197	13,783,387	
Selling, general and administrative expenses	9,944,258	8,742,709	
Operating income	5,523,939	5,040,678	
Other income (expense):			

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Interest income	456,262	501,969	
Interest expense	(2,558,697)	(2,223,340)	
Equity in income (loss) of equity investee	59,896	(39,392)	
Other, net	117,732	121,012	
	<u>(1,924,807)</u>	<u>(1,639,751)</u>	
Income before income taxes and extraordinary item	3,599,132	3,400,927	
Income tax expense (benefit):			
Current	1,217,534	1,070,840	
Deferred	(349,000)	(290,000)	
	<u>868,534</u>	<u>780,840</u>	
Income before extraordinary item	2,730,598	2,620,087	
Extraordinary item - early extinguishment of debt, net of income taxes of \$382,075	-	(1,168,790)	
Net income	<u>\$ 2,730,598</u>	<u>\$ 1,451,297</u>	<u>\$</u>
Earnings per common share - basic:			
Income before extraordinary item	\$ 0.50	\$ 0.48	\$
Extraordinary item	-	(0.21)	
Net income	<u>\$ 0.50</u>	<u>\$ 0.27</u>	<u>\$</u>
Earnings per common share - diluted:			
Income before extraordinary item	\$ 0.49	\$ 0.47	\$
Extraordinary item	-	(0.21)	
Net income	<u>\$ 0.49</u>	<u>\$ 0.26</u>	<u>\$</u>
Common shares and equivalents outstanding:			
Basic	5,513,734	5,513,734	
Diluted	5,524,296	5,566,322	

See Notes to Consolidated Financial Statements.

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	Six Months Ended
	----- 2001 -----
CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	\$ 2,730,598
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	2,332,635
Amortization	757,482
(Gain) on sale of property and equipment	(37,981)
Equity in (income) loss of equity investee	(59,896)
Deferred income taxes	(349,000)
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(146,157)
Inventories	(1,809,909)
Other current assets	(2,264,736)
Increase (decrease) in:	
Accounts payable	1,158,533
Accrued interest expense	(2,041)
Other accrued expenses	(84,841)
Other liabilities	86,669

Net cash provided by operating activities	2,311,356

CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	64,283
Principal payments received on notes receivable	749,125
Purchase of property and equipment	(2,774,552)
Disbursements for notes receivable	(9,300)
Purchase of short-term investments	(2,224,916)
Redemption of short-term investments	-
Purchase of Monarch Wine Company	-
Investments in subsidiaries	(150,000)
Increase in other assets	(300,374)

Net cash used in investing activities	\$ (4,645,734)

(Continued)

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (Continued)
(Unaudited)

Six Months Ende

2001

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CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowings on line of credit	\$ 5,370,000
Proceeds from long-term borrowings	-
Principal payments on long-term borrowings	(4,024,693)

Net cash provided by financing activities	1,345,307

Net (decrease) in cash and cash equivalents	(989,071)
Cash and cash equivalents:	
Beginning	3,245,866

Ending	\$ 2,256,795
	=====
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	\$ 2,560,738
	=====
Income taxes	\$ 1,078,759
	=====
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES	
Acquisition of Monarch Wine Company:	
Cash purchase price	\$ -
	=====
Working capital acquired	\$ -
Goodwill	-
Operating lease assumed, to be abandoned	-

	\$ -
	=====

See Notes to Consolidated Financial Statements.

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TODHUNTER INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

Note 1. Basis of Presentation

The consolidated financial statements included herein have been prepared by the Company, without audit, pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. In the opinion of management, all adjustments, consisting only of normal recurring adjustments, necessary for a fair presentation of the financial

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information for the periods indicated have been included. For further information regarding the Company's accounting policies, refer to the consolidated financial statements and related notes included in the Company's Annual Report on Form 10-K for the year ended September 30, 2000.

Note 2. Inventories

The major components of inventories are:

	March 31, 2001 ----- (Unaudited)	September 30, 2000 -----
Finished goods	\$ 13,648,302	\$ 14,382,36
Work in process	1,123,767	928,48
Raw materials and supplies	10,567,418	8,218,73
	-----	-----
	\$ 25,339,487	\$ 23,529,57
	=====	=====

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued (Unaudited)

Note 3. Financing Arrangements

Long-term debt consists of the following as of March 31, 2001:

Term loans under a credit agreement (i), interest payable monthly based on either the Eurodollar or prime rate at the Company's option, plus an applicable margin as defined in the agreement. The interest rate at March 31, 2001 was 8.15%. Quarterly principal installments of \$2,000,000 through September 30, 2004 with any remaining balance due December 31, 2004.

