TODHUNTER INTERNATIONAL INC
Form 10-Q
August 13, 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 June 30, 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 August 9, 2001 was 5,513,734.

TODHUNTER INTERNATIONAL, INC.

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* Item is omitted because answer is negative or item is inapplicable.

PART I - FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2001 (Unaudited)	Sep
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 4,262,008	$
Short-term investments	7,649,321	
Trade receivables	15,870,598	
Other receivables	3,210,112	
Inventories	29,505,781	

Notes receivable, current maturities	238,391	
Deferred income taxes	1,456,500	
Other current assets	1,884,918	
Total current assets	64,077,629	
LONG-TERM INVESTMENTS AND NOTES RECEIVABLE		
Investments in subsidiaries	1,275,575	
Note receivable from affiliate, less current maturities	3,422,582	
Notes receivable, less current maturities	684,682	
	5,382,839	
PROPERTY AND EQUIPMENT	83,566,696	
Less accumulated depreciation	42,614,463	
	40,952,233	
GOODWILL, less accumulated amortization	21,067,264	
OTHER ASSETS	2,242,178	
	$ 133,722,143	$

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

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TODHUNTER INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 2001 (Unaudited)
LIABILITIES AND STOCKHOLDERS' EQUITY	
CURRENT LIABILITIES	
Current maturities of long-term debt	$ 8,000,000
Accounts payable	6,731,016
Accrued interest expense	63,627
Other accrued expenses	2,416,536
	17,211,179
LONG-TERM DEBT, less current maturities	51,674,934

DEFERRED INCOME TAXES	3,939,750
OTHER LIABILITIES	1,270,523
	74,096,386
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 June 30, 2001 and September 30, 2000	56,129
Additional paid-in capital	18,326,014
Accumulated other comprehensive loss	(104,500)
Retained earnings	42,085,894
	60,363,537
Less cost of 99,200 shares of treasury stock	(737,780)
	59,625,757
	$ 133,722,143

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

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

	Nine Months Ended June 30,		
	2001	2000	
Sales	$ 96,612,444	$ 92,171,391	$ 34
Less excise taxes	22,782,127	24,530,156	8
Net sales	73,830,317	67,641,235	26
Cost of goods sold	49,434,703	45,882,345	17
Gross profit	24,395,614	21,758,890	8
Selling, general and administrative expenses	15,235,239	13,670,306	5
Operating income	9,160,375	8,088,584	3
Other income (expense):			

Interest income	690,691	711,330	
Interest expense	(3,821,304)	(3,632,789)	(1
Equity in income (loss) of equity investee	57,770	(134,047)	
Other, net	112,476	180,808	
	(2,960,367)	(2,874,698)	(1
Income before income taxes and extraordinary item	6,200,008	5,213,886	2
Income tax expense (benefit):			
Current	2,058,564	1,713,098	
Deferred	(507,750)	(438,750)	
	1,550,814	1,274,348	
Income before extraordinary item	4,649,194	3,939,538	1
Extraordinary item - early extinguishment of debt, net of income taxes of $382,075	-	(1,168,790)	
Net income	$ 4,649,194	$ 2,770,748	$ 1
Earnings per common share - basic:			
Income before extraordinary item	$ 0.84	$ 0.71	$
Extraordinary item	-	(0.21)	
Net income	$ 0.84	$ 0.50	$
Earnings per common share - diluted:			
Income before extraordinary item	$ 0.84	$ 0.71	$
Extraordinary item	-	(0.21)	
Net income	$ 0.84	$ 0.50	$
Common shares and equivalents outstanding:			
Basic	5,513,734	5,513,734	5
Diluted	5,526,049	5,559,602	5

See Notes to Consolidated Financial Statements.

