

LABARGE INC
Form 10-Q
May 14, 2003

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SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

**QUARTERLY REPORT UNDER SECTION 13 or 15 (d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarter Ended March 30, 2003

Commission file number: 1-5761

LaBARGE, INC.

(Exact Name of Registrant as specified in its charter)

DELAWARE

73-0574586

(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

9900A Clayton Road, St. Louis, Missouri

63124

(Address)

(Zip Code)

(314) 997-0800

(Registrant's telephone number, including Area Code)

N/A

(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 the number of shares outstanding of each of the Issuer's classes of common stock as of March 30, 2003 15,773,253 shares of common stock.

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LaBarge, Inc.

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For the Quarter Ended March 30, 2003

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LaBARGE, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(dollars in thousands, except per-share data)

	Three Months Ended		Nine Months Ended	
	March 30, 2003	March 31, 2002	March 30, 2003	March 31, 2002
Net sales	\$ 25,794	\$ 29,553	\$ 73,165	\$ 91,235
Costs and expenses:				
Cost of sales	20,447	23,710	58,590	73,507
Selling and administrative expense	3,660	3,551	11,542	11,261
Interest expense	197	269	622	920
Other income, net	(37)	(239)	(668)	(436)
Income before income taxes	1,527	2,262	3,079	5,983
Income tax expense	535	836	1,053	2,251
Net earnings from continuing operations	992	1,426	2,026	3,732
Discontinued operations:				
Income (loss) from discontinued operations, (less applicable income taxes of (\$170), (\$106), (\$389), (\$152), respectively)	(276)	(181)	(632)	(252)
Income on disposal of discontinued operations of \$2,222 (less applicable income tax expense of \$2,434)			(212)	
Net earnings	\$ 716	\$ 1,245	\$ 1,182	\$ 3,480
Basic net earnings per share:				
Net income from continuing operations	\$ 0.07	\$ 0.09	\$ 0.14	\$ 0.25
Net income from discontinued operations	(0.02)	(0.01)	(0.06)	(0.02)
Basic net earnings	\$ 0.05	\$ 0.08	\$ 0.08	\$ 0.23
Average common shares outstanding	14,950	14,964	14,994	14,969
Diluted net earnings per share:				
Net income from continuing operations	\$ 0.07	\$ 0.09	\$ 0.13	\$ 0.24
Net income from discontinued operations	(0.02)	(0.01)	(0.05)	(0.01)
Diluted net earnings	\$ 0.05	\$ 0.08	\$ 0.08	\$ 0.23
Average diluted common shares outstanding	15,053	15,499	15,170	15,344

See accompanying notes to consolidated financial statements.

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LaBARGE, INC.
CONSOLIDATED BALANCE SHEETS
(Unaudited)
(dollars in thousands)

	March 30, 2003	June 30, 2002
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 5,185	\$ 2,533
Accounts and notes receivable, net	14,732	16,569
Inventories	26,071	22,255
Prepaid expenses	655	537
Deferred tax assets, net	803	627
Current assets of discontinued operations	208	727
	<u> </u>	<u> </u>
Total current assets	\$47,654	\$43,248
	<u> </u>	<u> </u>
Property, plant and equipment, net	13,979	13,828
Deferred tax assets, net	272	937
Intangible assets, net	535	609
Other assets, net	6,055	4,980
Non-current assets of discontinued operations	251	4,604
	<u> </u>	<u> </u>
	\$68,746	\$68,206
	<u> </u>	<u> </u>
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Short-term borrowings	\$	\$ 2,583
Current maturities of subordinated debt	4,297	5,621
Current maturities of long-term debt	394	278
Trade accounts payable	7,543	6,510
Accrued employee compensation	5,548	5,448
Other accrued liabilities	5,751	3,486
Current liabilities of discontinued operations	164	85
	<u> </u>	<u> </u>
Total current liabilities	\$23,697	\$24,011
	<u> </u>	<u> </u>
Customer advances	3,510	2,103
Other long-term liabilities of discontinued operations		1,361
Long-term debt	6,768	7,047
	<u> </u>	<u> </u>
Stockholders equity:		
Common stock, \$.01 par value. Authorized 40,000,000 shares; issued 15,773,253 at March 30, 2003 and 15,773,253 shares at June 30, 2002 including shares in treasury	158	158
Additional paid-in capital	13,500	13,515
Retained earnings	23,917	22,736
Accumulated other comprehensive loss	(42)	(131)
Less cost of common stock in treasury, shares of 845,880 at March 30, 2003 and 806,956 at June 30, 2002	(2,762)	(2,594)
	<u> </u>	<u> </u>
Total stockholders equity	34,771	33,684

<u> </u>	<u> </u>
\$68,746	\$68,206
<u> </u>	<u> </u>

See accompanying notes to consolidated financial statements.