\$ 46

Revolving loans under a credit agreement (i), interest payable quarterly based on either the Eurodollar or prime rate at the Company's option, plus an applicable margin as defined in the agreement. The interest rate at March 31, 2001 was 8.5%. The revolving lines of credit terminate in November 2002.

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Other

Less current maturities

60

8

\$ 52

=====

(i) In November 1999, the Company entered into a \$71 million credit agreement consisting of \$56 million of term loans and a \$15 million revolving loan facility. The credit agreement is collateralized by 65% of the issued and outstanding stock of the Company's majority-owned subsidiaries. The proceeds from these loans were used to prepay all borrowings under previous finance agreements and to finance a business acquisition. The Company is required to maintain minimum fixed charge and interest coverage ratios in addition to other financial covenants.

In the first quarter of fiscal year 2000, the Company recognized an extraordinary loss of \$1,168,790, net of an income tax benefit of \$382,075, on its early extinguishment of debt.

On January 14, 2000, the Company entered into an interest rate cap agreement. The agreement caps the applicable Eurodollar rate under the credit agreement at 7.5%. At March 31, 2001 the underlying applicable Eurodollar rate was 5.65%. The Company paid \$250,000 for this cap, which has a term of two years. The notional amount of this agreement at March 31, 2001 was \$46,000,000.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Note 4. Earnings Per Common Share

Basic earnings per common share are calculated by dividing net income by the average common shares outstanding. On a diluted basis, shares outstanding are adjusted to assume the exercise of stock options.

	Six Months Ended March 31,		Three Months
	2001	2000	2001
Income before extraordinary item	\$ 2,730,598	\$ 2,620,087	\$ 1,486,814
Net income	\$ 2,730,598	\$ 1,451,297	\$ 1,486,814
Determination of shares:			
Weighted average number of common shares outstanding	5,513,734	5,513,734	5,513,734
Shares issuable on exercise of stock options, net of shares assumed to be purchased out of proceeds	10,562	52,588	44,927
Average common shares outstanding for diluted computation	5,524,296	5,566,322	5,558,661
Earnings per common share - basic:			
Income before extraordinary item	\$ 0.50	\$ 0.48	\$ 0.27
Extraordinary item	-	(0.21)	-
Net income	\$ 0.50	\$ 0.27	\$ 0.27

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	=====	=====	=====
Earnings per common share - diluted:			
Income before extraordinary item	\$ 0.49	\$ 0.47	\$ 0.27
Extraordinary item	-	(0.21)	-
Net income	\$ 0.49	\$ 0.26	\$ 0.27

The Company's Virgin Islands subsidiary, through the Industrial Development Commission of the Government of the Virgin Islands of the United States, has received a 90% exemption from income taxes on operating income. This exemption is effective through January 31, 2002. The effect of this exemption was to increase earnings per share by \$0.09 and \$0.05 for the six and three months ended March 31, 2001, respectively, and \$0.10 and \$0.05 for the six and three months ended March 31, 2000, respectively.

Note 5. Segment and Geographical Information

The Company operates primarily in the beverage alcohol industry in the United States. The Company reports its operating results in five segments:

- Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts)
- Premium Branded Spirits (primarily rum, flavored rum and tequila)
- Bottling Operations (contract bottling services and proprietary and private label products)
- Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods)
- Corporate Operations and Other (primarily corporate related items)

The accounting policies of the reportable segments are the same as those referred to in Note 1 to the Consolidated Financial Statements. The Company evaluates the performance of its operating segments based on income before income taxes, equity in losses of equity investee, interest income and interest expense. Material intersegment sales and transfers have been eliminated.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Summarized financial information concerning the Company's reportable segments is shown in the following table. "Corporate Operations and Other" includes corporate items and the results of certain nonmaterial operations.

