

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

March 11, 2009

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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 January 31, 2009 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)

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Delaware (State or other jurisdiction of incorporation or organization)	38-0715562 (IRS Employer Identification No.)
2700 West Front Street	
Statesville, North Carolina (Address of principal executive offices)	28677-2927 (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 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 March 2, 2009, the registrant had outstanding 2,556,202 shares of Common Stock.

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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 January 31		Nine months ended January 31	
	2009	2008	2009	2008
Net Sales	\$ 26,023	\$ 21,883	\$ 79,150	\$ 67,394
Costs of products sold	21,089	17,064	62,846	52,759
Gross profit	4,934	4,819	16,304	14,635
Operating expenses	3,440	3,293	10,884	9,811
Operating earnings	1,494	1,526	5,420	4,824
Other income (expense)	3	(6)	(36)	(2)
Interest expense	(49)	(86)	(231)	(302)
Earnings before income taxes	1,448	1,434	5,153	4,520
Income Tax expense	488	421	1,595	1,391
Earnings before minority interests	960	1,013	3,558	3,129
Minority interests in subsidiaries	78	211	231	441
Net earnings	\$ 882	\$ 802	\$ 3,327	\$ 2,688
Net earnings per share				
Basic	\$ 0.35	\$ 0.32	\$ 1.30	\$ 1.07
Diluted	\$ 0.35	\$ 0.31	\$ 1.30	\$ 1.05
Weighted average number of common shares outstanding (in thousands)				
Basic	2,556	2,543	2,554	2,523
Diluted	2,556	2,576	2,563	2,551

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

(in thousands)

	January 31, 2009 (Unaudited)	April 30, 2008
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,691	\$ 3,784
Restricted cash	398	480
Receivables, less allowance	24,723	20,087
Inventories	7,678	6,984
Deferred income taxes	400	407
Prepaid expenses and other current assets	959	1,440
Total current assets	36,849	33,182
Property, plant and equipment, at cost	40,432	39,186
Accumulated depreciation	(28,831)	(27,361)
Net property, plant and equipment	11,601	11,825
Prepaid pension cost	2,158	1,936
Other	2,906	3,663
Total other assets	5,064	5,599
Total Assets	\$ 53,514	\$ 50,606
<u>Liabilities and Stockholders' Equity</u>		
Current liabilities:		
Short-term borrowings	\$ 5,815	\$ 4,551
Current obligations under capital leases	268	323
Accounts payable	8,211	8,929
Employee compensation and amounts withheld	1,940	2,026
Deferred revenue	1,031	667
Other accrued expenses	1,835	766
Total current liabilities	19,100	17,262
Obligations under capital leases	235	153
Deferred income tax	904	921
Accrued employee benefit plan costs	2,876	3,555
Minority interests in subsidiaries	1,280	1,768
Total Liabilities	24,395	23,659
Stockholders' equity:		
Common Stock	6,550	6,550
Additional paid-in-capital	657	489
Retained earnings	25,087	22,373
Accumulated other comprehensive loss	(2,683)	(2,041)

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Common stock in treasury, at cost	(492)	(424)
Total stockholders' equity	29,119	26,947
Total Liabilities and Stockholders' Equity	\$ 53,514	\$ 50,606

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

	Nine months ended January 31	
	2009	2008
<i>Cash flows from operating activities:</i>		
Net earnings	\$ 3,327	\$ 2,688
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,687	1,429
Provision for bad debts	164	184
Provision for deferred income tax expense	(10)	(5)
Decrease in prepaid income taxes	812	
Increase in receivables	(4,800)	(914)
Increase in inventories	(694)	(261)
Increase in prepaid pension cost	(222)	(345)
Increase (decrease) in accounts payable and other accrued expenses	265	(42)
Increase (decrease) in deferred revenue	364	(962)
Other, net	(553)	220
Net cash provided by operating activities	340	1,992
<i>Cash flows from investing activities:</i>		
Capital expenditures	(1,156)	(1,742)
Decrease (increase) in restricted cash	82	(83)
Net cash used in investing activities	(1,074)	(1,825)
<i>Cash flows from financing activities:</i>		
Increase in short-term borrowings	1,264	184
Payments on capital leases	(280)	(266)
Dividends paid	(613)	(530)
Dividends paid to minority interest in subsidiaries	(498)	
Purchase of treasury stock	(198)	
Proceeds from exercise of stock options (including tax benefit)	298	548
Net cash used in financing activities	(27)	(64)
Effect of exchange rate changes on cash	(332)	93
<i>(Decrease) increase in cash and cash equivalents</i>	(1,093)	196
<i>Cash and cash equivalents, beginning of period</i>	3,784	2,231
<i>Cash and cash equivalents, end of period</i>	\$ 2,691	\$ 2,427

See accompanying notes to consolidated financial statements

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Kewaunee Scientific Corporation

Notes to Consolidated Financial Statements

(unaudited)

A. Financial Information

The unaudited interim consolidated financial statements of Kewaunee Scientific Corporation (the Company or Kewaunee) have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (the Commission). Accordingly, certain information and footnote disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted, although the Company believes that the disclosures are adequate to make the information presented not misleading.

These interim consolidated financial statements should be read in conjunction with the consolidated financial statements and notes included in the Company's 2008 Annual Report to Stockholders. The results of operations for the interim periods are not necessarily indicative of the results of operations to be expected for the full year.

The preparation of the consolidated financial statements requires management to make certain estimates and assumptions that affect reported amounts and disclosures. Actual results could differ from those estimates.

B. Inventories

Inventories consisted of the following (in thousands):

	January 31, 2009	April 30, 2008
Finished products	\$ 2,039	\$ 1,920
Work in process	1,308	1,099
Raw materials	4,331	3,965
	\$ 7,678	\$ 6,984

For interim reporting, LIFO inventories are computed based on year-to-date quantities and interim changes in price levels. Changes in quantities and price levels are reflected in the interim consolidated financial statements in the period in which they occur.

C. Comprehensive Income

A reconciliation of net earnings and total comprehensive income for the three and nine months ended January 31, 2009 and 2008 is as follows (in thousands):

	Three months ended January 31, 2009	Three months ended January 31, 2008
Net earnings	\$ 882	\$ 802
Change in cumulative foreign currency translation adjustments	82	(69)
Total comprehensive income	\$ 964	\$ 733

Nine months
ended
January 31, 2009

Nine months
ended
January 31, 2008

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Net earnings	\$	3,327	\$	2,688
Change in cumulative foreign currency translation adjustments		(642)		(101)
Total comprehensive income	\$	2,685	\$	2,587

Assets and liabilities for the Company's foreign subsidiaries are translated at exchange rates prevailing on the balance sheet date. Revenues and expenses are translated at weighted average exchange rates prevailing during the period and any resulting translation adjustments are reported separately in stockholders' equity.

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D. Segment Information

The following table provides financial information by business segments for the three and nine months ended January 31, 2009 and 2008 (in thousands):