

Manitex International, Inc.
Form 10-Q/A
April 03, 2018

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q/A

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

For the quarterly period ended March 31, 2017

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: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan

(State or Other Jurisdiction of
Incorporation or Organization)

9725 Industrial Drive, Bridgeview, Illinois
(Address of Principal Executive Offices)

42-1628978
(I.R.S.
Employer

Identification
Number)

60455
(Zip Code)

(708) 430-7500

(Registrant's Telephone Number, Including Area Code)

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(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 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”, “smaller reporting company” and “emerging growth company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

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

The number of shares of the registrant’s common stock, no par, outstanding at February 20, 2018 was 16,662,386

MANITEX INTERNATIONAL, INC.

FORM 10-Q INDEX

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EXPLANATORY NOTE

Manitex International, Inc. (the “Company”) is filing this amendment (this “Amendment” or “Form 10-Q/A”) to its Quarterly Report on Form 10-Q for the Quarter ended March 31, 2017, which was originally filed on May 4, 2017 (the “Original Form 10-Q” or the “Original Filing”). This Amendment includes restated financial statements for the quarters ended March 31, 2016 and 2017.

The corrections contained in these restated financial statements, which we refer to herein as the “Restatement,” were prepared following an independent review by the Audit Committee (the “Audit Committee”) of the Company’s Board of Directors into certain accounting matters, which is further described herein.

Except as expressly set forth herein, this Amendment does not reflect events occurring after the date of the Original Filing and does not modify or update disclosures contained in the Original Filing. Accordingly, this Amendment should be read in conjunction with the Original Filing and with our filings with the SEC made subsequent to the Original Filing.

Background

As previously described in the Company’s Current Report on Form 8-K filed on November 6, 2017, in 2016 the Company sold 39 cranes for total sales revenues of approximately \$15 million to a single broker customer in a series of transactions (the “Transactions”) that were each structured as a customary “bill and hold” arrangement. The revenue for the Transactions was originally recognized in 2016. Ten of these units that were sold for an aggregate value of approximately \$3 million were returned during 2016 (and were subsequently sold to other customers), such that for 2016, a net of 29 cranes were sold for approximately \$12 million. In addition, the Company made various payments that were expensed in 2016 and 2017 to the broker and its wholly-owned subsidiary. Furthermore, the debt taken on by the broker customer to purchase the cranes was effectively guaranteed by the Company pursuant to certain related agreements. In connection with its review of its financial results for the quarter ended September 30, 2017, the Company became aware that the prior accounting treatment for the Transactions was not correct. Specifically, the Company has concluded that the relationship with the Broker and its wholly-owned subsidiary qualified as a Variable Interest Entity (“VIE”) and should therefore have resulted in a different accounting treatment resulting in the debt of the VIE being reflected in the Company’s consolidated balance sheet. The Company has concluded that the revenue recognition criteria for 2016 sales were not met and payments to the Broker were not expenses of the Company. In addition, disclosures were incomplete.

In connection with the foregoing matters, on November 2, 2017, the Audit Committee of the Board of Directors of the Company, in consultation with the Company’s management and UHY LLP, the Company’s independent registered public accounting firm, determined that the Company’s previously issued financial statements for the quarters ended March 31, June 30 and September 30, 2016, year ended December 31, 2016 and quarters ended March 31 and June 30, 2017 included in the Company’s Annual Reports on Form 10-K and Quarterly Reports on Form 10-Q for such periods and together with all three, six and nine-month financial information contained therein (collectively, the “Non-Reliance Periods”) can no longer be relied upon.

Description of the Restatement related to SVW

The following describes the impact of corrections that affect the three months ended March 31, 2017 and 2016. Information concerning the impact of these corrections on the Company's results for the year ended December 31, 2016 is discussed in the Company's amended Form 10-K/A for the year ended December 31, 2016.

Effect of Recording SVW Debt

As disclosed in Note 13, SVW has six notes outstanding with five financial institutions, each of which was effectively guaranteed by the Company. At March 31, 2017 the value of these notes totaled \$10.7 million, net of debt issuance costs of \$0.3 million. Given SVW's treatment as a VIE, and the fact that the Company effectively guaranteed it, this debt has been consolidated into the Company's restated financial statements.

Effect of Recording Sales to Third Party

Sales have been recorded as of the time when SVW related inventory was sold to third parties.