Net sales, operating income (loss), depreciation and amortization and capital expenditures for the Company's operating segments for the six and three months ended March 31, 2001 and 2000, and identifiable assets as of March 31, 2001 and 2000, were as follows:

	SIX MONTHS ENDED MARCH 31,		THREE MONTHS MARCH 31,
	2001	2000	2001
-----	-----	-----	-----

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	(in thousands)		(in thousands)	
NET SALES				
Bulk Alcohol Products	\$ 19,606	\$ 17,444	\$ 10,222	\$
Premium Branded Spirits	8,117	6,785	4,134	
Bottling Operations	9,917	8,095	5,933	
Vinegar and Cooking Wine	10,097	10,333	5,185	
Corporate Operations and Other	-	1,262	-	
	<u>\$ 47,737</u>	<u>\$ 43,919</u>	<u>\$ 25,474</u>	<u>\$</u>
OPERATING INCOME (LOSS)				
Bulk Alcohol Products	\$ 7,017	\$ 7,200	\$ 3,628	\$
Premium Branded Spirits	(825)	(128)	(313)	
Bottling Operations	60	(616)	(151)	
Vinegar and Cooking Wine	1,831	1,865	952	
Corporate Operations and Other	(2,559)	(3,280)	(1,363)	
	<u>\$ 5,524</u>	<u>\$ 5,041</u>	<u>\$ 2,753</u>	<u>\$</u>
DEPRECIATION AND AMORTIZATION				
Bulk Alcohol Products	\$ 1,586	\$ 1,163	\$ 808	\$
Premium Branded Spirits	89	52	55	
Bottling Operations	730	735	363	
Vinegar and Cooking Wine	565	181	284	
Corporate Operations and Other	120	581	60	
	<u>\$ 3,090</u>	<u>\$ 2,712</u>	<u>\$ 1,570</u>	<u>\$</u>
CAPITAL EXPENDITURES				
Bulk Alcohol Products	\$ 1,565	\$ 2,313	\$ 914	\$
Premium Branded Spirits	203	23	19	
Bottling Operations	607	463	341	
Vinegar and Cooking Wine	356	161	170	
Corporate Operations and Other	44	113	2	
	<u>\$ 2,775</u>	<u>\$ 3,073</u>	<u>\$ 1,446</u>	<u>\$</u>
IDENTIFIABLE ASSETS				
Bulk Alcohol Products	\$ 67,423	\$ 49,389		
Premium Branded Spirits	9,048	6,058		
Bottling Operations	23,791	23,870		
Vinegar and Cooking Wine	20,758	7,435		
Corporate Operations and Other	10,715	37,956		
	<u>\$ 131,735</u>	<u>\$ 124,708</u>		

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - Continued
(Unaudited)

Sales and operating income for the six and three months ended March 31, 2001 and 2000 and identifiable assets as of March 31, 2001 and 2000, classified by geographic area, were as follows:

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SIX MONTHS ENDED	UNITED STATES	U. S. VIRGIN ISLANDS AND THE BAHAMAS	CONSOLIDATED

(in thousands)			
March 31, 2001:			
Net sales	\$ 42,116	\$ 5,621	\$ 47,737
Operating income	3,868	1,656	5,524
Identifiable assets	94,170	37,565	131,735
March 31, 2000:			
Net sales	37,170	6,749	43,919
Operating income	3,516	1,525	5,041
Identifiable assets	89,714	34,994	124,708

THREE MONTHS ENDED

THREE MONTHS ENDED	UNITED STATES	U. S. VIRGIN ISLANDS AND THE BAHAMAS	CONSOLIDATED

March 31, 2001:			
Net sales	\$ 22,865	\$ 2,609	\$ 25,474
Operating income	1,944	809	2,753
March 31, 2000:			
Net sales	20,170	3,287	23,457
Operating income	2,003	697	2,700

Included in net sales for the United States are export sales, primarily to Europe, Canada and the Caribbean, totaling approximately \$3,111,000 and \$1,660,000 for the six and three months ended March 31, 2001, respectively, and \$2,486,000 and \$1,268,000 for the six and three months ended March 31, 2000, respectively.

