

AMREP CORP.  
Form 10-Q  
December 11, 2015

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 October 31, 2015

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 1-4702

AMREP Corporation  
(Exact name of Registrant as specified in its charter)

Oklahoma

59-0936128

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(State or other jurisdiction of (IRS Employer  
incorporation or organization) Identification No.)

300 Alexander Park, Suite 204, Princeton, New Jersey 08540  
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (609) 716-8200

Not Applicable  
(Former name or former address, if changed since last report)

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 (the "Exchange Act") 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 x 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 x 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 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 x  
(Do not check if a 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 x

Number of Shares of Common Stock, par value \$.10 per share, outstanding at December 4, 2015 – 8,059,454.

**AMREP CORPORATION AND SUBSIDIARIES**

INDEX

	<b>PAGE NO.</b>
<b><u>PART I. FINANCIAL INFORMATION</u></b>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets</u> <u>October 31, 2015 (Unaudited) and April 30, 2015</u>	1
<u>Consolidated Statements of Operations and Retained Earnings (Unaudited)</u> <u>Three Months Ended October 31, 2015 and 2014</u>	2
<u>Consolidated Statements of Operations and Retained Earnings (Unaudited)</u> <u>Six Months Ended October 31, 2015 and 2014</u>	3
<u>Consolidated Statements of Cash Flows from Continuing Operations (Unaudited)</u> <u>Six Months Ended October 31, 2015 and 2014</u>	4
<u>Notes to Consolidated Financial Statements (Unaudited)</u>	5
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	12
<u>Item 4. Controls and Procedures</u>	18
<b><u>PART II. OTHER INFORMATION</u></b>	
<u>Item 6. Exhibits</u>	19
<b><u>SIGNATURE</u></b>	20
<b><u>EXHIBIT INDEX</u></b>	21

## PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

## AMREP CORPORATION AND SUBSIDIARIES

## Consolidated Balance Sheets

(Amounts in thousands, except par value and share amounts)

	October 31, 2015 (Unaudited)	April 30, 2015
<b>ASSETS</b>		
Cash and cash equivalents	\$ 12,397	\$ 12,050
Receivables, net	9,535	11,265
Real estate inventory	65,533	66,321
Investment assets, net	15,292	15,364
Property, plant and equipment, net	15,516	15,763
Intangible and other assets, net	8,859	10,440
Taxes receivable	1,791	-
Deferred income taxes, net	6,265	5,837
Assets of discontinued operations	-	1,689
<b>TOTAL ASSETS</b>	<b>\$ 135,188</b>	<b>\$ 138,729</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>LIABILITIES:</b>		
Accounts payable and accrued expenses	\$ 10,045	\$ 10,284
Notes payable:		
Amounts due within one year	132	128
Amounts due beyond one year	3,893	3,959
Amounts due to related party	13,183	14,003
	17,208	18,090
Taxes payable	-	653
Other liabilities and deferred revenue	4,686	4,827
Accrued pension cost	11,768	11,259
Liabilities of discontinued operations	-	295
<b>TOTAL LIABILITIES</b>	<b>43,707</b>	<b>45,408</b>
<b>SHAREHOLDERS' EQUITY:</b>		

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Common stock, \$.10 par value; shares authorized – 20,000,000; shares issued – 8,284,704 at October 31, 2015 and 8,281,704 at April 30, 2015	828	828
Capital contributed in excess of par value	50,553	50,538
Retained earnings	55,148	57,003
Accumulated other comprehensive loss, net	(10,833 )	(10,833 )
Treasury stock, at cost; 225,250 shares at October 31, 2015 and April 30, 2015	(4,215 )	(4,215 )
TOTAL SHAREHOLDERS' EQUITY	91,481	93,321
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 135,188	\$ 138,729

## AMREP CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations and Retained Earnings (Unaudited)

Three Months Ended October 31, 2015 and 2014

(Amounts in thousands, except per share amounts)