Effect of Recording Crane Rentals

Income on the rental of SVW related inventory to third parties has been recorded as revenues for the corresponding periods.

Effect of Treating Funds Sent to SVW's Wholly-Owned Subsidiary as Advances

During the three months ended March 31, 2017 there were \$0.6 million in payments that the Company had originally classified as expenses paid to SVW's wholly-owned subsidiary. Given SVW's treatment as a VIE these payments have been reclassified as intercompany advances.

Recording of Payments Made by SVW to Lenders

The balance sheet table in Note 2 Restatement of Previously Issued Financial Statements shows the impact of payments made in connection with the aforementioned SVW debt.

Cumulative Income Tax Effect

This includes the impact on the income taxes for the quarter ended March 31, 2017 related to the discontinued operations and SVW restatements discussed above.

Description of the Restatement not related to SVW

Other

The Company disclosed a partial residual value guarantee to support a customer's financing of equipment purchased from the Company that was previously not disclosed (see Note 15). A residual value guarantee involves a guarantee that a piece of equipment will have a minimum fair market value at a future date if certain conditions are met by the customer. The Company has issued partial residual guarantees that have maximum exposure of approximately \$1.6 million. The Company, however, does not have any reason to believe that any exposure from such a guarantee is either probable or estimable at this time, as such, no liability has been recorded. The Company's exposure from its guarantees may be affected by economic conditions in used equipment markets at the time of loss.

This also includes minor rounding and reclassification adjustments not included in previous categories.

Effect of Reclassifying ASV to Discontinued Operations

As of March 31, 2017, the Company owned a 51% interest in ASV Holdings, Ins., which was formerly known as A.S.V., LLC (“ASV Holdings”). On May 11, 2017, in anticipation of an initial public offering, ASV Holdings converted from an LLC to a C-Corporation and the Company’s 51% interest was converted to 4,080,000 common shares of ASV Holdings. On May 17, 2017, in connection with its initial public offering, ASV Holdings sold 1,800,000 of its own shares and the Company sold 2,000,000 shares of ASV Holdings common stock. The Company held a 21.2% interest in ASV Holdings, but no longer has a controlling interest in ASV Holdings. ASV Holdings was deconsolidated during the quarter ended June 30, 2017 and is recorded as an equity investment starting with quarter ended June 30, 2017. Since this 10-Q/A is being filed after the above described events, current and prior period financial statements included in this 10-Q/A have been restated to reflect ASV Holdings as a discontinued operation.

Additional entries not related to SVW

Adjustments were made to reverse a sale transaction, adjust a deferred gain, increase an inventory reserve and to record additional rent expense. These adjustments were identified in prior periods but were immaterial for recording at that time. As the Company has identified the restatement adjustments for recording in prior periods, management made the determination that it would also record these previously passed adjustments as part of the restatement of the financial statements.

See Note 2 to the consolidated financial statements which details the impact of the restatement on the Consolidated Balance Sheet as of March 31, 2017 and the Consolidated Statement of Operations, and Consolidated Statement of Cash Flow for the three months ended March 31, 2017 and 2016.

Internal Control and Disclosure Controls Considerations

Our Chief Executive Officer has determined that there were deficiencies in our internal control over financial reporting that constitute material weaknesses, as defined by SEC regulations, at March 31, 2017, with respect to procedures for:

1. We did not maintain an adequate process for the intake of new contracts, customers and vendors, particularly for contracts involving unique transaction structures or unusual obligations on the part of the Company, to ensure that all contracts are appropriately reviewed and approved, and the associated financial reporting requirements associated with such contracts and transactions structures are properly identified and complied with in accordance with Generally Accepted Accounting Principles.
2. We did not maintain adequate entity-level controls with respect to ensuring adequate supporting documentation of journal entries and proper review and approval of journal entries and disbursements that were unusual in nature and of significant amounts.
3. We did not maintain an adequate review process with respect to the accounting of bill-and-hold transactions and ensuring proper revenue recognition.
4. We did not maintain an adequate communication policy with respect to compliance with the Company's Code of Ethics and availability of the Company's whistleblower hotline to report compliance issues

Accordingly, our Chief Executive Officer has concluded that our internal control over financial reporting and disclosure controls and procedures, as defined by SEC regulations, were not effective at March 31, 2017, as discussed in Part I, Item 4 of this Form 10-Q/A.