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

	Nine Months Ende
	2001

CASH FLOWS FROM OPERATING ACTIVITIES	
Net income	$ 4,649,194
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation	3,531,444
Amortization	1,143,206
(Gain) loss on sale of property and equipment	30,775
Equity in (income) loss of equity investee	(57,770)
Deferred income taxes	(507,750)
Changes in assets and liabilities:	
(Increase) decrease in:	
Receivables	(851,734)
Inventories	(5,976,203)
Other current assets	1,197,266
Increase (decrease) in:	
Accounts payable	1,654,636
Accrued interest expense	(43,408)
Other accrued expenses	532,144
Other liabilities	86,669
Net cash provided by operating activities	5,388,469
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from sale of property and equipment	(4,470)
Principal payments received on notes receivable	3,463,937
Purchase of property and equipment	(4,821,175)
Disbursements for notes receivable	(9,300)
Purchase of short-term investments	(2,805,973)
Redemption of short-term investments	-
Purchase of Monarch Wine Company	-
Investments in subsidiaries	(150,000)
Increase in other assets	(233,556)
Net cash used in investing activities	$ (4,560,537)

(Continued)

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

	Nine Months En
	2001
CASH FLOWS FROM FINANCING ACTIVITIES	
Net borrowings on line of credit	$ 6,420,000
Proceeds from long-term borrowings	-
Disbursements for loan costs	(152,500)

Principal payments on long-term borrowings	(6,079,290)
Net cash provided by financing activities	188,210
Net increase (decrease) in cash and cash equivalents	1,016,142
Cash and cash equivalents:	
Beginning	3,245,866
Ending	$ 4,262,008
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION	
Cash payments for:	
Interest	$ 3,864,712
Income taxes	$ 1,671,292
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING AND FINANCING ACTIVITIES	
Acquisition of Monarch Wine Company:	
Cash purchase price	$ -
Working capital acquired	$ -
Goodwill	-
Operating lease assumed and abandoned	-
	$ -
Investment in Premier Wines & Spirits for note receivable	$ -

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 accounting standards generally accepted in the United States of America 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 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:

	June 30, 2001 (Unaudited)	September 30, 2000
Finished goods	$ 17,669,632	$ 14,382,361
Work in process	1,337,893	928,486
Raw materials and supplies	10,498,256	8,218,731
	$ 29,505,781	$ 23,529,578

Note 3. Financing Arrangements

Long-term debt consists of the following as of June 30, 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 June 30, 2001 was 6.59%. Quarterly principal installments of $2,000,000 through September 30, 2004 with any remaining balance due December 31, 2004.	$ 44
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 June 30, 2001 was 7.5%. The revolving lines of credit terminate in November 2002.	14
Other	
	59
Less current maturities	8
	$ 51

(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 June 30, 2001, the underlying applicable Eurodollar rate was 4.09%. The Company paid $250,000 for this cap, which has a term of two years. The notional amount of this agreement at June 30, 2001 was $44,000,000.

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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.

	Nine Months Ended June 30,		Three Month
	2001	2000	2001
Income before extraordinary item	$ 4,649,194	$ 3,939,538	$ 1,918,596
Net income	$ 4,649,194	$ 2,770,748	$ 1,918,596
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	1,753	45,868	23,742
Average common shares outstanding for diluted computation	5,526,049	5,559,602	5,537,476
Earnings per common share - basic:			
Income before extraordinary item	$ 0.84	$ 0.71	$ 0.35
Extraordinary item	-	(0.21)	-
Net income	$ 0.84	$ 0.50	$ 0.35
Earnings per common share - diluted:			
Income before extraordinary item	$ 0.84	$ 0.71	$ 0.35
Extraordinary item	-	(0.21)	-

Net income	$ 0.84	$ 0.50	$ 0.35

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 September 2020. The effect of this exemption was to increase earnings per share by $0.15 and $0.06 for the nine and three months ended June 30, 2001, respectively, and $0.14 and $0.04 for the nine and three months ended June 30, 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 and flavored rum)

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.

