

FLOW INTERNATIONAL CORP

Form 10-Q

December 01, 2005

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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 July 31, 2005

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 0-12448

FLOW INTERNATIONAL CORPORATION

WASHINGTON

91-1104842

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(State or other jurisdiction of
incorporation or organization)

(I.R.S. Employer
Identification No.)

23500 - 64th Avenue South

Kent, Washington 98032

(253) 850-3500

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 is an accelerated filer (as defined in Rule 12b-2 of the Exchange Act). Yes No .

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 outstanding of common stock, as of November 14, 2005 is 34,642,316 shares.

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FLOW INTERNATIONAL CORPORATION

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(unaudited; in thousands, except share amounts)

	July 31, 2005	April 30, 2005
		(restated)
Current Assets:		
Cash and Cash Equivalents	\$ 15,219	\$ 12,976
Restricted Cash	2,527	469
Receivables, Net	28,047	38,325
Inventories, Net	26,034	24,218
Deferred Income Taxes		
Prepaid Expenses	6,487	6,046
Other Current Assets	2,052	2,632
	<u>80,366</u>	<u>84,666</u>
Total Current Assets	80,366	84,666
Property and Equipment, Net	12,227	12,634
Intangible Assets, Net	13,600	14,644
Goodwill	2,764	2,764
Deferred Income Taxes	1,527	1,532
Other Assets	2,028	2,227
	<u>\$ 112,512</u>	<u>\$ 118,467</u>
<u>LIABILITIES AND SHAREHOLDERS' EQUITY</u>		
Current Liabilities:		
Notes Payable	\$ 3,841	\$ 3,531
Current Portion of Long-Term Obligations	475	9,912
Accounts Payable	14,606	20,842
Accrued Payroll and Related Liabilities	7,265	8,819
Taxes Payable and Other Accrued Taxes	2,452	2,291
Deferred Income Taxes	839	609
Deferred Revenue	2,995	4,646
Customer Deposits	14,509	10,606
Warrant Obligation	7,374	6,696
Other Accrued Liabilities	11,513	10,481
	<u>65,869</u>	<u>78,433</u>
Total Current Liabilities	65,869	78,433
Long-Term Obligations	13,301	5,704
Other Long-Term Liabilities	2,986	3,219
	<u>82,156</u>	<u>87,356</u>
Total Liabilities	82,156	87,356
Commitments and Contingencies		
Minority Interest	2,178	2,401
	<u>346</u>	<u>335</u>
Shareholders' Equity:		
Series A 8% Convertible Preferred Stock \$.01 par value, 1,000,000 shares authorized, none issued	346	335

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Common Stock	\$.01 par value, 49,000,000 shares authorized, 34,592,148 shares outstanding at July 31, 2005 and 33,495,479 shares outstanding at April 30, 2005	
Capital in Excess of Par	114,022	112,512
Accumulated Deficit	(80,559)	(80,581)
Accumulated Other Comprehensive Loss		
Cumulative Translation Adjustment, net of income tax of \$0	(5,194)	(3,506)
Unrealized Loss on Cash Flow Hedges, net of income tax of \$170 and \$19	(437)	(50)
	<u> </u>	<u> </u>
Total Shareholders' Equity	28,178	28,710
	<u> </u>	<u> </u>
	\$ 112,512	\$ 118,467
	<u> </u>	<u> </u>

See Accompanying Notes to
Condensed Consolidated Financial Statements

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

(unaudited; in thousands, except per share data)

	Three Months Ended July 31,	
	2005	2004
Revenues	\$ 49,729	\$ 48,982
Cost of Sales	29,106	31,087
Gross Margin	20,623	17,895
Expenses:		
Sales and Marketing	8,545	7,309
Research and Engineering	2,691	2,604
General and Administrative	7,366	5,728
Restructuring	98	
Financial Consulting		623
	18,700	16,264
Operating Income	1,923	1,631
Interest Expense, Net	(798)	(3,095)
Other Expense, Net	(226)	(170)
Income (Loss) Before Provision for Income Taxes	899	(1,634)
Provision for Income Taxes	(877)	(706)
Net Income (Loss)	\$ 22	\$ (2,340)
Net Income (Loss) Per Share:		
Basic	\$ 0.00	\$ (.15)
Diluted	\$ 0.00	\$ (.15)
Weighted Average Shares Used in Computing Basic and Diluted Net Income (Loss) Per Share		
Basic	34,299	15,686
Diluted	36,012	15,686

See Accompanying Notes to

Condensed Consolidated Financial Statements

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(unaudited; in thousands)

	Three Months Ended July 31,	
	2005	2004
		(restated)
Cash Flows from Operating Activities:		
Net Income (Loss)	\$ 22	\$ (2,340)
Adjustments to Reconcile Net Income (Loss) to Cash Provided by Operating Activities:		
Depreciation and Amortization	1,165	1,322
Foreign Currency (Gains) Losses	(349)	660
Amortization of Debt Discount		257
Fair Value Adjustment on Warrants Issued	678	
Stock Compensation	712	359
Other Non-Cash Items	71	6
Changes in Operating Assets and Liabilities:		
Receivables	9,700	(274)
Inventories	(2,203)	(740)
Other Operating Assets	(1,188)	(1,488)
Customer Deposits	4,118	3,001
Accounts Payable	(5,861)	2,614
Deferred Revenue	(1,630)	(14)
Other Operating Liabilities	537	(2,203)
Cash Provided by Operating Activities	5,772	1,160
Cash Flows from Investing Activities:		
Expenditures for Property and Equipment	(519)	(329)
Restricted Cash	(2,137)	(184)
Other	(59)	58
Cash Used in Investing Activities	(2,715)	(455)
Cash Flows from Financing Activities:		
Borrowings (Repayments) under Line of Credit Agreements, Net	542	(2,082)
Payments on Senior Credit Agreement	(17,759)	(13,173)
Borrowings on Senior Credit Agreement	16,049	8,620
Payments of Long-Term Obligations	(39)	(18)
Borrowings on Long-Term Obligations		4,108
Other	9	
Cash Used In Financing Activities	(1,198)	(2,545)
Effect of Changes in Exchange Rates on Cash	384	(538)
Increase (Decrease) in Cash and Cash Equivalents	2,243	(2,378)
Cash and Cash Equivalents at Beginning of Period	12,976	11,734

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Cash and Cash Equivalents at End of Period	\$ 15,219	\$ 9,356
<u>Supplemental Disclosure of Noncash Financing Activity</u>		
Issuance of warrants to lenders	\$	\$ 960
Issuance of compensatory common stock on executive incentive compensation plan	\$ 799	\$ 680

See Accompanying Notes to
Condensed Consolidated Financial Statements

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FLOW INTERNATIONAL CORPORATION

CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY (DEFICIT)
AND COMPREHENSIVE LOSS

(unaudited, in thousands)

Common Stock	Capital In Excess of Par
<hr/>	<hr/>