Note 6. Comprehensive income

Comprehensive income is the total of net income and other changes in equity. Total comprehensive income for the six months ended March 31, 2001 and 2000 was as follows:

	SIX MONTHS ENDED	MARCH 31

2001		

(in thousands)		
Net income	\$ 2,731	\$ 2,731
Other comprehensive income, interest rate cap adjustment	85	85
	\$ 2,816	\$ 2,816
	=====	

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

FORWARD-LOOKING STATEMENTS

Management's Discussion and Analysis of Financial Condition and Results of Operations may contain, among other things, statements regarding anticipated revenue growth, expenditure levels and plans for development. These forward-looking statements involve a number of risks and uncertainties. The following is a list of the principal factors that could cause actual results to differ materially from those contemplated by the forward-looking statements: business conditions and growth in certain market segments and industries and the general economy; competitive factors, including increased competition and price pressures; availability of third party component products at reasonable prices; excise taxes; foreign currency exposure; changes in product mix; lower than expected customer orders and quarterly seasonal fluctuations of those orders; and product shipment interruptions. See "Risk Factors" in previous filings with the Securities and Exchange Commission.

INTRODUCTION

The following discussion and analysis summarizes the significant factors affecting (i) consolidated results of operations of the Company for the six months ended March 31, 2001 compared to the six months ended March 31, 2000, (ii) consolidated results of operations of the Company for the three months ended March 31, 2001 compared to the three months ended March 31, 2000 and (iii) financial liquidity and capital resources. This discussion and analysis should be read in conjunction with the Company's consolidated financial statements and notes thereto included herein. Certain amounts presented in this Item 2 have been rounded to the nearest thousand or hundred thousand, as applicable, but the percentages calculated are based on actual amounts without rounding.

The Company operates primarily in the beverage alcohol industry in the United States. The Company is a leading producer and supplier of brandy, rum, wine and spirits to other beverage alcohol manufacturers; produces, imports and markets premium branded spirits; bottles beverage alcohol and other beverages on a contract basis and under its own labels; and produces vinegar and cooking wine. The Company reports its operating results in five segments: Bulk Alcohol Products (citrus brandy, citrus spirits, rum, cane spirits, fortified citrus wine, purchased distilled products and byproducts); Premium Branded Spirits (primarily rum, flavored rum and tequila); Bottling Operations (contract bottling services and proprietary and private label products); Vinegar and Cooking Wine (bulk vinegar, bulk cooking wine, vinegar stock and proprietary and private label case goods); and Corporate Operations and Other (primarily corporate related items).

Information regarding the net sales, operating income and total assets of each of the Company's business segments and information regarding geographic areas is set forth in Note 5 to the Consolidated Financial Statements.

The Company's net sales and gross margins (gross profit as a percentage of net sales) vary depending on the mix of business among the Company's products. Historically, gross margins have been highest in bulk alcohol products and premium branded spirits and lower in bottling operations and vinegar and cooking wine operations.

The Company has a limited number of customers, and these customers often purchase bulk alcohol products in significant quantities or place significant orders for contract bottling services, distilled spirits, vinegar and cooking wine. Accordingly, the size and timing of purchase orders and product shipments can cause operating results to fluctuate significantly from quarter to quarter. Additionally, some Company products generate higher profit

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margins than others, and changes in the Company's product mix can cause gross margins to fluctuate. Certain aspects of the Company's business are seasonal, with increased demand for the Company's contract bottling services from April to October and increased production of the Company's bulk alcohol products from November to June, corresponding to the Florida citrus harvest. As a result of these factors, the Company's operating results may vary significantly from quarter to quarter.

Net sales represent the Company's gross sales less excise taxes. Excise taxes are generally payable on products bottled by the Company. In addition, excise taxes are payable on sales of industrial alcohol to certain customers. Accordingly, excise taxes vary from period to period depending upon the Company's product and customer mix.

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ACQUISITION OF MONARCH WINE COMPANY

In November 1999, the Company acquired substantially all of the assets of Adams Wine Company d/b/a Monarch Wine Company of Georgia ("Monarch"), Atlanta, Georgia (the acquisition of the assets of Monarch is hereafter referred to as the "Monarch Acquisition"). The purchase price was \$23.5 million in cash. Monarch specializes in the manufacture of wines, including custom blended wines and cooking wines for the food industry and base wines for producers of vinegar and beverage alcohol. The Monarch Acquisition has strengthened the Company's position in the beverage alcohol and food industry by expanding the Company's customer base and product offerings, and has improved the Company's plant capacity utilization.

RESULTS OF OPERATIONS

The following table sets forth statement of income items as a percentage of net sales.

