

FLOW INTERNATIONAL CORP  
Form 10-Q  
March 04, 2011  
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UNITED STATES SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

FORM 10-Q

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

For the quarterly period ended January 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 001-34443

FLOW INTERNATIONAL CORPORATION

WASHINGTON  
(State or other jurisdiction of  
incorporation or organization)  
23500 64th Avenue South  
Kent, Washington 98032  
(253) 850-3500

91-1104842  
(I.R.S. Employer  
Identification 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 .

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 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 registrant had 47,331,261 shares of Common Stock, \$0.01 par value per share, outstanding as of February 22, 2011.



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## PART I. FINANCIAL INFORMATION

## Item 1. Condensed Consolidated Financial Statements

FLOW INTERNATIONAL CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

(in thousands, except par values)

(unaudited)

	January 31, 2011	April 30, 2010
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$8,001	\$6,367
Restricted Cash	2,324	639
Receivables, net	39,929	35,749
Inventories, net	28,709	22,503
Other Current Assets	9,571	8,837
Total Current Assets	88,534	74,095
Property and Equipment, net	19,139	21,769
Intangible Assets, net	4,717	4,504
Deferred Income Taxes, net	25,264	26,330
Other Long-Term Assets	4,287	4,511
Total Assets	\$141,941	\$131,209
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current Liabilities:		
Notes Payable	\$1,900	\$350
Current Portion of Long-Term Obligations	29	61
Accounts Payable	15,531	15,306
Accrued Payroll and Related Liabilities	6,573	5,938
Taxes Payable and Other Accrued Taxes	2,555	1,329
Deferred Revenue and Customer Deposits	12,857	10,146
Other Accrued Liabilities	9,038	9,052
Total Current Liabilities	48,483	42,182
Deferred Income Taxes	4,322	3,856
Subordinated Notes	8,522	7,954
Other Long-Term Liabilities	1,944	1,593
Total Liabilities	63,271	55,585
Commitments and Contingencies		
Shareholders' Equity:		
Series A 8% Convertible Preferred Stock, \$.01 par value, 1,000 shares authorized; no shares issued and outstanding	—	—
Common Stock, \$.01 par value, 84,000 shares authorized; 47,331 and 46,927 shares issued and outstanding	469	465
Capital in Excess of Par	161,347	159,605
Accumulated Deficit	(79,509)	(79,887)
Accumulated Other Comprehensive Income (Loss):		
Defined Benefit Plan Obligation, net of income tax	9	9

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Cumulative Translation Adjustment, net of income tax	(3,646	) (4,568	)
Total Shareholders' Equity	78,670	75,624	
Total Liabilities and Shareholders' Equity	\$141,941	\$131,209	
See Accompanying Notes to Condensed Consolidated Financial Statements			

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(in thousands, except per share amounts)

(unaudited)

	Three Months Ended		Nine Months Ended	
	January 31,		January 31,	
	2011	2010	2011	2010
Sales	\$57,473	\$45,356	\$156,988	\$125,145
Cost of Sales	34,381	27,133	94,710	76,314
Gross Margin	23,092	18,223	62,278	48,831
Operating Expenses:				
Sales and Marketing	11,568	10,065	33,049	26,956
Research and Engineering	2,513	2,235	7,095	5,782
General and Administrative	6,194	6,198	17,811	19,391
Restructuring and Other Operating Charges, net	—	—	—	4,222
Total Operating Expenses	20,275	18,498	57,955	56,351
Operating Income (Loss)	2,817	(275)	4,323	(7,520)
Interest Income	21	39	86	132
Interest Expense	(418)	(468)	(1,268)	(1,906)
Other Income (Expense), net	(81)	(1,218)	315	(866)
Income (Loss) Before Taxes	2,339	(1,922)	3,456	(10,160)
Benefit (Provision) for Income Taxes	(1,058)	1,124	(2,926)	2,653
Income (Loss) from Continuing Operations	1,281	(798)	530	(7,507)
Income (Loss) from Discontinued Operations, net of Income Tax of \$0, \$0, \$0, and \$0	(40)	51	(152)	(1,089)
Net Income (Loss)	\$1,241	\$(747)	\$378	\$(8,596)
Basic and Diluted Income (Loss) Per Share:				
Income (Loss) from Continuing Operations	\$0.03	\$(0.02)	\$0.01	\$(0.18)
Discontinued Operations	—	—	—	(0.02)
Net Income (Loss)	\$0.03	\$(0.02)	\$0.01	\$(0.20)
Weighted Average Shares Used in Computing Basic and Diluted Income (Loss) Per Share:				
Basic	47,301	46,879	47,168	42,490
Diluted	47,312	46,879	47,174	42,490