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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 nine and three months ended June 30, 2001 and 2000, and identifiable assets as of June 30, 2001 and 2000, were as follows:

	NINE MONTHS ENDED JUNE 30,		THREE MONTH JUNE	
	2001	2000	2001	
	(in thousands)		(in thousand	
NET SALES				
Bulk Alcohol Products	$ 30,292	$ 27,114	$ 10,686	$

Premium Branded Spirits	12,763	11,266	4,646	
Bottling Operations	15,432	12,328	5,515	
Vinegar and Cooking Wine	15,343	15,160	5,246	
Corporate Operations and Other	-	1,773	-	
	$ 73,830	$ 67,641	$ 26,093	$
OPERATING INCOME (LOSS)				
Bulk Alcohol Products	$ 10,635	$ 10,492	$ 3,618	$
Premium Branded Spirits	(930)	6	(105)	
Bottling Operations	436	(748)	376	
Vinegar and Cooking Wine	3,101	2,652	1,270	
Corporate Operations and Other	(4,082)	(4,313)	(1,523)	
	$ 9,160	$ 8,089	$ 3,636	$
DEPRECIATION AND AMORTIZATION				
Bulk Alcohol Products	$ 2,409	$ 2,092	$ 823	$
Premium Branded Spirits	135	75	46	
Bottling Operations	1,096	1,111	366	
Vinegar and Cooking Wine	851	658	286	
Corporate Operations and Other	184	278	64	
	$ 4,675	$ 4,214	$ 1,585	$
CAPITAL EXPENDITURES				
Bulk Alcohol Products	$ 2,215	$ 2,713	$ 650	$
Premium Branded Spirits	203	23	-	
Bottling Operations	1,865	556	1,258	
Vinegar and Cooking Wine	488	380	132	
Corporate Operations and Other	50	138	6	
	$ 4,821	$ 3,810	$ 2,046	$
IDENTIFIABLE ASSETS				
Bulk Alcohol Products	$ 68,741	$ 64,257		
Premium Branded Spirits	9,262	7,319		
Bottling Operations	24,631	22,862		
Vinegar and Cooking Wine	21,096	20,306		
Corporate Operations and Other	9,992	13,490		
	$ 133,722	$ 128,234		

Sales and operating income for the nine and three months ended June 30, 2001 and 2000 and identifiable assets as of June 30, 2001 and 2000, classified by geographic area, were as follows:

NINE MONTHS ENDED	UNITED STATES	U.S. VIRGIN ISLANDS AND THE BAHAMAS	CONS
	(in thousands)		
June 30, 2001:			
Net sales	$ 64,904	$ 8,926	$
Operating income	6,344	2,816	
Identifiable assets	94,148	39,574	1
June 30, 2000:			
Net sales	59,048	8,593	
Operating income	4,906	3,183	
Identifiable assets	92,549	35,685	1
THREE MONTHS ENDED			
June 30, 2001:			
Net sales	$ 22,788	$ 3,305	$
Operating income	2,476	1,160	
June 30, 2000:			
Net sales	21,878	1,844	
Operating income	1,390	1,658	

Included in net sales for the United States are export sales, primarily to Europe, Canada and the Caribbean, totaling approximately $4,791,000 and $1,680,000 for the nine and three months ended June 30, 2001, respectively, and $4,492,000 and $2,006,000 for the nine and three months ended June 30, 2000, respectively.

Note 6. Comprehensive income

Comprehensive income is the total of net income and other changes in equity. Total comprehensive income for the nine months ended June 30, 2001 and 2000 was as follows:

	NINE MONTH JUNE 3
	2001
	(in thou
Net income	$ 4,649
Other comprehensive income, interest rate cap adjustment	136
	$ 4,785

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 nine months ended June 30, 2001 compared to the nine months ended June 30, 2000, (ii) consolidated results of operations of the Company for the three months ended June 30, 2001 compared to the three months ended June 30, 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 and flavored rum); 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 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.

	NINE MONTHS ENDED JUNE 30,		THREE MONTHS END JUNE 30,
	2001	2000	2001
Net sales	100.0 %	100.0 %	100.0 %
Cost of goods sold	67.0	67.8	65.8
Gross margin	33.0	32.2	34.2
Selling, general and administrative expenses	20.6	20.2	20.3
Operating income	12.4	12.0	13.9
Interest expense	(5.2)	(5.4)	(4.8)
Other income, net	1.2	1.1	0.9
Income before income taxes	8.4	7.7	10.0
Income tax expense	(2.1)	(1.9)	(2.6)
Income before extraordinary item	6.3	5.8	7.4
Extraordinary item	-	(1.7)	-