	SIX MONTHS ENDED MARCH 31,		THREE MONTHS ENDED MARCH 31,	
	2001	2000	2001	2000
Net sales	100.0 %	100.0 %	100.0 %	100.0 %
Cost of goods sold	67.6	68.6	69.5	69.5
Gross margin	32.4	31.4	30.5	30.5
Selling, general and administrative expenses	20.8	19.9	19.7	19.7
Operating income	11.6	11.5	10.8	10.8
Interest expense	(5.4)	(5.1)	(4.6)	(4.6)
Other income, net	1.3	1.3	1.4	1.4
Income before income taxes	7.5	7.7	7.6	7.6
Income tax expense	(1.8)	(1.7)	(1.8)	(1.8)
Income before extraordinary item	5.7	6.0	5.8	5.8
Extraordinary item	-	(2.7)	-	-

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Net income 5.7 % 3.3 % 5.8 %

The following table provides information on net sales of certain Company products.

	SIX MONTHS ENDED MARCH 31,			THREE MONTHS MARCH 31,	
	2001	2000	% CHANGE	2001	2000
	(in thousands)			(in thousands)	
Bulk Alcohol Products	\$ 19,606	\$ 17,444	12.4	\$ 10,222	\$ 9,134
Premium Branded Spirits	8,117	6,785	19.6	4,134	3,317
Bottling Operations	9,917	8,095	22.5	5,933	4,817
Vinegar and Cooking Wine	10,097	10,333	(2.3)	5,185	5,185
Corporate Operations and Other	-	1,262	(100.0)	-	-
	\$ 47,737	\$ 43,919	8.7	\$ 25,474	\$ 23,453

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RESULTS OF OPERATIONS (CONTINUED)

The following table provides unit sales volume data for certain Company products.

	SIX MONTHS ENDED MARCH 31,			THREE MONTHS MARCH 31,	
	2001	2000	% CHANGE	2001	2000
	(in thousands)			(in thousands)	
Bulk alcohol products:					
Distilled products, in proof gallons					
Citrus Brandy	970	852	13.9	504	420
Citrus Spirits	256	534	(52.0)	113	130
Rum	2,195	2,144	2.3	1,053	1,060
Cane Spirits	254	252	0.6	95	100
Fortified citrus wine, in gallons	5,788	4,744	22.0	3,108	2,680
Premium branded spirits, in cases	165	115	43.3	80	40
Bottling operations, in cases	2,579	1,695	52.1	1,738	1,070
Vinegar					
Bulk, in 100 grain gallons	2,580	2,574	0.3	1,439	1,420
Cases	344	284	21.0	187	120
Drums, in 100 grain gallons	385	742	(48.2)	239	380

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Cooking Wine					
Bulk, in gallons	1,392	950	46.6	696	92
Cases	417	334	24.6	201	27

SIX MONTHS ENDED MARCH 31, 2001 COMPARED TO SIX MONTHS ENDED MARCH 31, 2000. Unless otherwise noted, references to 2001 represent the six-month period ended March 31, 2001 and references to 2000 represent the six-month period ended March 31, 2000.

NET SALES. Net sales were \$47.7 million in 2001, an increase of 8.7% from net sales of \$43.9 million in 2000.

Net sales of bulk alcohol products were \$19.6 million in 2001, an increase of 12.4% from net sales of \$17.4 million in 2000. The increase resulted primarily from increased sales of wine products due to the Monarch Acquisition. Unit sales of citrus spirits decreased 52.0% and unit sales of wine products increased 22.0% in 2001 compared to 2000. These changes resulted from the Monarch Acquisition, as Monarch was a major purchaser of the Company's citrus spirits for use in producing fortified citrus wine.

Net sales of premium branded spirits were \$8.1 million in 2001, an increase of 19.6% from net sales of \$6.8 million in 2000. This sales increase reflected the continued success of the Company's Cruzan Rums. Sales of the Company's Cruzan Rums and Cruzan Flavored Rums increased 30.3% and 70.9% respectively in 2001 compared to 2000. Sales of Porfidio tequila decreased 37.6% due to an industry-wide shortage of agave, the principal raw material for the Company's premium tequila brand.

Net sales of the Company's bottling operations were \$9.9 million in 2001, an increase of 22.5% from net sales of \$8.1 million in 2000. The unit volume of the Company's bottling operations increased 52.1% in 2001 as a result of a new bottling contract. Management expects the unit volume in its bottling operations to increase over fifty percent for the fiscal year ending September 30, 2001, as a result of this new business.

