

Edgar Filing: LABARGE INC - Form 10-Q

LABARGE INC
Form 10-Q
May 04, 2006

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 April 2, 2006

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: 1-5761

LaBarge, Inc.

(Exact name of registrant as specified in its charter)

Delaware

73-0574586

(State or Other Jurisdiction of
Incorporation or Organization)

(I.R.S. Employer Identification Number)

9900 Clayton Road, St. Louis, Missouri

63124

(Address of Principal Executive Offices)

(Zip Code)

(314) 997-0800

(Registrant's Telephone Number, Including Area Code)

N/A

(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 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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer Accelerated filer Non-Accelerated Filer

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

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Indicate the number of shares outstanding of each of the Issuer's classes of common stock as of May 3, 2006: 15,221,591 shares of common stock.

This document constitutes part of a prospectus covering securities that have been registered under the Securities Act of 1933.

LaBarge, Inc.

FORM 10-Q

For the Quarterly Period Ended April 2, 2006

Table of Contents

Part I	Financial Information (Unaudited)
Item 1.	Financial Statements
	Consolidated Statements of Income
	Consolidated Balance Sheets
	Consolidated Statements of Cash Flows
	Notes to Financial Statements
Item 2.	Management's Discussion and Analysis of Financial Condition and Results of Operations
Item 3.	Quantitative and Qualitative Disclosures About Market Risk
Item 4.	Controls and Procedures
Part II	Other Information
Item 1.	Legal Proceedings
Item 2.	Unregistered Sales of Equity Securities and Use of Proceeds
Item 6.	Exhibits
Signatures	

LaBARGE, INC.
 CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)

(Amounts In Thousands -- Except Per-Share Amounts)

	Three Months Ended		Nine Months Ended	
	April 2, 2006	April 3, 2005	April 2, 2006	April 3, 2005
Net sales	\$ 47,273	\$ 44,837	\$ 135,059	\$ 137,189
Costs and expenses:				
Cost of sales	37,483	34,706	105,304	106,476
Selling and administrative expense	5,509	5,972	16,969	17,642

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Interest expense	554	426	1,407	1,345
Other (income) other deductions, net	17	(228)	(129)	(430)
Earnings from continuing operations before income taxes	3,710	3,961	11,508	12,156
Income tax expense	1,405	954	4,510	4,125
Net earnings	\$ 2,305	\$ 3,007	\$ 6,998	\$ 8,031
Basic net earnings per common share:				
Basic net earnings	\$ 0.15	\$ 0.20	\$ 0.46	\$ 0.54
Average common shares outstanding	15,187	15,026	15,140	15,002
Diluted net earnings per share:				
Diluted net earnings	\$ 0.14	\$ 0.19	\$ 0.44	\$ 0.51
Average diluted common shares outstanding	16,125	15,938	16,086	15,803

See accompanying notes to consolidated financial statements.

LaBARGE, INC.
CONSOLIDATED BALANCE SHEETS
(Amounts In Thousands -- Except Share Amounts)

	April 2, 2006	July 3, 2005
<i>(Unaudited)</i>		
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 715	\$ 820
Accounts and other receivables, net	26,170	23,371
Inventories	54,742	41,342
Prepaid expenses	1,391	974
Deferred tax assets, net	1,493	1,387
Total current assets	84,511	67,894
Property, plant and equipment, net	20,230	18,849
Intangible assets, net	2,808	3,388
Goodwill, net	24,292	24,292
Other assets, net	5,431	5,514
Total assets	\$ 137,272	\$ 119,937
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term borrowings	\$ 13,125	\$ 1,650
Current maturities of long-term debt	5,537	4,661
Trade accounts payable	17,707	10,026
Accrued employee compensation	8,083	9,511
Other accrued liabilities	1,697	2,609
Cash advances	7,375	11,445
Total current liabilities	53,524	39,902
Long-term advances from customers for purchase of materials	2,884	3,854
Deferred tax liabilities, net	305	746

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Long-term debt	18,038	21,605
Stockholders' equity:		
Common stock, \$.01 par value. Authorized 40,000,000 shares; 15,773,254 issued at April 2, 2006 and July 3, 2005, including shares in treasury	158	158
Additional paid-in capital	14,898	13,722
Retained earnings	49,721	42,723
Less cost of common stock in treasury, shares of 556,659 at April 2, 2006 and 723,345 at July 3, 2005	(2,256)	(2,773)
Total stockholders' equity	62,521	53,830
Total liabilities and stockholders' equity	\$ 137,272	\$ 119,937

See accompanying notes to consolidated financial statements.

