

SERVOTRONICS INC /DE/
Form 10-Q
August 12, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549
Form 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

or

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

Commission File No. 1-07109

SERVOTRONICS, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

16-0837866
(I. R. S. Employer
Identification No.)

1110 Maple Street
Elma, New York 14059
(Address of principal executive offices) (zip code)
(716) 655-5990

(Registrant's telephone number, including area code)

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) 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.

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

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

Class

Outstanding at July 31, 2013

Common Stock, \$.20 par value

2,528,134

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SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(\$000's omitted except share and per share data)

	June 30, 2013 (Unaudited)	December 31, 2012
Current assets:		
Cash and cash equivalents	\$4,942	\$5,573
Accounts receivable, net	5,825	4,858
Inventories, net	11,451	11,213
Prepaid income taxes	27	387
Deferred income taxes	655	655
Other assets	527	306
 Total current assets	 23,427	 22,992
Property, plant and equipment, net	6,626	5,946
Other non-current assets	353	365
 Total Assets	 \$30,406	 \$29,303
 Liabilities and Shareholders' Equity		
Current liabilities:		
Current portion of long-term debt	\$192	\$192
Dividends payable	406	-
Accounts payable	1,406	1,051
Accrued employee compensation and benefit costs	1,617	1,422
Other accrued liabilities	284	389
 Total current liabilities	 3,905	 3,054
Long-term debt	2,652	2,663
Deferred income taxes	320	320
Commitments and contingencies (See Note 10)	-	-
 Shareholders' equity:		
Common stock, par value \$.20; authorized 4,000,000 shares; issued 2,614,506 shares; outstanding 2,316,431 (2,157,920 – 2012) shares	523	523
Capital in excess of par value	14,008	13,987
Retained earnings	12,008	11,771

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Accumulated other comprehensive loss	(85)	(85)
Employee stock ownership trust commitment	(1,165)	(1,165)
Treasury stock, at cost 82,861 (241,372 – 2012) shares	(1,760	)	(1,765)
Total shareholders' equity	23,529		23,266	
Total Liabilities and Shareholders' Equity	\$30,406		\$29,303	

See notes to consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(\$000's omitted except per share data)
(Unaudited)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2013	2012	2013	2012
Revenue	\$8,067	\$7,719	\$15,409	\$15,786
Costs, expenses and other income:				
Cost of goods sold, exclusive of depreciation and amortization	5,873	5,286	11,570	11,545
Selling, general and administrative	1,335	1,220	2,634	2,478
Interest expense	11	12	21	23
Depreciation and amortization	155	149	308	296
Other income, net	-	(2)	(1)	(10)
Total expenses	7,374	6,665	14,532	14,332
Income from continuing operations before income tax provision	693	1,054	877	1,454
Income tax provision	189	309	196	428
Income from continuing operations	504	745	681	1,026
Discontinued Operations:				
Loss from operations of a discontinued component, net of income tax benefit	-	(197)	-	(409)
Loss on disposal of QCC and AMP, net of income tax benefit	-	(268)	-	(268)
Loss from discontinued operations	-	(465)	-	(677)
Net income	\$504	\$280	\$681	\$349
Income (loss) per share:				
Basic				
Income per share from continuing operations	\$0.22	\$0.35	\$0.30	\$0.49
Loss per share from discontinued operations	-	(0.22)	-	(0.32)
Total net income per share	\$0.22	\$0.13	\$0.30	\$0.17
Diluted				
Income per share from continuing operations	\$0.22	\$0.35	\$0.30	\$0.48
Loss per share from discontinued operations	-	(0.22)	-	(0.32)
	\$0.22	\$0.13	\$0.30	\$0.16

Total net income per share

See notes to consolidated financial statements

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SERVOTRONICS, INC. AND SUBSIDIARIES
 CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
 (\$000's omitted)
 (Unaudited)

	Three Months Ended		Six Months Ended	
	June 30, 2013	2012	June 30, 2013	2012
Net income	\$504	\$280	\$681	\$349
Other comprehensive income:				
Retirement benefits adjustment	-	-	-	-
Total comprehensive income	\$504	\$280	\$681	\$349

See notes to consolidated financial statements

SERVOTRONICS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(\$000's omitted)
(Unaudited)

	Six Months Ended	
	June 30,	
	2013	2012
Cash flows related to operating activities:		
Net income	\$681	\$349
Adjustments to reconcile net income to net cash (used) generated in operating activities:		
Depreciation and amortization	308	340
Loss on disposal of QCC and AMP, net of income tax benefit	-	406
Stock based compensation	75	-
(Decrease) increase in inventory reserve	(44	) 53
(Decrease) increase in allowance for doubtful accounts	(18	) 7
Change in assets and liabilities:		
Accounts receivable	(949	) (138)
Inventories	(194	) (1,168)
Prepaid income taxes	381	(163)
Other assets	(221	) (303)
Other non-current assets	12	(11)
Accounts payable	355	(12)
Accrued employee compensation and benefit costs	197	81
Other accrued liabilities	(105	) (136)
Net cash generated (used) in operating activities	478	(695)
Cash flows related to investing activities:		
Capital expenditures - property, plant and equipment	(989	) (136)
Net cash used in investing activities	(989	) (136)
Cash flows related to financing activities:		
Principal payments on long-term debt	(11	) (22)
Proceeds from exercise of stock options	70	234
Principal payments on capital lease related party	-	(41)
Purchase of treasury shares	(179)