

SPARTON CORP
Form 10-Q
February 07, 2012

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 quarterly period ended December 31, 2011

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

(Exact name of registrant as specified in its charter)

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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 January 31, 2012, there were 10,054,670 shares of common stock, \$1.25 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION**Item 1. Financial Statements.**

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except share data)

	December 31, 2011	June 30, 2011 (a)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 30,610	\$ 24,550
Accounts receivable, net of allowance for doubtful accounts of \$123 and \$65, respectively	24,411	23,896
Inventories and cost of contracts in progress, net	38,545	38,752
Deferred income taxes	2,483	4,417
Prepaid expenses and other current assets	2,984	1,796
Total current assets	99,033	93,411
Property, plant and equipment, net	12,702	11,395
Goodwill	7,472	7,472
Other intangible assets, net	1,831	2,053
Deferred income taxes non-current	5,754	5,740
Other non-current assets	749	2,538
Total assets	\$ 127,541	\$ 122,609
Liabilities and Shareholders Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 131	\$ 126
Accounts payable	15,612	16,608
Accrued salaries and wages	4,142	5,626
Accrued health benefits	1,148	980
Current portion of pension liability	152	306
Advance billings on customer contracts	18,886	13,021
Other accrued expenses	4,564	5,421
Total current liabilities	44,635	42,088
Pension liability non-current portion		41
Long-term debt non-current portion	1,604	1,670
Environmental remediation non-current portion	3,617	3,763
Total liabilities	49,856	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, 10,205,780 and 10,236,484 shares issued and outstanding, respectively	12,757	12,796
Capital in excess of par value	19,780	20,635
Retained earnings	45,938	42,487
Accumulated other comprehensive loss	(790)	(871)

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Total shareholders equity	77,685	75,047
Total liabilities and shareholders equity	\$ 127,541	\$ 122,609

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

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

(Dollars in thousands, except share data)

	For the Three Months Ended		For the Six Months Ended	
	December 31, 2011	December 31, 2010	December 31, 2011	December 31, 2010
Net sales	\$ 55,370	\$ 46,331	\$ 107,203	\$ 92,098
Cost of goods sold	46,634	38,784	90,123	77,525
Gross profit	8,736	7,547	17,080	14,573
Operating Expense:				
Selling and administrative expenses	5,535	5,689	10,946	10,523
Internal research and development expenses	218	155	616	282
Amortization of intangible assets	110	110	221	220
Restructuring/impairment charges	(59)		(59)	77
Gain on acquisition				(2,550)
Gain on sale of property, plant and equipment, net				(18)
Other operating expenses	13	12	48	204
Total operating expense, net	5,817	5,966	11,772	8,738
Operating income	2,919	1,581	5,308	5,835
Other income (expense)				
Interest expense	(175)	(181)	(347)	(351)
Interest income	24	28	48	86
Gain on sale of investment	127		127	
Other, net	116	121	233	195
Total other income (expense), net	92	(32)	61	(70)
Income before provision for income taxes	3,011	1,549	5,369	5,765
Provision for income taxes	1,069	114	1,918	100
Net income	\$ 1,942	\$ 1,435	\$ 3,451	\$ 5,665
Income per share of common stock:				
Basic	\$ 0.19	\$ 0.14	\$ 0.34	\$ 0.56
Diluted	\$ 0.19	\$ 0.14	\$ 0.33	\$ 0.55
Weighted average shares of common stock outstanding:				
Basic	10,287,797	10,209,376	10,278,127	10,204,955
Diluted	10,325,029	10,249,593	10,319,275	10,229,449

See Notes to unaudited condensed consolidated financial statements.

SPARTON CORPORATION AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollars in thousands)

	For the Six Months Ended	
	December 31, 2011	December 31, 2010
Cash Flows from Operating Activities:		
Net income	\$ 3,451	\$ 5,665
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	831	687
Deferred income tax expense	1,914	228
Pension expense	14	285
Stock-based compensation expense	532	372
Gain on acquisition		(2,550)
Gain on sale of property, plant and equipment, net		(18)
Gain on sale of investment	(127)	
Other	174	174
Changes in operating assets and liabilities:		
Accounts receivable	(515)	(537)
Inventories and cost of contracts in progress	207	2,094
Prepaid expenses and other assets	(1,191)	(606)