Net income	6.3 %	4.1 %	7.4 %	

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

	NINE MONTHS ENDED JUNE 30,			THREE MONTH JUNE	
	2001	2000	% CHANGE	2001	2000
	(in thousands)			(in thousands)	
Bulk Alcohol Products	$ 30,292	$ 27,114	11.7	$ 10,686	$ 9,
Premium Branded Spirits	12,763	11,266	13.3	4,646	4,
Bottling Operations	15,432	12,328	25.2	5,515	4,
Vinegar and Cooking Wine	15,343	15,160	1.2	5,246	4,
Corporate Operations and Other	-	1,773	(100.0)	-	
	$ 73,830	$ 67,641	9.1	$ 26,093	$ 23,

RESULTS OF OPERATIONS (CONTINUED)

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

	NINE MONTHS ENDED JUNE 30,			THREE MON JUN	
	2001	2000	% CHANGE	2001	2000
	(in thousands)			(in thousands)	
Bulk alcohol products:					
Distilled products, in proof gallons					
Citrus Brandy	1,227	1,093	12.3	257	24
Citrus Spirits	484	702	(31.0)	228	16
Rum	3,397	3,285	3.4	1,202	1,14
Cane Spirits	420	421	(0.4)	166	16
Fortified citrus wine, in gallons	8,978	7,498	19.7	3,190	2,75
Premium branded spirits, in cases	260	202	28.7	95	8
Bottling operations, in cases	4,470	3,192	40.0	1,891	1,49
Vinegar					
Bulk, in 100 grain gallons	3,978	3,935	1.1	1,398	1,36
Cases	509	419	21.5	165	13
Drums, in 100 grain gallons	816	1,197	(31.8)	431	45
Cooking Wine					
Bulk, in gallons	2,088	1,602	30.3	696	65

Cases	588	492	19.5	171	15

NINE MONTHS ENDED JUNE 30, 2001 COMPARED TO NINE MONTHS ENDED JUNE 30, 2000. Unless otherwise noted, references to 2001 represent the nine-month period ended June 30, 2001 and references to 2000 represent the nine-month period ended June 30, 2000.

NET SALES. Net sales were $73.8 million in 2001, an increase of 9.1% from net sales of $67.6 million in 2000.

Net sales of bulk alcohol products were $30.3 million in 2001, an increase of 11.7% from net sales of $27.1 million in 2000. The increase resulted primarily from increased sales of wine products due to the Monarch Acquisition. Unit sales of citrus spirits decreased 31.0% and unit sales of wine products increased 19.7% 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 $12.8 million in 2001, an increase of 13.3% from net sales of $11.3 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 24.9% and 62.0% respectively in 2001 compared to 2000. Sales of Porfidio tequila have decreased due to an industry-wide shortage of agave, the principal raw material for tequila. During June 2001, Mexican regulatory authorities alleged that the Porfidio distillery violated certain regulations related to the sale of tequila and have prohibited the export of Porfidio tequila. The allegations have been denied by the Porfidio distillery. The Company has not received a shipment of Porfidio tequila since March 2001, and cannot predict when shipments of Porfidio will resume. The decrease in sales of Porfidio tequila has not had, and is not expected to have, a material adverse effect on the Company's results of operations.

Net sales of the Company's bottling operations were $15.4 million in 2001, an increase of 25.2% from net sales of $12.3 million in 2000. The unit volume of the Company's bottling operations increased 40.0% in 2001 as a result of a new bottling contract. Management expects the unit volume in its bottling operations to increase over forty percent for the fiscal year ending September 30, 2001, as a result of this new business.

RESULTS OF OPERATIONS (CONTINUED)

Net sales of vinegar and cooking wine were $15.3 million in 2001, an increase of 1.2% from net sales of $15.2 million in 2000.

GROSS PROFIT. Gross profit was $24.4 million in 2001, an increase of 12.1% from gross profit of $21.8 million in 2000. Gross margin increased to 33.0% in 2001 from 32.2% 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 $15.2 million in 2001, an increase of 11.4% from $13.7 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 and the percent change for the periods.

