

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

December 12, 2014

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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 October 31, 2014

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 0-5286

KEWAUNEE SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of	38-0715562
incorporation or organization)	(IRS Employer
2700 West Front Street	Identification No.)
Statesville, North Carolina	28677-2927
(Address of principal executive offices)	(Zip Code)
Registrant's telephone number, including area code: (704) 873-7202	

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

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of December 8, 2014, the registrant had outstanding 2,626,848 shares of Common Stock.

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KEWAUNEE SCIENTIFIC CORPORATION

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Part 1. Financial Information

Item 1. Financial Statements*Kewaunee Scientific Corporation*

Consolidated Statements of Operations

*(Unaudited)**(in thousands, except per share data)*

	Three months ended October 31		Six months ended October 31	
	2014	2013	2014	2013
Net sales	\$ 30,258	\$ 26,098	\$ 60,792	\$ 58,101
Costs of products sold	24,436	21,205	48,822	46,632
Gross profit	5,822	4,893	11,970	11,469
Operating expenses	3,950	3,759	8,298	7,903
Operating earnings	1,872	1,134	3,672	3,566
Other income	125	90	251	170
Interest expense	(102)	(72)	(183)	(160)
Earnings before income taxes	1,895	1,152	3,740	3,576
Income tax expense	667	406	1,252	1,213
Net earnings	1,228	746	2,488	2,363
Less: net earnings attributable to the noncontrolling interest	26	21	52	51
Net earnings attributable to Kewaunee Scientific Corporation	\$ 1,202	\$ 725	\$ 2,436	\$ 2,312
Net earnings per share attributable to Kewaunee Scientific Corporation stockholders				
Basic	\$ 0.46	\$ 0.28	\$ 0.93	\$ 0.89
Diluted	\$ 0.45	\$ 0.28	\$ 0.92	\$ 0.89
Weighted average number of common shares outstanding				
Basic	2,626	2,606	2,623	2,601
Diluted	2,659	2,633	2,655	2,618

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Comprehensive Income

*(Unaudited)**(in thousands)*

	Three months ended		Six months ended	
	October 31		October 31	
	2014	2013	2014	2013
Net earnings	\$ 1,228	\$ 746	\$ 2,488	\$ 2,363
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(126)	91	(116)	(433)
Change in fair value of cash flow hedge	(11)	(23)	2	42
Other comprehensive income (loss)	(137)	68	(114)	(391)
Comprehensive income, net of tax	1,091	814	2,374	1,972
Less: comprehensive income attributable to the noncontrolling interest	26	21	52	51
Comprehensive income attributable to Kewaunee Scientific Corporation	\$ 1,065	\$ 793	\$ 2,322	\$ 1,921

See accompanying notes to consolidated financial statements.

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Consolidated Statement of Stockholders Equity

*(Unaudited)**(in thousands)*

	Common Stock	Additional Paid-in Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total Stockholders Equity
<i>\$ in thousands, except per share amounts</i>						
Balance at April 30, 2014	\$ 6,557	\$ 1,642	\$ (57)	\$ 32,090	\$ (6,273)	\$ 33,959
Net earnings attributable to Kewaunee Scientific Corporation				2,436		2,436
Other comprehensive income (loss)					(114)	(114)
Cash dividends paid, \$0.23 per share				(603)		(603)
Stock options exercised, 22,825 shares	18	10	25			53
Stock based compensation		108				108
Purchase of treasury stock, 1,159 shares			(21)			(21)
Balance at October 31, 2014	\$ 6,575	\$ 1,760	\$ (53)	\$ 33,923	\$ (6,387)	\$ 35,818

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

(in thousands)

	October 31, 2014 (Unaudited)	April 30, 2014
<u>Assets</u>		
Current Assets:		
Cash and cash equivalents	\$ 4,863	\$ 6,248
Restricted cash	2,869	368
Receivables, less allowance	24,074	23,473
Inventories	12,199	11,938
Deferred income taxes	644	646
Prepaid expenses and other current assets	1,224	680
Total Current Assets	45,873	43,353
Property, plant and equipment, at cost	47,915	46,391
Accumulated depreciation	(32,982)	(31,821)
Net Property, Plant and Equipment	14,933	14,570
Deferred income taxes	1,428	1,385
Other	3,595	3,409
Total Other Assets	5,023	4,794
Total Assets	\$ 65,829	\$ 62,717
<u>Liabilities and Equity</u>		
Current Liabilities:		
Short-term borrowings and interest rate swap	\$ 941	\$ 3,150
Current portion of long-term debt	421	421
Accounts payable	11,405	8,542
Employee compensation and amounts withheld	2,021	2,000
Deferred revenue	238	137
Other accrued expenses	2,960	1,913
Total Current Liabilities	17,986	16,163
Long-term debt	3,982	4,192
Accrued pension and deferred compensation costs	7,769	7,250
Other non-current liabilities		888
Total Liabilities	29,737	28,493
Commitments and Contingencies		

Equity:		
Common Stock	6,575	6,557
Additional paid-in-capital	1,760	1,642
Retained earnings	33,923	32,090
Accumulated other comprehensive loss	(6,387)	(6,273)
Common stock in treasury, at cost	(53)	(57)
Total Kewaunee Scientific Corporation Stockholders Equity	35,818	33,959
Noncontrolling interest	274	265
Total Equity	36,092	34,224
Total Liabilities and Equity	\$ 65,829	\$ 62,717

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

	Six months ended October 31	
	2014	2013
<i>Cash flows from operating activities:</i>		
Net earnings	\$ 2,488	\$ 2,363
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,263	1,248
Bad debt provision	4	71
Stock based compensation expense	108	125
Provision for deferred income tax expense	(41)	(42)
Change in assets and liabilities:		
(Increase) decrease in receivables	(605)	5,363
(Increase) decrease in inventories	(261)	29
Increase (decrease) in accounts payable and other accrued expenses	3,931	(2,198)
Increase (decrease) in deferred revenue	101	(420)
Other, net	(226)	(343)
Net cash provided by operating activities	6,762	6,196
<i>Cash flows from investing activities:</i>		
Capital expenditures	(1,626)	(1,188)
(Increase) decrease in restricted cash	(2,501)	88
Net cash used in investing activities	(4,127)	(1,100)
<i>Cash flows from financing activities:</i>		
Dividends paid	(603)	(547)
Dividends paid to noncontrolling interest in subsidiaries	(38)	(38)
Decrease in short-term borrowings and interest rate swap	(2,209)	(4,278)
Proceeds from long-term debt		5,000
Payments on long-term debt	(210)	(3,643)
Payment toward purchase of noncontrolling interest in subsidiary	(888)	(1,780)
Net proceeds from exercise of stock options (including tax benefit)	32	59
Net cash used in financing activities	(3,916)	(5,227)
Effect of exchange rate changes on cash	(104)	(396)
<i>Decrease in cash and cash equivalents</i>	(1,385)	(527)
<i>Cash and cash equivalents, beginning of period</i>	6,248	5,811