	2015	2014
REVENUES:		
Fulfillment services	\$8,726	\$11,803
Real estate land sales	2,180	2,513
Other	315	41
	11,221	14,357
COSTS AND EXPENSES:		
Real estate land sales	1,882	2,188
Operating expenses:		
Fulfillment services	7,867	9,565
Real estate selling expenses	55	67
Other	333	328
General and administrative expenses:		
Fulfillment services	880	1,112
Real estate operations and corporate	946	818
Interest expense	364	370
	12,327	14,448
Loss from continuing operations before income taxes	(1,106 )	(91 )
Provision (benefit) for income taxes	(430 )	6
Loss from continuing operations	(676 )	(97 )
Discontinued operations (Note 2)		
Income from discontinued operations before income taxes	-	443
Provision for income taxes	-	92
Income from discontinued operations	-	351
Net income (loss)	(676 )	254
Retained earnings, beginning of period	55,824	51,947
Retained earnings, end of period	\$55,148	\$52,201
Loss per share – continuing operations – basic and diluted	\$(0.08 )	\$(0.01 )
Earnings per share – discontinued operations – basic and diluted	\$-	\$0.04
Earnings (loss) per share, net - basic and diluted	\$(0.08 )	\$0.03
Weighted average number of common shares outstanding	8,038	8,026



## AMREP CORPORATION AND SUBSIDIARIES

## Consolidated Statements of Operations and Retained Earnings (Unaudited)

Six Months Ended October 31, 2015 and 2014

(Amounts in thousands, except per share amounts)

	2015	2014
REVENUES:		
Fulfillment services	\$17,907	\$23,712
Real estate land sales	2,290	2,897
Other	599	69
	20,796	26,678
COSTS AND EXPENSES:		
Real estate land sales	1,918	2,410
Operating expenses:		
Fulfillment services	16,647	18,957
Real estate selling expenses	108	127
Other	680	769
General and administrative expenses:		
Fulfillment services	1,745	2,219
Real estate operations and corporate	1,965	1,645
Impairment of assets	-	925
Interest expense	743	762
	23,806	27,814
Loss from continuing operations before income taxes	(3,010 )	(1,136 )
Benefit for income taxes	(1,155 )	(403 )
Loss from continuing operations	(1,855 )	(733 )
Discontinued operations (Note 2)		
Income from discontinued operations before income taxes	-	11,411
Provision for income taxes	-	4,160
Income from discontinued operations	-	7,251
Net income (loss)	(1,855 )	6,518
Retained earnings, beginning of period	57,003	45,683
Retained earnings, end of period	\$55,148	\$52,201
Loss per share – continuing operations – basic and diluted	\$(0.23 )	\$(0.10 )
Earnings per share – discontinued operations – basic and diluted	\$-	\$0.93
Earnings (loss) per share, net - basic and diluted	\$(0.23 )	\$0.83
Weighted average number of common shares outstanding	8,034	7,813



**AMREP CORPORATION AND SUBSIDIARIES**

## Consolidated Statements of Cash Flows from Continuing Operations (Unaudited)

Six Months Ended October 31, 2015 and 2014

(Amounts in thousands)

	2015	2014
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net loss from continuing operations	\$(1,855 )	\$(733 )
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:		
Impairment of assets	-	925
Depreciation and amortization	1,453	1,642
Non-cash credits and charges:		
Allowance for (recovery of) doubtful accounts	(24 )	17
Stock-based compensation	37	66
Loss on disposal of fixed assets	5	-
Changes in assets and liabilities, net of effects of discontinued operations:		
Receivables	(246 )	3,003
Real estate inventory and investment assets	571	1,891
Intangible and other assets	908	1,449
Accounts payable and accrued expenses	(239 )	(644 )
Taxes receivable and payable	(2,444 )	9
Deferred income taxes and other liabilities	(569 )	(699 )
Accrued pension costs	509	207
Total adjustments	(39 )	7,866
Net cash provided by (used in) operating activities	(1,894 )	7,133
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures - property, plant and equipment	(271 )	(555 )
Net cash used in investing activities	(271 )	(555 )
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Principal debt payments	(882 )	(782 )
Proceeds from line of credit receivable	2,000	-
Net transfers from discontinued operations	1,394	728
Net cash provided by (used in) financing activities	2,512	(54 )
Increase in cash and cash equivalents	347	6,524
Cash and cash equivalents, beginning of period	12,050	7,571
Cash and cash equivalents, end of period	\$12,397	\$14,095
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		
Interest paid	\$688	\$851
Income taxes paid (refunded), net	\$1,860	\$4

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Non-cash transactions:

Issuance of common stock in settlement	\$-	\$4,274
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## **AMREP CORPORATION AND SUBSIDIARIES**

Notes to Consolidated Financial Statements (Unaudited)

Six Months Ended October 31, 2015 and 2014

### **(1) BASIS OF PRESENTATION**

The accompanying unaudited consolidated financial statements have been prepared by AMREP Corporation (the “Company”) pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”) for interim financial information, and do not include all the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. The Company, through its subsidiaries, is primarily engaged in two business segments: the Fulfillment Services business operated by Palm Coast Data LLC (“Palm Coast”) and its subsidiary and the real estate business operated by AMREP Southwest Inc. (“AMREP Southwest”) and its subsidiaries. The Company’s foreign sales are insignificant. All significant intercompany accounts and transactions have been eliminated in consolidation.