	NINE MONTHS ENDED JUNE 30, 2001	NINE MONTHS ENDED JUNE 30, 2000	%
	(in thousands)		
Bulk Alcohol Products	$ 10,635	$ 10,492	
Premium Branded Spirits	(930)	6	
Bottling Operations	436	(748)	
Vinegar and Cooking Wine	3,101	2,652	
Corporate Operations and Other	(4,082)	(4,313)	
	$ 9,160	$ 8,089	

As a result of the above factors, operating income was $9.2 million in 2001, an increase of 13.3% over operating income of $8.1 million in 2000.

The Company's premium branded spirits segment experienced an operating loss of $930,000 in 2001 compared to operating income of $6,000 in 2000. The operating loss reflects the Company's continuing efforts to increase market share by reinvesting segment gross profits in selling and marketing expenses.

The Company's bottling operations segment reported operating income of $436,000 in 2001 compared to an operating loss of $748,000 in 2000. The swing to profitability reflects volume increases as a result of a new major bottling contract.

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 $3.8 million in 2001 and $3.6 million in 2000. The increase in interest expense was due to increased borrowings on the Company's line of credit during 2001 compared to 2000.

INCOME TAX EXPENSE. The Company's effective income tax rate was 25.0% in 2001 and 24.4% 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 September 2020 (see Note 4 to the Consolidated Financial Statements).

THREE MONTHS ENDED JUNE 30, 2001 COMPARED TO THREE MONTHS ENDED JUNE 30, 2000. Unless otherwise noted, references to 2001 represent the three-month period ended June 30, 2001 and references to 2000 represent the three-month period ended June 30, 2000.

NET SALES. Net sales were $26.1 million in 2001, an increase of 10.0% from net sales of $23.7 million in 2000.

RESULTS OF OPERATIONS (CONTINUED)

Net sales of bulk alcohol products were $10.7 million in 2001, an increase of 10.5% from net sales of $9.7 million in 2000. The increase resulted primarily from increased sales of wine products due to the Monarch Acquisition. Unit sales of wine products increased 15.8% in 2001 compared to 2000.

Net sales of premium branded spirits were $4.6 million in 2001, an increase of 3.7% from net sales of $4.5 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 17.4% and 52.0% respectively in 2001 compared to 2000. Sales of Porfidio tequila have decreased due to an industry-wide shortage of agave, the principal raw material for tequila. During June 2001, Mexican regulatory authorities alleged that the Porfidio distillery violated certain regulations related to the marketing and sale of tequila and have prohibited the export of Porfidio tequila. The allegations have been denied by the Porfidio distillery. The Company has not received a shipment of Porfidio tequila since March 2001, and cannot predict when shipments of Porfidio will resume. The decrease in sales of Porfidio tequila has not had, and is not expected to have, a material adverse effect on the Company's results of operations.

Net sales of the Company's bottling operations were $5.5 million in 2001, an increase of 30.3% from net sales of $4.2 million in 2000. The unit volume of the Company's bottling operations increased 26.3% in 2001 as a result of a new bottling contract. Management expects the unit volume in its bottling operations to increase over forty 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, an increase of 8.7% from net sales of $4.8 million in 2000. The increase in net sales was primarily attributable to timing of customer orders.

GROSS PROFIT. Gross profit was $8.9 million in 2001, an increase of 11.9% from gross profit of $8.0 million in 2000. Gross margin increased to 34.2% in 2001 from 33.6% in 2000.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES. Selling, general and administrative expenses were $5.3 million in 2001, an increase of 7.4% from $4.9 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 and the percent change for the periods.

	THREE MONTHS ENDED JUNE 30,		
	2001	2000	%
	(in thousands)		
Bulk Alcohol Products	$ 3,618	$ 3,292	
Premium Branded Spirits	(105)	134	
Bottling Operations	376	(132)	
Vinegar and Cooking Wine	1,270	787	
Corporate Operations and Other	(1,523)	(1,033)	(

	$ 3,636	$ 3,048

As a result of the above factors, operating income was $3.6 million in 2001, an increase of 19.3% over operating income of $3.0 million in 2000.

The Company's premium branded spirits segment experienced an operating loss of $105,000 in 2001 compared to operating income of $134,000 in 2000. The operating loss reflects the Company's continuing efforts to increase market share by reinvesting segment gross profits in selling and marketing expenses.

