

COLUMBUS MCKINNON CORP  
Form 10-Q  
July 26, 2013

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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 1934

For the quarterly period ended June 30, 2013

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: 0-27618

Columbus McKinnon Corporation  
(Exact name of registrant as specified in its charter)

New York  
(State or other jurisdiction of incorporation or organization)

16-0547600  
(I.R.S. Employer Identification No.)

140 John James Audubon Parkway, Amherst, NY  
(Address of principal executive offices)

14228-1197  
(Zip code)

(716) 689-5400  
(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 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 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 checkmark 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 Act.

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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

The number of shares of common stock outstanding as of July 22, 2013 was: 19,654,697 shares.

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 June 30, 2013

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## Part I. Financial Information

## Item 1. Condensed Consolidated Financial Statements (Unaudited)

COLUMBUS MCKINNON CORPORATION  
CONDENSED CONSOLIDATED BALANCE SHEETS

	June 30, 2013	March 31, 2013
	(unaudited)	
	(In thousands)	
<b>ASSETS:</b>		
Current assets:		
Cash and cash equivalents	\$ 110,399	\$ 121,660
Trade accounts receivable	76,034	80,224
Inventories	101,451	94,189
Prepaid expenses and other	21,005	17,905
Total current assets	308,889	313,978
Property, plant, and equipment, net	67,091	65,698
Goodwill	110,961	105,354
Other intangibles, net	12,878	13,395
Marketable securities	24,166	23,951
Deferred taxes on income	38,711	37,205
Other assets	6,458	7,286
Total assets	\$ 569,154	\$ 566,867
<b>LIABILITIES AND SHAREHOLDERS' EQUITY:</b>		
Current liabilities:		
Trade accounts payable	\$ 30,133	\$ 34,329
Accrued liabilities	50,706	48,884
Current portion of long term debt	1,043	1,024
Total current liabilities	81,882	84,237
Senior debt, less current portion	2,376	2,641
Subordinated debt	148,480	148,412
Other non current liabilities	89,248	91,590
Total liabilities	321,986	326,880
Shareholders' equity:		
Voting common stock; 50,000,000 shares authorized; 19,621,654 and 19,507,939 shares issued and outstanding	196	195
Additional paid in capital	193,083	192,308
Retained earnings	111,211	104,191
ESOP debt guarantee	(449 )	(552 )
Accumulated other comprehensive loss	(56,873 )	(56,155 )
Total shareholders' equity	247,168	239,987
Total liabilities and shareholders' equity	\$ 569,154	\$ 566,867

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND RETAINED EARNINGS  
(UNAUDITED)

	Three Months Ended	
	June 30, 2013	June 30, 2012
	(In thousands, except per share data)	
Net sales	\$138,891	\$153,013
Cost of products sold	95,400	109,189
Gross profit	43,491	43,824
Selling expenses	16,747	16,366
General and administrative expenses	12,849	14,177
Amortization of intangibles	459	499
	30,055	31,042
Income from operations	13,436	12,782
Interest and debt expense	3,371	3,499
Investment income	(216 )	(280 )
Foreign currency exchange loss (gain)	226	(336 )
Other expense and (income), net	89	(320 )
Income before income tax expense	9,966	10,219
Income tax expense	2,946	1,783
Net income	7,020	8,436
Retained earnings - beginning of year	104,191	25,895
Retained earnings - end of period	\$111,211	\$34,331
Average basic shares outstanding	19,520	19,347
Average diluted shares outstanding	19,779	19,507
Basic income per share:		
Net income	\$0.36	\$0.44
Diluted income per share:		
Net income	\$0.35	\$0.43

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME  
(UNAUDITED)

