KEWAUNEE SCIENTIFIC CORP /DE/
Form 10-Q/A
December 20, 2011

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

(Amendment No. 1)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended October 31, 2011

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 0-5286

KEWAUNEE SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**38-0715562**
(State or other jurisdiction of incorporation or organization)	**(IRS Employer Identification No.)**
2700 West Front Street	
Statesville, North Carolina	**28677-2927**
(Address of principal executive offices)	**(Zip Code)**

Registrant s telephone number, including area code: (704) 873-7202

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 x 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 x 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. (Check one):

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	¨ (Do not check if a smaller reporting company)	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes ¨ No x

As of December 5, 2011, the registrant had outstanding 2,579,464 shares of Common Stock.

EXPLANATORY NOTE

This Amendment No. 1 to Form 10-Q for the quarterly period ended October 31, 2011 is filed solely to make a correction to the disclosure contained under the heading Outlook for Fiscal Year 2012 in Part I, Item 2, Management s Discussion and Analysis of Financial Condition and Results of Operations. That Item is restated in its entirety. This Amendment No. 1 does not reflect events that may have occurred subsequent to the original filing date of the Form 10-Q.

PART I. FINANCIAL INFORMATION

Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

The Company s 2011 Annual Report to Stockholders contains management s discussion and analysis of financial condition and results of operations at and for the year ended April 30, 2011. The following discussion and analysis describes material changes in the Company s financial condition since April 30, 2011. The analysis of results of operations compares the three and six months ended October 31, 2011 with the comparable period of the prior year.

Results of Operations

Sales for the three months ended October 31, 2011 were $25,962,000, an increase of 1.3% from sales of $25,625,000 in the comparable period of the prior year. Sales from Domestic Operations were $23,826,000, up from $22,269,000 in the comparable period of the prior year. The increase was primarily due to the continued demand for larger laboratory projects, although at extremely competitive prices. Sales from International Operations were $2,136,000, down from $3,356,000 in the comparable period of the prior year. The decrease in international sales was primarily due to building construction delays for several projects in the Company s order backlog.

Sales for the six months ended October 31, 2011 were $52,283,000, up 3.6% from sales of $50,483,000 in the same period last year. Domestic operations sales were $47,222,000, up from sales of $43,216,000 in the same period last year. International operation sales were $5,061,000, down from sales of $7,267,000 in the same period last year.

The order backlog was $78.0 million at October 31, 2011, as compared to $65.7 million at April 30, 2011 and $66.0 million at October 31, 2010.

The gross profit margin for the three months ended October 31, 2011 was 14.8% of sales, as compared to 21.1% of sales in the comparable quarter of the prior year. The gross profit margin for the six months ended October 31, 2011 was 15.4% of sales, as compared to 20.6% of sales in the comparable period of the prior year. The decrease in the gross profit margin percentages was primarily due to lower selling prices due to the extremely-competitive marketplace and higher costs paid for raw materials, particularly steel and epoxy resin.

Operating expenses for the three months ended October 31, 2011 were $4,005,000, or 15.4% of sales, as compared to $4,045,000, or 15.8% of sales, in the comparable period of the prior year. Operating expenses for the six months ended October 31, 2011 were $7,960,000, or 15.2% of sales, as compared to $7,946,000, or 15.7% of sales in the comparable period of the prior year. Expenses for both periods of the current year were relatively flat with the comparable periods of the prior year as higher sales and marketing costs were offset by lower administrative expenses. Expenses as a percentage of sales declined in both periods of the current years, as sales increased 1.3% and 3.6%, respectively for the three and six month periods ended October 31, 2011.

Interest expense was $128,000 and $223,000 for the three and six months ended October 31, 2011, as compared to $77,000 and $122,000 for the comparable periods of the prior year. The increase for the current year period resulted from the addition of long-term debt used to finance the expansion of the Company s Statesville facilities in fiscal year 2011.

An income tax benefit of $96,000 was recorded for the three months ended October 31, 2011, as compared to income tax expense of $414,000 recorded for the comparable period of the prior year. An income tax benefit of $67,000 was recorded for the six months ended October 31, 2011, as compared to an income tax expense of $743,000 recorded for the comparable period of the prior year. The effective tax rate was 38.1% for the three months ended October 31, 2011, and 32.0% for the comparable period of the prior year. The effective tax rates were 58.3% and 31.7% for the six months ended October 31, 2011 and 2010, respectively. The effective tax rate for the current year periods benefited from the favorable impact of federal and state income tax credits combined with the reported net loss.

Noncontrolling interests related to the Company s two subsidiaries that are not 100% owned by the Company increased net earnings by $31,000 for the three months ended October 31, 2011, as compared to a reduction of net earnings by $25,000 for the comparable period of the prior year. Net earnings were reduced by $55,000 and $92,000 for the six months ended October 31, 2011 and 2010, respectively. The changes in the net earnings attributable to the noncontrolling interest in the current periods were due to the earnings of the two subsidiaries.