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RESULTS OF OPERATIONS (CONTINUED)

Net sales of vinegar and cooking wine were \$10.1 million in 2001, a decrease of 2.3% from net sales of \$10.3 million in 2000.

GROSS PROFIT. Gross profit was \$15.5 million in 2001, an increase of 12.2% from gross profit of \$13.8 million in 2000. Gross margin increased to 32.4% in 2001 from 31.4% in 2000. The increase in gross margin was primarily attributable to a change in product mix as a result of the Monarch Acquisition.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$9.9 million in 2001, an increase of 13.7% from \$8.7 million in 2000. The increase was primarily attributable to (1) increased marketing expenses related to the Company's premium branded spirits business, and (2) increased amortization expense.

OPERATING INCOME. The following table sets forth the operating income (loss) by operating segment of the Company for 2001 and 2000.

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	SIX MONTHS ENDED MARCH 31,		%
	2001	2000	
	----- (in thousands) -----		
Bulk Alcohol Products	\$ 7,017	\$ 7,200	
Premium Branded Spirits	(825)	(128)	(5)
Bottling Operations	60	(616)	1
Vinegar and Cooking Wine	1,831	1,865	
Corporate Operations and Other	(2,559)	(3,280)	
	----- \$ 5,524	----- \$ 5,041	
	=====		

As a result of the above factors, operating income was \$5.5 million in 2001, an increase of 9.6% over operating income of \$5.0 million in 2000.

INTEREST INCOME. The Company earns interest income on its cash, short-term investments and notes receivable. The decrease in interest income in 2001 was attributable to lower average amounts of cash, short-term investments and notes receivable outstanding compared to 2000.

INTEREST EXPENSE. Interest expense was \$2.6 million in 2001 and \$2.2 million in 2000. The increase in interest expense was due to increased borrowings on the Company's line of credit during 2001 as compared to 2000.

INCOME TAX EXPENSE. The Company's effective income tax rate was 24.1% in 2001 and 22.9% in 2000. The low tax rate was attributable to the Virgin Islands subsidiary, which has a 90% exemption from United States federal income taxes through January 2002 (see Note 4 to the Consolidated Financial Statements).

THREE MONTHS ENDED MARCH 31, 2001 COMPARED TO THREE MONTHS ENDED MARCH 31, 2000. Unless otherwise noted, references to 2001 represent the three-month period ended March 31, 2001 and references to 2000 represent the three-month period ended March 31, 2000.

NET SALES. Net sales were \$25.5 million in 2001, an increase of 8.6% from net sales of \$23.5 million in 2000.

Net sales of bulk alcohol products were \$10.2 million in 2001, an increase of 11.0% from net sales of \$9.2 million in 2000. The increase resulted primarily from increased sales of wine products due to the Monarch Acquisition. Unit sales of citrus spirits decreased 16.7% and unit sales of wine products increased 15.5% in 2001 compared to 2000. These changes resulted from the Monarch Acquisition, as Monarch was a major purchaser of the Company's citrus spirits for use in producing fortified citrus wine.

RESULTS OF OPERATIONS (CONTINUED)

Net sales of premium branded spirits were \$4.1 million in 2001, an increase of 31.2% from net sales of \$3.2 million in 2000. This sales increase reflected the continued success of the Company's Cruzan Rums. Sales of the Company's Cruzan Rums and Cruzan Flavored Rums increased 17.7% and 87.4% respectively in 2001 compared to 2000. Sales of Porfidio tequila decreased 8.1% due to an

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industry-wide shortage of agave, the principal raw material for the Company's premium tequila brand.

Net sales of the Company's bottling operations were \$5.9 million in 2001, an increase of 28.0% from net sales of \$4.6 million in 2000. The unit volume of the Company's bottling operations increased 61.5% in 2001 as a result of a new bottling contract. Management expects the unit volume in its bottling operations to increase over fifty percent for the fiscal year ending September 30, 2001, as a result of this new business.

Net sales of vinegar and cooking wine were \$5.2 million in 2001, a decrease of 12.8% from net sales of \$5.9 million in 2000. The decrease in net sales was primarily attributable to timing of customer orders.

GROSS PROFIT. Gross profit was \$7.8 million in 2001, an increase of 6.9% from gross profit of \$7.3 million in 2000. Gross margin decreased to 30.5% in 2001 from 31.0% in 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were \$5.0 million in 2001, an increase of 9.8% from \$4.6 million in 2000. The increase was primarily attributable to increased marketing expenses related to the Company's premium branded spirits business.

