

HURCO COMPANIES INC  
Form 10-Q  
September 09, 2011

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 July 31, 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 No. 0-9143

HURCO COMPANIES, INC.  
(Exact name of registrant as specified in its charter)

Indiana  
(State or other jurisdiction of  
incorporation or organization)

35-1150732  
(I.R.S. Employer Identification Number)

One Technology Way  
Indianapolis, Indiana  
(Address of principal executive offices)

46268  
(Zip code)

Registrant's telephone number, including area code (317) 293-5309

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the 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 small 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

The number of shares of the Registrant's common stock outstanding as of September 1, 2011 was 6,440,851.

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HURCO COMPANIES, INC.  
 July 2011 Form 10-Q Quarterly Report

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## PART I - FINANCIAL INFORMATION

Item 1.

## FINANCIAL STATEMENTS

HURCO COMPANIES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
 (In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	July 31		July 31	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
Sales and service fees	\$50,573	\$26,474	\$131,829	\$71,178
Cost of sales and service	34,723	21,815	91,637	57,862
Gross profit	15,850	4,659	40,192	13,316
Selling, general and administrative expenses	9,317	6,994	27,401	20,757
Operating income (loss)	6,533	(2,335 )	12,791	(7,441 )
Interest expense	47	21	61	43
Interest income	35	24	107	49
Investment income	2	4	9	12
Other (income) expense, net	242	55	721	448
Income (loss) before taxes	6,281	(2,383 )	12,125	(7,871 )
Provision (benefit) for income taxes	1,706	(1,210 )	3,655	(3,289 )
Net income (loss)	\$4,575	\$(1,173 )	\$8,470	\$(4,582 )
Income (loss) per common share				
Basic	\$.71	\$(0.18 )	\$1.31	\$(0.71 )
Diluted	\$.70	\$(0.18 )	\$1.30	\$(0.71 )
Weighted average common shares outstanding				
Basic	6,441	6,441	6,441	6,441
Diluted	6,480	6,441	6,474	6,441

The accompanying notes are an integral part of the condensed consolidated financial statements.

HURCO COMPANIES, INC.  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(In thousands, except share and per-share data)

	July 31 2011 (Unaudited)	October 31 2010 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$49,139	\$48,255
Accounts receivable, net	30,407	20,114
Refundable taxes	4,383	5,093
Inventories, net	75,105	55,866
Deferred income taxes	2,804	2,467
Derivative assets	381	905
Other	5,763	3,508
Total current assets	167,982	136,208
Non-current assets:		
Property and equipment:		
Land	782	782
Building	7,116	7,116
Machinery and equipment	16,198	15,095
Leasehold improvements	2,366	2,183
	26,462	25,176
Less accumulated depreciation and amortization	(15,192 )	(13,424 )
	11,270	11,752
Software development costs, less accumulated amortization	5,274	6,042
Investments and other assets, net	6,209	6,344
	\$190,735	\$160,346
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$44,332	\$30,394
Accrued expenses and other	13,447	8,132
Accrued warranty expenses	1,781	1,591
Derivative liabilities	2,017	2,123
Short-term debt	854	—
Total current liabilities	62,431	42,240
Non-current liabilities:		
Deferred income taxes	2,465	2,335
Deferred credits and other	1,124	1,031
Total liabilities	66,020	45,606
Shareholders' equity:		
Preferred stock: no par value per share, 1,000,000 shares authorized, no shares issued	—	—
Common stock: no par value, \$.10 stated value per share, 13,250,000 shares authorized, 6,471,710 and 6,440,851 shares issued; and 6,440,851 and 6,440,851 shares outstanding,	644	644

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as of July 31, 2011 and October 31, 2010, respectively

Additional paid-in capital	52,476	52,144
Retained earnings	72,294	63,824
Accumulated other comprehensive loss	(699 )	(1,872 )
Total shareholders' equity	124,715	114,740
	\$ 190,735	\$ 160,346

The accompanying notes are an integral part of the condensed consolidated financial statements.

HURCO COMPANIES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
 (In thousands)

	Three Months Ended July 31		Nine Months Ended July 31	
	2011	2010	2011	2010
	(Unaudited)		(Unaudited)	
<b>Cash flows from operating activities:</b>				
Net income (loss)	\$4,575	\$(1,173 )	\$8,470	\$(4,582 )
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities:				
Provision for doubtful accounts	39	(74 )	(163 )	(263 )
Deferred income taxes	447	473	677	(310 )
Equity in (income) loss of affiliates	(21 )	(27 )	(38 )	154
Depreciation and amortization	1,081	978	3,227	2,811
Foreign currency (gain) loss	844	1,030	(2,476 )	4,614
Unrealized (gain) loss on derivatives	150	1,457	(138 )	622
Stock-based compensation	138	46	332	95
<b>Change in assets and liabilities:</b>				
(Increase) decrease in accounts receivable and refundable taxes	(6,532 )	4,078	(8,616 )	3,675
(Increase) decrease in inventories	(6,584 )	(1,034 )	(17,415 )	6,379
Increase (decrease) in accounts payable	5,389	7,805	12,011	12,454
Increase (decrease) in accrued expenses	3,354	(782 )	5,119	(1,849 )
Net change in derivative assets and liabilities	(472 )	(733 )	115	(1,772 )
Other	(1,226 )	(2,272 )	(25 )	(3,120 )
Net cash provided by (used for) operating activities	1,182	9,772	1,080	18,908
<b>Cash flows from investing activities:</b>				
Proceeds from sale of property and equipment	—	7	—	42
Purchase of property and equipment	(480 )	(188 )	(855 )	(437 )
Software development costs	(238 )	(310 )	(890 )	(805 )
Other investments	(41 )	73	(25 )	56
Net cash provided by (used for) investing activities	(759 )	(418 )	(1,770 )	(1,144 )
<b>Cash flows from financing activities:</b>				
Advances on short-term debt	202	—	839	—
Effect of exchange rate changes on cash	(164 )	(183 )	735	(1,357 )
Net increase (decrease) in cash and cash equivalents	461	9,171	884	16,407
Cash and cash equivalents at beginning of period	48,678	36,018	48,255	28,782
Cash and cash equivalents at end of period	\$49,139	\$45,189	\$49,139	\$45,189

The accompanying notes are an integral part of the condensed consolidated financial statements.



HURCO COMPANIES, INC.  
 CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY  
 For the nine months ended July 31, 2011 and 2010  
 (Unaudited)

(In thousands, except shares outstanding)	Common stock		Additional	Retained	Accumulated other comprehensive income (loss)	Total
	Shares outstanding	Amount	paid-in capital	earnings		
Balances, October 31, 2009	6,440,851	\$644	\$52,003	\$69,568	\$ (1,839 )	\$120,376
Net loss	—	—	—	(4,582 )	—	(4,582 )
Translation of foreign currency financial statements	—	—	—	—	(2,262 )	(2,262 )
Realized losses on derivative instruments reclassified into operations, net of tax of \$61	—	—	—	—	99	99
Unrealized gain on derivative instruments, net of tax of \$197	—	—	—	—	320	320
Comprehensive loss	—	—	—	—	—	(6,425 )
Stock-based compensation expense	—	—	95	—	—	95
Balances, July 31, 2010 (Unaudited)	6,440,851	\$644	\$52,098	\$64,986	\$ (3,682 )	\$114,046
Balances, October 31, 2010	6,440,851	\$644	\$52,144	\$63,824	\$ (1,872 )	\$114,740
Net income	—	—	—	8,470	—	8,470