A net loss of $125,000, or $0.05 per diluted share, was reported for the three months ended October 31, 2011, compared to net earnings of $855,000, or $0.33 per diluted share, in the prior year period. A net loss of $103,000, or $0.04 per diluted share, was reported for the six months ended October 31, 2011, compared to net earnings of $1,512,000, or $0.59 per diluted share, for the same period last year.

Liquidity and Capital Resources

Historically, the Company s principal sources of liquidity have been funds generated from operations, supplemented as needed by short-term borrowings under the Company s revolving credit facility. Additionally, certain machinery and equipment are financed by non-cancellable operating leases or capital leases. The Company believes that these sources will be sufficient to support ongoing business requirements, including capital expenditures through the current fiscal year.

The Company had working capital of $21.5 million at October 31, 2011, compared to $22.1 million at April 30, 2011. The ratio of current assets to current liabilities was 2.2-to-1.0 at October 31, 2011, compared to 2.1-to-1.0 at April 30, 2011. At October 31, 2011, advances of $7,326,000 were outstanding under the Company s bank revolving credit facility, as compared to advances of $6,588,000 outstanding as of April 30, 2011. Total bank borrowings and capital lease obligations were $11,172,000 at October 31, 2011, as compared to $10,574,000 at April 30, 2011.

The Company s operations provided cash of $1,926,000 during the six months ended October 31, 2011. Cash was primarily provided from earnings and a decrease in accounts receivable of $3,851,000, which was partially offset by a decrease in accounts payable and other accrued expenses of $2,475,000. The Company s operations provided cash of $479,000 during the six months ended October 31, 2010, with cash primarily provided from earnings, which was partially offset by increased accounts receivable of $909,000 and an increase in inventory of $708,000.

During the six months ended October 31, 2011, net cash of $1,074,000 was used in investing activities, primarily for capital expenditures. This compares to the use of $3,712,000 for investing activities in the comparable period of the prior year, primarily for capital expenditures, related to the expansion of the Company s Statesville, North Carolina manufacturing facilities.

The Company s financing activities provided cash of $82,000 during the six months ended October 31, 2011. Cash provided included $738,000 received from short-term borrowings, partially offset by cash dividends of $516,000 paid to stockholders. Financing activities provided cash of $2,685,000 in the same period of the prior year, primarily from the proceeds from $4,000,000 in long-term debt, partially offset by cash dividends paid of $514,000, and repayment of short-term borrowings of $725,000. The proceeds of the term loan were used primarily to fund the expansion of the Company s Statesville, North Carolina manufacturing facilities.

Outlook for Fiscal Year 2012

The Company s ability to predict future demand for its products continues to be limited given, among other general economic factors affecting the Company and its markets, the Company s role as subcontractor or supplier to dealers for subcontractors, and the fact that demand for its products is dependent upon the number of laboratory construction projects planned and/or current progress in projects already under construction. Customer changes to product designs and delivery dates for orders may also delay the start of manufacturing and shipment of orders, which in return may impact the timing of sales revenue and increase manufacturing costs.

The Company s current expectations are that sales and earnings for the last six months of fiscal year 2012 will improve modestly over the comparable period of fiscal year 2011. These expectations are based on scheduled shipments of international orders in the backlog, cost savings initiatives in process, increased sales through the Company s strengthened and expanding dealer network, growing benefits from new product lines, and sales and earnings from new products.

Safe Harbor Statement under the Private Securities Litigation Reform Act of 1995

Certain statements in this report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995 (the Reform Act). Such forward-looking statements involve known and unknown risks, uncertainties and other factors that could significantly impact results or achievements expressed or implied by such forward-looking statements. These factors include, but are not limited to, economic, competitive, governmental, and technological factors affecting the Company s operations, customer changes to product designs, customer changes to delivery dates, markets, products, services, and prices, as well as prices for certain raw materials and energy. The cautionary statements made pursuant to the Reform Act herein and elsewhere by the Company should not be construed as exhaustive. The Company cannot always predict what factors would cause actual results to differ materially from those indicated by the forward-looking statements. In addition, readers are urged to consider statements that include the terms believes , belief , expects , plans , objectives , anticipate intends or the like to be uncertain and forward-looking. Over time, the Company s actual results, performance or achievements will likely differ from the anticipated results, performance or achievements that are expressed or implied by the Company s forward-looking statements, and such difference might be significant and harmful to stockholders interests. Many important factors that could cause such a difference are described under the caption Risk Factors, in Item 1A of the Company s 2011 Annual Report on Form 10-K.

2

SIGNATURE

Pursuant to the requirements of the Securities and Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

KEWAUNEE SCIENTIFIC CORPORATION

(Registrant)

Date: December 20, 2011

By /s/ D. Michael Parker

D. Michael Parker

(As duly authorized officer and Senior Vice President, Finance and Chief Financial Officer)