PART 1—FINANCIAL INFORMATION

Item 1—Financial Statements

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)

	March 31, 2017 As Restated Unaudited	December 31, 2016 As Restated Unaudited
ASSETS		
Current assets		
Cash	\$ 3,207	\$ 4,541
Cash-restricted	772	773
Trade receivables (net)	34,592	32,982
Other receivables	2,240	1,082
Inventory (net)	68,513	69,487
Prepaid expense and other	4,461	4,624
Current assets of discontinued operations	44,492	46,645
Total current assets	158,277	160,134
Total fixed assets (net)	21,673	21,839
Intangible assets (net)	30,359	30,985
Goodwill	40,056	39,669
Other long-term assets	1,636	1,605
Deferred tax asset	545	545
Long-term assets of discontinued operations	70,998	72,177
Total assets	\$ 323,544	\$ 326,954
LIABILITIES AND EQUITY		
Current liabilities		
Notes payable	\$ 29,333	\$ 26,204
Current portion of capital lease obligations	815	338
Accounts payable	32,487	33,801
Accounts payable related parties	742	2,098
Accrued expenses	9,725	10,278
Other current liabilities	2,733	2,150
Current liabilities of discontinued operations	20,775	23,631
Total current liabilities	96,610	98,500
Long-term liabilities		
Revolving term credit facilities	21,277	19,957
Notes payable (net)	33,021	32,832
Capital lease obligations	5,390	6,004
Convertible note related party (net)	6,897	6,862
Convertible note (net)	14,151	14,098

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Deferred gain on sale of property	1,169	1,058
Deferred tax liability	3,427	3,242
Other long-term liabilities	3,369	4,127
Long-term liabilities of discontinued operations	40,909	42,645
Total long-term liabilities	129,610	130,825
Total liabilities	226,220	229,325
Commitments and contingencies		
Equity		
Preferred Stock—Authorized 150,000 shares, no shares issued or outstanding at March 31, 2017 and		
December 31, 2016	—	—
Common Stock—no par value 25,000,000 shares authorized, 16,552,186 and 16,200,294 shares		
issued and outstanding at March 31, 2017 and December 31, 2016, respectively	97,247	94,324
Paid in capital	2,522	2,918
Retained earnings	(23,793)	(20,505)
Accumulated other comprehensive loss	(3,929)	(4,272)
Equity attributable to shareholders of Manitex International, Inc.	72,047	72,465
Equity attributable to noncontrolling interest	25,277	25,164
Total equity	97,324	97,629
Total liabilities and equity	\$ 323,544	\$ 326,954

The accompanying notes are an integral part of these financial statements

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except for share and per share amounts)

	Three Months Ended	
	March 31, 2017 As Restated Unaudited	2016 As Restated Unaudited
Net revenues	\$40,119	\$ 47,230
Cost of sales	32,727	38,485
Gross profit	7,392	8,745
Operating expenses		
Research and development costs	687	743
Selling, general and administrative expenses	8,941	8,948
Total operating expenses	9,628	9,691
Operating loss	(2,236)	(946)
Other income (expense)		
Interest expense	(1,208)	(1,491)
Foreign currency transaction loss	(83)	(516)
Other income (expense)	273	(18)
Total other expense	(1,018)	(2,025)
Loss before income taxes and loss in non-marketable equity interest from		
continuing operations	(3,254)	(2,971)
Income tax expense (benefit) from continuing operations	171	(310)
Loss in non-marketable equity interest, net of taxes	—	(39)
Net loss from continuing operations	(3,425)	(2,700)
Discontinued operations		
Income from operations of discontinued operations	232	2,812
Income tax (benefit) expense	(19)	284
Income on discontinued operations	251	2,528
Net loss	(3,174)	(172)
Net (income) loss attributable to noncontrolling interest	(114)	127
Net loss attributable to shareholders of Manitex International, Inc.	\$(3,288)	\$(45)
Basic		
Loss from continuing operations attributable to shareholders of		
Manitex International, Inc.	\$(0.21)	\$(0.17)
Earnings from discontinued operations attributable to shareholders of		
Manitex International, Inc.	\$0.01	\$ 0.16
Net loss attributable to shareholders of Manitex International, Inc.	\$(0.20)	\$ —
Diluted		

Loss from continuing operations attributable to shareholders of

Manitex International, Inc.	\$ (0.21)	\$ (0.17)
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Earnings from discontinued operations attributable to shareholders of

Manitex International, Inc.	\$0.01
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