In the opinion of management, these unaudited consolidated financial statements include all adjustments, which are of a normal recurring nature, considered necessary to reflect a fair presentation of the results for the interim periods presented. The results of operations for such interim periods are not necessarily indicative of what may occur in future periods. Unless otherwise qualified, all references to 2016 and 2015 are to the fiscal years ending April 30, 2016 and 2015 and all references to the second quarter and first six months of 2016 and 2015 mean the fiscal three and six month periods ended October 31, 2015 and 2014.

The unaudited consolidated financial statements herein should be read in conjunction with the Company’s annual report on Form 10-K for the year ended April 30, 2015, which was filed with the SEC on July 29, 2015 (the “2015 Form 10-K”).

### **Recently Issued Accounting Pronouncements**

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, Revenue from Contracts with Customers. This guidance defines how companies report revenues from contracts with customers and also requires enhanced disclosures. In July 2015, the Financial Accounting Standards Board voted to defer the effective date by one year, with early adoption on the original effective date permitted. The Company will be required to adopt the standard as of May 1, 2018 and early adoption is permitted as of May 1, 2017. The Company has not determined the transition approach that will be utilized nor has it estimated the impact of adopting the new accounting

standard.

**(2) DISCONTINUED OPERATIONS**

Prior to February 9, 2015, the Company had been engaged in the Newsstand Distribution Services business and the Product Packaging and Fulfillment Services business. On February 9, 2015, the Newsstand Distribution Services business and the Product Packaging and Fulfillment Services business were sold. In addition, prior to April 10, 2015, the Company had also been engaged in the Staffing Services business. On April 10, 2015, the Staffing Services business was sold. The Newsstand Distribution Services business, the Product Packaging and Fulfillment Services business and the Staffing Services business have been classified as “discontinued operations” in the Company’s financial statements. Financial information from prior periods has been reclassified to conform to this presentation. Refer to Item 1 of Part I of the 2015 Form 10-K for more detail about the sale of the Newsstand Distribution Services business, the Product Packaging and Fulfillment Services business and the Staffing Services business. The following table provides a reconciliation of the carrying amounts of the major classes of assets and liabilities of the discontinued operations in the accompanying balance sheet (in thousands):

	April 30, 2015
Carrying amounts of major classes of assets included as part of discontinued operations:	
Cash and cash equivalents	\$ 1,241
Receivables, net	431
Intangible and other assets, net	17
Total assets classified as discontinued operations in the accompanying balance sheets	\$ 1,689
Carrying amounts of major classes of liabilities included as part of discontinued operations:	
Accounts payable and accrued expenses	\$ 150
Deferred and income taxes payable	145
Total liabilities classified as discontinued operations in the accompanying balance sheets	\$ 295

The following tables provide a reconciliation of the carrying amounts of components of pretax income or loss of the discontinued operations to the amounts reported in the accompanying statement of operations (in thousands):

	October 31, 2014
For the three months ended:	
Components of pretax income from discontinued operations:	
Revenues	\$ 5,039
Operating expenses	(4,006 )
General and administrative expenses	(525 )
Interest expense	(65 )
Income from discontinued operations before income taxes	443
Provision for income taxes	92
Net income from discontinued operations	\$ 351
For the six months ended:	
Components of pretax income from discontinued operations:	
Revenues	\$ 10,697
Operating expenses	(9,202 )
General and administrative expenses	(1,146 )
Gain from settlement (Note 11)	11,155
Interest expense	(93 )
Income from discontinued operations before income taxes	11,411
Provision for income taxes	4,160
Net income from discontinued operations	\$ 7,251

The following table provides the total operating and investing cash flows of the discontinued operations for the period in which the results of operations of the discontinued operations are presented in the accompanying statement of operations (in thousands):

	October 31, 2014
For the six months ended:	
Cash flows from discontinued operating activities:	
Net income	\$ 7,251
Adjustments to reconcile net income to net cash provided by (used in) operating activities:	
Gain on settlement	(11,155 )
Depreciation and amortization	202
Non-cash credits and charges:	
Allowance for doubtful accounts	(867 )
Changes in assets and liabilities:	
Receivables	4,692
Intangible and other assets	111
Accounts payable and accrued expenses	(2,440 )