

SPARTON CORP  
Form 10-Q  
November 08, 2018  
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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 September 30, 2018

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)

Ohio 38-1054690  
(State or other jurisdiction of (I.R.S. Employer  
incorporation or organization) Identification No.)  
425 N. Martingale Road, Suite 1000, 60173-2213  
Schaumburg, Illinois  
(Address of principal executive offices) (Zip code)  
(847) 762-5800  
(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 every Interactive Data File required to be submitted 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 such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer" and "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

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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

As of November 2, 2018, there were 9,834,723 shares of common stock, \$1.25 par value per share, outstanding.

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**FORWARD-LOOKING STATEMENTS**

This Quarterly Report on Form 10-Q contains statements about future events and expectations that are “forward-looking statements.” We may also make forward-looking statements in our other reports filed with the SEC, in materials delivered to our shareholders and in press releases. These statements relate to future events or our future financial performance and involve known and unknown risks, uncertainties and other factors that may cause our actual results, levels of activity, performance or achievements to be materially different from any future results, levels of activity, performance or achievements expressed or implied by these forward-looking statements. Certain of these risks, uncertainties and other factors are described in Item 1A of Part II, “Risk Factors” of our most recent Annual Report on Form 10-K. In some cases, you can identify forward-looking statements by terminology such as “may,” “will,” “should,” “expects,” “intends,” “plans,” “anticipates,” “believes,” “estimates,” “predicts,” “potential,” or the negative use of the or other comparable terminology that convey the uncertainty of future events or outcomes. Although we believe these forward-looking statements are reasonable, they are based on a number of assumptions concerning future conditions, any or all of which may ultimately prove to be inaccurate. These forward-looking statements are based on management’s views and assumptions at the time originally made, and we undertake no obligation to update these statements whether as a result of new information or future events. There can be no assurance that our expectations, projections or views will materialize and you should not place undue reliance on these forward-looking statements. Any statement in this report that is not a statement of historical fact may be deemed to be a forward-looking statement and subject to the safe harbor created by the Private Securities Litigation Reform Act of 1995.

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements.

## SPARTON CORPORATION AND SUBSIDIARIES

## CONSOLIDATED BALANCE SHEETS

(Dollars in thousands, except share data)

	September 30, 2018	July 1, 2018
	(Unaudited)	
Assets		
Current Assets:		
Cash and cash equivalents	\$ 1,170	\$1,160
Accounts receivable, net of allowance for doubtful accounts of \$163 and \$169, respectively	46,011	60,454
Inventories and cost of contracts in progress, net	91,230	72,406
Legal settlements - insurance receivable	4,500	4,500
Prepaid expenses and other current assets	6,823	3,944
Total current assets	149,734	142,464
Property, plant and equipment, net	32,024	32,790
Goodwill	12,663	12,663
Other intangible assets, net	19,438	21,108
Deferred income taxes	17,772	17,646
Other non-current assets	4,858	5,331
Total assets	\$ 236,489	\$232,002
Liabilities and Shareholders' Equity		
Current Liabilities:		
Accounts payable	\$ 39,393	\$28,636
Accrued salaries	8,305	11,341
Accrued health benefits	1,177	947
Accrued legal settlements	5,500	5,500
Performance based payments on customer contracts	13,307	3,868
Advances from customers	6,418	5,949
Current portion of capital lease obligations	100	163
Other accrued expenses	10,438	10,718
Total current liabilities	84,638	67,122
Credit facility	73,000	84,500
Environmental remediation	4,705	4,866
Pension liability	657	690
Other non-current liabilities	—	1,220
Total liabilities	163,000	158,398
Commitments and contingencies		
Shareholders' Equity:		
Preferred stock, no par value; 200,000 shares authorized, none issued	—	—
Common stock, \$1.25 par value; 15,000,000 shares authorized, 9,834,723 and 9,834,723 shares issued and outstanding, respectively	12,293	12,293
Capital in excess of par value	17,586	17,599
Retained earnings	44,580	44,713
Accumulated other comprehensive loss	(970)	(1,001)
Total shareholders' equity	73,489	73,604
Total liabilities and shareholders' equity	\$ 236,489	\$232,002
See Notes to unaudited consolidated financial statements.		



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SPARTON CORPORATION AND SUBSIDIARIES  
 CONSOLIDATED STATEMENTS OF OPERATIONS  
 (UNAUDITED)

(Dollars in thousands, except per share data)

	For the First Quarter of Fiscal Years	
	2019	2018
Net sales	\$89,462	\$82,763
Cost of goods sold	71,823	66,839
Gross profit	17,639	15,924
Operating expense		
Selling and administrative expenses	12,370	15,205
Internal research and development expenses	1,349	572
Amortization of intangible assets	1,670	1,923
Total operating expense	15,389	17,700
Operating income (loss)	2,250	(1,776 )
Other expense		
Interest expense, net	(1,949 )	(1,266 )
Other, net	(14 )	(10 )
Total other expense, net	(1,963 )	(1,276 )
Income (loss) before income taxes	287	(3,052 )
Income taxes	75	(1,068 )
Net income (loss)	\$212	\$(1,984 )
Income (loss) per share of common stock:		
Basic	\$0.02	\$(0.20 )
Diluted	0.02	(0.20 )
Weighted average shares of common stock outstanding:		
Basic	9,834,723	