OPERATING INCOME. The following table sets forth the operating income (loss) by operating segment of the Company for 2001 and 2000.

	THREE MONTHS ENDED MARCH 31,		%
	2001	2000	
	-----	-----	-----
	(in thousands)		
Bulk Alcohol Products	\$ 3,628	\$ 4,047	(
Premium Branded Spirits	(313)	(155)	(1
Bottling Operations	(151)	(226)	
Vinegar and Cooking Wine	952	876	
Corporate Operations and Other	(1,363)	(1,842)	
	-----	-----	
	\$ 2,753	\$ 2,700	
	=====	=====	

As a result of the above factors, operating income was \$2.8 million in 2001, an increase of 2.0% over operating income of \$2.7 million in 2000.

INTEREST INCOME. The Company earns interest income on its cash, short-term investments and notes receivable.

INTEREST EXPENSE. Interest expense was \$1.2 million in 2001 and \$1.2 million in 2000. Interest expense remained constant as increased borrowings on the Company's line of credit in 2001 were offset by lower interest rates.

INCOME TAX EXPENSE. The Company's effective income tax rate was 23.3% in 2001 and 21.1% in 2000. The low tax rate was attributable to the Virgin Islands subsidiary, which has a 90% exemption from United States federal income taxes through January 2002 (see Note 4 to the Consolidated Financial Statements).

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FINANCIAL LIQUIDITY AND CAPITAL RESOURCES

GENERAL

The Company's principal use of cash in its operating activities is to purchase raw materials to be used in its manufacturing operations, purchase imported products for its premium branded spirits business and carry inventories and receivables. The Company's sources of liquidity have historically been cash flow from operations and borrowings. Some of the Company's manufacturing operations are seasonal and the Company's borrowings on its line of credit vary during the year. For example, the Company uses citrus molasses as its primary raw material in the production of citrus brandy and spirits at its two Florida distilleries. The Company buys citrus molasses, a byproduct of citrus juice production, from local manufacturers of citrus juice and concentrate during the citrus harvest, which generally runs from November to June. The Company generally begins purchasing citrus molasses in November and builds inventory of citrus brandy and spirits. The Company must manufacture and build inventory while raw materials are available due to the short life of the citrus molasses it purchases. Another seasonal business of the Company is its contract bottling services. Demand for contract bottling services is highest during the months from April through October. Management believes that cash provided by its operating and financing activities will provide adequate resources to satisfy its working capital, liquidity and anticipated capital expenditure requirements for both its short-term and long-term needs.

OPERATING ACTIVITIES

Net cash provided by operating activities in 2001 was \$2.3 million, which resulted from \$5.4 million in net income adjusted for noncash items, and \$3.1 million representing the net change in operating assets and liabilities.

INVESTING AND FINANCING ACTIVITIES

Net cash used in investing activities in 2001 was \$4.7 million, which resulted primarily from \$2.8 million of capital expenditures and a net increase of \$2.2 million in short-term investments.

Net cash provided by financing activities in 2001 was \$1.3 million, which resulted from an increase of \$5.4 million in borrowings under the revolving credit facility and payments of long-term debt totaling \$4.0 million.

The Company's present revolving credit facility provides for maximum borrowings of \$15 million. Borrowings under this facility were \$13.9 million at March 31, 2001 (see Note 3 to the Consolidated Financial Statements).

The Company's total debt was \$60.7 million as of March 31, 2001, and its ratio of debt to equity was 1.1 to 1.

No provision has been made for income taxes that would result from the remittance of undistributed earnings of the Company's Bahamian and Virgin Islands subsidiaries, as the Company intends to reinvest these earnings indefinitely. The Company's shares of the undistributed earnings of the Bahamian and Virgin Islands subsidiaries were approximately \$8.1 million and \$21.1 million, respectively, as of September 30, 2000. See Note 9 to the Company's consolidated financial statements included in the Company's Annual Report on Form 10-K for the year ended September 30, 2000 for additional information on income taxes related to these subsidiaries.

Based on current plans and business conditions, management expects that its cash, cash equivalents, and short-term investments, together with any

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amounts generated from operations and available borrowings, will be sufficient to meet the Company's cash requirements for at least the next 12 months.

