

SPARTON CORP
Form 10-Q
February 09, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

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

For the quarterly period ended December 31, 2010

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 1-1000

Sparton Corporation

(Exact name of registrant as specified in its charter)

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Ohio
(State or other jurisdiction of
incorporation or organization)

38-1054690
(I.R.S. Employer
Identification No.)

425 N. Martingale Road, Suite 2050, Schaumburg,

Illinois
(Address of principal executive offices)

60173-2213
(Zip code)

(847) 762-5800
(Registrant's telephone number, including zip 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 website, 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 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 (Do not check if a smaller reporting company) 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

As of January 31, 2011, there were 10,216,484 shares of common stock, \$1.25 par value per share, outstanding.

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SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(UNAUDITED)

(Dollars in thousands, except share data)

	December 31, 2010	June 30, 2010 (a)
Assets		
Current Assets:		
Cash and cash equivalents	\$ 29,941	\$ 30,589
Restricted cash		3,162
Accounts receivable, net of allowance for doubtful accounts of \$455 and \$532, respectively	18,504	17,967
Inventories and cost of contracts in progress, net	35,076	26,514
Income taxes receivable	304	296
Deferred income taxes	57	57
Property held for sale	3,900	3,900
Prepaid expenses and other current assets	1,988	1,449
Total current assets	89,770	83,934
Property, plant and equipment, net	10,179	8,924
Goodwill	19,141	19,141
Other intangible assets, net	4,583	4,803
Other non-current assets	2,949	3,059
Total assets	\$ 126,622	\$ 119,861
Liabilities and Shareholders Equity		
Current Liabilities:		
Current portion of long-term debt	\$ 121	\$ 121
Accounts payable	14,462	13,045
Accrued salaries and wages	4,177	5,737
Accrued health benefits	948	989
Current portion of pension liability	178	1,139
Restructuring accrual	170	233
Advance billings on customer contracts	22,773	21,595
Other accrued expenses	3,849	3,345
Total current liabilities	46,678	46,204
Deferred income taxes non-current	1,807	1,579
Pension liability non-current portion	2,080	1,980
Long-term debt non-current portion	1,735	1,796
Environmental remediation non-current portion	3,886	4,033
Total liabilities	56,186	55,592
Commitments and contingencies		

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Shareholders' Equity:

Preferred stock, no par value; 200,000 shares authorized, none outstanding		
Common stock, \$1.25 par value; 15,000,000 shares authorized, 10,216,484 and 10,200,534 shares outstanding, respectively	12,771	12,751
Capital in excess of par value	20,216	19,864
Retained earnings	40,541	35,026
Accumulated other comprehensive loss	(3,092)	(3,372)
Total shareholders' equity	70,436	64,269
Total liabilities and shareholders' equity	\$ 126,622	\$ 119,861

(a) Derived from the Company's audited financial statements as of June 30, 2010.

See Notes to unaudited condensed consolidated financial statements.

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SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(UNAUDITED)

(Dollars in thousands, except share data)

	For the Three Months Ended		For the Six Months Ended	
	December 31, 2010	December 31, 2009	December 31, 2010	December 31, 2009
Net sales	\$ 46,331	\$ 47,223	\$ 92,098	\$ 95,327
Cost of goods sold	38,784	39,088	77,525	79,820
Gross profit	7,547	8,135	14,573	15,507
Operating Expense:				
Selling and administrative expenses	5,689	5,109	10,523	9,689
Internal research and development expenses	155		282	
Amortization of intangible assets	110	117	220	234
Restructuring/impairment charges		1,007	77	1,883
Gain on acquisition			(2,400)	
Gain on sale of property, plant and equipment			(18)	
Other operating expenses	12	423	204	613
Total operating expense	5,966	6,656	8,888	12,419
Operating income	1,581	1,479	5,685	3,088
Other income (expense)				
Interest expense	(181)	(203)	(351)	(462)
Interest income	28	8	86	16
Other, net	121	35	195	116
Total other expense, net	(32)	(160)	(70)	(330)
Income before provision for (benefit from) income taxes	1,549	1,319	5,615	2,758
Provision for (benefit from) income taxes	114	(1,929)	100	(1,895)
Net income	\$ 1,435	\$ 3,248	\$ 5,515	\$ 4,653
Income per share of common stock:				
Basic	\$ 0.14	\$ 0.33	\$ 0.54	\$ 0.47
Diluted	\$ 0.14	\$ 0.33	\$ 0.54	\$ 0.47
Weighted average shares of common stock outstanding:				
Basic	10,209,376	9,964,420	10,204,955	9,957,964
Diluted	10,249,593	9,964,420	10,229,449	9,957,964

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See Notes to unaudited condensed consolidated financial statements.

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SPARTON CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(UNAUDITED)

(Dollars in thousands)

	For the Six Months Ended	
	December 31, 2010	December 31, 2009
Cash Flows from Operating Activities:		
Net income	\$ 5,515	\$ 4,653
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	687	739
Deferred income tax expense	228	(1,895)
Pension expense	285	723
Stock-based compensation expense	372	384
Non-cash restructuring/impairment charges		150
Net gain on sale of property, plant and equipment	(18)	
Gain on acquisition	(2,400)	
Other	174	102
Changes in operating assets and liabilities:		
Accounts receivable	(537)	16,423
Income taxes receivable	(8)	