	Three Months Ended	
	June 30, 2013	June 30, 2012
	(In thousands)	
Net income	\$7,020	\$8,436
Other comprehensive (loss) income, net of tax:		
Foreign currency translation adjustments	(130 )	(5,110)
Change in derivatives qualifying as hedges, net of taxes of \$25 and \$0*	86	(97 )
Change in pension liability and postretirement obligation	(5 )	-
Adjustments for unrealized gain on investments:		
Unrealized holding (loss) gain arising during the period, net of taxes of \$234 and \$0*	(434 )	(286 )
Reclassification adjustment for (gain) loss included in net income, net of taxes of \$127 and \$0*	(235 )	83
Net change in unrealized gain on investments	(669 )	(203 )
Total other comprehensive loss	(718 )	(5,410)
Comprehensive income	\$6,302	\$3,026

\* The zero net deferred tax benefit related to the change in derivatives for our domestic subsidiaries qualifying as hedges, unrealized holding gains and losses, and reclassification adjustments during the period ended June 30, 2012 is related to the deferred tax asset valuation allowance that was recorded in that period.

See accompanying notes.

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CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(UNAUDITED)

	Three Months Ended	
	June 30, 2013	June 30, 2012
	(In thousands)	
<b>OPERATING ACTIVITIES:</b>		
Net income	\$7,020	\$8,436
Adjustments to reconcile net income to net cash used for operating activities:		
Depreciation and amortization	2,992	3,110
Deferred income taxes and related valuation allowance	(786 )	13
Gain on sale of real estate, investments, and other	(347 )	(114 )
Stock-based compensation	717	664
Amortization of deferred financing costs and discount on subordinated debt	171	95
Changes in operating assets and liabilities, net of effects of business acquisition:		
Trade accounts receivable	4,854	(2,090 )
Inventories	(6,961 )	(4,204 )
Prepaid expenses	(3,724 )	(2,336 )
Other assets	865	448
Trade accounts payable	(4,550 )	(2,964 )
Accrued and non-current liabilities	(2,159 )	(4,947 )
Net cash used for operating activities	(1,908 )	(3,889 )
<b>INVESTING ACTIVITIES:</b>		
Proceeds from sale of marketable securities	952	1,196
Purchases of marketable securities	(1,613 )	(962 )
Capital expenditures	(3,614 )	(1,716 )
Purchase of businesses, net of cash acquired	(5,847 )	-
Net cash used for investing activities	(10,122 )	(1,482 )
<b>FINANCING ACTIVITIES:</b>		
Proceeds from exercise of stock options	412	-
Net payments under lines-of-credit	-	(13 )
Repayment of debt	(266 )	(211 )
Change in ESOP guarantee	104	107
Net cash provided by (used for) financing activities	250	(117 )
Effect of exchange rate changes on cash	519	(1,819 )
Net change in cash and cash equivalents	(11,261 )	(7,307 )
Cash and cash equivalents at beginning of period	121,660	89,473
Cash and cash equivalents at end of period	\$110,399	\$82,166
<b>Supplementary cash flow data:</b>		
Interest paid	\$367	\$484
Income taxes paid, net of refunds	\$2,131	\$1,663

See accompanying notes.





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COLUMBUS McKINNON CORPORATION  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS  
 (UNAUDITED)  
 June 30, 2013

1. Description of Business

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information. In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation of the financial position of Columbus McKinnon Corporation (the Company) at June 30, 2013, the results of its operations for the three month periods ended June 30, 2013 and June 30, 2012, and cash flows for the three months ended June 30, 2013 and June 30, 2012, have been included. Results for the period ended June 30, 2013 are not necessarily indicative of the results that may be expected for the year ending March 31, 2014. The balance sheet at March 31, 2013 has been derived from the audited consolidated financial statements at that date, but does not include all of the information and footnotes required by U.S. generally accepted accounting principles for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Columbus McKinnon Corporation annual report on Form 10-K for the year ended March 31, 2013.

