

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

LINDSAY MANUFACTURING CO
Form 10-Q/A
October 10, 2003

SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q/A

(MARK ONE)

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

For the quarterly period ended November 30, 2002

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 1-13419

Lindsay Manufacturing Co.

(Exact name of registrant as specified in its charter)

DELAWARE

(State or other jurisdiction of
incorporation or organization)

47-0554096

(I.R.S. Employer
Identification No.)

2707 NORTH 108TH STREET, SUITE 102, OMAHA, NEBRASKA

(Address of principal executive offices)

68164

(Zip Code)

402-829-6801

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 (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

At October 8, 2003, 11,735,692 shares of common stock, \$1.00 par value, of the registrant were outstanding.

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

LINDSAY MANUFACTURING CO. AND SUBSIDIARIES

INTRODUCTORY NOTE TO AMENDMENT

Lindsay Manufacturing Co. ("the Company") is amending its quarterly reports on Form 10-Q for each of the quarters in fiscal year 2003 in order to restate previously issued financial statements for two accounting issues.

The Company had previously recorded other non-operating income of \$1.7 million during its quarter ended November 30, 2002, in order to account for the previously unrecorded cumulative cash surrender value of certain life insurance policies that had accumulated since 1994. After reviewing this accounting treatment further, the Company has restated previously reported quarterly results for fiscal 2003 and comparable prior periods presented to record the cumulative cash surrender value as a correction of error.

During fiscal 2003, the Company did not previously record certain components as inventory when they were delivered to the Company based on a belief that these components had been received on a consignment basis. After completing a year-end review of the fiscal 2003 supply agreement for these components, it was determined that the Company had assumed the risk of ownership of these components upon receipt throughout fiscal 2003 and therefore should account for them as a purchase of inventory at the time of their receipt. Accordingly, the Company has restated the previously reported quarterly balance sheets for fiscal 2003 to record the inventory and related accounts payable. The value of the related inventory was \$1.9 million, \$2.9 million and \$2.8 million at November 30, 2002, February 28, 2003 and May 31, 2003, respectively. There is no impact on previously reported operating cash flows because the determining factor for timing of the payment to the supplier is based on when the Company consumes the components in its normal operations. This adjustment to the balance sheets did not impact the operating income, net earnings, financial condition or operating cash flows of the Company during fiscal 2003.

See Note 2 to the consolidated financial statements for further disclosure of these restatement adjustments.

2

LINDSAY MANUFACTURING CO. AND SUBSIDIARIES INDEX FORM 10-Q/A

Page No.

PART I - FINANCIAL INFORMATION

ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Balance Sheets, November 30, 2002 and 2001
and August 31, 2002

4

Consolidated Statements of Operations for the three-months

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

ended November 30, 2002 and 2001	5
Consolidated Statements of Cash Flows for the three-months ended November 30, 2002 and 2001	6
Notes to Consolidated Financial Statements	7-11
ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION	12-16
ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	17
ITEM 4 - CONTROLS AND PROCEDURES	17
PART II - OTHER INFORMATION	
ITEM 1 - LEGAL PROCEEDINGS	18
ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K	18
SIGNATURE	19
CERTIFICATIONS	20-23

PART I - FINANCIAL INFORMATION
 ITEM 1 - CONSOLIDATED FINANCIAL STATEMENTS

LINDSAY MANUFACTURING CO. AND SUBSIDIARIES
 CONSOLIDATED BALANCE SHEETS
 NOVEMBER 30, 2002 AND 2001 AND AUGUST 31, 2002

(\$ IN THOUSANDS, EXCEPT PAR VALUES)	(UNAUDITED) NOVEMBER 2002	(UN N
-----	----	
	RESTATED	R
ASSETS		
Current assets:		
Cash and cash equivalents	\$3,906	
Marketable securities	15,279	

