

CSW INDUSTRIALS, INC.
Form 10-Q
November 16, 2015
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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, 2015

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. 001-37454

CSW INDUSTRIALS, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	47-2266942 (I.R.S. Employer Identification No.)
5400 Lyndon B. Johnson Freeway, Suite 1300, Dallas, Texas (Address of principal executive offices)	75240 (Zip Code)
(972) 233-8242 (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 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 definitions of accelerated filer, large accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input checked="" type="checkbox"/> (do not check if a smaller reporting company)	Smaller reporting company <input type="checkbox"/>

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

As of November 6, 2015, there were 15,583,332 shares of the issuer's common stock outstanding.

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Table of Contents**PART I FINANCIAL INFORMATION****CSW INDUSTRIALS, INC.****Item 1. Financial Statements.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(Amounts in thousands, except per share amounts)	Three Months Ended September 30,	
	2015	2014
Revenues, net	\$ 83,744	\$ 68,094
Cost of revenues	(42,901)	(34,919)
Gross profit	40,843	33,175
General and administrative expenses	(9,860)	(8,673)
Selling and distribution expenses	(9,556)	(10,640)
Research and development expenses	(649)	(1,451)
Impairment loss		(662)
Operating income	20,778	11,749
Interest expense, net	(832)	(178)
Other (expense) income, net	(113)	1,008
Income before income taxes	19,833	12,579
Provision for income taxes	(6,871)	(4,341)
Net income	\$ 12,962	\$ 8,238
Net earnings per common share:		
Basic	\$ 0.83	\$ 0.53
Diluted	0.83	0.52

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**(Unaudited)**

(Amounts in thousands)	Three Months Ended September 30,	
	2015	2014
Net income	\$ 12,962	\$ 8,238
Other comprehensive income (loss):		
	(2,312)	(1,912)

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Foreign currency translation adjustments, net of taxes of \$1,245 and \$1,007, respectively		
Cash flow hedging activity, net of taxes of \$169	(313)	
Pension and other postretirement effects, net of taxes of \$(2,611)	4,848	
Other comprehensive income (loss)	2,223	(1,912)
Comprehensive income	\$ 15,185	\$ 6,326

See accompanying notes to condensed consolidated financial statements.

Table of Contents**CSW INDUSTRIALS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)**

(Amounts in thousands, except per share amounts)	Six Months Ended September 30,	
	2015	2014
Revenues, net	\$ 172,654	\$ 136,891
Cost of revenues	(91,367)	(69,919)
Gross profit	81,287	66,972
General and administrative expenses	(22,481)	(16,315)
Selling and distribution expenses	(21,851)	(21,206)
Research and development expenses	(1,889)	(2,897)
Impairment loss		(662)
Operating income	35,066	25,892
Interest expense, net	(1,499)	(346)
Other (expense) income, net	(178)	1,488
Income before income taxes	33,389	27,034
Provision for income taxes	(11,777)	(9,048)
Net income	\$ 21,612	\$ 17,986
Net earnings per common share:		
Basic	\$ 1.39	\$ 1.15
Diluted	1.38	1.14

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**(Unaudited)**

(Amounts in thousands)	Six Months Ended September 30,	
	2015	2014
Net income	\$ 21,612	\$ 17,986
Other comprehensive income (loss):		
Foreign currency translation adjustments, net of taxes of \$663 and \$300, respectively	(1,217)	(597)
Cash flow hedging activity, net of taxes of \$(102)	215	
Pension and other postretirement effects, net of taxes of \$(2,611) and \$73, respectively	4,848	(146)

Other comprehensive income (loss)	3,846	(743)
Comprehensive income	\$ 25,458	\$ 17,243

See accompanying notes to condensed consolidated financial statements.

