

SPARTON CORP
Form 10-Q
May 08, 2012
Table of Contents

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

FORM 10-Q

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

For the quarterly period ended March 31, 2012

Or

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

For the transition period from to

Commission File Number 1-1000

Sparton Corporation

Edgar Filing: SPARTON CORP - Form 10-Q

(Exact name of registrant as specified in its charter)

Ohio (State or other jurisdiction of incorporation or organization)	38-1054690 (I.R.S. Employer Identification No.)
425 N. Martingale Road, Suite 2050, Schaumburg, Illinois (Address of principal executive offices)	60173-2213 (Zip code)
(847) 762-5800	
(Registrant's telephone number, including zip 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 website, 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 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

As of May 2, 2012, there were 10,091,215 shares of common stock, \$1.25 par value per share, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I	<u>FINANCIAL INFORMATION</u>	3
ITEM 1.	<u>FINANCIAL STATEMENTS</u>	3
	<u>CONDENSED CONSOLIDATED BALANCE SHEETS AS OF MARCH 31, 2012 AND JUNE 30, 2011 (UNAUDITED)</u>	3
	<u>CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)</u>	4
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)</u>	5
	<u>CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE NINE MONTHS ENDED MARCH 31, 2012 AND 2011 (UNAUDITED)</u>	6
	<u>NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	7
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	19
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	31
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	32
PART II	<u>OTHER INFORMATION</u>	32
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	32
ITEM 1A.	<u>RISK FACTORS</u>	32
ITEM 2.	<u>UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	32
ITEM 6.	<u>EXHIBITS</u>	33
	<u>SIGNATURES</u>	34
	<u>CERTIFICATIONS</u>	

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements.**

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except share data)

	March 31, 2012	June 30, 2011 (a)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 26,682	\$ 24,550
Accounts receivable, net of allowance for doubtful accounts of \$147 and \$65, respectively	31,969	23,896
Inventories and cost of contracts in progress, net	39,252	38,752
Deferred income taxes	1,341	4,417
Prepaid expenses and other current assets	2,673	1,796
Total current assets	101,917	93,411
Property, plant and equipment, net	13,837	11,395
Goodwill	7,472	7,472
Other intangible assets, net	1,723	2,053
Deferred income taxes non-current	5,754	5,740
Other non-current assets	665	2,538
Total assets	\$ 131,368	\$ 122,609
Liabilities and Shareholders Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 131	\$ 126
Accounts payable	15,097	16,608
Accrued salaries and wages	5,863	5,626
Accrued health benefits	1,369	980
Current portion of pension liability	5	306
Advance billings on customer contracts	19,621	13,021
Other accrued expenses	5,663	5,421
Total current liabilities	47,749	42,088
Pension liability non-current portion		41
Long-term debt non-current portion	1,571	1,670
Environmental remediation non-current portion	3,544	3,763
Total liabilities	52,864	47,562
Commitments and contingencies		
Shareholders Equity:		
Preferred stock, no par value; 200,000 shares authorized, none outstanding		
Common stock, \$1.25 par value; 15,000,000 shares authorized, 10,038,008 and 10,236,484 shares issued and outstanding, respectively	12,548	12,796
Capital in excess of par value	18,776	20,635
Retained earnings	47,943	42,487

Edgar Filing: SPARTON CORP - Form 10-Q

Accumulated other comprehensive loss	(763)	(871)
Total shareholders' equity	78,504	75,047
Total liabilities and shareholders' equity	\$ 131,368	\$ 122,609

- (a) Derived from the Company's audited financial statements as of June 30, 2011.
See Notes to unaudited condensed consolidated financial statements.

Table of Contents

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(Dollars in thousands, except share data)

	For the Three Months Ended		For the Nine Months Ended	
	March 31,	March 31,	March 31,	March 31,
	2012	2011	2012	2011
Net sales	\$ 55,048	\$ 50,352	\$ 162,251	\$ 142,450
Cost of goods sold	45,887	42,150	136,010	119,675
Gross profit	9,161	8,202	26,241	22,775
Operating Expense:				
Selling and administrative expenses	5,509	5,143	16,455	15,666
Internal research and development expenses	347	282	963	564
Amortization of intangible assets	109	127	330	347
Restructuring/impairment charges			(59)	77
Gain on acquisition				(2,550)
Gain on sale of property, plant and equipment, net		(121)		(139)
Other operating expenses	26	92	74	296
Total operating expense, net	5,991	5,523	17,763	14,261
Operating income	3,170	2,679	8,478	8,514
Other income (expense)				
Interest expense	(175)	(178)	(522)	(529)
Interest income	25	32	73	118
Gain on sale of investment			127	
Other, net	113	105	346	300
Total other income (expense), net	(37)	(41)	24	(111)
Income before provision for income taxes	3,133	2,638	8,502	8,403
Provision for income taxes	1,128	115	3,046	215
Net income	\$ 2,005	\$ 2,523	\$ 5,456	\$ 8,188
Income per share of common stock:				
Basic	\$ 0.20	\$ 0.25	\$ 0.53	\$ 0.80
Diluted	\$ 0.20	\$ 0.25	\$ 0.53	\$ 0.80
Weighted average shares of common stock outstanding:				
Basic	10,055,459	10,223,928	10,204,444	10,211,187
Diluted	10,095,705	10,269,489	10,241,614	10,243,961

See Notes to unaudited condensed consolidated financial statements.

Table of Contents

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollars in thousands)

	For the Nine Months Ended March 31, 2012	March 31, 2011
Cash Flows from Operating Activities:		
Net income	\$ 5,456	\$ 8,188
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	1,272	1,076
Deferred income tax expense	3,042	342
Pension expense	21	427
Stock-based compensation expense	738	502
Gain on acquisition		(2,550)
Gain on sale of property, plant and equipment, net		(139)
Gain on sale of investment	(127)	
Other	260	261
Changes in operating assets and liabilities:		
Accounts receivable	(8,073)	(2,562)
Inventories and cost of contracts in progress	(500)	(1,602)
Prepaid expenses and other assets	(1,156)	(610)
Advance billings on customer contracts		