

STANDEX INTERNATIONAL CORP/DE/  
Form 10-Q  
October 29, 2009

**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 quarter ended September 30, 2009

Commission File Number 1-7233

**STANDEX INTERNATIONAL CORPORATION**

*(Exact name of registrant as specified in its charter)*

DELAWARE  
*(State of incorporation)*

31-0596149  
*(IRS Employer Identification No.)*

6 MANOR PARKWAY, SALEM, NEW HAMPSHIRE  
*(Address of principal executive offices)*

03079  
*(Zip Code)*

(603) 893-9701

*(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 [X]  
NO [ ]

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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 the definitions of large accelerated filer, accelerated filer, non-accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

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 [X]

The number of shares of Registrant's Common Stock outstanding on October 26, 2009 was 12,458,335

**STANDEX INTERNATIONAL CORPORATION**

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**PART I. FINANCIAL INFORMATION****ITEM 1.**

**STANDEX INTERNATIONAL CORPORATION**  
**Unaudited Condensed Consolidated Balance Sheets**

(In thousands)	September 30, 2009	June 30, 2009
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 8,054	\$ 8,984
Accounts receivable, net	89,879	81,893
Inventories, net	76,819	75,634
Income tax receivables	-	2,186
Prepaid expenses and other current assets	10,535	2,730
Deferred tax asset	13,354	13,278
Current assets - discontinued operations	2,901	-
Total current assets	201,542	184,705
Property, plant and equipment, net	100,799	108,612
Goodwill	103,061	101,722
Intangible assets, net	19,827	20,450
Other non-current assets	18,622	18,220
Total non-current assets	242,309	249,004
Total assets	\$ 443,851	\$ 433,709
<b>LIABILITIES AND STOCKHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	57,795	58,802
Accrued expenses	38,098	36,902
Income taxes payable	2,315	-
Current liabilities - discontinued operations	3,422	3,543
Total current liabilities	101,630	99,247
Long-term debt	87,300	94,300
Accrued pension and other non-current liabilities	65,396	63,876
Total non-current liabilities	152,696	158,176

Stockholders' equity:

Common stock, par value \$1.50 per share - 60,000,000 shares authorized, 27,984,278 issued, 12,444,914 and 12,386,821 outstanding at September 30 and June 30, 2009	41,976	41,976
Additional paid-in capital	28,666	28,690
Retained earnings	428,305	419,157
Accumulated other comprehensive loss	(49,414)	(52,591)
Treasury shares (15,539,364 shares at September 30)		

and 15,597,457 shares at June 30, 2009)	(260,008)	(260,946)
Total stockholders' equity	189,525	176,286
Total liabilities and stockholders' equity	\$ 443,851	\$ 433,709

See notes to unaudited condensed consolidated financial statements.

**STANDEX INTERNATIONAL CORPORATION**  
**Unaudited Condensed Consolidated Statements of Income**

(In thousands, except per share data)	<b>Three Months Ended September 30,</b>	
	<b>2009</b>	<b>2008</b>
Net sales	\$ 152,109	\$ 180,695
Cost of sales	102,921	123,577
Gross profit	49,188	57,118
Selling, general and administrative expenses	34,573	42,046
Restructuring costs	1,557	4,321
Total operating expenses	36,130	46,367
Income from operations	13,058	10,751
Interest expense	(935)	(1,718)
Other non-operating income	244	771
Income from continuing operations before income taxes	12,367	9,804
Provision for income taxes	3,980	2,709
Income from continuing operations	8,387	7,095
Income (loss) from discontinued operations, net of income taxes	1,395	(2,101)
Net income	\$ 9,782	\$ 4,994
Basic earnings per share:		
Continuing operations	\$ 0.68	\$ 0.58
Discontinued operations	0.11	(0.17)
Total	\$ 0.79	\$ 0.41
Diluted earnings per share:		
Continuing operations	\$ 0.67	\$ 0.57
Discontinued operations	0.11	(0.17)
Total	\$ 0.78	\$ 0.40

Cash dividends per share	\$	0.05	\$	0.21
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See notes to unaudited condensed consolidated financial statements.

