

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly Report under Section 13 or 15(d)
of the Securities Exchange Act of 1934

For the Quarterly Period Ended March 31, 2001 Commission file number 0-18761

HANSEN NATURAL CORPORATION
(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

39-1679918
(I.R.S. Employer
Identification No.)

1010 Railroad Street
Corona, California 92882
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code:
(909) 739 - 6200

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

The registrant had 10,045,003 shares of common stock
outstanding as of May 1, 2001

HANSEN NATURAL CORPORATION AND SUBSIDIARIES
March 31, 2001

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HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
MARCH 31, 2001 (Unaudited) AND DECEMBER 31, 2000

	March 31, 2001 ----- (Unaudited)	December 31, 2000 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 193,626	\$ 130,665
Accounts receivable (net of allowance for doubtful accounts, sales returns and cash discounts of \$771,150 in 2001 and \$486,462 in 2000 and promotional allowances of \$2,752,010 in 2001 and \$2,583,088 in 2000)	6,326,432	6,584,486
Inventories, net	10,192,788	10,907,895
Prepaid expenses and other current assets	1,003,669	823,387
Deferred income tax asset	881,618	881,618
	-----	-----
Total current assets	18,598,133	19,328,051
PROPERTY AND EQUIPMENT, net	1,868,088	1,863,044
INTANGIBLE AND OTHER ASSETS:		
Trademark license and trademarks (net of accumulated amortization of \$3,489,590 in 2001 and \$3,366,358 in 2000)	16,774,691	16,887,914
Deposits and other assets	680,354	665,731
	-----	-----
Total intangible and other assets	17,455,045	17,553,645
	-----	-----
	\$ 37,921,266	\$ 38,744,740
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 4,027,810	\$ 3,681,956
Accrued liabilities	496,396	607,443
Accrued compensation	86,369	281,629
Current portion of long-term debt	236,553	234,655
Income taxes payable	849,166	878,266
	-----	-----
Total current liabilities	5,696,294	5,683,949
LONG-TERM DEBT, less current portion	8,542,068	9,731,956
DEFERRED INCOME TAX LIABILITY	1,274,139	1,274,139
SHAREHOLDERS' EQUITY:		
Common stock - \$.005 par value; 30,000,000 shares authorized; 10,251,764 shares issued, 10,045,003 outstanding in 2001; 10,148,882 shares issued, 9,942,121 outstanding in 2000.	51,259	50,744
Additional paid-in capital	11,695,725	11,667,619
Retained earnings	11,476,326	11,150,878
Common stock in treasury; at cost - 206,761 shares in 2001 and 2000 respectively	(814,545)	(814,545)
	-----	-----
Total shareholders' equity	22,408,765	22,054,696
	-----	-----
	\$ 37,921,266	\$ 38,744,740
	=====	=====

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000 (Unaudited)

	2001 ----	2000 ----
NET SALES	\$ 18,768,796	\$ 15,978,002
COST OF SALES	10,518,471	8,774,042
GROSS PROFIT	8,250,325	7,203,960
OPERATING EXPENSES:		
Selling, general and administrative	7,383,006	5,953,412
Amortization of trademark license and trademarks	123,232	82,659
Total operating expenses	7,506,238	6,036,071
OPERATING INCOME	744,087	1,167,889
NON-OPERATING EXPENSE (INCOME):		
Interest and financing expense	202,956	28,295
Interest income	(1,284)	(7,244)
Net non-operating expense	201,672	21,051
INCOME BEFORE PROVISION FOR INCOME TAXES	542,415	1,146,838
PROVISION FOR INCOME TAXES	216,967	458,735
NET INCOME	\$ 325,448	\$ 688,103
NET INCOME PER COMMON SHARE:		
Basic	\$ 0.03	\$ 0.07
Diluted	\$ 0.03	\$ 0.07
NUMBER OF COMMON SHARES USED IN PER SHARE COMPUTATIONS:		
Basic	10,009,955	9,998,657
Diluted	10,306,699	10,481,940

See accompanying notes to consolidated financial statements.