The Company is a leading designer, marketer and manufacturer of material handling products and services which efficiently and safely move, lift, position and secure material. Key products include hoists, rigging tools, cranes, and actuators. The Company's material handling products are sold globally, principally to third party distributors through diverse distribution channels, and to a lesser extent directly to end-users. During the quarter ended June 30, 2013, approximately 59% of sales were to customers in the U.S.

2. Divestitures

During the fiscal 2013 quarter ending September 30, 2012, the Company sold certain assets of the Gaffey division of Crane Equipment and Service, Inc. The sale of the Gaffey assets did not have a material effect on the Company's financial statements for year ended March 31, 2013 and therefore was not reclassified as a discontinued operation.

3. Acquisitions

On June 1, 2013, the Company acquired 100% of the outstanding common shares of Hebeteknik Gesellschaft m.b.H ("Hebeteknik") located in Austria, a privately owned company with annual sales of approximately \$10,000,000. Hebeteknik has been a value-added partner of the Company in the lifting industry in the Austrian market for over 20 years. The results of Hebeteknik are included in the Company's condensed consolidated financial statements from the date of acquisition. The acquisition of Hebeteknik is not considered significant to the Company's consolidated financial position and results of operations.

The acquisition was funded with existing cash. The purchase price has been preliminarily allocated to the assets acquired and liabilities assumed as of the date of acquisition. The excess consideration of \$5,378,000 was recorded as goodwill. The allocation of the purchase price is preliminary pending the finalization of the fair values of the assets acquired and liabilities assumed. Goodwill recorded in connection with the acquisition will not be deductible for tax purposes. The preliminary assignment of purchase consideration to the assets acquired and liabilities assumed is as follows (in thousands):

Working capital	\$249
Property, plant and equipment	220
Goodwill	5,378

Total \$5,847

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## 4. Fair Value Measurements

Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“ASC”) Topic 820 “Fair Value Measurements and Disclosures” establishes the standards for reporting financial assets and liabilities and nonfinancial assets and liabilities that are recognized or disclosed at fair value on a recurring basis (at least annually). Under these standards, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

ASC Topic 820-10-35-37 establishes a hierarchy for inputs that may be used to measure fair value. Level 1 is defined as quoted prices in active markets that the Company has the ability to access for identical assets or liabilities. The fair value of the Company’s marketable securities is based on Level 1 inputs. Level 2 is defined as quoted prices for similar assets and liabilities in active markets; quoted prices for identical or similar assets and liabilities in markets that are not active; and model-derived valuations in which all significant inputs and significant value drivers are observable in active markets. Level 3 inputs are unobservable inputs based on the Company’s own assumptions used to measure assets and liabilities at fair value. The Company primarily uses readily observable market data in conjunction with internally developed discounted cash flow valuation models when valuing its derivative portfolio and, consequently, the fair value of the Company’s derivatives is based on Level 2 inputs. The Company uses quoted prices in an inactive market when valuing its Subordinated Debt, represented by the 7 7/8% Notes and, consequently, the fair value is based on Level 2 inputs. The carrying values of the Company’s senior debt and notes payable to banks approximate fair value based on current market interest rates for debt instruments of similar credit standing and, consequently, their fair values are based on Level 2 inputs. As of June 30, 2013 and March 31, 2013, the Company’s assets and liabilities measured or disclosed at fair value on recurring bases were as follows (in thousands):

Description	Fair value measurements at reporting date using			
	June 30, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	\$24,166	\$24,166	\$-	\$-
Derivative liabilities	(462 )	-	(462 )	-
Other equity investments	1,114	1,114	-	-
Assets/(Liabilities) disclosed at fair value:				
Subordinated debt	\$(159,000)	\$-	\$(159,000 )	\$-
Senior debt	(3,419 )	-	(3,419 )	-

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Description	Fair value measurements at reporting date using			
	March 31, 2013	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets/(Liabilities) measured at fair value:				
Marketable securities	\$23,951	\$23,951	\$ -	\$ -
Derivative liabilities	(512 )	-	(512 )	