**STANDEX INTERNATIONAL CORPORATION**  
**Unaudited Condensed Consolidated Statements of Cash Flows**

**Three Months Ended September 30,**

(In thousands)

**2009**

**2008**

**Cash flows from operating activities**

Net income	\$	9,782	\$	4,994
Income (loss) from discontinued operations		1,395		(2,101)
Income from continuing operations		8,387		7,095
Adjustments to reconcile net income to net cash provided by operating activities:				
Depreciation and amortization		3,719		4,153
Stock-based compensation		666		784
(Gain) loss from sale of investments, real estate and equipment		26		(29)
Non-cash portion of restructuring charges		1,302		3,234
Net changes in operating assets and liabilities		(5,464)		(18,038)
Net cash provided by (used in) operating activities - continuing operations		8,636		(2,801)
Net cash (used in) operating activities - discontinued operations		(1,201)		(150)
Net cash provided by (used in) operating activities		7,435		(2,951)
<b>Cash flows from investing activities</b>				
Expenditures for property, plant and equipment		(739)		(1,872)
Acquisition, net of cash received		-		(1,388)
Proceeds from sale of investments, real estate and equipment		9		319
Proceeds from life insurance policy		93		1,929
Net cash (used in) investing activities - continuing operations		(637)		(1,012)
Net cash provided by investing activities - discontinued operations		-		-
Net cash (used in) investing activities		(637)		(1,012)
<b>Cash flows from financing activities</b>				
Borrowings on revolving credit facility		18,000		6,500
Payments of debt		(25,000)		(4,000)
Stock issued under employee stock option and purchase plans		98		480
Stock repurchased under employee stock option and purchase plans		(364)		(1,429)
Cash dividend paid		(634)		(2,583)
Net cash (used in) financing activities - continuing operations		(7,900)		(1,032)

Net cash (used in) financing activities - discontinued operations	-	-
Net cash (used in) financing activities	(7,900)	(1,032)
Effect of exchange rate changes on cash and cash equivalents	172	(1,800)
Net change in cash and cash equivalents	(930)	(6,795)
Cash and cash equivalents at beginning of year	8,984	28,657
Cash and cash equivalents at end of period	\$ 8,054	\$ 21,862

See notes to unaudited condensed consolidated financial statements.

**STANDEX INTERNATIONAL CORPORATION**

**NOTES TO UNAUDITED CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1)

**Management Statement**

In the opinion of management, the accompanying unaudited condensed consolidated financial statements contain all adjustments necessary to present fairly the results of operations for the three months ended

September 30, 2009 and 2008, the cash flows for the three months ended September 30, 2009 and 2008 and the financial position of the Company at September 30, 2009. The interim results are not necessarily indicative of results for a full year. The unaudited condensed consolidated financial statements and notes do not contain information which would substantially duplicate the disclosures contained in the audited annual consolidated financial statements and notes for the year ended June 30, 2009. The condensed consolidated balance sheet at June 30, 2009 was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. The financial statements contained herein should be read in conjunction with the Annual Report on Form 10-K and in particular the audited consolidated financial statements for the year ended June 30, 2009. Unless otherwise noted, references to years are to fiscal years.

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. Subsequent events have been evaluated through October 29, 2009, the date of issuance of these financial statements.

2)

### **Fair Value of Financial Instruments**

Our financial instruments, shown below, are presented at fair value. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models may be applied.

Assets and liabilities recorded at fair value in our balance sheet are categorized based upon the level of judgment associated with the inputs used to measure their fair values. Hierarchical levels directly related to the amount of subjectivity associated with the inputs to fair valuation of these assets and liabilities are as follows:

Level 1 Quoted prices in active markets for identical assets and liabilities.

Level 2 Inputs, other than quoted prices in an active market, that are observable either directly or indirectly through correlation with market data.