The Company's bottling operations segment reported operating income of $376,000 in 2001 compared to an operating loss of $132,000 in 2000. The swing to profitability reflects volume increases as a result of a new major bottling contract.

RESULTS OF OPERATIONS (CONTINUED)

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

INTEREST EXPENSE. Interest expense was $1.3 million in 2001 and $1.4 million in 2000. Interest expense decreased slightly 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 26.2% in 2001 and 27.2% 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 September 2020 (see Note 4 to the Consolidated Financial Statements).

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 $5.4 million, which resulted primarily from $8.8 million in net income adjusted for noncash items, and $3.4 million representing the net change in operating assets and liabilities.

INVESTING AND FINANCING ACTIVITIES

Net cash used in investing activities in 2001 was $4.6 million, which resulted primarily from $4.8 million of capital expenditures, a net increase of $2.8 million in short-term investments and principal payments received on notes receivable of $3.5 million. During the third quarter of 2001 the Company received a prepayment of $2.4 million on a note receivable.

Net cash provided by financing activities in 2001 was $0.2 million, which resulted primarily from an increase of $6.4 million in borrowings under the revolving credit facility and payments of long-term debt totaling $6.1 million.

The Company's present revolving credit facility provides for maximum borrowings of $15 million. Borrowings under this facility were $14.9 million at June 30, 2001 (see Note 3 to the Consolidated Financial Statements).

The Company's bank debt was $58.9 million as of June 30, 2001, and its ratio of total debt to equity was 1.2 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 amounts generated from operations and available borrowings, will be sufficient to meet the Company's cash requirements for at least the next 12 months.

EFFECTS OF INFLATION AND CHANGING PRICES

The Company uses natural gas and oil in its distilling operations and during the first two quarters of the fiscal year ending September 30, 2001, experienced significant increases in its energy costs. During the third quarter energy costs moderated. Where competitively feasible, management has increased selling prices to offset the effects of energy cost increases, but the Company may not be able to recover all 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. During the third quarter the Company received a $2.4

million prepayment on a 7% note receivable that was due in May 2006.

PART II. OTHER INFORMATION

ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K

3.1	Amended and Restated Certificate of Incorporation of Todhunter International, Inc.
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 West Palm Beach, Inc. (1)
10.8(a)	Amendment to Lease, dated January 1, 1997, between Todhunter International, Inc. an Acquisition Fund Esperante, Ltd. (4)
10.16	Asset Purchase Agreement dated as of September 27, 1999, among Todhunter Internatio Adams Wine Company d/b/a Monarch Wine Company of Georgia, and Howard J. Weinstein, Paszamant, Jay Paszamant and Matthew Paszamant (5)
10.17	Credit Agreement dated as of November 17, 1999, by and among Todhunter Internationa each of the Financial Institutions Initially a Signatory thereto, and SouthTrust Ba Association (5)
10.17(a)	Waiver and Modification of Credit Agreement dated as of September 29, 2000, by and Todhunter International, Inc. and each of the Financial Institutions Initially a Si thereto, and SouthTrust Bank, National Association (8)
10.17(b)	Second Waiver and Modification of Credit Agreement dated as of March 30, 2001, by a Todhunter International, Inc. and each of the Financial Institutions Initially a Si thereto, and SouthTrust Bank, National Association. (9)
10.18	Executive Employment Agreement dated as of July 15, 1999, between Thomas A. Valdes 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 Pincou Todhunter International, Inc. (6)
10.21	Executive Employment Agreement dated as of July 15, 1999, between D. Chris Mitchell Todhunter International, Inc. (6)
11.1	Statement of Computation of Per Share Earnings (10)
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.

(9) Filed herewith.

(10) 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 June 30, 2001.

(b) REPORTS ON FORM 8-K

No reports on Form 8-K were filed during the quarter ended June 30, 2001.

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: August 9, 2001 /s/ A. Kenneth Pincourt, Jr.

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

Date: August 9, 2001 /s/ Troy Edwards

Troy Edwards
Chief Financial Officer,
Treasurer and Controller