

Veri-Tek International, Corp.
Form 10-Q
August 14, 2007
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

x QUARTERLY REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended June 30, 2007

OR

.. TRANSITION REPORT PURSUANT SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number: 001-32401

VERI-TEK INTERNATIONAL, CORP.

(Exact name of registrant as specified in its charter)

Michigan
(State or other jurisdiction of
incorporation or organization)

7402 W. 100th Place, Bridgeview, Illinois 60455

(Address of principal executive offices)

42-1628978
(I.R.S. Employer
Identification Number)

Edgar Filing: Veri-Tek International, Corp. - Form 10-Q

(Zip Code)

(708) 430-7500

(Registrant's telephone number, including area code)

(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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act. (check one):

Large accelerated filer Accelerated filer Non-accelerated filer

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 value, outstanding as of July 30, 2007 was 8,303,875.

Table of Contents

VERI-TEK INTERNATIONAL, CORP.

FORM 10-Q INDEX

TABLE OF CONTENTS

PART I: FINANCIAL INFORMATION

ITEM 1:	<u>FINANCIAL STATEMENTS</u>	
	<u>Consolidated Balance Sheets as of June 30, 2007 (unaudited) and December 31, 2006</u>	3
	<u>Consolidated Statements of Income (unaudited) for the Three and Six Month Periods Ended June 30, 2007 and 2006</u>	4
	<u>Consolidated Statements of Cash Flows (unaudited) for the Six Month Periods Ended June 30, 2007 and 2006</u>	5
	<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
ITEM 2:	<u>MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS</u>	16
ITEM 3:	<u>QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK</u>	22
ITEM 4:	<u>CONTROLS AND PROCEDURES</u>	22

PART II: OTHER INFORMATION

ITEM 1:	<u>LEGAL PROCEEDINGS</u>	23
ITEM 1A:	<u>RISK FACTORS</u>	23
ITEM 2:	<u>UNREGISTERED SALE OF EQUITY SECURITIES AND USE OF PROCEEDS</u>	23
ITEM 3:	<u>DEFAULTS UPON SENIOR SECURITIES</u>	24
ITEM 4:	<u>SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS</u>	24
ITEM 5:	<u>OTHER INFORMATION</u>	24
ITEM 6:	<u>EXHIBITS</u>	25

Table of Contents**Part 1 FINANCIAL INFORMATION****Item 1 - Financial Statements****Veri-Tek International Corp. and Subsidiaries****Condensed Consolidated Balance Sheet****(In thousands, except for per share amounts)**

	June 30, 2007 (unaudited)	December 31, 2006 (restated)
ASSETS		
Current Assets		
Cash	\$ 239	\$ 615
Trade receivables-net	18,020	14,137
Receivables from related parties	1,242	1,744
Other receivables	84	
Inventory (net)	15,804	16,830
Deferred income tax assets	893	893
Prepaid expenses and other	602	465
Assets held for sale	1,099	1,430
Total current assets	37,983	36,114
Total fixed assets (net)	5,844	6,117
Receivables from related parties	2,978	2,978
Intangible assets (net)	19,827	21,283
Deferred income tax assets	3,747	3,747
Goodwill	13,390	13,305
Assets held for sale	315	300
Total assets	\$ 84,084	\$ 83,844
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities		
Current portion of long-term debt	\$ 752	\$ 515
Current portion of capital lease obligations	317	356
Accounts payable	12,223	14,181
Accrued expenses	3,572	2,965
Other current liabilities	544	732
Liabilities held for sale	417	572
Total current liabilities	17,825	19,321
Long-Term Liabilities		
Line of credits	16,558	14,121
Deferred income tax liabilities	4,640	4,640
Notes payable	16,131	17,303
Capital lease obligations	4,546	4,685
Deferred gain on sale of building	4,120	4,310
Other long term liabilities	85	
Total long term liabilities	46,080	45,059

Edgar Filing: Veri-Tek International, Corp. - Form 10-Q

Total liabilities	63,905	64,380
Minority interest	1,024	1,024
Shareholders' Equity		
Common stock - no par value, Authorized 20,000,000 shares authorized; issued and outstanding 8,057,875 and 7,859,875 at June 30, 2007 and December 31, 2006, respectively	32,435	31,274
Warrants	1,978	2,272
Retained earnings	(15,738)	(15,050)
Accumulated other comprehensive income (loss)	523	(56)
Subtotal	19,198	18,440
Less: Unearned Stock Based Compensation	(43)	
Total Shareholders' equity	19,155	18,440
Total liabilities & equity	\$ 84,084	\$ 83,844

The accompanying notes are an integral part of these financial statements.

