

FLOW INTERNATIONAL CORP

Form 10-K

June 28, 2012

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Form 10-K

R ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF
1934
For the fiscal year ended April 30, 2012

OR
o 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 01-34443
FLOW INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Washington
(State or other jurisdiction of
incorporation or organization)

91-1104842
(I.R.S. Employer
Identification No.)

23500 64th Avenue South, Kent, WA
(Address of principle executive offices)

98032
(Zip Code)

Registrant's telephone number, including area code 253-850-3500

Securities registered pursuant to Section 12(b) of the Act:

| Title of each class | Name of each exchange on which registered |
|---|---|
| Common Stock, \$0.01 Par Value, Common Share Purchase Rights | NASDAQ Global Market |

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes No

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

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Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment to this Form 10-K.
o

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. (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
(Do not check if a 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

The aggregate market value of the registrant's common stock held by non-affiliates of the registrant was approximately \$118,662,230 as of October 31, 2011, the last business day of the registrant's most recently completed second fiscal quarter, based on a closing price of \$2.59 per share as quoted by the NASDAQ Stock Market as of such date. The determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 47,918,765 shares of Common Stock, \$0.01 par value per share, outstanding as of June 15, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

The registrant intends to file a definitive proxy statement pursuant to Regulation 14A within 120 days of the end of the fiscal year ended April 30, 2012 (the "2012 Proxy Statement"). Portions of such proxy statement are incorporated by reference into Part III of this Form 10-K. With the exception of such portions of the 2012 Proxy Statement expressly incorporated by into this Annual Report on Form 10-K by reference, such document shall not be deemed filed as part of this Annual Report on Form 10-K.

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Forward-Looking Statements

Forward-looking statements in this report, including without limitation, statements relating to our plans, strategies, objectives, expectations, intentions, and adequacy of resources, are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "may," "expect," "believe," "anticipate," "estimate," "plan" and similar expressions are intended to identify forward-looking statements. These statements are no guarantee of future performance and involve certain risks, assumptions, and uncertainties that are difficult to predict. Therefore, actual outcome and results may differ materially from what is expressed or forecasted in such forward-looking statements.

We make forward-looking statements of our expectations which include but are not limited to the following examples:

- statements regarding the effects of global financial and economic conditions, credit and equity market volatility and continued fluctuations in the global economy and the impact this may have on our business and financial condition;
- statements regarding our belief that the diversity of our products and geographic presence along with the expansion of our indirect sales channel will continue to minimize the impact that any one country or economy has on our consolidated results;
- statements regarding our technological leadership position and our belief that our technological capabilities for developing products with superior characteristics provide us potential growth opportunities as well as a competitive advantage;
- statements regarding our belief that we offer the broadest product line and provide a superior product at every price point;
- statements regarding our continued investments in lead generation, product enhancements, new product development and in our employees which we believe are critical to achieving our strategic objectives;
- statements regarding our belief that we are well positioned to continue growing our business organically over the long-term by enhancing our product offerings and expanding our customer base through our global channels of distribution;
- statements regarding our expectation that our recently introduced Mach 4 and 2 series products, as well as our HyPlex Prime direct drive pump, will have strong contributions to our results in fiscal year 2013 and beyond;
- statements regarding our belief that our continued efforts to streamline our manufacturing process will ensure that we optimize the most cost efficient sources of labor while maintaining a high level of quality;
- statements regarding improving cost structure, improved capacity utilization and operating efficiencies;
- statements regarding our ability to mitigate the risk of higher commodity and fuel prices;
- statements regarding our belief that our channels of distribution are unparalleled in our industry and our ability to effectively manage them;
 - statements regarding our expectation that our Enterprise Resource Planning system will provide meaningful benefits over the long-term as we transform business and financial processes;
- statements regarding the reasons for variations in Advanced segment revenues and gross margins;
- statements regarding our use of cash, cash needs, generation of cash through operations, and ability to raise capital and/or use our Credit Facility;
- statements regarding our belief that our existing cash and cash equivalents, along with the expected proceeds from our operations and available amounts under our Credit Facility, will provide adequate liquidity to fund our operations through at least the next twelve months;
- statements regarding our ability to fund future capital spending through cash from operations and/or from external financing;
- statements regarding our ability to repay our subordinated notes in future periods;
- statements regarding our ability to meet our debt covenants in future periods;

statements regarding anticipated results of potential or actual litigation; and
statements regarding the realizability of our deferred tax assets and our expectation that our unrecognized tax benefits will not change significantly within the next twelve months.

There may be other factors not mentioned above or included in our SEC filings that may cause our actual results to differ materially from those in any forward-looking statement. You should not place undue reliance on these forward-looking statements. We assume no obligation to update any forward-looking statements as a result of new information, future events or developments, except as required by federal securities laws.

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PART I

Item 1. Business

Business Overview

Flow International Corporation and its subsidiaries (hereinafter collectively referred to as “the Company”, “we”, or “our” unless the context requires otherwise) is a global technology-based company providing customer-driven waterjet cutting and surface preparation solutions. Our ultrahigh-pressure water pumps generate pressures from 40,000 to over 94,000 pounds per square inch (psi) and power waterjet systems that are used to cut and clean materials. Waterjet cutting is a fast-growing alternative to traditional methods, which utilize lasers, saws, knives, shears, plasma, electrical discharge machining (“EDM”), routers, drills, soda blasting and abrasive blasting techniques, and has uses in many applications from food and paper products to steel and carbon fiber composites.

This portion of our Form 10-K provides detailed information about who we are and what we do. Unless otherwise specified, current information reported in this Form 10-K is as of, or for the fiscal year ended April 30, 2012.

Our History

Flow International Corporation was incorporated in Delaware in 1983 as Flow Systems, Inc. and was reincorporated in Washington in October 1998. Our innovations and accomplishments through the years include:

Prior to the 2000s, we:

- invented the abrasive waterjet;
- led the waterjet industry in the use of pure waterjet cutting for disposable diapers and tissue;
- developed the first 55,000 psi direct drive pumps;
- developed the first 60,000 psi intensifier;
- introduced Windows^R-based intelligent waterjet control software - FlowMasterTM - to the industry for abrasive waterjet flat stock cutting machine tools;
- developed the first fully integrated cutting machine tool with all functions and diagnostic sensors centralized at the operator control station;
- invented the UltraPierce accessory for the piercing of composites, stone, glass, ceramics without delaminating or breakage of material during the drilling process; and
- developed the first multi-process 3-dimensional cutting large envelope machines for trimming and drilling of composite aerospace wings and structures using abrasive waterjet, routers, and inspection.

In the 2000s, we:

- invented Dynamic Waterjet^R with Active Tolerance Control to produce parts two to four times faster and with tolerances down to one to three thousandths of an inch;
- invented the first collision and height sensor, the Dynamic Contour Follower, for Dynamic Waterjet^R applications;
- developed the first 94,000 psi rated intensifier pump for commercial cutting applications;
- developed the first extremely high speed pure waterjet machine, the Sonic, for Gasket and foam production;
- introduced Dynamic Waterjet XD, a 3-dimensional waterjet cutting technology that uses SmartStreamTM;
- introduced the HyPlex Prime^R pump, combining patented HyperJet^R seal technology with the efficiency of direct drive, while enabling faster, more accurate and repeatable maintenance;
-

introduced the Mach 4c, specifically designed to support HyperPressure™ technology, featuring an exclusive Roller Pinion mechanical motion drive system and expandable modular design to address changing customer needs; and

-