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CSW INDUSTRIALS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)

(Amounts in thousands, except per share amounts)	September 30, 2015	March 31, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 53,945	\$ 20,448
Restricted cash		2,385
Bank time deposits	7,006	9,248
Accounts receivable, net of allowance of \$1,290 and \$1,692, respectively	56,447	48,941
Inventories, net	55,055	47,175
Prepaid expenses and other current assets	11,973	6,812
Total current assets	184,426	135,009
Property, plant and equipment, net of accumulated depreciation of \$55,774 and \$52,954, respectively	60,265	56,837
Goodwill	55,730	40,645
Intangible assets, net	80,491	40,997
Other assets	12,683	13,033
Total assets	\$ 393,595	\$ 286,521
LIABILITIES AND EQUITY		
Current liabilities:		
Accounts payable	\$ 11,689	\$ 8,960
Accrued and other current liabilities	18,339	16,001
Current portion of long-term debt	17,436	13,561
Total current liabilities	47,464	38,522
Long-term debt	76,738	13,143
Retirement benefits payable	1,644	22,545
Other long-term liabilities	14,886	7,710
Total liabilities	140,732	81,920
Equity:		
Common shares, \$0.01 par value	156	12
Shares authorized 50,000		
Shares issued 15,583		
Preferred shares, \$0.01 par value		1,000
Shares authorized 10,000		
Shares issued 0		

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Additional paid-in capital	29,058	7,810
Treasury shares, at cost		(2,712)
Retained earnings	230,096	208,784
Accumulated other comprehensive loss	(6,447)	(10,293)
Total equity	252,863	204,601
Total liabilities and equity	\$ 393,595	\$ 286,521

See accompanying notes to condensed consolidated financial statements.

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CSW INDUSTRIALS, INC.

CONDENSED CONSOLIDATED STATEMENTS OF EQUITY

(Unaudited)

(Amounts in Thousands)	Common Stock	Additional Paid-In Capital	Retained Earnings	Net Investment of Capital Southwest	Accumulated Other Comprehensive Loss	Total Equity
Balance at March 31, 2015	\$	\$	\$ 208,784	\$ 6,110	\$ (10,293)	\$ 204,601
Net income			21,612			21,612
Dividends			(300)			(300)
Other comprehensive income, net of tax					3,846	3,846
Effects of Share Distribution and contributions from Capital Southwest	156	29,058		(6,110)		23,104
Balance at September 30, 2015	\$ 156	\$ 29,058	\$ 230,096	\$	\$ (6,447)	\$ 252,863

See accompanying notes to condensed consolidated financial statements.

Table of Contents**CSW INDUSTRIALS, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)**

(Amounts in thousands)	Six Months Ended September 30,	
	2015	2014
Cash flows from operating activities:		
Net income	\$ 21,612	\$ 17,986
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation	3,256	2,980
Amortization of intangible assets	3,293	2,267
Net gain on sales of property, plant and equipment	(203)	(1,711)
Impairment of assets		662
Pension plan curtailment benefit	(8,020)	
Net deferred taxes	8,027	(687)
Changes in operating assets and liabilities:		
Accounts receivable, net	(1,178)	(1,205)
Inventories, net	477	(1,073)
Prepaid expenses and other current assets	(6,334)	(181)
Other assets	258	120
Accounts payable and accrued and other current liabilities	393	(1,071)
Retirement obligations and other liabilities	14	1,768
Net cash provided by operating activities	21,595	19,855
Cash flows from investing activities:		
Capital expenditures	(3,192)	(6,350)
Proceeds from sale of assets held for investment		3,547
Proceeds from sale of assets	71	6,361
Net change in bank time deposits and restricted cash	4,440	719
Cash paid for acquisitions	(68,849)	(4,524)
Net cash used in investing activities	(67,530)	(247)
Cash flows from financing activities:		
Borrowings on lines of credit	70,000	4,822
Repayments on lines of credit	(2,531)	(13,333)
Cash contribution from Capital Southwest	13,000	
Dividends paid	(300)	(450)
Net cash provided by (used in) financing activities	80,169	(8,961)
Effect of exchange rate changes on cash and cash equivalents	(737)	(433)

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Net increase in cash and cash equivalents	33,497	10,214
Cash and cash equivalents, beginning of period	20,448	15,411
Cash and cash equivalents, end of period	\$ 53,945	\$ 25,625

Supplemental non-cash disclosur