LaBARGE, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

(Amounts In Thousands)

	Nine Months Ended	
	April 2, 2006	April 3, 2005
Cash flows from operating activities:		
Net earnings	\$ 6,998	\$ 8,031
Adjustments to reconcile net cash provided by operating activities:		
Depreciation and amortization	3,388	3,395
Stock-based compensation	1,207	82
Realized gain on sale of investment	(30)	---
Other than temporary impairment	37	283
Deferred taxes	(524)	122
Other	2	10
Changes in assets and liabilities, net of acquisitions:		
Accounts and notes receivable, net	(2,799)	36
Inventories	(13,400)	(3,598)
	(417)	(147)

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Prepaid expenses		
Trade accounts payable	7,600	(3,069)
Accrued liabilities	(2,532)	931
Advance payments	(5,040)	1,361
Net cash (used) provided by operating activities	(5,510)	7,437
Cash flows from investing activities:		
Additions to property, plant and equipment	(3,095)	(2,677)
Proceeds from disposal of property and equipment	62	2
Additions to other assets and intangibles	(449)	(341)
Proceeds from sale of investment	89	---
Net cash (used) by investing activities	(3,393)	(3,016)
Cash flows from financing activities:		
Borrowing on revolving credit facility	50,050	46,125
Payments of revolving credit facility	(38,575)	(47,750)
Repayments of long-term senior debt	(3,355)	(3,339)
Excess tax benefits from disqualifying stock options	184	---
Additional capital contribution by shareholder	---	58
Issuance of stock	682	413
Purchase of treasury stock	(188)	(76)
Net cash provided (used) by financing activities	8,798	(4,569)
Net decrease in cash and cash equivalents	(105)	(148)
Cash and cash equivalents at beginning of year	820	793
Cash and cash equivalents at end of period	\$ 715	\$ 645

Non-cash transactions:

Increase in capital lease obligations	\$ 664	\$ ---
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See accompanying notes to consolidated financial statements.

LaBarge, Inc.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS -- BASIS OF PRESENTATION

The consolidated balance sheet at April 2, 2006, the related consolidated statements of income for the three and nine months ended April 2, 2006 and April 3, 2005, and the consolidated statements of cash flows for the three and nine months ended April 2, 2006 and April 3, 2005, have been prepared by LaBarge, Inc. (the "Company" or "LaBarge") without audit. In the opinion of management, adjustments, all of a normal and recurring nature, necessary to present fairly the financial position and the results of operations and cash flows for the aforementioned periods, have been made. Certain prior-year amounts have been reclassified to conform to the current year's presentation.

Certain information and footnote disclosures normally included in consolidated financial statements prepared in conformity with generally accepted accounting principles have been condensed or omitted. These consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended July 3, 2005.

Stock-Based Compensation

As of April 2, 2006, the Company had previously established a number of share incentive programs, which are discussed in more detail in Note 11. Prior to fiscal 2006, the Company applied the intrinsic value-based method as outlined in Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB No. 25") and related interpretations, in accounting for stock options and share units granted under these programs. Under the intrinsic value-based method, no compensation expense was recognized if the exercise price of the Company's employee stock options were equal to or greater than the market price of the underlying stock on the date of the grant. Accordingly, prior to fiscal year 2006, no compensation cost was recognized in the accompanying consolidated statements of income on stock options granted to employees, since all options granted under the Company's share incentive programs had an exercise price equal to or greater than the market value of the underlying common stock on the date of the grant.

Effective July 4, 2005, the Company adopted Statement of Financial Accounting Standards ("SFAS") "Share-Based Payment" ("SFAS 123R"). This statement replaces SFAS No. 123, "Accounting for Stock-Based Compensation," and supersedes APB No. 25. SFAS No. 123R requires that all stock-based compensation be recognized as an expense in the financial statements and that such cost be measured at the fair value of the award. This statement was adopted using the modified prospective method of application, which requires the Company to recognize compensation expense on a prospective basis. Therefore, prior-period financial statements have not been restated. Under this method, in addition to reflecting compensation expense for new share-based awards, expense is also recognized to reflect the remaining service period of awards that had been included in pro forma disclosures in prior periods. SFAS No. 123R also requires that excess tax benefits related to stock option exercises be reflected as financing cash inflows instead of operating cash inflows.

During the nine months ended April 2, 2006, the Company was notified that shares issued upon the exercise of incentive stock options (ISOs) were sold prior to being held by the employee for 12 months. These disqualifying dispositions resulted in an excess tax benefit for the Company. Since the ISOs were vested prior to adoption of FAS 123R, the entire tax benefit of \$184,000 was charged to additional paid-in capital.

Total stock-based compensation in the third fiscal quarter of 2006 was \$362,000 (\$226,000 after tax), or \$0.01 basic and diluted earnings per share. For the nine months ended April 2, 2006, total stock-based compensation was \$1.2 million (\$755,000 after tax), or \$0.05 basic and diluted earnings per share.

Included in total stock-based compensation expense for the third fiscal quarter of 2006 is \$128,000 (\$80,000 after tax), or \$0.01 basic and diluted earnings per share, attributable to the Company's adoption of SFAS 123R. For the nine months ended April 2, 2006, stock-based compensation attributable to the adoption of SFAS 123R was \$501,000 (\$313,000 after tax), or \$0.02 basic and diluted earnings per share.

As of April 2, 2006, the total unrecognized compensation expense related to nonvested awards, including stock options and performance units, was \$712,000 pretax and the period over which it is expected to be recognized is approximately one year.

The following table illustrates the effect on net income and earnings per share as if SFAS 123R had been applied to all outstanding awards for the three and nine months ended April 2, 2006 and April 3, 2005:

(dollars in thousands, except per-share amounts)

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Three Months Ended		Nine Months Ended	
April 2, 2006	April 3, 2005	April 2, 2006	April 3, 2005
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