

WMS INDUSTRIES INC /DE/
Form 10-Q
May 09, 2013
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

(Mark One)

☒ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2013

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: 1-8300

WMS INDUSTRIES INC.

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(Exact name of registrant as specified in its Charter)

Delaware
(State or other Jurisdiction of
incorporation or organization)

36-2814522
(I.R.S. Employer
Identification No.)

800 South Northpoint Blvd.

Waukegan, IL 60085

(Address of Principal Executive Offices)

(847) 785-3000

(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 ☒ 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 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" 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 ☒

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date: 54,773,421 shares of common stock, \$0.50 par value, were outstanding at May 2, 2013.

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Table of Contents**PART I. FINANCIAL INFORMATION****ITEM 1. FINANCIAL STATEMENTS****WMS INDUSTRIES INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****For the Three and Nine Months Ended March 31, 2013 and 2012****(in millions of U.S. dollars and millions of shares, except per share amounts)****(Unaudited)**

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
REVENUES:				
Product sales	\$ 98.2	\$ 110.6	\$ 271.0	\$ 295.2
Gaming operations	79.7	65.4	223.5	198.6
Total revenues	177.9	176.0	494.5	493.8
COSTS AND EXPENSES:				
Cost of product sales(1)	49.2	53.3	133.7	144.8
Cost of gaming operations(1)	14.8	12.6	43.7	41.3
Research and development	29.9	22.1	84.2	70.2
Selling and administrative	47.1	33.7	119.4	105.2
Depreciation and amortization(1)	31.7	23.1	88.7	66.9
Impairment and restructuring charges	0.0	0.0	0.0	9.7
Total costs and expenses	172.7	144.8	469.7	438.1
OPERATING INCOME	5.2	31.2	24.8	55.7
Interest expense	(1.0)	(0.4)	(2.7)	(1.2)
Interest income and other income and expense, net	3.2	2.6	9.5	9.5
Income before income taxes	7.4	33.4	31.6	64.0
Provision (benefit) for income taxes	(0.1)	11.3	10.5	22.0
NET INCOME	\$ 7.5	\$ 22.1	\$ 21.1	\$ 42.0
Earnings per share:				
Basic	\$ 0.14	\$ 0.40	\$ 0.39	\$ 0.75
Diluted	\$ 0.14	\$ 0.40	\$ 0.39	\$ 0.75
Weighted-average common shares:				
Basic common stock outstanding	54.7	55.2	54.6	55.7
Diluted common stock and common stock equivalents	55.1	55.5	54.8	56.0

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- (1) Cost of product sales and cost of gaming operations exclude the following amounts of depreciation and amortization, which are included in the depreciation and amortization line item:

Cost of product sales	\$ 2.2	\$ 1.5	\$ 6.3	\$ 4.3
Cost of gaming operations	\$ 19.9	\$ 14.6	\$ 55.3	\$ 41.8

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

For the Three and Nine Months Ended March 31, 2013 and 2012

(in millions of U.S. dollars)

(Unaudited)

	Three Months Ended March 31,		Nine Months Ended March 31,	
	2013	2012	2013	2012
Net income	\$ 7.5	\$ 22.1	\$ 21.1	\$ 42.0
Foreign currency translation adjustment, net of taxes	(1.0)	1.3	3.1	(4.1)
Total comprehensive income	\$ 6.5	\$ 23.4	\$ 24.2	\$ 37.9

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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(in millions of U.S. dollars and millions of shares)

	March 31, 2013 (unaudited)	June 30, 2012
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 58.1	\$ 62.3
Restricted cash and cash equivalents	11.1	13.8
Total cash, cash equivalents and restricted cash	69.2	76.1
Accounts and notes receivable, net of allowances of \$8.1 and \$6.9, respectively	316.4	282.8
Inventories	62.8	53.3
Other current assets	55.1	40.1
Total current assets	503.5	452.3
NON-CURRENT ASSETS:		
Long-term notes receivable, net	79.5	122.3
Gaming operations equipment, net of accumulated depreciation and amortization of \$266.6 and \$227.1, respectively	124.3	115.7
Property, plant and equipment, net of accumulated depreciation and amortization of \$168.0 and \$142.0, respectively	239.7	226.7
Intangible assets, net	177.0	178.9
Deferred income tax assets	41.3	39.3
Other assets, net	20.3	18.9
Total non-current assets	682.1	701.8
TOTAL ASSETS	\$ 1,185.6	\$ 1,154.1
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 74.1	\$ 84.8
Accrued compensation and related benefits	11.9	9.5
Other accrued liabilities	53.5	76.5
Total current liabilities	139.5	170.8
NON-CURRENT LIABILITIES:		
Long-term debt	85.0	60.0
Deferred income tax liabilities	22.7	22.7
Other non-current liabilities	26.2	23.3
Total non-current liabilities	133.9	106.0
Commitments, contingencies and indemnifications (see Note 12)	0.0	0.0
STOCKHOLDERS' EQUITY:		
Preferred stock (5.0 shares authorized; none issued)	0.0	0.0
Common stock (200.0 shares authorized; 59.7 shares issued)	29.8	29.8

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Additional paid-in capital	450.1	443.5
Treasury stock, at cost (4.9 and 4.9 shares, respectively)	(140.0)	(144.1)
Retained earnings	576.0	554.9
Accumulated other comprehensive loss	(3.7)	(6.8)
Total stockholders' equity	912.2	877.3
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,185.6	\$ 1,154.1

The accompanying Notes are an integral part of these Condensed Consolidated Financial Statements.

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WMS INDUSTRIES INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in millions of U.S. dollars)
(Unaudited)

**Nine Months Ended
March 31,**