

KEWAUNEE SCIENTIFIC CORP /DE/

Form 10-Q

March 15, 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 January 31, 2011

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 0-5286

KEWAUNEE SCIENTIFIC CORPORATION

(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	38-0715562 (IRS Employer Identification No.)
2700 West Front Street	
Statesville, North Carolina (Address of principal executive offices)	28677-2927 (Zip Code)
Registrant's telephone number, including area code: (704) 873-7202	

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 (§232.405 of this chapter) 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, or a smaller reporting company. See definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer <input type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller reporting company <input checked="" type="checkbox"/>

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes No

As of March 11, 2011, the registrant had outstanding 2,578,270 shares of Common Stock.

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Part 1. Financial Information

Item 1. Financial Statements*Kewaunee Scientific Corporation*

Consolidated Statements of Operations

*(Unaudited)**(in thousands, except per share data)*

	Three months ended January 31		Nine months ended January 31	
	2011	2010	2011	2010
Net Sales	\$ 22,568	\$ 21,814	\$ 73,051	\$ 75,151
Costs of products sold	18,405	17,129	58,472	58,492
Gross profit	4,163	4,685	14,579	16,659
Operating expenses	4,007	3,663	11,953	11,605
Operating earnings	156	1,022	2,626	5,054
Other expense	1			
Interest income (expense)	17	(35)	(105)	(115)
Earnings before income taxes	174	987	2,521	4,939
Income tax expense	49	333	792	1,673
Net earnings	125	654	1,729	3,266
Less: net earnings attributable to the noncontrolling interest	39	33	131	222
Net earnings attributable to Kewaunee Scientific Corporation	\$ 86	\$ 621	\$ 1,598	\$ 3,044
Net earnings per share attributable to Kewaunee Scientific Corporation stockholders				
Basic	\$ 0.03	\$ 0.24	\$ 0.62	\$ 1.19
Diluted	\$ 0.03	\$ 0.24	\$ 0.62	\$ 1.18
Weighted average number of common shares outstanding (in thousands)				
Basic	2,576	2,569	2,574	2,562
Diluted	2,592	2,581	2,583	2,570

See accompanying notes to consolidated financial statements.

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Consolidated Balance Sheets

(in thousands)

	January 31, 2011 (Unaudited)	April 30, 2010
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,160	\$ 1,722
Restricted cash	544	544
Receivables, less allowance	21,056	26,169
Inventories	10,521	8,350
Deferred income taxes	444	390
Prepaid expenses and other current assets	1,387	1,407
Total current assets	36,112	38,582
Property, plant and equipment, at cost	46,609	43,200
Accumulated depreciation	(29,912)	(29,385)
Net property, plant and equipment	16,697	13,815
Deferred income taxes	738	663
Other	3,645	3,561
Total other assets	4,383	4,224
Total Assets	\$ 57,192	\$ 56,621
<u>Liabilities and Equity</u>		
Current liabilities:		
Short-term borrowings	\$ 696	\$ 4,872
Current obligations under capital leases	81	82
Current portion of long-term debt	200	
Accounts payable	8,415	9,540
Employee compensation and amounts withheld	1,781	1,358
Deferred revenue	1,003	586
Other accrued expenses	2,595	2,059
Total current liabilities	14,771	18,497
Obligations under capital leases	58	119
Long-term debt	3,717	
Accrued employee benefit plan costs	6,104	6,333
Total Liabilities	24,650	24,949
Equity:		
Common Stock	6,550	6,550
Additional paid-in-capital	1,010	855
Retained earnings	29,224	28,398
Accumulated other comprehensive loss	(5,150)	(4,898)
Common stock in treasury, at cost	(441)	(472)

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Total Kewaunee Scientific Corporation stockholders' equity	31,193	30,433
Noncontrolling interest	1,349	1,239
Total Equity	32,542	31,672
Total Liabilities and Equity	\$ 57,192	\$ 56,621

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows

*(Unaudited)**(in thousands)*

	Nine months ended January 31	
	2011	2010
<i>Cash flows from operating activities:</i>		
Net earnings	\$ 1,729	\$ 3,266
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation	1,816	1,840
Bad debt provision	19	107
Provision for deferred income tax expense	(129)	(21)
Decrease in prepaid income taxes		9
Decrease in receivables	5,094	1,412
Increase in inventories	(2,171)	(85)
Decrease in accounts payable and other accrued expenses	(166)	(1,506)
Increase (decrease) in deferred revenue	417	(590)
Other, net	(474)	595
Net cash provided by operating activities	6,135	5,027
<i>Cash flows from investing activities:</i>		
Capital expenditures	(4,698)	(3,080)
Increase in restricted cash		(50)
Net cash used in investing activities	(4,698)	(3,130)
<i>Cash flows from financing activities:</i>		
Proceeds from long-term debt	4,000	
Payments on long-term debt	(83)	
Dividends paid	(772)	(719)
Decrease in short-term borrowings	(4,176)	(2,811)
Payments on capital leases	(62)	(186)
Purchase of treasury stock	(68)	(245)
Proceeds from exercise of stock options (including tax benefit)	99	267
Net cash used in financing activities	(1,062)	(3,694)
Effect of exchange rate changes on cash and cash equivalents	63	175
<i>Increase (decrease) in cash and cash equivalents</i>	438	(1,622)
<i>Cash and cash equivalents, beginning of period</i>	1,722	3,559
<i>Cash and cash equivalents, end of period</i>	\$ 2,160	\$ 1,937
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