

VIRCO MFG CORPORATION
Form 10-Q
December 13, 2016

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 October 31, 2016

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 1-8777

VIRCO MFG. CORPORATION
(Exact Name of Registrant as Specified in its Charter)
Delaware 95-1613718
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

2027 Harpers Way, Torrance, CA 90501
(Address of Principal Executive Offices) (Zip Code)
Registrant's Telephone Number, Including Area Code: (310) 533-0474
No change
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 check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions 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

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, \$.01 par value — 15,179,664 shares as of December 9, 2016.

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PART I. Financial Information

Item 1. Financial Statements

Virco Mfg. Corporation
Condensed Consolidated Balance Sheets

	10/31/2016	10/31/2016	10/31/2015
	(In thousands, except share data)		
	Unaudited	Unaudited	Unaudited
	(Note 1)	(Note 1)	(Note 1)
Assets			
Current assets			
Cash	\$2,309	\$ 815	\$ 1,595
Trade accounts receivables, net	18,932	9,929	20,369
Other receivables	465	34	141
Income tax receivable	263	317	266
Inventories, net	31,655	34,603	27,168
Prepaid expenses and other current assets	1,279	990	1,014
Total current assets	54,903	46,688	50,553
Property, plant and equipment			
Land	1,671	1,671	1,671
Land improvements	674	675	851
Buildings and building improvements	46,019	45,860	46,448
Machinery and equipment	98,710	103,969	105,289
Leasehold improvements	701	1,636	1,758
	147,775	153,811	156,017
Less accumulated depreciation and amortization	113,550	118,991	120,742
Net property, plant and equipment	34,225	34,820	35,275
Deferred tax assets, net	18,382	703	601
Other assets	7,071	7,071	6,842
Total assets	\$ 114,581	\$ 89,282	\$ 93,271

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Balance Sheets

	10/31/2016	1/31/2016	10/31/2015
	(In thousands, except share and par value data)		
	Unaudited		Unaudited
	(Note 1)		(Note 1)
Liabilities			
Current liabilities			
Accounts payable	\$ 10,587	\$ 12,982	\$ 13,189
Accrued compensation and employee benefits	6,312	5,608	5,383
Current portion of long-term debt	89	579	109
Other accrued liabilities	5,099	3,525	5,683
Total current liabilities	22,087	22,694	24,364
Non-current liabilities			
Accrued self-insurance retention	1,200	1,650	2,050
Accrued pension expenses	22,244	23,330	27,368
Income tax payable	33	38	40
Long-term debt, less current portion	4,547	6,028	3,974
Other accrued liabilities	2,245	2,229	978
Total non-current liabilities	30,269	33,275	34,410
Commitments and contingencies			
Stockholders' equity			
Preferred stock:			
Authorized 3,000,000 shares, \$.01 par value; none issued or outstanding	—	—	—
Common stock:			
Authorized 25,000,000 shares, \$.01 par value; issued and outstanding 15,179,664 shares at 10/31/2016 and 14,998,187 at 1/31/2016 and 10/31/2015	152	150	150
Additional paid-in capital	116,809	116,633	116,510
Accumulated deficit	(41,396)	(69,140)	(63,414)
Accumulated other comprehensive loss	(13,340)	(14,330)	(18,749)
Total stockholders' equity	62,225	33,313	34,497
Total liabilities and stockholders' equity	\$ 114,581	\$ 89,282	\$ 93,271
See accompanying notes.			

Virco Mfg. Corporation
 Condensed Consolidated Statements of Income
 Unaudited (Note 1)

	Three months ended	
	10/31/2016	10/31/2015
	(In thousands, except per share data)	
Net sales	\$67,795	\$ 64,981
Costs of goods sold	43,484	41,771
Gross profit	24,311	23,210
Selling, general and administrative expenses	17,780	16,674
(Gain) loss on sale of property, plant & equipment	(1) 17
Operating income	6,532	6,519
Interest expense, net	326	379
Income before income taxes	6,206	6,140
Income tax (benefit) expense	(17,792) 137
Net income	\$23,998	\$ 6,003
Net income per common share:		
Basic	\$1.59	\$ 0.40
Diluted	\$1.57	\$ 0.39
Weighted average shares outstanding:		
:		
Basic	15,128	14,971
Diluted	15,293	15,324

See accompanying notes.

Virco Mfg. Corporation
 Condensed Consolidated Statements of Income
 Unaudited (Note 1)

	Nine months ended	
	10/31/2016	10/31/2015
	(In thousands, except per share data)	
Net sales	\$149,976	\$ 149,100
Costs of goods sold	93,864	93,701
Gross profit	56,112	55,399
Selling, general and administrative expenses	44,915	43,771
(Gain) loss on sale of property, plant & equipment	(2) 9
Operating income	11,199	11,619
Interest expense, net	1,076	1,129
Income before income taxes	10,123	10,490
Income tax (benefit) expense	(17,622) 214
Net income	\$27,745	\$ 10,276
Net income per common share:		
Basic	\$1.84	\$ 0.69
Diluted	\$1.83	\$ 0.67
Weighted average shares outstanding:		
Basic	15,047	14,895
Diluted	15,186	15,227

See accompanying notes.

Virco Mfg. Corporation
Condensed Consolidated Statements of Comprehensive Income
Unaudited (Note 1)

	Three months ended	
	10/31/2014	10/31/2015
	(In thousands)	
Net income	\$23,998	\$ 6,003
Other comprehensive income		
Pension adjustments	330	495
Comprehensive income	\$24,328	\$ 6,498

See accompanying notes.

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Virco Mfg. Corporation
Condensed Consolidated Statements of Comprehensive Income
Unaudited (Note 1)

	Nine months ended	
	10/31/2016	10/31/2015
	(In thousands)	
Net income	\$27,745	\$ 10,276
Other comprehensive income:		
Pension adjustments	990	1,485
Comprehensive income	\$28,735	\$ 11,761

See accompanying notes.

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Virco Mfg. Corporation
 Condensed Consolidated Statements of Cash Flows
 Unaudited (Note 1)

	Nine months ended	
	10/31/2014	10/31/2015
	(In thousands)	
Operating activities		
Net income	\$27,745	\$ 10,276
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	3,794	3,518
Provision for doubtful accounts	68	58
(Gain) loss on sale of property, plant and equipment	(2)	9
Deferred income taxes	(17,680)	179
Stock-based compensation	443	370
Amortization of net actuarial loss for pension plans, net of tax	990	1,485
Changes in operating assets and liabilities:		
Trade accounts receivable	(9,053)	(9,814)
Other receivables	(431)	(98)
Inventories, net	2,948	(490)
Income taxes	49	(2)
Prepaid expenses and other current assets	(289)	(292)
Accounts payable and accrued liabilities	(1,615)	5,095
Net cash provided by operating activities	6,967	10,294
Investing activities		
Capital expenditures	(3,239)	(3,583)
Proceeds from sale of property, plant and equipment	2	8
Net cash used in investing activities	(3,237)	(3,575)
Financing activities		
Proceeds from long-term debt	37,004	31,960
Repayment of long-term debt	(38,976)	(37,348)
Common stock repurchased	(264)	(206)
Net cash used in financing activities	(2,236)	(5,594)
Net increase in cash	1,494	1,125
Cash at beginning of period	815	470
Cash at end of period	\$2,309	