

CHAMPION INDUSTRIES INC  
Form 10-Q  
September 09, 2011  
UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, DC 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 July 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 No. 0-21084

Champion Industries, Inc.  
(Exact name of Registrant as specified in its charter)

West Virginia  
(State or other jurisdiction of  
incorporation or organization)

55-0717455  
(I.R.S. Employer  
Identification No.)

2450-90 1st Avenue  
P.O. Box 2968  
Huntington, WV 25728  
(Address of principal executive offices)  
(Zip Code)

(304) 528-2700  
(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 (SEC. 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 .

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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.

Large accelerated filer       Accelerated filer       Non-accelerated filer       Smaller reporting company   
(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 .

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

Class	Outstanding at July 31, 2011
Common stock, \$1.00 par value per share	11,299,528 shares

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Champion Industries, Inc.

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## PART I - FINANCIAL INFORMATION

## Item 1. Financial Statements

## Champion Industries, Inc. and Subsidiaries

## Consolidated Balance Sheets

ASSETS	July 31, 2011 (Unaudited)	October 31, 2010 (Audited)
<b>Current assets:</b>		
Accounts receivable, net of allowance of \$937,000 and \$1,297,000	\$ 18,189,982	\$ 18,133,748
Inventories	8,957,225	9,690,333
Income tax refund	247,646	36,293
Other current assets	766,158	652,178
Deferred income tax assets	838,012	1,144,519
<b>Total current assets</b>	<b>28,999,023</b>	<b>29,657,071</b>
<b>Property and equipment, at cost:</b>		
Land	1,881,839	2,016,148
Buildings and improvements	11,850,427	11,843,376
Machinery and equipment	55,404,492	55,025,237
Furniture and fixtures	4,239,383	4,171,194
Vehicles & other	3,102,357	3,266,898
	76,478,498	76,322,853
Less accumulated depreciation	(56,130,596)	(53,949,280)
	20,347,902	22,373,573
Goodwill	15,332,283	15,332,283
Deferred financing costs	950,583	1,267,174
Other intangibles, net of accumulated amortization	4,864,523	5,195,361
Trademark & masthead	10,001,812	10,001,812
Deferred tax asset, net of current portion	7,414,112	8,370,151
Other assets	32,686	36,561
	38,595,999	40,203,342
<b>Total assets</b>	<b>\$ 87,942,924</b>	<b>\$ 92,233,986</b>

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries  
Consolidated Balance Sheets (continued)

LIABILITIES AND SHAREHOLDERS' EQUITY	July 31, 2011 (Unaudited)	October 31, 2010 (Audited)
<b>Current liabilities:</b>		
Negative book cash balances	\$ 1,913,701	\$ 1,013,713
Accounts payable	4,192,929	4,116,087
Deferred revenue	762,765	720,549
Accrued payroll and commissions	1,219,577	2,115,922
Taxes accrued and withheld	1,324,696	1,125,726
Accrued expenses	1,492,186	1,930,327
<b>Current portion of long-term debt:</b>		
Notes payable	5,617,797	5,484,842
Total current liabilities	16,523,651	16,507,166
<b>Long-term debt, net of current portion:</b>		
Line of credit	9,701,742	10,425,496
Notes payable, term	35,038,618	41,873,500
Other liabilities	4,200	5,550
Total liabilities	61,268,211	68,811,712
<b>Shareholders' equity:</b>		
Common stock, \$1 par value, 20,000,000 shares authorized; 11,299,528 and 9,987,913 shares issued and outstanding	11,299,528	9,987,913
Additional paid-in capital	23,267,024	22,768,610
Retained deficit	(7,891,839)	(9,334,249)
Total shareholders' equity	26,674,713	23,422,274
Total liabilities and shareholders' equity	\$ 87,942,924	\$ 92,233,986

See notes to consolidated financial statements.