HANSEN NATURAL CORPORATION AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2001 AND 2000 (Unaudited)

	2001	2000
	----	----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 325,448	\$ 688,103
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Amortization of trademark license and trademarks	123,232	82,414
Depreciation and other amortization	97,654	45,995
Effect on cash of changes in operating assets and liabilities:		
Accounts receivable	258,054	(493,064)
Inventories	715,107	(100,440)
Prepaid expenses and other current assets	(180,282)	(153,340)
Accounts payable	345,854	(1,384,801)
Accrued liabilities	(111,047)	(105,651)
Accrued compensation	(195,260)	(420,656)
Income taxes payable	(29,100)	423,929
	-----	-----
Net cash provided by (used in) operating activities	1,349,660	(1,417,511)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of property and equipment	(102,698)	(138,306)
Increase in trademark license and trademarks	(10,009)	(4,431)
Increase in deposits and other assets	(14,623)	(127,191)
	-----	-----
Net cash used in investing activities	(127,330)	(269,928)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Borrowings on short-term debt		350,000
Principal payments on long-term debt	(1,187,990)	(178,085)
Issuance of common stock	28,621	230,000
Purchases of common stock, held in treasury		(589,944)
	-----	-----
Net cash used in financing activities	(1,159,369)	(188,029)
	-----	-----
NET INCREASE (DECREASE) IN CASH	62,961	(1,875,468)
CASH AND CASH EQUIVALENTS, beginning of the period	130,665	2,009,155
	-----	-----
CASH AND CASH EQUIVALENTS, end of the period	\$ 193,626	\$ 133,687
	=====	=====
SUPPLEMENTAL INFORMATION		
Cash paid during the period for:		
Interest	\$ 215,395	\$ 22,078
	=====	=====
Income taxes	\$ 246,067	\$ 34,806
	=====	=====

NONCASH TRANSACTIONS:

During the three month period ended March 31, 2001, the Company issued 84,882 shares of common stock to employees in connection with a net exercise of options to purchase 134,500 shares of common stock.

During the three month period ended March 31, 2000, the Company issued 4,114 shares of common stock to employees in connection with a net exercise of options to purchase 5,600 shares of common stock.

See accompanying notes to consolidated financial statements.

1. BASIS OF PRESENTATION

Reference is made to the Notes to Consolidated Financial Statements, in the Company's Form 10-K for the year ended December 31, 2000, which is incorporated by reference, for a summary of significant policies utilized by Hansen Natural Corporation ("Hansen" or "Company") and its wholly-owned subsidiaries, Hansen Beverage Company ("HBC") and Hard e Beverage Company ("HEB"). Additionally, the Company's reporting on Form 10-Q does not include all the information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America. HBC owns all of the issued and outstanding common stock of Blue Sky Natural Beverage Co. The information set forth in these interim consolidated financial statements for the three months ended March 31, 2001 and 2000 is unaudited and may be subject to normal year-end adjustments. The information contained in these interim consolidated financial statements reflects all adjustments, which include only normal recurring adjustments, which in the opinion of management are necessary to make the interim consolidated financial statements not misleading. Results of operations covered by this report may not necessarily be indicative of results of operations for the full year.

2. INVENTORIES

Inventories consist of the following at:

	March 31, 2001 (Unaudited)	December 31, 2000
Raw materials	\$ 4,777,510	\$ 4,704,363
Finished goods	5,587,809	6,371,941
	-----	-----
	10,365,319	11,076,304
Less inventory reserves	(172,531)	(168,409)
	-----	-----
	\$ 10,192,788	\$ 10,907,895
	=====	=====

General

The increase in sales during the first quarter of 2001 was primarily attributable to sales of the Blue Sky Natural Sodas, which business was acquired during the third quarter of 2000, and increased sales of the Company's functional drinks in 8.2-ounce slim cans. The Company also benefited from sales of Hard e, a malt based alcoholic drink, which was introduced in the third quarter of 2000, and increased sales of apple juice, juice blends and Natural Sodas. The increase in net sales was partially offset by decreased sales of the Company's children's multi-vitamin juice drinks in 8.45-ounce aseptic packages, Smoothies in glass and polyethylene terephthalate ("P.E.T.") bottles and Signature Sodas.