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EFFECTS OF INFLATION AND CHANGING PRICES

The Company uses natural gas in its distilling operations and has recently experienced significant increases in its energy costs as a result of natural gas price increases. At the present time, management believes that the Company's energy costs relating to natural gas will continue to increase. Where competitively feasible, management plans to increase selling prices to offset the effects of natural gas price increases, but the Company may not be able to recover these energy cost increases.

Except as noted above, the Company's results of operations and financial condition have not been significantly affected by inflation and changing prices. The Company has been able, subject to normal competitive conditions, to pass along rising costs through increased selling prices.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The information required under this Item 3 is incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 2000.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The annual meeting of stockholders of the Company was held on March 20, 2001, in West Palm Beach, Florida, for the purpose of electing three Class III directors to hold office for a term of three years.

Proxies for the meeting were solicited pursuant to Section 14(a) of the Securities Exchange Act of 1934, as amended and there was no solicitation in opposition to management's solicitations.

ELECTION OF DIRECTORS

All of management's nominees for election as directors as listed in the proxy statement were elected. The results of the election were as follows:

NAME ----	FOR ---	WITHHELD -----
Jay S. Maltby	4,725,549	66,850
Edward F. McDonnell	4,719,449	72,950
D. Chris Mitchell	4,715,149	77,250

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

3.1 Amended and Restated Certificate of Incorporation of Todhunter

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- International, Inc. (1)
- 3.2 Amended and Restated By-Laws of Todhunter International, Inc. (6)
- 4.1 Form of Todhunter International, Inc. Common Stock Certificate (1)
- 10.6 Todhunter International, Inc. 1992 Stock Option Plan, as amended (3)
- 10.8 Lease, dated March 24, 1988, as amended, between Todhunter International, Inc. and Especially West Palm Beach, Inc. (1)
- 10.8(a) Amendment to Lease, dated January 1, 1997, between Todhunter International, Inc. and Florida Acquisition Fund Esperante, Ltd. (4)
- 10.16 Asset Purchase Agreement dated as of September 27, 1999, among Todhunter International, Inc. and Adams Wine Company d/b/a Monarch Wine Company of Georgia, and Howard J. Weinstein, David Paszamant, Jay Paszamant and Matthew Paszamant (5)
- 10.17 Credit Agreement dated as of November 17, 1999, by and among Todhunter International, Inc. and each of the Financial Institutions Initially a Signatory thereto, and SouthTrust Bank, National

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- Association (5)
- 10.17(a) Waiver and Modification of Credit Agreement dated as of September 29, 2000, by and among Todhunter International, Inc. and each of the Financial Institutions Initially a Signatory thereto, and SouthTrust Bank, National Association (8)
- 10.18 Executive Employment Agreement dated as of July 15, 1999, between Thomas A. Valdes and Todhunter International, Inc. (6)
- 10.19 Executive Employment Agreement dated as of July 15, 1999, between Jay S. Maltby and Todhunter International, Inc. (6)
- 10.20 Executive Employment Agreement dated as of July 15, 1999, between A. Kenneth Pincourt, Jr. and Todhunter International, Inc. (6)
- 10.21 Executive Employment Agreement dated as of July 15, 1999, between D. Chris Mitchell and Todhunter International, Inc. (6)
- 11.1 Statement of Computation of Per Share Earnings (9)
- 13.1 Quantitative and Qualitative Disclosures about Market Risk (7)
- 21.1 Subsidiaries of Todhunter International, Inc. (2)

- (1) Incorporated herein by reference to the Company's Registration Statement on Form S-1 (File No. 33-50848).
- (2) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1995.
- (3) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1997.
- (4) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1998.
- (5) Incorporated herein by reference to the Company's Report on Form 8-K for November 17, 1999.
- (6) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 1999.
- (7) Incorporated herein by reference to the Company's Annual Report on Form 10-K for the year ended September 30, 2000.
- (8) Incorporated herein by reference to the Company's Quarterly Report on Form 10-Q for the quarter ended December 31, 2000.

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(9) Filed herewith and incorporated herein by reference to Note 4 of notes to consolidated financial statements, included in Item 1 of the Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2001.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended March 31, 2001.

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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.

Date: May 9, 2001

/s/ A. Kenneth Pincourt, Jr.

A. Kenneth Pincourt, Jr.
Chairman
and Chief Executive Officer

Date: May 9, 2001

/s/ Troy Edwards

Chief Financial Officer,
Treasurer and Controller

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