See Accompanying Notes to Condensed Consolidated Financial Statements

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FLOW INTERNATIONAL CORPORATION  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands; unaudited)

	Nine Months Ended January 31,	
	2011	2010
Cash Flows from Operating Activities:		
Net Income (Loss)	\$378	\$(8,596 )
Adjustments to Reconcile Net Income (Loss) to Cash Provided by Operating Activities:		
Depreciation and Amortization	4,706	4,078
Deferred Income Taxes	1,585	(1,735 )
Provision for Slow Moving and Obsolete Inventory	649	432
Bad Debt Expense	346	517
Warranty Expense	1,304	2,106
Incentive Stock Compensation Expense	1,855	1,452
Unrealized Foreign Exchange Currency (Gains)	(351 )	(189 )
Amortization and write off of Deferred Debt Issuance Costs	349	253
OMAX Termination Charge	—	3,219
Indemnification Charge	152	1,168
Interest Accretion on Subordinated Notes	568	556
Realized Loss on Liquidation of Dormant Foreign Entities	—	1,277
Other	69	(447 )
Changes in Operating Assets and Liabilities:		
Receivables	(3,902 )	(4,303 )
Inventories	(5,990 )	(100 )
Other Operating Assets	(402 )	(1,416 )
Accounts Payable	348	6,735
Accrued Payroll and Related Liabilities	382	(513 )
Deferred Revenue and Customer Deposits	2,406	2,559
Release of Funds from Escrow	—	17,000
Payment for Patent Litigation Settlement	—	(15,000 )
Payment for OMAX Termination	—	(2,000 )
Other Operating Liabilities	(266 )	(4,828 )
Net Cash Provided by Operating Activities	4,186	2,225
Cash Flows From Investing Activities:		
Expenditures for Property and Equipment	(2,042 )	(8,297 )
Expenditures for Intangible Assets	(658 )	(628 )
Proceeds from Sale of Property and Equipment	31	4,775
Restricted Cash	(1,663 )	(422 )
Net Cash Used in Investing Activities	(4,332 )	(4,572 )
Cash Flows from Financing Activities:		
Borrowings under Senior Credit Facility	35,100	12,325
Repayments under Senior Credit Facility	(33,550 )	(23,175 )
Borrowings Under Other Financing Arrangements	38	2
Repayments Under Other Financing Arrangements	(46 )	(1,380 )
Repayments of Long-Term Obligations	—	(4,322 )
Proceeds from Issuance of Common Stock, net of Issuance Costs	—	17,199
Payments for Debt Issuance Costs	—	(607 )
Net Cash Provided by Financing Activities	1,542	42

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Effect of Changes in Exchange Rates	238	(1,190	)
Net Change in Cash And Cash Equivalents	1,634	(3,495	)
Cash and Cash Equivalents, Beginning of Period	6,367	10,117	
Cash and Cash Equivalents, End of Period	\$8,001	\$6,622	
Supplemental Disclosures of Cash Flow Information:			
Cash Paid during the Period for:			
Interest	288	920	
Income Taxes	476	755	
Supplemental Disclosures of Noncash Investing and Financing Activities:			
Accounts Payable Incurred to Acquire Property and Equipment and Intangible Assets	222	383	

See Accompanying Notes to Condensed Consolidated Financial Statements



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FLOW INTERNATIONAL CORPORATION  
 CONDENSED CONSOLIDATED STATEMENT OF SHAREHOLDERS' EQUITY  
 AND COMPREHENSIVE LOSS  
 (in thousands; unaudited)

	Common Stock		Capital	Accumulated	Accumulated	Total
	Shares	Par Value	In Excess of Par	Deficit	Other Comprehensive Loss	Shareholders' Equity
Balances, April 30, 2009	37,705	\$372				