

VSE CORP
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the Quarter Ended September 30, 2013 Commission File Number: 0 3676

VSE CORPORATION
(Exact Name of Registrant as Specified in its Charter)

DELAWARE 54-0649263
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

6348 Walker Lane
Alexandria, Virginia 22310 www.vsecorp.com
(Address of Principal Executive Offices) (Zip Code) (Webpage)

Registrant's Telephone Number, Including Area Code: (703) 960-4600

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock par value \$.05 per share	The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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 (section 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer Accelerated filer

Non-accelerated filer 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

Number of shares of Common Stock outstanding as of October 22, 2013: 5,333,077

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VSE Corporation and Subsidiaries

Forward Looking Statements

This report contains statements that, to the extent they are not recitations of historical fact, constitute "forward looking statements" under federal securities laws. All such statements are intended to be subject to the safe harbor protection provided by applicable securities laws. For discussions identifying some important factors that could cause actual VSE Corporation ("VSE," the "Company," "us," "our," or "we") results to differ materially from those anticipated in the forward looking statements contained in this report, see VSE's discussions captioned "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements" contained in VSE's Annual Report on Form 10-K for the fiscal year ended December 31, 2012 filed with the Securities and Exchange Commission (the "SEC") on March 6, 2013 ("2012 Form 10-K").

Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to revise publicly these forward looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in our 2012 Form 10-K and in the reports and other documents the Company files from time to time with the SEC, including this and other Quarterly Reports on Form 10-Q to be filed by us subsequent to our 2012 Form 10-K and any Current Reports on Form 8-K we file with the SEC.

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PART I. Financial Information

Item 1. Financial Statements

VSE Corporation and Subsidiaries

Unaudited Condensed Consolidated Balance Sheets
(in thousands except share and per share amounts)

	September 30, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 280	\$ 1,501
Receivables, principally U.S. Government, net	71,460	90,621
Inventories	40,263	41,555
Deferred tax assets	1,145	767
Other current assets	12,908	8,641
Assets held for sale	2,112	2,890
Total current assets	128,168	145,975
Property and equipment, net	58,811	62,468
Intangible assets, net	84,798	92,421
Goodwill	92,052	92,052
Deferred tax assets	1,884	2,099
Other assets	16,754	15,196
Total assets	\$ 382,467	\$ 410,211
Liabilities and Stockholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$ 24,837	\$ 23,274
Accounts payable	25,581	30,063
Accrued expenses and other current liabilities	20,822	26,688
Dividends payable	-	423
Liabilities held for sale	385	551
Total current liabilities	71,625	80,999
Long-term debt, less current portion	79,638	116,377
Deferred compensation	12,109	10,684
Long-term lease obligations, less current portion	26,820	27,435
Earn-out obligation	8,987	9,098
Other liabilities	1,047	1,283
Total liabilities	200,226	245,876

Commitments and contingencies

Stockholders' equity:

Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 5,333,077 and 5,293,316 respectively	267	265
Additional paid-in capital	19,139	18,193
Retained earnings	163,152	146,614
Accumulated other comprehensive loss	(317)	(737)
Total stockholders' equity	182,241	164,335
Total liabilities and stockholders' equity	\$ 382,467	\$ 410,211

The accompanying notes are an integral part of these financial statements.

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VSE Corporation and Subsidiaries

Unaudited Condensed Consolidated Statements of Income
(in thousands except share and per share amounts)

	For the three months ended September 30,		For the nine months ended September 30,	
	2013	2012	2013	2012
Revenues:				
Services	\$72,707	\$99,649	\$234,553	\$300,448
Products	38,362	34,588	114,735	109,447
Total revenues	111,069	134,237	349,288	409,895
Contract costs				
Services	70,241	89,052	221,313	276,538
Products	30,785	28,746	94,051	89,947
Total contract costs	101,026	117,798	315,364	366,485
Selling, general and administrative expenses	583	1,147	1,821	3,073
Impairment of goodwill and intangible assets	-	1,025	-	1,025
Operating income	9,460	14,267	32,103	39,312
Interest expense, net	1,395	2,033	4,453	5,380
Income before income taxes	8,065	12,234	27,650	33,932
Provision for income taxes	2,738	4,748	10,089	13,046
Income from continuing operations	5,327	7,486	17,561	20,886
Loss from discontinued operations, net of tax	(1)		