

SPARTON CORP  
Form 10-Q  
November 08, 2011  
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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, 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 Number 1-1000**

**Sparton Corporation**

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(Exact name of registrant as specified in its charter)

<b>Ohio</b> (State or other jurisdiction of incorporation or organization)	<b>38-1054690</b> (I.R.S. Employer Identification No.)
<b>425 N. Martingale Road, Suite 2050, Schaumburg,</b>  <b>Illinois</b> (Address of principal executive offices)	<b>60173-2213</b> (Zip code)
<b>(847) 762-5800</b>  (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

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

Non-accelerated filer  (Do not check if a smaller reporting company) 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

As of October 31, 2011, there were 10,310,931 shares of common stock, \$1.25 par value per share, outstanding.

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**SPARTON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(UNAUDITED)**

(Dollars in thousands, except share data)

	September 30, 2011	June 30, 2011 (a)
<b>Assets</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 26,984	\$ 24,550
Accounts receivable, net of allowance for doubtful accounts of \$102 and \$65, respectively	29,199	23,896
Inventories and cost of contracts in progress, net	41,816	38,752
Income taxes receivable	305	305
Deferred income taxes	3,552	4,417
Prepaid expenses and other current assets	3,312	1,491
<b>Total current assets</b>	<b>105,168</b>	<b>93,411</b>
Property, plant and equipment, net	11,832	11,395
Goodwill	7,472	7,472
Other intangible assets, net	1,942	2,053
Deferred income taxes non-current	5,754	5,740
Other non-current assets	831	2,538
<b>Total assets</b>	<b>\$ 132,999</b>	<b>\$ 122,609</b>
<b>Liabilities and Shareholders Equity</b>		
<b>Current Liabilities:</b>		
Current portion of long-term debt	\$ 129	\$ 126
Accounts payable	14,873	16,608
Accrued salaries and wages	4,573	5,626
Accrued health benefits	940	980
Current portion of pension liability	259	306
Advance billings on customer contracts	25,211	13,021
Other accrued expenses	4,849	5,421
<b>Total current liabilities</b>	<b>50,834</b>	<b>42,088</b>
Pension liability non-current portion	31	41
Long-term debt non-current portion	1,637	1,670
Environmental remediation non-current portion	3,690	3,763
<b>Total liabilities</b>	<b>56,192</b>	<b>47,562</b>
Commitments and contingencies		
<b>Shareholders Equity:</b>		
Preferred stock, no par value; 200,000 shares authorized, none outstanding		

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Common stock, \$1.25 par value; 15,000,000 shares authorized, 10,363,310 and 10,236,484 shares issued and outstanding, respectively	12,954	12,796
Capital in excess of par value	20,643	20,635
Retained earnings	43,996	42,487
Accumulated other comprehensive loss	(786)	(871)
<b>Total shareholders equity</b>	<b>76,807</b>	<b>75,047</b>
<b>Total liabilities and shareholders equity</b>	<b>\$ 132,999</b>	<b>\$ 122,609</b>

- (a) Derived from the Company's audited financial statements as of June 30, 2011.  
See Notes to unaudited condensed consolidated financial statements.

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**SPARTON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

(UNAUDITED)

(Dollars in thousands, except share data)

	For the Three Months Ended	
	September 30, 2011	September 30, 2010
<b>Net sales</b>	\$ 51,833	\$ 45,767
Cost of goods sold	43,489	38,741
<b>Gross profit</b>	8,344	7,026
<b>Operating Expense (Income):</b>		
Selling and administrative expenses	5,411	4,834
Internal research and development expenses	398	127
Amortization of intangible assets	111	110
Restructuring/impairment charges		77
Gain on acquisition		(2,550)
Gain on sale of property, plant and equipment		(18)
Other operating expenses	35	192
Total operating expense, net	5,955	2,772
<b>Operating income</b>	2,389	4,254
<b>Other income (expense)</b>		
Interest expense	(172)	(170)
Interest income	24	58
Other, net	117	74
Total other expense, net	(31)	(38)
<b>Income before provision for (benefit from) income taxes</b>	2,358	4,216
Provision for (benefit from) income taxes	849	(14)
<b>Net income</b>	\$ 1,509	\$ 4,230
<b>Income per share of common stock:</b>		
Basic	\$ 0.15	\$ 0.41
Diluted	\$ 0.15	\$ 0.41
<b>Weighted average shares of common stock outstanding:</b>		
Basic	10,268,456	10,200,534
Diluted	10,313,481	10,207,617

See Notes to unaudited condensed consolidated financial statements.



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(Dollars in thousands)

	For the Three Months Ended	
	September 30, 2011	September 30, 2010
<b>Cash Flows from Operating Activities:</b>		
Net income	\$ 1,509	\$ 4,230
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	405	323
Deferred income tax expense	847	114
Pension expense	93	190
Stock-based compensation expense	176	123
Gain on acquisition		(2,550)
Gain on sale of property, plant and equipment, net		(18)
Other	87	87
Changes in operating assets and liabilities:		
Accounts receivable	(5,303)	(2,939)
Income taxes receivable		(8)
Inventories and cost of contracts in progress	(3,064)	541
Prepaid expenses and other assets	(199)	(104)
Advance billings on customer contracts	12,190	2,645
Accounts payable and accrued expenses	(3,533)	2,363
Net cash provided by operating activities	3,208	4,997
<b>Cash Flows from Investing Activities:</b>		
Purchase of certain contract manufacturing assets of Delphi Medical		(7,803)
Change in restricted cash		(12)
Purchases of property, plant and equipment	(731)	(476)
Proceeds from sale of property, plant and equipment		18
Net cash used in investing activities	(731)	(8,273)
<b>Cash Flows from Financing Activities:</b>		
Repayment of long-term debt	(33)	(32)
Repurchase of stock	(10)	
Net cash used in financing activities	(43)	(32)
Net increase (decrease) in cash and cash equivalents	2,434	(3,308)
<b>Cash and cash equivalents at beginning of period</b>	<b>24,550</b>	<b>30,589</b>
<b>Cash and cash equivalents at end of period</b>	<b>\$ 26,984</b>	<b>\$ 27,281</b>
<b>Supplemental disclosure of cash flow information:</b>		
Cash paid for interest	\$ 88	\$ 77
Cash paid (received) for income taxes	\$ 4	\$ (119)

See Notes to unaudited condensed consolidated financial statements.





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**SPARTON CORPORATION AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY**

**(UNAUDITED)**

(Dollars in thousands, except share data)

	Three Months Ended September 30, 2011		
	Capital		
	Common	In	Accumulated
	Stock	Excess	Other
	Shares		Comprehensive