

EASTERN CO
Form 10-Q
July 26, 2013

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 June 29, 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: 0599

THE EASTERN COMPANY
(Exact name of registrant as specified in its charter)

Connecticut
(State or other jurisdiction of
incorporation or organization)

06-0330020
(I.R.S. Employer
Identification No.)

112 Bridge Street, Naugatuck, Connecticut
(Address of principal executive offices)

06770
(Zip Code)

(203) 729-2255
(Registrant's telephone number, including area code)

Not applicable
(Former name, former address and former fiscal year, if changed since last report)

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

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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 (Section 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 as of July 24, 2013
Common Stock, No par value	6,221,456

PART 1 – FINANCIAL INFORMATION

ITEM 1 – FINANCIAL STATEMENTS

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

ASSETS	June 29, 2013	December 29, 2012
Current Assets		
Cash and cash equivalents	\$ 18,166,988	\$ 18,482,144
Accounts receivable, less allowances: \$393,000 - 2013; \$487,000 - 2012	19,455,843	18,368,774
Inventories	29,668,583	29,384,780
Prepaid expenses and other assets	3,042,021	3,365,904
Recoverable income taxes receivable	408,632	1,158,632
Deferred income taxes	1,064,202	1,064,202
Total Current Assets	71,806,269	71,824,436
Property, Plant and Equipment	60,563,028	58,130,024
Accumulated depreciation	(34,117,902)	(32,469,281)
	26,445,126	25,660,743
Goodwill	13,867,312	13,933,599
Trademarks	174,790	170,512
Patents, technology, and other intangibles net of accumulated amortization	1,569,556	1,653,957
Deferred income taxes	2,317,070	2,610,903
	17,928,728	18,368,971
TOTAL ASSETS	\$ 116,180,123	\$ 115,854,150

LIABILITIES AND SHAREHOLDERS' EQUITY	June 29, 2013	December 29, 2012
Current Liabilities		
Accounts payable	\$ 8,022,473	\$ 7,607,658
Accrued compensation	2,023,840	3,453,709
Other accrued expenses	1,902,549	2,414,135
Current portion of long-term debt	1,428,571	1,428,571
Total Current Liabilities	13,377,433	14,904,073
Other long-term liabilities	607,463	607,463
Long-term debt, less current portion	5,357,143	6,071,428
Accrued postretirement benefits	2,619,586	2,507,726
Accrued pension cost	20,674,879	20,181,361
Shareholders' Equity		
Voting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Nonvoting Preferred Stock, no par value:		
Authorized and unissued: 1,000,000 shares		
Common Stock, no par value:		
Authorized: 50,000,000 shares		
Issued: 8,916,185 shares in 2013 and 8,914,478 shares in 2012	28,610,330	28,585,498
Treasury Stock: 2,694,729 shares in 2013 and 2012	(19,105,723)	(19,105,723)
Retained earnings	80,653,055	78,717,589
Accumulated other comprehensive income (loss):		
Foreign currency translation	2,103,616	2,640,478
Unrecognized net pension and postretirement benefit costs, net of tax	(18,717,659)	(19,255,743)
Accumulated other comprehensive loss	(16,614,043)	(16,615,265)
Total Shareholders' Equity	73,543,619	71,582,099
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 116,180,123	\$ 115,854,150

See accompanying notes.

THE EASTERN COMPANY AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

	Six Months Ended		Three Months Ended	
	June 29, 2013	June 30, 2012	June 29, 2013	June 30, 2012
Net sales	\$ 73,940,154	\$ 82,055,483	\$ 39,247,980	\$ 41,559,589
Cost of products sold	(59,142,732)	(64,625,627)	(30,717,138)	(32,314,199)
Gross margin	14,797,422	17,429,856	8,530,842	9,245,390
Selling and administrative expenses	(9,904,481)	(10,116,208)	(5,223,185)	(5,101,156)
Operating profit	4,892,941	7,313,648	3,307,657	4,144,234
Interest expense	(170,852)	(187,904)	(84,776)	(98,667)
Other income	28,459	10,723	19,871	4,587
Income before income taxes	4,750,548	7,136,467	3,242,752	4,050,154