

G&K SERVICES INC  
Form 10-Q  
April 30, 2015  
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UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

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FORM 10-Q

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QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF  
THE SECURITIES EXCHANGE ACT OF 1934  
For the quarterly period ended March 28, 2015  
Commission file number 0-4063

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G&K SERVICES, INC.  
(Exact name of registrant as specified in its charter)

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MINNESOTA (State or other jurisdiction of incorporation or organization) 5995 OPUS PARKWAY MINNETONKA, MINNESOTA 55343 (Address of principal executive offices and zip code) Registrant's telephone number, including area code (952) 912-5500	41-0449530 (I.R.S. Employer Identification No.)
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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer  Accelerated filer

Non-accelerated filer  (do not check if a smaller reporting company) Smaller reporting company

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock as of the latest practicable date.

Common Stock, par value \$0.50 per share, outstanding  
April 27, 2015 was 19,992,070 shares

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## PART I

## FINANCIAL INFORMATION

## ITEM 1. FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED BALANCE SHEETS

## G&amp;K Services, Inc. and Subsidiaries

(In thousands)	March 28, 2015 (Unaudited)	June 28, 2014
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$ 13,328	\$ 37,118
Accounts receivable, less allowance for doubtful accounts of \$3,745 and \$3,697	96,934	100,193
Inventory	40,102	38,423
Merchandise in service	129,643	124,111
Other current assets	18,671	27,250
Total current assets	298,678	327,095
Property, plant and equipment, less accumulated depreciation of \$377,138 and \$368,672	213,239	201,382
Goodwill	324,289	333,214
Other assets	63,026	61,828
Total assets	\$ 899,232	\$ 923,519
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current Liabilities		
Accounts payable	\$ 49,775	\$ 44,600
Accrued expenses and other current liabilities	69,275	72,640
Deferred income taxes	26,088	26,306
Current maturities of long-term debt	337	792
Total current liabilities	145,475	144,338
Long-term debt, net of current maturities	229,000	266,230
Deferred income taxes	16,824	17,214
Other noncurrent liabilities	121,321	121,693
Total liabilities	512,620	549,475
Stockholders' Equity		
Common stock, \$0.50 par value	9,985	9,956
Additional paid-in capital	74,251	62,864
Retained earnings	313,219	297,237
Accumulated other comprehensive income (loss)	(10,843)	) 3,987
Total stockholders' equity	386,612	374,044
Total liabilities and stockholders' equity	\$ 899,232	\$ 923,519

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements.

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## CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

G&amp;K Services, Inc. and Subsidiaries

(Unaudited)

(In thousands, except per share data)	For the Three Months Ended		For the Nine Months Ended	
	March 28, 2015	March 29, 2014	March 28, 2015	March 29, 2014
Rental and direct sale revenue	\$233,514	\$225,046	\$701,065	\$671,188
Operating Expenses				
Cost of rental and direct sale revenue	154,573	150,284	463,018	443,109
Pension withdrawal and associated expenses	6,500	8,167	6,500	9,854
Selling and administrative	50,840	48,521	154,472	148,886
Total operating expenses	211,913	206,972	623,990	601,849
Income from Continuing Operations	21,601	18,074	77,075	69,339
Interest expense	1,745	1,560	5,463	4,707
Income from Continuing Operations before Income Taxes	19,856	16,514	71,612	64,632
Provision for income taxes	7,427	6,123	25,862	24,288
Net Income from Continuing Operations	12,429	10,391	45,750	40,344
Net loss from discontinued operations	—	(181 )	—	(8,393 )
Net Income	\$12,429	\$10,210	\$45,750	\$31,951
Basic Earnings (Loss) per Common Share:				
From continuing operations	\$0.62	\$0.52	\$2.29	\$2.04
From discontinued operations	\$—	\$(0.01 )	\$—	\$(0.43 )
Basic earnings per share	\$0.62			