Champion Industries, Inc. and Subsidiaries  
Consolidated Statements of Operations  
(Unaudited)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2011	2010	2011	2010
<b>Revenues:</b>				
Printing	\$ 19,574,132	\$ 19,660,226	\$ 58,792,215	\$ 61,126,093
Office products and office furniture	8,891,852	8,643,039	25,192,019	25,257,332
Newspaper	3,561,153	3,585,861	11,038,648	11,632,293
Total revenues	32,027,137	31,889,126	95,022,882	98,015,718
<b>Cost of sales and newspaper operating costs:</b>				
Printing	14,934,489	14,540,953	44,615,192	44,752,169
Office products and office furniture	6,487,843	6,260,691	18,080,071	18,009,192
Newspaper cost of sales and operating costs	2,123,253	2,058,988	6,373,051	6,210,296
Total cost of sales and newspaper operating costs	23,545,585	22,860,632	69,068,314	68,971,657
Gross profit	8,481,552	9,028,494	25,954,568	29,044,061
<b>Selling, general and administrative expenses</b>				
	7,383,423	7,317,348	21,764,411	24,366,779
Restructuring charges	-	1,398,061	220,658	1,537,145
Income from operations	1,098,129	313,085	3,969,499	3,140,137
<b>Other income (expenses):</b>				
Interest expense	(988,005)	(1,232,003)	(2,902,602)	(4,164,454)
Gain on early extinguishment of debt from related party	1,337,846	-	1,337,846	-
Other	27,674	10,805	73,186	322,471
	377,515	(1,221,198)	(1,491,570)	(3,841,983)
Income (loss) before income taxes	1,475,644	(908,113)	2,477,929	(701,846)
Income tax (expense) benefit	(599,167)	337,515	(1,035,519)	252,023
Net income (loss)	\$ 876,477	\$ (570,598)	\$ 1,442,410	\$ (449,823)
<b>Earnings (loss) per share</b>				
Basic	\$ 0.09	\$ (0.06)	\$ 0.14	\$ (0.05)
Diluted	\$ 0.09	\$ (0.06)	\$ 0.14	\$ (0.05)
<b>Weighted average shares outstanding:</b>				
Basic	10,173,000	9,988,000	10,050,000	9,988,000
Diluted	10,173,000	9,988,000	10,050,000	9,988,000
Dividends per share	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

See notes to consolidated financial statements.



Champion Industries, Inc. and Subsidiaries  
Consolidated Statements of Shareholders' Equity  
(Unaudited)

	Common Stock		Additional Paid-In Capital	Retained Deficit	Other Comprehensive Income	Total
	Shares	Amount				
Balance, October 31, 2010	9,987,913	\$ 9,987,913	\$ 22,768,610	\$ (9,334,249)	\$ -	\$ 23,422,274
Stock issuance	1,311,615	1,311,615	498,414	-	-	1,810,029
<b>Comprehensive income:</b>						
Net Income for 2011	-	-	-	1,442,410	-	1,442,410
Other comprehensive income (net of tax)	-	-	-	-	-	-
Total comprehensive income	-	-	-	1,442,410	-	1,442,410
Balance, July 31, 2011	11,299,528	\$ 11,299,528	\$ 23,267,024	\$ (7,891,839)	\$ -	\$ 26,674,713

See notes to consolidated financial statements.



Champion Industries, Inc. and Subsidiaries  
Consolidated Statements of Cash Flows  
(Unaudited)

	Nine Months Ended July 31,	
	2011	2010
Cash flows from operating activities:		
Net income (loss)	\$ 1,442,410	\$ (449,823)
Adjustments to reconcile net income (loss) to cash provided by operating activities:		
Depreciation and amortization	3,048,536	3,248,043
Loss (gain) on sale of assets	(25,153)	15,796
Gain on early extinguishment of debt from related party	(1,337,846)	
Deferred income taxes	1,262,546	(375,774)
Deferred financing costs	316,590	267,081
Bad debt expense	28,303	309,600
Gain on hedging agreements	-	(284,079)
Restructuring charges	249,509	1,708,674
Changes in assets and liabilities:		
Accounts receivable	(84,537)	632,448
Inventories	733,108	1,170,000
Other current assets	(113,980)	(1,786)