The decrease in gross profit margin as a percentage of net sales to 44.0% for the quarter ended March 31, 2001 from 45.1% for the quarter ended March 31, 2000 was due primarily to a change in the product mix.

The Company continues to incur expenditures in connection with the development and introduction of new products and flavors.

Results of Operations for the Three-months Ended March 31, 2001 Compared to the Three-months Ended March 31, 2000

Net Sales. For the three-months ended March 31, 2001, net sales were \$18.8 million, an increase of \$2.8 million or 17.5% higher than the \$16.0 million net sales for the three-months ended March 31, 2000. The increase in net sales was primarily attributable to sales of the Blue Sky Natural Sodas, which business was acquired in the third quarter of 2000, and increased sales of the Company's functional drinks in 8.2-ounce slim cans. The Company also benefited from sales of Hard e, a malt based alcoholic drink, which was introduced in the third quarter of 2000 and increased sales of apple juice, juice blends and Natural Sodas. The increase in net sales was partially offset by decreased sales of the Company's children's multi-vitamin juice drinks in 8.45-ounce aseptic packages, Smoothies in glass and P.E.T. bottles and Signature Sodas.

Gross Profit. Gross profit was \$8.3 million for the three-months ended March 31, 2001, an increase of \$1.1 million or 14.5% higher than the gross profit for the three-months ended March 31, 2000 of \$7.2 million. Gross profit as a percentage of net sales, however, decreased to 44.0% for the three-months ended March 31, 2001 from 45.1% for the three-months ended March 31, 2000. The decrease in gross profit as a percentage of net sales was primarily attributable to a change in the product mix.

Total Operating Expenses. Total operating expenses were \$7.5 million for the three-months ended March 31, 2001, an increase of \$1.5 million or 24.4% higher than total operating expenses of \$6.0 million for the three-months ended March 31, 2000. Total operating expenses as a percentage of net sales increased to 40.0% for the three-months ended March 31, 2001 from 37.8% for the three-months ended March 31, 2000. The increase in total operating expenses and total operating expenses as a percentage of net sales was primarily attributable to increased selling, general and administrative expenses and, to a lesser extent, increased amortization of trademark license and trademarks due to the acquisition of the Blue Sky trademark in the third quarter of 2000.

Selling, general and administrative expenses were \$7.4 million for the three-months ended March 31, 2001, an increase of \$1.4 million or 24.0% higher than selling, general and administrative expenses of \$6.0 million for the three-months ended March 31, 2000. The increase in selling expenses was primarily attributable to increased promotional allowances granted to customers, increased payroll expenses primarily for selling and marketing support activities, and increased expenditures for in-store demonstrations, merchandise displays, premiums, sponsorships and indirect sales support expenses. The increase in general and administrative expenses was primarily attributable to increased legal, insurance, travel and other operating expenses to support the increase in sales.

Operating Income. Operating income was \$744,000 for the three-months ended March 31, 2001, a decrease of \$424,000 or 36.3% lower than operating income of \$1.2 million for the three-months ended March 31, 2000. Operating income as a percentage of net sales decreased to 4.0% for the three-months ended March 31, 2001 from 7.3% for the three-months ended March 31, 2000. The decrease in operating income was attributable to a \$1.5 million increase in operating expenses which was partially offset by a \$1.1 million increase in gross profit. The 3.3% decrease in operating income as a percentage of net sales was partially attributable to a 1.1% decrease in gross profit as a percentage of net sales and a 2.2% increase in operating expenses as a percentage of net sales.

