

SPARTON CORP
Form 10-Q
November 04, 2014
Table of Contents

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 September 30, 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 1-1000

Sparton Corporation
(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)
(847) 762-5800

60173-2213
(Zip code)

(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

Edgar Filing: SPARTON CORP - Form 10-Q

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

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 October 22, 2014, there were 10,062,125 shares of common stock, \$1.25 par value per share, outstanding.

Table of Contents

TABLE OF CONTENTS

PART I	<u>FINANCIAL INFORMATION</u>	<u>3</u>
ITEM 1.	<u>FINANCIAL STATEMENTS</u>	<u>3</u>
	CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2014 AND JUNE 30, 2013 (UNAUDITED)	<u>3</u>
	CONDENSED CONSOLIDATED STATEMENTS OF INCOME FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)	<u>4</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME FOR THE THREE MONTHS MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)</u>	<u>5</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)</u>	<u>6</u>
	<u>CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY FOR THE THREE MONTHS MONTHS ENDED SEPTEMBER 30, 2014 AND 2013 (UNAUDITED)</u>	<u>7</u>
	<u>NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS</u>	<u>8</u>
ITEM 2.	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	<u>23</u>
ITEM 3.	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	<u>32</u>
ITEM 4.	<u>CONTROLS AND PROCEDURES</u>	<u>32</u>
PART II	<u>OTHER INFORMATION</u>	<u>32</u>
ITEM 1.	<u>LEGAL PROCEEDINGS</u>	<u>32</u>
ITEM 1A.	<u>RISK FACTORS</u>	<u>32</u>
ITEM 2.	UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS	<u>32</u>
ITEM 6.	<u>EXHIBITS</u>	<u>33</u>
	<u>SIGNATURES</u>	<u>35</u>
	CERTIFICATIONS	

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except per share amounts)

	September 30, 2014	June 30, 2014 (a)
Assets		
Current Assets:		
Cash and cash equivalents	\$6,546	\$8,028
Accounts receivable, net of allowance for doubtful accounts of \$111 and \$126, respectively	40,239	48,697
Inventories and cost of contracts in progress, net	57,201	53,372
Deferred income taxes	3,811	3,813
Prepaid expenses and other current assets	4,684	2,654
Total current assets	112,481	116,564
Property, plant and equipment, net	29,288	28,523
Goodwill	31,986	28,189
Other intangible assets, net	27,081	20,041
Deferred income taxes — non-current	1,218	1,192
Other non-current assets	5,081	4,471
Total assets	\$207,135	\$198,980
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$—	\$900
Accounts payable	17,937	16,543
Accrued salaries and wages	7,935	7,854
Accrued health benefits	1,879	1,538
Performance based payments on customer contracts	10,095	3,196
Other accrued expenses	9,851	11,090
Total current liabilities	47,697	41,121
Long-term debt — non-current portion	42,000	40,100
Environmental remediation — non-current portion	7,502	7,644
Total liabilities	97,199	88,865
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, no par value; 200,000 shares authorized, none issued	—	—
Common stock, \$1.25 par value; 15,000,000 shares authorized, 10,062,125 and 10,129,031 shares issued and outstanding, respectively	12,578	12,661
Capital in excess of par value	19,166	19,478
Retained earnings	79,140	78,944
Accumulated other comprehensive loss	(948) (968
Total shareholders' equity	109,936	110,115
Total liabilities and shareholders' equity	\$207,135	\$198,980

(a) Derived from the Company's audited financial statements as of June 30, 2014.

See Notes to unaudited condensed consolidated financial statements.

3

Table of Contents

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

(Dollars in thousands, except per share amounts)

	For the Three Months Ended	
	September 30, 2014	September 30, 2013
Net sales	\$77,025	\$74,301
Cost of goods sold	64,211	62,004
Gross profit	12,814	12,297
Operating Expense:		
Selling and administrative expenses	10,599	7,645
Research and development expenses	100	389
Amortization of intangible assets	1,301	598
Restructuring charges	—	188
Other operating income, net	(15) (3
Total operating expense, net	11,985	8,817
Operating income	829	3,480
Other income (expense):		
Interest expense	(746) (158
Interest income	2	2
Other, net	146	69
Total other expense, net	(598) (87
Income before provision for income taxes	231	3,393
Provision for income taxes	35	1,107
Net income	\$196	\$2,286
Income per share of common stock:		
Basic	\$0.02	\$0.23
Diluted	\$0.02	\$0.23
Weighted average shares of common stock outstanding:		
Basic	9,960,817	10,072,694
Diluted	9,985,111	10,104,089
See Notes to unaudited condensed consolidated financial state		