

GENCOR INDUSTRIES INC
Form 10-Q
August 13, 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 JUNE 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: 001-11703

GENCOR INDUSTRIES, INC.

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Delaware
 (State or other jurisdiction of
 incorporated or organization)

59-0933147
 (I.R.S. Employer
 Identification No.)

5201 North Orange Blossom Trail, Orlando, Florida
 (Address of principal executive offices)

(407) 290-6000

32810
 (Zip Code)

(Registrant's telephone number, including area 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 and 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 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 smaller reporting company. See the definitions 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 (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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 5, 2013
Common stock, \$.10 par value	8,008,632 shares
Class B stock, \$.10 par value	1,509,238 shares

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Introductory Note: Caution Concerning Forward-Looking Statements	

This Form 10-Q Report and the Company’s other communications and statements may contain forward-looking statements, including statements about the Company’s beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company’s control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and similar expressions are used in forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. The Company’s actual future results may differ materially from those set forth in its forward-looking statements. For information concerning these factors and related matters, see Item 2, Management’s Discussion and Analysis of Financial Condition and Results of Operations, in this Report, and the following sections of the Company’s Annual Report on Form 10-K for the year ended September 30, 2012: (a) Risk Factors in Part I, and (b) Management’s Discussion and Analysis of Financial Condition and Results of Operations in Part II. However, other factors besides those referenced could adversely affect the Company’s results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

Unless the context otherwise indicates, all references in this Report to the Company, Gencor, we, us, or our, or similar words are to Gencor Industries, Inc. and its subsidiaries.

Table of Contents**Part I. Financial Information****GENCOR INDUSTRIES, INC.****Condensed Consolidated Balance Sheets**

	June 30, 2013 (Unaudited)	September 30, 2012
ASSETS		
Current Assets:		
Cash	\$ 8,491,000	\$ 3,361,000
Marketable securities at fair value (cost \$80,741,000 at June 30, 2013 and \$80,568,000 at September 30, 2012)	82,023,000	81,375,000
Accounts receivable, less allowance for doubtful accounts of \$234,000 at June 30, 2013 and \$368,000 at September 30, 2012	1,142,000	1,206,000
Costs and estimated earnings in excess of billings	2,665,000	3,448,000
Inventories, net	11,894,000	11,918,000
Prepaid expenses and other current assets	2,257,000	782,000
Total Current Assets	108,472,000	102,090,000
Property and equipment, net	8,354,000	8,127,000
Other assets	87,000	95,000
Total Assets	\$ 116,913,000	\$ 110,312,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 1,695,000	\$ 1,881,000
Customer deposits	1,569,000	480,000
Accrued expenses and other current liabilities	2,846,000	3,517,000
Total Current Liabilities	6,110,000	5,878,000
Deferred and other income taxes	2,668,000	974,000
Total Liabilities	8,778,000	6,852,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.10 per share; authorized 300,000 shares; none issued		
Common stock, par value \$.10 per share; 15,000,000 shares authorized; 8,008,632 shares issued and outstanding	801,000	801,000
Class B Stock, par value \$.10 per share; 6,000,000 shares authorized; 1,509,238 shares issued and outstanding	151,000	151,000
Capital in excess of par value	10,233,000	10,049,000
Retained earnings	96,950,000	92,459,000
Total Shareholders' Equity	108,135,000	103,460,000

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Total Liabilities and Shareholders	Equity	\$ 116,913,000	\$ 110,312,000
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See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**GENCOR INDUSTRIES, INC.****Condensed Consolidated Statements of Operations***(Unaudited)*

