

LYDALL INC /DE/
Form 10-Q
November 03, 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 September 30, 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: 1-7665

LYDALL, INC.

(Exact name of registrant as specified in its charter)

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Delaware
(State or Other Jurisdiction of Incorporation or Organization)

06-0865505
(I.R.S. Employer Identification No.)

One Colonial Road, Manchester, Connecticut
(Address of principal executive offices)

06042
(zip code)

(860) 646-1233

(Registrant's telephone number, including area code)

None

(Former name, former address and former fiscal year, 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 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 (§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

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

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 issuer's classes of common stock, as of the latest practicable date.

Common stock \$.10 par value per share.
Total Shares outstanding October 23, 2009

16,834,010

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LYDALL, INC.

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Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****LYDALL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands Except Per Share Data)**

	Quarter Ended September 30, 2009 2008 (Unaudited)	
Net sales	\$ 66,090	\$ 71,110
Cost of sales	54,703	56,234
Gross margin	11,387	14,876
Selling, product development and administrative expenses	11,657	11,839
Operating (loss) income from continuing operations	(270)	3,037
Interest expense	278	108
Other expense (income), net	7	(84)
(Loss) Income from continuing operations before income taxes	(555)	3,013
Income tax (benefit) expense	(282)	1,283
(Loss) Income from continuing operations	(273)	1,730
Income from discontinued operations, net of tax		935
Net (loss) income	\$ (273)	\$ 2,665
Basic (loss) earnings per share:		
Continuing operations	\$ (.02)	\$.10
Discontinued operations	\$	\$.06
Net (loss) income	\$ (.02)	\$.16
Diluted (loss) earnings per share:		
Continuing operations	\$ (.02)	\$.10
Discontinued operations	\$	\$.06
Net (loss) income	\$ (.02)	\$.16
Weighted average number of common shares outstanding:		
Basic	16,581	16,483
Diluted	16,581	16,651

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**LYDALL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(In Thousands Except Per Share Data)**

	Nine Months Ended September 30, 2009 2008 (Unaudited)	
Net sales	\$ 176,404	\$ 244,963
Cost of sales	154,854	190,068
Gross margin	21,550	54,895
Selling, product development and administrative expenses	37,461	42,308
Operating (loss) income from continuing operations	(15,911)	12,587
Interest expense	610	352
Other income, net	(149)	(263)
(Loss) Income from continuing operations before income taxes	(16,372)	12,498
Income tax (benefit) expense	(5,641)	4,792
(Loss) Income from continuing operations	(10,731)	7,706
Income from discontinued operations, net of tax		1,052
Net (loss) income	\$ (10,731)	\$ 8,758
Basic (loss) earnings per share:		
Continuing operations	\$ (.65)	\$.47
Discontinued operations	\$	\$.06
Net (loss) income	\$ (.65)	\$.53
Diluted (loss) earnings per share:		
Continuing operations	\$ (.65)	\$.46
Discontinued operations	\$	\$.06
Net (loss) income	\$ (.65)	\$.53
Weighted average number of common shares outstanding:		
Basic	16,556	16,443
Diluted	16,556	16,575

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**LYDALL, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(In Thousands)**

	September 30, 2009	December 31, 2008
	(Unaudited)	
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 12,706	\$ 13,660
Accounts receivable, net	40,693	34,297
Inventories, net	31,874	40,772
Taxes receivable	4,863	1,992
Prepaid expenses and other current assets, net	6,768	5,178
Total current assets	96,904	95,899
Property, plant and equipment, at cost	248,941	240,471
Accumulated depreciation	(151,523)	(138,582)
Net, property, plant and equipment	97,418	101,889
Restricted cash		2,400
Goodwill and other intangible assets	26,601	27,099
Other assets, net	7,867	10,401
Total assets	\$ 228,790	\$ 237,688
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current portion of long-term debt	\$ 1,575	\$ 1,455
Accounts payable	23,379	20,507
Accrued payroll and other compensation	6,058	7,566
Other accrued liabilities	7,796	7,712
Total current liabilities	38,808	37,240
Long-term debt	5,786	6,699
Deferred tax liabilities	4,735	7,398
Pension and other long-term liabilities	19,107	20,206
Stockholders equity:		
Preferred stock		
Common stock	2,328	2,317
Capital in excess of par value	52,882	52,071
Retained earnings	172,928	183,660
Accumulated other comprehensive loss	(2,800)	(6,920)
Treasury stock, at cost	(64,984)	(64,983)
Total stockholders equity	160,354	166,145
Total liabilities and stockholders equity	\$ 228,790	\$ 237,688

See accompanying Notes to Condensed Consolidated Financial Statements.

Table of Contents**LYDALL, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(In Thousands)**

	Nine Months Ended September 30, 2009 2008 (Unaudited)	
Cash flows from operating activities:		
Net (loss) income	\$ (10,731)	\$ 8,758
Adjustments to reconcile net (loss) income to net cash from operating activities:		
Gain from discontinued operations, net of tax		(860)
Depreciation and amortization	11,831	11,760
Deferred income taxes	(3,276)	2,300
Stock based compensation	823	788
Loss on disposition of property, plant and equipment	18	137
Changes in operating assets and liabilities:		
Accounts receivable	(5,306)	3,671
Inventories	9,755	(2,397)
Taxes receivable	(2,873)	1,396
Accounts payable	2,341	(3,187)
Accrued payroll and other compensation	(1,657)	904
Proceeds from surrender of life insurance policies	3,830	
Supplemental executive retirement settlement payments	(1,433)	
Other, net	(1,153)	(4,454)
Net cash provided by operating activities	2,169	18,816
Cash flows from investing activities:		
Proceeds from sale of operation, net		2,772
Decrease in restricted cash	2,400	
Capital expenditures	(4,840)	(8,136)
Net cash used for investing activities	(2,440)	(5,364)
Cash flows from financing activities:		
Debt proceeds	8,688	