Net Non-operating Expense. Net non-operating expense was \$202,000 for the three-months ended March 31, 2001, an increase of \$181,000 over net non-operating expense of \$21,000 for the three-months ended March 31, 2000. Net non-operating expense was primarily attributable to increased interest expense incurred on the Company's increased borrowings, which were primarily attributable to the acquisition of the Blue Sky business and the financing of vehicles acquired by the Company.

Provision for Income Taxes. Provision for income taxes for the three-months ended March 31, 2001 was \$217,000 as compared to provision for income taxes of \$459,000 for the comparable period in 2000. The \$242,000 decrease in provision for income taxes was primarily attributable to the decrease in operating income and an increase in non-operating expense.

Net Income. Net income was \$325,000 for the three-months ended March 31, 2001, a decrease of \$363,000 or 53% lower than net income of \$688,000 for the three-months ended March 31, 2000. The decrease in net income was attributable to the increase in operating expenses of \$1.5 million and the increase in non-operating expense of \$181,000 which was partially offset by the increase in gross profit of \$1.1 million and the decrease in provision for income taxes of \$242,000.

Liquidity and Capital Resources

As of March 31, 2001, the Company had working capital of \$12.9 million, as compared to working capital of \$13.6 million as of December 31, 2000. The decrease in working capital was primarily attributable to the repayment of a portion of Company's long-term debt and the acquisition of property and equipment. The decrease was partially offset by net income earned after adjustment for certain noncash expenses, primarily amortization of trademark license and trademarks and depreciation and other amortization as well as the issuance of common stock.

Net cash provided by operating activities was \$1.3 million for the three-months ended March 31, 2001 as compared to net cash used in operating activities of \$1.4 million for the comparable period in 2000. This consisted of net income plus amortization of trademark license and trademarks, depreciation and other amortization, decreases in accounts receivable and inventories, and a small increase in current liabilities which was partially offset by increases in prepaid expenses and other current assets.

Net cash used in investing activities decreased to \$127,000 for the three-months ended March 31, 2001 as compared to net cash used in investing activities of \$270,000 for the comparable period in 2000. This consisted primarily of purchases of property and equipment, increases in trademark license and trademarks, and increases in deposits and other assets. Management, from time to time, considers the acquisition of capital equipment, particularly coolers, merchandise display racks, vans and promotional vehicles, and businesses compatible with the image of the Hansen's(R) brand, as well as the development and introduction of new product lines. The Company may require additional capital resources in for or as a result of any such activities or transactions, depending upon the cash requirements relating thereto. Any such activities or transactions will also be subject to the terms and restrictions of HBC's credit facilities.

Net cash used in financing activities increased to \$1.2 million for the three-months ended March 31, 2001 as compared to net cash used in financing activities of \$188,000 for the comparable period in 2000. The increase in net cash used in financing activities was primarily attributable to increased principal payments of long-term debt.

HBC's revolving line of credit has been renewed by its bank until September 2005. The rate of interest payable by the Company on advances under the line of credit is based on bank's base (prime) rate, plus an additional percentage of up to 0.5% or the LIBOR rate, plus an additional percentage of up to 2.5% depending upon certain financial ratios of the Company from time to time. As of March 31, 2001, approximately \$8.0 million was outstanding under the revolving line of credit.

The credit facility contains financial covenants, which require the Company to maintain certain financial ratios and achieve certain levels of annual income. The facility also contains certain non-financial covenants. As of March 31 2001, the Company was in compliance with all covenants.

Management believes that cash available from operations, including cash resources and the revolving line of credit, will be sufficient for its working capital needs, including purchase commitments for raw materials, payments of tax liabilities, debt servicing, expansion and development needs, purchases of shares of common stock of the Company, as well as any purchases of capital assets or equipment over the current year.