Level 3 Unobservable inputs based upon the Company's best estimate of what market participants would use in pricing the asset or liability.

Cash and cash equivalents, accounts receivable, and accounts payable are carried at cost, which approximates fair value.

The fair values of our financial instruments at September 30, 2009 and June 30, 2009 were (in thousands):

	<b>September 30, 2009</b>			
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
Financial Assets				

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			\$	-	\$	-
Marketable securities - KEYSOP assets	\$	4,891	\$	4,891		
Marketable securities - deferred compensation plan		533		533	-	-
				-		-
Foreign exchange contracts		433		433		
Asset held for sale (recorded in other current assets)		5,600		-	5,600	-

Financial Liabilities

Foreign exchange contracts	\$ 99	-	\$ 99	-
Interest rate swaps	1,474	-	1,474	-
		<b>June 30, 2009</b>		
	<b>Total</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Financial Assets</b>				
Marketable securities - KEYSOP assets	\$ 4,387	\$ 4,387	\$ -	\$ -
Marketable securities - deferred compensation plan	477	477	-	-
Foreign exchange contracts	25	-	25	-
<b>Financial Liabilities</b>				
Foreign exchange contracts	\$ 296	-	\$ 296	-
Interest rate swaps	1,799	-	1,799	-

3)

### Inventories

Inventories are comprised of the following (in thousands):

	<b>September 30, 2009</b>	<b>June 30, 2009</b>
Raw materials	\$ 36,522	\$ 36,391
Work in process	23,347	22,616
Finished goods	16,950	16,627
Total	\$ 76,819	\$ 75,634

Distribution costs associated with the sale of inventory are recorded as a component of selling, general and administrative expenses in the accompanying unaudited condensed consolidated statements of income and were \$5.8

million and \$8.0 million for the three months ended September 30, 2009 and 2008, respectively.

4)

#### Goodwill

Changes to goodwill during the three months ended September 30, 2009 were as follows (in thousands):

	<b>Food Service Equipment Group</b>	<b>Air Distribution Products Group</b>	<b>Engraving Group</b>	<b>Engineering Technologies Group</b>	<b>Electronics and Hydraulics Group</b>	<b>Total</b>
Balance at June 30, 2009	\$ 45,598	\$ 14,933	\$ 20,048	\$ 186	\$ 20,957	\$101,722
Translation adjustment and other	(3)	-	57	-	1,285	1,339
Balance at September 30, 2009	\$ 45,595	\$ 14,933	\$ 20,105	\$ 186	\$ 22,242	\$103,061

5)

**Intangible Assets**

Intangible assets consist of the following (in thousands):

	<b>Customer Relationships</b>	<b>Trademarks</b>	<b>Other</b>	<b>Total</b>
<b>September 30, 2009</b>				
Cost	\$ 21,519	\$ 8,808	\$ 4,487	\$ 34,814
Accumulated amortization	(10,671)	-	(4,316)	(14,987)
Balance, September 30, 2009	\$ 10,848	\$ 8,808	\$ 171	\$ 19,827
<b>June 30, 2009</b>				
Cost	\$ 21,402	\$ 8,808	\$ 4,409	\$ 34,619
Accumulated amortization	(9,977)	-	(4,192)	(14,169)
Balance, June 30, 2009	\$ 11,425	\$ 8,808	\$ 217	\$ 20,450

Amortization expense for the three months ended September 30, 2009 and 2008 was \$0.7 million and \$0.9 million, respectively. At September 30, 2009, amortization expense is estimated to be \$1.8 million in the remainder of 2010, \$2.0 million in 2011, \$1.6 million in 2012, \$1.2 million in 2013, and \$1.0 million in 2014.

6)

**Debt**

The Company's debt is due as follows at September 30, 2009 (in thousands):

**Fiscal Year**

2010	-
2011	-
2012	-
2013	84,000
2014	-
Thereafter	3,300

87,300

The Company has in place a \$150 million unsecured revolving credit facility which expires in September 2012. As of September 30, the Company has the ability to borrow \$66 million unde