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LaBARGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(dollars in thousands)

	Nine Months Ended	
	March 30, 2003	March 31, 2002
Cash flows from operating activities:		
Net earnings	\$ 1,182	\$ 3,480
Adjustments to reconcile net cash provided by operating activities:		
(Gain) on disposal of discontinued operations	(2,222)	
Taxes payable on gain from discontinued operations (included in other accrued liabilities)	2,434	
Net (earnings) loss from discontinued operations	632	252
Depreciation and amortization	1,738	1,573
Loss on disposal of property, plant and equipment	23	27
Deferred taxes	488	1,107
Changes in assets and liabilities, net of acquisitions:		
Accounts and notes receivable, net	1,837	1,895
Inventories	(3,816)	1,047
Prepaid expenses	(118)	(71)
Trade accounts payable	1,033	(2,066)
Accrued liabilities and other	1,426	(1,817)
	<u>4,637</u>	<u>5,427</u>
Net cash provided by continuing activities	4,637	5,427
	<u>(118)</u>	<u>(170)</u>
Net cash used by discontinued operations	(118)	(170)
	<u>4,519</u>	<u>5,257</u>
Net cash provided by operating activities	4,519	5,257
Cash flows from investing activities:		
Additions to property, plant and equipment	(1,143)	(1,844)
Proceeds from disposal of plant and equipment	14	
Additions to other assets	(1,784)	(108)
Proceeds from disposal of discontinued operations	5,300	
	<u>2,387</u>	<u>(1,952)</u>
Net cash provided (used) by investing activities	2,387	(1,952)
Cash flows from financing activities:		
Additions to long-term debt	20	517
Repayments of long-term senior debt	(183)	(2,439)
Issuance of stock to employee benefit plan	229	207
Purchase of treasury stock	(412)	(231)
Net change in short-term borrowings	(3,908)	(1,175)
	<u>(4,254)</u>	<u>(3,121)</u>
Net cash used by financing activities	(4,254)	(3,121)
	<u>2,652</u>	<u>184</u>
Net increase in cash and cash equivalents	2,652	184
Cash and cash equivalents at beginning of year	2,533	666

Cash and cash equivalents at end of period

\$ 5,185

\$ 850

See accompanying notes to consolidated financial statements.

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FORM 10-Q****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)****1. CONSOLIDATED FINANCIAL STATEMENTS BASIS OF PRESENTATION**

The consolidated balance sheets at March 30, 2003 and June 30, 2002, the related consolidated statements of operations for the three and nine months ended March 30, 2003 and March 31, 2002, and the consolidated statements of cash flows for the nine months ended March 30, 2003 and March 31, 2002, have been prepared by LaBarge, Inc. (the Company) without audit. In the opinion of management, adjustments, all of a normal and recurring nature, necessary to present fairly the financial position and the results of operations and cash flows for the aforementioned periods, have been made. Certain prior year amounts have been reclassified to conform with the current year's presentation.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended June 30, 2002.

2. GROSS AND NET SALES

Gross and net sales consist of the following:
(dollars in thousands)

	Three Months Ended		Nine Months Ended	
	March 30, 2003	March 31, 2002	March 30, 2003	March 31, 2002
Gross sales	\$ 26,055	\$ 30,279	\$ 73,948	\$ 93,399
Less sales discounts	261	726	783	2,164
Net sales	\$ 25,794	\$ 29,553	\$ 73,165	\$ 91,235

The Company accepts sales discounts from a number of customers in the normal course of business.

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Accounts and other receivables consist of the following:
(dollars in thousands)

	March 30, 2003	June 30, 2002
Billed shipments, net of progress payments	\$ 13,997	\$ 15,233
Less allowance for doubtful accounts	118	114
Trade receivables, net	13,879	15,119
Other current receivables	853	1,450
	\$ 14,732	\$ 16,569

Progress payments are payments from customers in accordance with contractual terms for contract costs incurred to date. Such payments are credited to the customer at the time of shipment.

At March 30, 2003 and June 30, 2002, other current receivables include \$510,000 and \$318,000, of customer payments expected to be received as settlement for a prior claim for material under a long-term contract. See Note 11, Litigations and Contingencies.

At March 30, 2003, the amounts due from the three largest accounts receivable debtors and the percentage of total accounts receivable those amounts represented were \$2.2 million (15.7%), \$2.0 million (14.2%) and \$1.5 million (10.4%), respectively. This compares with \$3.3 million (21.0%), \$2.0 million (12.6%) and \$1.6 million (10.0%) at June 30, 2002, respectively. The Company does not believe that concentration of accounts receivable is a significant credit risk due to the financial strength of the account debtors and collection experience. See Results of Operations, under Management's Discussion and Analysis.

4. INVENTORIES

Inventories consist of the following:
(dollars in thousands)

	March 30, 2003	June 30, 2002
Raw materials	\$ 16,470	\$ 13,757
Work in progress	10,844	9,922
Less reserve for obsolescence	787	313
	26,527	23,366
Less progress payments	456	1,111
	\$ 26,071	\$ 22,255

In accordance with contractual agreements, the U.S. Government has a security interest in inventories identified with related contracts for which progress payments have been received.

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Intangible assets, net, is summarized as follows:
(dollars in thousands)

	<u>March 30, 2003</u>	<u>June 30, 2002</u>
Goodwill	\$406	\$406
Less amortization	200	200
	<u> </u>	<u> </u>
Net goodwill	206	206
	<u> </u>	<u> </u>
Software	&	