Forward Looking Statements

The Private Security Litigation Reform Act of 1995 (the "Act") provides a safe harbor for forward looking statements made by or on behalf of the Company. The Company and its representatives may from time to time make written or oral forward looking statements, including statements contained in this report and other filings with the Securities and Exchange Commission and in reports to shareholders and announcements. Certain statements made in this report, including certain statements made in management's discussion and analysis, may constitute forward looking statements (within the meaning of Section 27.A of the Securities Act 1933 as amended and Section 21.E of the Securities Exchange Act of 1934, as amended) regarding the expectations of management with respect to revenues, profitability, adequacy of funds from operations and the Company's existing credit facility, among other things. All statements which address operating performance, events or developments that management expects or anticipates will or may occur in the future including statements related to new products, volume growth, revenues, profitability, adequacy of funds from operations, and/or the Company's existing credit facility, earnings per share growth, statements expressing general optimism about future operating results and non-historical Year 2000 information, are forward looking statements within the meaning of the Act.

Management cautions that these statements are qualified by their terms and/or important factors, many of which are outside the control of the Company that could cause actual results and events to differ materially from the statements made including, but not limited to, the following:

- o Company's ability to generate sufficient cash flows to support capital expansion plans and general operating activities;
- o Changes in consumer preferences;
- o Changes in demand that are weather related, particular in areas outside of California;
- o Competitive products and pricing pressures and the Company's ability to gain or maintain share of sales in the marketplace as a result of actions by competitors;
- o The introduction of new products;
- o Laws and regulations, and/or any changes therein, including changes in accounting standards, taxation requirements (including tax rate changes, new tax laws and revised tax law interpretations) and environmental laws as well as the Federal Food Drug and Cosmetic Act, the Dietary Supplement Health and Education Act, and regulations made thereunder or in connection therewith, especially those that may affect the way in which the Company's products are marketed as well as laws and regulations or rules made or enforced by the Food and Drug Administration and/or the Bureau of Alcohol, Tobacco and Firearms and/or certain state regulatory agencies;
- o Changes in the cost and availability of raw materials and the ability to maintain favorable supply arrangements and relationships and procure timely and/or adequate production of all or any of the Company's products;
- o The Company's ability to achieve earnings forecasts, which may be based on projected volumes and sales of many product types and/or new products, certain of which are more profitable than others. There can be no assurance that the Company will achieve projected levels or mixes of product sales;
- o The Company's ability to penetrate new markets;

- o The marketing efforts of distributors of the Company's products, most of which distribute products that are competitive with the products of the Company;
- o Unilateral decisions by distributors, grocery chains, specialty chain stores, club stores and other customers to discontinue carrying all or any of the Company's products that they are carrying at any time;
- o The terms and/or availability of the Company's credit facilities and the actions of its creditors;
- o The effectiveness of the Company's advertising, marketing and promotional programs;
- o Adverse weather conditions, which could reduce demand for the Company's products;
- o The Company's ability to make suitable arrangements for the co-packing of its functional drinks in 8.2-ounce slim cans, Smoothies in 11.5 ounce cans and other products.

The foregoing list of important factors is not exhaustive.

Inflation

The Company does not believe that inflation has a significant impact on the Company's results of operations for the periods presented.

PART II - OTHER INFORMATION

- Items 1 - 5. Not Applicable
- Item 6. Exhibits and Reports on Form 8-K
- (a) Exhibits - See Exhibit Index
- (b) Reports on Form 8-K - None

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.

HANSEN NATURAL CORPORATION
Registrant

Date: May 9, 2001

/s/ RODNEY C. SACKS

Rodney C. Sacks
Chairman of the Board of Directors
and Chief Executive Officer
(Principal Executive Officer)

Date: May 9, 2001

/s/ HILTON H. SCHLOSBERG

Hilton H. Schlosberg
Vice Chairman of the Board of Directors,
President, Chief Operating Officer,
Chief Financial Officer and Secretary