Table of Contents**VERI-TEK INTERNATIONAL, CORP.****CONSOLIDATED STATEMENT OF INCOME**

(In thousands, except for per share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2007	2006	2007	2006
	Unaudited	Unaudited and Restated	Unaudited	Unaudited and Restated
Net sales	\$ 29,951	\$	\$ 53,089	\$
Cost of Sales	24,137		43,071	
Gross profit	5,814		10,018	
Operating expenses				
Research and development costs	228		375	
Selling, general and administrative expenses, including corporate expenses of \$1,116 and \$150 for the three months and \$1,936 and \$224 for the six months ended June 30, 2007 and 2006, respectively	3,508	150	6,618	224
Total operating expenses	3,736	150	6,993	224
Operating income (loss) from continuing operations	2,078	(150)	3,025	(224)
Other income (expense)				
Interest income	1	12	6	31
Interest expense	(981)		(1,905)	
Foreign currency transaction losses	(457)		(490)	
Other income	53		146	
Total other income (expense)	(1,384)	12	(2,243)	31
Income (loss) from continuing operations before income taxes	694	(138)	782	(193)
Income tax (benefit)	195	(48)	214	(66)
Net income (loss) from continuing operations	499	(90)	568	(127)
Discontinued operations				
Loss from operations of the discontinued Testing and Assembly Equipment segment, net of income taxes (benefit) of \$(0) and \$(178) for the three months and \$(0) and \$(339) for the six months ended June 30, 2007 and 2006, respectively	(234)	(324)	(966)	(657)
Gain (loss) on sale or closure of discontinued operations net of income tax (benefits)	76		(290)	
Net income (loss)	\$ 341	\$ (414)	\$ (688)	\$ (784)
Earnings Per Share				
Basic				
Earnings (loss) from continuing operations	\$ 0.06	\$ (0.02)	\$ 0.07	\$ (0.03)
Loss from discontinued operations	\$ (0.03)	\$ (0.07)	\$ (0.12)	\$ (0.13)
Gain (loss) on sale or closure of discontinued operations net of income tax	\$ 0.01	\$	\$ (0.04)	\$

Edgar Filing: Veri-Tek International, Corp. - Form 10-Q

Net earning (loss) per share	\$ 0.04	\$ (0.08)	\$ (0.09)	\$ (0.16)
Diluted				
Earnings (loss) from continuing operations	\$ 0.06	\$ (0.02)	\$ 0.07	\$ (0.03)
Loss from discontinued operations	\$ (0.03)	\$ (0.07)	\$ (0.11)	\$ (0.13)
Gain (loss) on sale or closure of discontinued operations net of income tax	\$ 0.01	\$	\$ (0.03)	\$
Net earnings (loss) per share	\$ 0.04	\$ (0.08)	\$ (0.08)	\$ (0.16)
Weighted average common share outstanding				
Basic	7,903,391	4,875,000	7,881,753	4,875,000
Diluted	8,636,771	4,875,000	8,551,893	4,875,000

The accompanying notes are an integral part of these financial statements.

Table of Contents**VERI-TEK INTERNATIONAL CORP.****CONSOLIDATED STATEMENT OF CASH FLOWS****(In thousands)**

	Six Months Ended June 30,	
	2007	2006 Unaudited
	Unaudited	and Restated
Cash flows from operating activities:		
Net loss	\$ (688)	\$ (784)
Adjustments to reconcile net loss to cash provided by operating activities:		
Depreciation and amortization	1,109	12
Provisions for allowances for doubtful accounts	(66)	
Gain on disposal of assets	(10)	
Deferred income taxes		(405)
Inventory reserves	486	
Stock based deferred compensation	2	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,432)	
(Increase) decrease in inventory	1,473	
(Increase) decrease in prepaid expenses	(114)	
Increase (decrease) in accounts payable		