

MICROFINANCIAL INC
Form 10-Q
May 15, 2013
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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 AND EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES AND EXCHANGE ACT OF 1934

Commission File No. 1-14771

MICROFINANCIAL INCORPORATED

(Exact name of registrant as specified in its charter)

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Massachusetts
(State or other jurisdiction of
incorporation or organization)
04-2962824
(I.R.S. Employer
Identification No.)
16 New England Executive Park, Suite 200, Burlington, MA 01803
(Address of principal executive offices)
(781) 994-4800
(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(b) of the Securities and 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 Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company
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 April 30, 2013, 14,493,156 shares of the registrant's common stock were outstanding.

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	March 31, 2013 <i>(Unaudited)</i>	December 31, 2012
ASSETS		
Cash and cash equivalents	\$ 2,959	\$ 3,557
Restricted cash	475	1,213
Net investment in leases:		
Receivables due in installments	212,526	213,466
Estimated residual value	23,829	24,176
Initial direct costs	1,730	1,751
Less:		
Advance lease payments and deposits	(3,146)	(3,278)
Unearned income	(60,937)	(62,244)
Allowance for credit losses	(14,747)	(14,038)
Net investment in leases	159,255	159,833
Investment in service contracts, net	1,179	797
Investment in rental contracts, net	1,120	1,037
Property and equipment, net	1,619	1,534
Other assets	1,541	1,658
Total assets	\$ 168,148	\$ 169,629
LIABILITIES AND STOCKHOLDERS EQUITY		
Revolving line of credit	\$ 69,254	\$ 70,380
Accounts payable	2,377	3,220
Dividends payable	39	40
Other liabilities	2,624	2,545
Income taxes payable	1,015	653
Deferred income taxes	8,889	10,399
Total liabilities	84,198	87,237
Stockholders' equity:		
Preferred stock, \$.01 par value; 5,000,000 shares authorized; no shares issued at March 31, 2013, and December 31, 2012		
Common stock, \$.01 par value; 25,000,000 shares authorized; 14,501,080 and 14,470,219 shares issued at March 31, 2013, and December 31, 2012, respectively	145	145
Additional paid-in capital	47,670	47,500
Retained earnings	36,135	34,747
Total stockholders' equity	83,950	82,392
Total liabilities and stockholders' equity	\$ 168,148	\$ 169,629

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Table of Contents**MICROFINANCIAL INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF INCOME***(In thousands, except share and per share data)*

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Revenues:		
Income on financing leases	\$ 10,204	\$ 9,635
Rental income	2,503	2,317
Income on service contracts	176	85
Loss and damage waiver fees	1,441	1,287
Service fees and other	971	920
Total revenues	15,295	14,244
Expenses:		
Selling, general and administrative	4,662	4,356
Provision for credit losses	4,881	4,896
Depreciation and amortization	1,305	1,008
Interest	670	633
Total expenses	11,518	10,893
Income before provision for income taxes	3,777	3,351
Provision for income taxes	1,511	1,340
Net income	\$ 2,266	\$ 2,011
Net income per common share basic	\$ 0.16	\$ 0.14
Net income per common share diluted	\$ 0.15	\$ 0.14
Weighted-average shares:		
Basic	14,495,411	14,284,087
Diluted	14,786,580	14,600,775

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

Table of Contents**MICROFINANCIAL INCORPORATED****CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY***(In thousands, except share and per share data)*

(Unaudited)

	Common Stock		Additional	Retained	Total
	Shares	Amount	Paid-in	Earnings	Stockholders
			Capital		Equity
Balance at December 31, 2011	14,257,324	\$ 143	\$ 46,727	\$ 28,853	\$ 75,723
Stock issued for deferred compensation	48,148		346		346
Stock-based compensation			191		191
Shares issued upon vesting of restricted stock units	8,380				
Warrants exercised	6,367				
Stock options exercised	150,000	2	236		238
Common stock dividends (\$0.24 per share)				(3,457)	(3,457)
Net income				9,351	9,351
Balance at December 31, 2012	14,470,219	145	47,500	34,747	82,392
Stock issued for deferred compensation	29,205		221		221
Stock-based compensation			61		61
Stock repurchase program	(14,984)		(112)		(112)
Shares issued upon vesting of restricted stock units	16,640				
Common stock dividends (\$0.06 per share)				(878)	(878)
Net income				2,266	2,266
Balance at March 31, 2013	14,501,080	\$ 145	\$ 47,670	\$ 36,135	\$ 83,950

The accompanying notes are an integral part of the unaudited condensed consolidated financial statements.

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MICROFINANCIAL INCORPORATED

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)

(Unaudited)

	Three Months Ended March 31,	
	2013	2012
Cash flows from operating activities:		
Cash received from customers	\$ 31,046	\$ 29,118
Cash paid to suppliers and employees	(6,406)	(5,134)
Cash paid for income taxes	(2,659)	(1,161)
Interest paid	(600)	(556)
Net cash provided by operating activities	21,381	22,267
Cash flows from investing activities:		
Investment in lease and service contracts	(20,064)	(21,181)
Investment in direct costs	(336)	(348)
Investment in property and equipment	(198)	(95)