

TRANSCAT INC
Form 10-Q
November 03, 2017
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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: September 23, 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: 000-03905

TRANSCAT, INC.

(Exact name of registrant as specified in its charter)

Ohio
(State or other jurisdiction of
incorporation or organization)

16-0874418
(I.R.S. Employer Identification No.)

35 Vantage Point Drive, Rochester, New York 14624
(Address of principal executive offices) (Zip Code)

(585) 352-7777
(Registrant's telephone number, including area 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 Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T 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, a smaller reporting company or an emerging growth 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 (Do not check if a smaller reporting company)

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

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The number of shares of common stock, par value \$0.50 per share, of the registrant outstanding as of November 1, 2017 was 7,141,894.

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PART I. FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS

TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 23,	September 24,	September 23,	September 24,
	2017	2016	2017	2016
Service Revenue	\$ 18,239	\$ 16,947	\$ 36,721	\$ 34,122
Distribution Sales	17,688	17,538	35,485	33,510
Total Revenue	35,927	34,485	72,206	67,632
Cost of Service Revenue	13,919	12,807	27,765	25,253
Cost of Distribution Sales	13,854	13,651	27,596	26,106
Total Cost of Revenue	27,773	26,458	55,361	51,359
Gross Profit	8,154	8,027	16,845	16,273
Selling, Marketing and Warehouse Expenses	4,005	4,205	8,097	8,453
General and Administrative Expenses	2,691	2,244	5,879	4,804
Total Operating Expenses	6,696	6,449	13,976	13,257
Operating Income	1,458	1,578	2,869	3,016
Interest and Other Expense, net	271	191	543	359
Income Before Income Taxes	1,187	1,387	2,326	2,657
Provision for Income Taxes	406	470	689	834
Net Income	\$ 781	\$ 917	\$ 1,637	\$ 1,823
Basic Earnings Per Share	\$ 0.11	\$ 0.13	\$ 0.23	\$ 0.26
Average Shares Outstanding	7,131	6,994	7,102	6,972
Diluted Earnings Per Share	\$ 0.11	\$ 0.13	\$ 0.23	\$ 0.25
Average Shares Outstanding	7,286	7,201	7,242	7,173

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In Thousands)

	(Unaudited) Second Quarter Ended		(Unaudited) Six Months Ended	
	September 23, 2017	September 24, 2016	September 23, 2017	September 24, 2016
Net Income	\$ 781	\$ 917	\$ 1,637	\$ 1,823
Other Comprehensive Income (Loss):				
Currency Translation Adjustment	336	(54)	377	26
Other, net of tax effects of \$(11) and \$(14) for the second quarters ended September 23, 2017 and September 24, 2016, respectively; and \$(16) and \$(14) for the six months ended September 23, 2017 and September 24, 2016, respectively.	17	22	25	23
Total Other Comprehensive (Loss) Income	353	(32)	402	49
Comprehensive Income	\$ 1,134	\$ 885	\$ 2,039	\$ 1,872

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Share and Per Share Amounts)

	(Unaudited) September 23, 2017	(Audited) March 25, 2017
ASSETS		
Current Assets:		
Cash	\$ 625	\$ 842
Accounts Receivable, less allowance for doubtful accounts of \$276 and \$210 as of September 23, 2017 and March 25, 2017, respectively	21,144	22,049
Other Receivables	1,576	1,227
Inventory, net	11,536	10,278
Prepaid Expenses and Other Current Assets	1,171	1,193
Total Current Assets	36,052	35,589
Property and Equipment, net	17,419	15,568
Goodwill	33,019	32,520
Intangible Assets, net	6,542	7,519
Other Assets	1,039	901
Total Assets	\$ 94,071	\$ 92,097
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities:		
Accounts Payable	\$ 9,868	\$ 11,615
Accrued Compensation and Other Liabilities	4,414	5,907
Income Taxes Payable	365	805
Current Portion of Long-Term Debt	1,429	1,429
Total Current Liabilities	16,076	19,756
Long-Term Debt	28,278	25,883
Deferred Tax Liabilities	1,175	1,134
Other Liabilities	1,944	1,923
Total Liabilities	47,473	48,696
Shareholders' Equity:		
Common Stock, par value \$0.50 per share, 30,000,000 shares authorized; 7,139,988 and 7,043,754 shares issued and outstanding as of September 23, 2017 and March 25, 2017, respectively	3,570	3,522
Capital in Excess of Par Value	14,231	12,996
Accumulated Other Comprehensive Loss	(12)	(414)
Retained Earnings	28,809	27,297
Total Shareholders' Equity	46,598	43,401
Total Liabilities and Shareholders' Equity	\$ 94,071	\$ 92,097

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)

	(Unaudited)	
	Six Months Ended	
	September 23, 2017	September 24, 2016
Cash Flows from Operating Activities:		
Net Income	\$ 1,637	\$ 1,823
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities:		
Net Loss on Disposal of Property and Equipment	31	15
Deferred Income Taxes	41	(120)
Depreciation and Amortization	2,984	3,105
Provision for Accounts Receivable and Inventory Reserves	203	143
Stock-Based Compensation Expense	831	326
Changes in Assets and Liabilities:		
Accounts Receivable and Other Receivables	760	(711)
Inventory	(1,020)	(735)
Prepaid Expenses and Other Assets	(145)	(288)
Accounts Payable	(1,747)	1,904
Accrued Compensation and Other Liabilities	(1,458)	(757)
Income Taxes Payable	(456)	314
Net Cash Provided by Operating Activities	1,661	5,019
Cash Flows from Investing Activities:		
Purchases of Property and Equipment	(3,942)	(2,496)
Business Acquisitions	-	(6,977)
Net Cash Used in Investing Activities	(3,942)	(9,473)
Cash Flows from Financing Activities:		
Proceeds from (Repayment of) Revolving Credit Facility, net	3,110	(4,687)
Proceeds from Term Loan	-	10,000
Repayment of Term Loan	(714)	(595)
Payment of Contingent Consideration and Holdbacks Related to Business Acquisitions	-	(339)
Issuance of Common Stock	761	312
Repurchase of Common Stock	(344)	(98)
Stock Option Redemption	(90)	(113)
Net Cash Provided by Financing Activities	2,723	4,480
Effect of Exchange Rate Changes on Cash	(659)	(69)
Net Decrease in Cash	(217)	(43)
Cash at Beginning of Period	842	641
Cash at End of Period	\$ 625	\$ 598
Supplemental Disclosure of Cash Flow Activity:		
Cash paid during the period for:		
Interest	\$ 510	\$ 289
Income Taxes, net	\$ 1,125	\$ 614
Supplemental Disclosure of Non-Cash Investing and Financing Activities:		
Holdback Amounts Related to Business Acquisitions	-	\$ 735

See accompanying notes to consolidated financial statements.

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TRANSCAT, INC.
CONSOLIDATED STATEMENT OF SHAREHOLDERS EQUITY
(In Thousands, Except Par Value Amounts)
(Unaudited)

	Common Stock Issued \$0.50 Par Value		Capital In Excess of Par	Accumulated Other Comprehensive	Retained	Total
	Shares	Amount	Value	(Loss)	Earnings	
Balance as of March 25, 2017	7,044	\$ 3,522	\$ 12,996	\$ (414)	\$ 27,297	\$ 43,401
Issuance of Common Stock	98	49	712	-	-	761
Repurchase of Common Stock	(27)	(14)	(205)			