

BUTLER NATIONAL CORP
Form 10-Q
December 13, 2016
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 October 31, 2016

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 0-1678

BUTLER NATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Kansas 41-0834293
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

19920 West 161st Street, Olathe, Kansas 66062
(Address of principal executive offices)(Zip Code)

Registrant's telephone number, including area code: (913) 780-9595

Former name, former address and former fiscal year if changed since last report:
Not Applicable

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 twelve 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 T 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 T 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 definition of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.:

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company T

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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 the Registrant's Common Stock, \$0.01 par value, as of December 9, 2016 was 64,066,873 shares.

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS
BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS

As of October 31, 2016 and April 30, 2016

(in thousands except per share data)

	October 31, 2016 (unaudited)	April 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash	\$ 6,446	\$7,381
Accounts receivable	3,228	1,574
Inventories		
Raw materials	6,145	6,339
Work in process	1,215	1,349
Finished goods	247	275
Total inventory	7,607	7,963
Prepaid expenses and other current assets	989	873
Total current assets	18,270	17,791
PROPERTY, PLANT AND EQUIPMENT:		
Land and building	4,099	4,081
Aircraft	5,888	5,712
Machinery and equipment	3,694	3,630
Office furniture and fixtures	6,022	5,637
Leasehold improvements	4,032	4,032
	23,735	23,092
Accumulated depreciation	(13,973)	(13,218)
Total property, plant and equipment	9,762	9,874
SUPPLEMENTAL TYPE CERTIFICATES (net of accumulated amortization of \$3,945 at October 31, 2016 and \$3,549 at April 30, 2016)		
	6,353	6,481
OTHER ASSETS:		
Deferred tax asset	686	1,104
Other assets (net of accumulated amortization of \$6,225 at October 31, 2016 and \$5,579 at April 30, 2016)	6,801	7,447
Total other assets	7,487	8,551
Total assets	\$ 41,872	\$42,697
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Promissory notes	\$ 2,758	\$3,988
Current maturities of long-term debt	2,110	2,464
Accounts payable	1,640	2,018
Customer deposits	1,730	258
Gaming facility mandated payment	1,095	1,206
Compensation and compensated absences	1,132	1,322
Other current liabilities	242	125

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Total current liabilities	10,707	11,381
LONG-TERM DEBT, NET OF CURRENT MATURITIES	4,212	5,218
Total liabilities	14,919	16,599
COMMITMENTS AND CONTINGENCIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, par value \$5:		
Authorized 50,000,000 shares, all classes		
Designated Classes A and B 200,000 shares		
\$100 Class A, 9.8 %, cumulative if earned liquidation and redemption value \$100, no shares issued and outstanding		
	-	-
\$1,000 Class B, 6 %, convertible cumulative, liquidation and redemption value \$1,000, no shares issued and outstanding		
	-	-
Common stock, par value \$.01: authorized 100,000,000 shares issued and outstanding 64,066,873		
shares at October 31, 2016 and 64,066,873 shares at April 30, 2016	640	640
Capital contributed in excess of par	13,356	13,716
Treasury stock at cost, 600,000 shares	(732)	(732)
Retained earnings	9,288	8,185
Total stockholders' equity Butler National Corporation	22,552	21,809
Noncontrolling interest in BHCMC, LLC	4,401	4,289
Total stockholders' equity	26,953	26,098
Total liabilities and stockholders' equity	\$ 41,872	\$42,697

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED OCTOBER 31, 2016 AND 2015
 (in thousands, except per share data)
 (unaudited)

	THREE MONTHS ENDED October 31,	
	2016	2015
REVENUE:		
Professional Services	\$7,722	\$7,334
Aerospace Products	5,091	2,772
Total revenue	12,813	10,106
COSTS AND EXPENSES:		
Cost of Professional Services	4,649	4,539
Cost of Aerospace Products	3,698	2,449
Marketing and advertising	1,064	1,137
Employee benefits	438	429
Depreciation and amortization	507	566
General, administrative and other	1,293	1,585
Total costs and expenses	11,649	10,705
OPERATING INCOME (LOSS)	1,164	(599)
OTHER INCOME (EXPENSE):		
Interest expense	(106)	(117)
Other income (expense), net	1	9
Total other expense	(105)	(108)
INCOME (LOSS) BEFORE INCOME TAXES	1,059	(707)
PROVISION (BENEFIT) FOR INCOME TAXES		
Deferred income tax expense	292	-
Provision (benefit) for income taxes	-	(269)
NET INCOME (LOSS)	767	(438)
Net income attributable to noncontrolling interest in BHCMC, LLC	(248)	(40)
NET INCOME (LOSS) ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	\$519	\$(478)
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$0.01	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	63,466,873	62,260,098
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$0.01	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	63,466,873	62,260,098

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE SIX MONTHS ENDED OCTOBER 31, 2016 AND 2015

(in thousands, except per share data)

(unaudited)

	SIX MONTHS ENDED October 31,	
	2016	2015
REVENUE:		
Professional Services	\$ 15,206	\$ 14,938
Aerospace Products	8,996	6,864
Total revenue	24,202	21,802
COSTS AND EXPENSES:		
Cost of Professional Services	9,169	9,042
Cost of Aerospace Products	6,569	5,570
Marketing and advertising	2,083	2,581
Employee benefits	914	914
Depreciation and amortization	1,014	1,177
General, administrative and other	2,578	2,757
Total costs and expenses	22,327	22,041
OPERATING INCOME (LOSS)	1,875	(239)
OTHER INCOME (EXPENSE):		
Interest expense	(224)	(236)
Other income (expense), net	(18)	10
Total other expense	(242)	(226)
INCOME (LOSS) BEFORE INCOME TAXES	1,633	(465)
PROVISION (BENEFIT) FOR INCOME TAXES		
Deferred income tax expense	418	-
Provision (benefit) for income taxes	-	(258)
NET INCOME (LOSS)	1,215	(207)
Net income attributable to noncontrolling interest in BHCMC, LLC	(472)	(252)
NET INCOME (LOSS) ATTRIBUTABLE TO BUTLER NATIONAL CORPORATION	\$ 743	\$(459)
BASIC EARNINGS (LOSS) PER COMMON SHARE	\$0.01	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	63,466,873	62,260,098
DILUTED EARNINGS (LOSS) PER COMMON SHARE	\$0.01	\$(0.01)
WEIGHTED AVERAGE SHARES USED IN PER SHARE CALCULATION	63,466,873	62,260,098

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements

BUTLER NATIONAL CORPORATION AND SUBSIDIARIES
 CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
 FOR THE SIX MONTHS ENDED OCTOBER 31, 2016 AND 2015

(in thousands)

(unaudited)

	SIX MONTHS ENDED October 31,	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income (loss)	\$1,215	\$(207)
Adjustments to reconcile net income (loss) to net cash provided by operating activities		
Depreciation and amortization	1,797	2,027
Changes in assets and liabilities		
Accounts receivable	(1,654)	(261)
Inventories	356	(948)
Prepaid expenses and other current assets	(116)	(31)
Deferred tax asset	418	(258)
Accounts payable	(378)	(189)
Customer deposits	1,472	282
Accrued liabilities	(190)	(295)
Gaming facility mandated payment	(111)	88
Other current liabilities	117	149
Net cash provided by operating activities	2,926	357
CASH FLOWS FROM INVESTING ACTIVITIES		