

CECO ENVIRONMENTAL CORP

Form 10-Q

November 08, 2012

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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 September 30, 2012

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. 0-7099

CECO ENVIRONMENTAL CORP.

4625 Red Bank Road, Cincinnati, Ohio 45227

Telephone (513) 458-2600

IRS Employer Identification No. 13-2566064

State of Incorporation: Delaware

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 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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

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 outstanding of each of the issuer's classes of common stock, as of the latest practical date: 14,711,582 shares of common stock, par value \$0.01 per share, as of November 5, 2012.

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CECO Environmental Corp. and Subsidiaries

QUARTERLY REPORT ON FORM 10-Q

For the quarter ended September 30, 2012

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Table of Contents**CECO ENVIRONMENTAL CORP.****Part I Financial Information****ITEM 1. FINANCIAL STATEMENTS
CONDENSED CONSOLIDATED BALANCE SHEETS****(unaudited)**

(dollars in thousands, except per share data)	SEPTEMBER 30, 2012	DECEMBER 31, 2011
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 24,455	\$ 12,724
Accounts receivable, net	21,281	23,109
Costs and estimated earnings in excess of billings on uncompleted contracts	7,057	10,643
Inventories, net	4,292	4,344
Prepaid expenses and other current assets	2,399	2,650
Total current assets	59,484	53,470
Property, plant and equipment, net	5,128	5,651
Goodwill	14,777	14,661
Intangible assets- finite life, net	274	526
Intangible assets-indefinite life	3,230	3,218
Deferred income tax asset, net	848	848
Deferred charges and other assets	714	971
	\$ 84,455	\$ 79,345
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities:		
Accounts payable and accrued expenses	\$ 12,101	\$ 13,569
Billings in excess of costs and estimated earnings on uncompleted contracts	8,501	9,647
Income taxes payable	1,531	393
Total current liabilities	22,133	23,609
Other liabilities	3,197	3,146
Convertible subordinated notes (including related parties notes of \$3,950 in 2012 and 2011)	8,760	9,600
Total liabilities	34,090	36,355
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, \$.01 par value; 10,000 shares authorized, none issued		
Common stock, \$.01 par value; 100,000,000 shares authorized, 14,849,502 and 14,654,262 shares issued in 2012 and 2011, respectively	148	146
Capital in excess of par value	45,393	44,249
Accumulated earnings	7,410	1,301
Accumulated other comprehensive loss	(2,230)	(2,350)
	50,721	43,346

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Less treasury stock, at cost, 137,920 shares in 2012 and 2011	(356)	(356)
Total shareholders' equity	50,365	42,990
	\$ 84,455	\$ 79,345

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

Table of ContentsCECO ENVIRONMENTAL CORP.**CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(unaudited)**

(dollars in thousands, except per share data)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Net sales	\$ 33,102	\$ 32,947	\$ 100,720	\$ 101,440
Cost of sales	22,574	23,249	69,461	74,571
Gross profit	10,528	9,698	31,259	26,869
Selling and administrative	6,197	6,270	18,724	17,958
Amortization	80	118	252	341
Income from operations	4,251	3,310	12,283	8,570
Other (expenses) income, net	(69)	103	(133)	436
Interest expense (including related party interest of \$60 and \$59, and \$178 and \$177, respectively)	(291)	(296)	(828)	(870)
Income before income taxes	3,891	3,117	11,322	8,136
Income tax expense	623	798	3,524	2,606
Net income	\$ 3,268	\$ 2,319	\$ 7,798	\$ 5,530
Per share data:				
Basic net income	\$ 0.22	\$ 0.16	\$ 0.53	\$ 0.39
Diluted net income	\$ 0.19	\$ 0.14	\$ 0.47	\$ 0.34
Weighted average number of common shares outstanding:				
Basic	14,630,264	14,371,752	14,591,325	14,340,119
Diluted	17,258,552	17,157,305	17,199,337	17,130,767

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

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CECO ENVIRONMENTAL CORP.

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

(dollars in thousands)	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30	
	2012	2011	2012	2011
Net income	\$ 3,268	\$ 2,319	\$ 7,798	\$ 5,530
Other comprehensive income (loss), net of tax:				
Foreign currency	170	(263)	84	(131)
Other comprehensive income (loss)	170	(263)	84	(131)
Comprehensive income	\$ 3,438	\$ 2,056	\$ 7,882	\$ 5,399

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

Table of ContentsCECO ENVIRONMENTAL CORP.**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(unaudited)**

(dollars in thousands)	NINE MONTHS ENDED SEPTEMBER 30,	
	2012	2011
Cash flows from operating activities:		
Net income	\$ 7,798	\$ 5,530
Adjustment to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	910	1,086
Non cash interest expense included in net income	69	68
Share based compensation expense	493	538
Bad debt expense	141	212
Inventory reserve expense	147	196
Gain on sale of fixed assets	(11)	
Changes in operating assets and liabilities:		
Accounts receivable	1,657	5,942
Costs and estimated earnings in excess of billings on uncompleted contracts	3,586	(1,923)
Inventories	(95)	(820)
Prepaid expense and other current assets	281	(96)
Deferred charges and other assets	188	(138)
Accounts payable and accrued expenses	(1,392)	(5,041)
Billings in excess of costs and estimated earnings on uncompleted contracts	(1,146)	684
Income taxes payable	1,138	(1,171)
Other liabilities	42	(188)
 Net cash provided by operating activities	 13,806	 4,879
Cash flows from investing activities:		
Acquisitions of property and equipment	(234)	(654)
Net proceeds from sale of plant and equipment	37	636
 Net cash used in investing activities	 (197)	 (18)
Cash flows from financing activities:		
Proceeds from exercise of stock options	266	