

SPARTON CORP
Form 10-Q
November 05, 2013
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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 quarterly period ended September 30, 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 1-1000

Sparton Corporation
(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

38-1054690
(I.R.S. Employer
Identification No.)

425 N. Martingale Road, Suite 2050,
Schaumburg, Illinois
(Address of principal executive offices)
(847) 762-5800

60173-2213
(Zip code)

(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

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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	<input checked="" type="checkbox"/>
Non-accelerated filer (Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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, 2013, there were 10,102,461 shares of common stock, \$1.25 par value per share, outstanding.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except per share amounts)

	September 30, 2013	June 30, 2013 (a)
Assets		
Current Assets:		
Cash and cash equivalents	\$2,719	\$6,085
Accounts receivable, net of allowance for doubtful accounts of \$113 and \$61, respectively	51,093	49,572
Inventories and cost of contracts in progress, net	55,658	46,334
Deferred income taxes	3,332	2,951
Prepaid expenses and other current assets	1,765	1,731
Total current assets	114,567	106,673
Property, plant and equipment, net	28,593	28,904
Goodwill	18,767	14,767
Other intangible assets, net	10,115	10,713
Deferred income taxes — non-current	3,800	4,075
Other non-current assets	753	790
Total assets	\$176,595	\$165,922
Liabilities and Shareholders' Equity		
Current Liabilities:		
Current portion of long-term debt	\$139	\$136
Accounts payable	16,051	19,596
Accrued salaries and wages	6,741	6,329
Accrued health benefits	1,835	1,793
Performance based payments on customer contracts	13,366	20,902
Other accrued expenses	8,195	6,733
Total current liabilities	46,327	55,489
Pension liability — non-current portion	200	274
Long-term debt — non-current portion	29,867	11,403
Environmental remediation — non-current portion	2,615	2,684
Total liabilities	79,009	69,850
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, no par value; 200,000 shares authorized, none issued	—	—
Common stock, \$1.25 par value; 15,000,000 shares authorized, 10,097,211 and 10,095,716 shares issued and outstanding, respectively	12,621	12,619
Capital in excess of par value	17,947	18,751
Retained earnings	68,243	65,957
Accumulated other comprehensive loss	(1,225) (1,255
Total shareholders' equity	97,586	96,072
Total liabilities and shareholders' equity	\$176,595	\$165,922

(a) Derived from the Company's audited financial statements as of June 30, 2013.
See Notes to unaudited condensed consolidated financial statements.

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SPARTON CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF INCOME
 (UNAUDITED)
 (Dollars in thousands, except per share amounts)

	For the Three Months Ended	
	September 30, 2013	September 30, 2012
Net sales	\$74,198	\$50,801
Cost of goods sold	62,004	42,801
Gross profit	12,194	8,000
Operating Expense:		
Selling and administrative expenses	7,645	5,472
Internal research and development expenses	389	305
Amortization of intangible assets	598	102
Restructuring charges	188	—
Other operating expenses	(3) (10
Total operating expense, net	8,817	5,869
Operating income	3,377	2,131
Other income (expense)		
Interest expense	(158) (81
Interest income	2	28
Other, net	172	110
Total other income, net	16	57
Income before provision for income taxes	3,393	2,188
Provision for income taxes	1,107	731
Net income	\$2,286	\$1,457
Income per share of common stock:		
Basic	\$0.23	\$0.14
Diluted	\$0.23	\$0.14
Weighted average shares of common stock outstanding:		
Basic	10,072,694	10,141,612