	For the Quarters Ended June 30,		For the Nine Months Ended June 30,	
	2013	2012	2013	2012
Net revenue	\$ 18,690,000	\$ 22,986,000	\$ 41,375,000	\$ 49,189,000
Costs and expenses:				
Production costs	13,720,000	17,237,000	31,662,000	38,651,000
Product engineering and development	420,000	670,000	1,322,000	1,764,000
Selling, general and administrative	1,867,000	2,678,000	5,810,000	6,999,000
	16,007,000	20,585,000	38,794,000	47,414,000
Operating income	2,683,000	2,401,000	2,581,000	1,775,000
Other income (expense):				
Interest and dividend income, net of fees	516,000	581,000	1,759,000	1,704,000
Net realized and unrealized gain (loss) on marketable securities	145,000	(1,290,000)	888,000	3,548,000
Other	18,000	13,000	33,000	49,000
	679,000	(696,000)	2,680,000	5,301,000
Income before income tax expense	3,362,000	1,705,000	5,261,000	7,076,000
Income tax expense	873,000	513,000	771,000	2,243,000
Net Income	\$ 2,489,000	\$ 1,192,000	\$ 4,490,000	\$ 4,833,000
Basic Income per Common Share:				
Net income per share	\$ 0.26	\$ 0.13	\$ 0.47	\$ 0.51
Diluted Income per Common Share:				
Net income per share	\$ 0.26	\$ 0.13	\$ 0.47	\$ 0.51

See accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**GENCOR INDUSTRIES, INC.****Condensed Consolidated Statements of Cash Flows***(Unaudited)*

	For the Nine Months Ended June 30,	
	2013	2012
Cash flows from operations:		
Net income	\$ 4,490,000	\$ 4,833,000
Adjustments to reconcile net income to cash provided by operating activities:		
Purchases of marketable securities	(52,657,000)	(41,816,000)
Proceeds from sale and maturity of marketable securities	52,762,000	41,519,000
Change in fair value of marketable securities	(753,000)	(3,455,000)
Deferred income taxes	1,694,000	1,365,000
Depreciation and amortization	881,000	798,000
Provision for doubtful accounts	40,000	366,000
Stock-based compensation	184,000	138,000
Change in assets and liabilities:		
Accounts receivable	24,000	(190,000)
Costs and estimated earnings in excess of billings	783,000	234,000
Inventories	24,000	895,000
Prepaid expenses and other current assets	(1,475,000)	268,000
Accounts payable	(186,000)	1,393,000
Customer deposits	1,089,000	1,762,000
Accrued expenses and other	(663,000)	1,708,000
Total adjustments	1,747,000	4,985,000
Cash flows provided by operating activities	6,237,000	9,818,000
Cash flows used in investing activities:		
Capital expenditures	(1,107,000)	(773,000)
Cash flows used in investing activities	(1,107,000)	(773,000)
Net increase in cash	5,130,000	9,045,000
Cash at:		
Beginning of period	3,361,000	1,715,000
End of period	\$ 8,491,000	\$ 10,760,000

See accompanying Notes to Condensed Consolidated Financial Statements

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GENCOR INDUSTRIES, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation have been included in the interim financial information. Operating results for the quarter and nine months ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending September 30, 2013.

The accompanying Condensed Consolidated Balance Sheet at September 30, 2012 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Gencor Industries, Inc. Annual Report on Form 10-K for the year ended September 30, 2012.

Note 2 Marketable Securities

Marketable debt and equity securities are categorized as trading securities and are thus marked to market and stated at fair value. Fair value determined by using quoted closing prices in active markets is categorized as Level 1 of the fair value hierarchy. Market standard valuation methodologies used to determine fair value is categorized as Level 2 of the fair value hierarchy. Realized gains and losses on investment transactions are determined by specific identification and are recognized as incurred in the statements of operations. Net unrealized gains and losses are reported in the statements of operations in the current period and represent the change in the fair value of investment holdings during the period.

Fair Value Measurements

The fair value of financial instruments is presented based upon a hierarchy of levels that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

The fair value of marketable equity securities, exchange traded funds and mutual funds are substantially based on quoted market prices (Level 1). Corporate and municipal bonds are valued using market standard valuation methodologies, including: discounted cash flow methodologies, matrix pricing or other similar techniques. The inputs to these market standard valuation methodologies include, but are not limited to: interest rates, credit standing of the issuer or counterparty, industry sector of the issuer, coupon rate, call provisions, maturity, estimated duration and assumptions regarding liquidity and estimated future cash flows. In addition to bond characteristics, the valuation methodologies incorporate market data, such as actual trades completed, bids and actual dealer quotes, where such information is available. Accordingly, the estimated fair values are based on available market information and judgments about financial instruments (Level 2). Fair values of the Level 2 investments are provided by the Company's professional investment management firm.

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