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

Receivables, net	28,589	
Inventories, net	18,736	
Deferred income taxes	2,798	
Other current assets	1,175	
	-----	-----
Total current assets	70,483	
Long-term marketable securities	27,333	
Property, plant and equipment, net	14,453	
Other noncurrent assets	6,793	
	-----	-----
Total assets	\$119,062	\$
	=====	=====
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$9,822	
Other current liabilities	13,917	
	-----	-----
Total current liabilities	23,739	
Noncurrent liabilities	2,108	
	-----	-----
Total liabilities	25,847	
	-----	-----
Commitments and Contingencies		
Shareholders' equity:		
Preferred stock, (\$1 par value, 2,000,000 shares authorized, no shares issued and outstanding)	-	
Common stock, (\$1 par value, 25,000,000 shares authorized, 17,452,621, 17,362,743 and 17,430,348 shares issued in November 2002 and 2001 and August 2002, respectively)	17,453	
Capital in excess of stated value	2,454	
Retained earnings	164,047	
Less treasury stock, (at cost, 5,724,069 shares)	(89,898)	
Accumulated other comprehensive loss	(841)	
	-----	-----
Total shareholders' equity	93,215	
	-----	-----
Total liabilities and shareholders' equity	\$119,062	\$
	=====	=====

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

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	(UNAUDITED) THREE MONTHS ENDED	
	NOVEMBER 2002 RESTATED	NOVEMBER 2001 RESTATED
Operating revenues	\$33,462	\$28,545
Cost of operating revenues	26,451	22,935
Gross profit	7,011	5,610
Operating expenses:		
Selling expense	2,640	2,116
General and administrative expense	2,578	2,025
Engineering and research expense	598	512
Total operating expenses	5,816	4,653
Operating income	1,195	957
Interest income, net	423	437
Other income, net	96	196
Earnings before income taxes	1,714	1,590
Income tax provision	521	478
Net earnings	\$ 1,193	\$ 1,112
Basic net earnings per share	\$ 0.10	\$ 0.10
Diluted net earnings per share	\$ 0.10	\$ 0.09
Average shares outstanding	11,713	11,630
Diluted effect of stock options	217	162
Average shares outstanding assuming dilution	11,930	11,792
Cash dividends per share	\$ 0.035	\$ 0.035

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

LINDSAY MANUFACTURING CO. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED NOVEMBER 30, 2002 AND 2001

(\$ IN THOUSANDS)	(UNAUDITED) NOVEMBER 2002 ---- RESTATED
CASH FLOWS FROM OPERATING ACTIVITIES:	
Net earnings	\$1,193
Adjustments to reconcile net earnings to net cash used in operating activities:	
Depreciation and amortization	871
Amortization of marketable securities premiums, net	(43)
Loss on sale of fixed assets	-
Provision for uncollectible accounts receivable	(60)
Equity in net earnings of equity-method investments	(178)
Other, net	264
Changes in assets and liabilities:	
Receivables, net	(5,264)
Inventories, net	(3,153)
Other current assets	(393)
Accounts payable	3,754
Other current liabilities	(867)
Current taxes payable	1,144
Noncurrent assets and other liabilities	(734)
Net cash used in operating activities	(3,466)
CASH FLOWS FROM INVESTING ACTIVITIES:	
Purchases of property, plant and equipment	(784)
Acquisition of business	-
Purchases of marketable securities held-to-maturity	(4,324)
Proceeds from maturities of marketable securities held-to-maturity	460
Net cash (used in) provided by investing activities	(4,648)
CASH FLOWS FROM FINANCING ACTIVITIES:	
Proceeds from issuance of common stock under stock option plan, net of repurchases and cancellations	5
Dividends paid	(410)

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

Net cash used in financing activities	(405)
Effect of exchange rate changes on cash	-
Net decrease in cash and cash equivalents	(8,519)
Cash and cash equivalents, beginning of period	12,425
Cash and cash equivalents, end of period	\$3,906

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

6

LINDSAY MANUFACTURING CO. AND SUBSIDIARIES
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)

(1) GENERAL

The consolidated financial statements included herein are presented in accordance with the requirements of Form 10-Q and consequently do not include all of the disclosures normally required by accounting principles generally accepted in the United States of America for annual reporting purposes or those made in the Company's annual Form 10-K filing. These consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in the Lindsay Manufacturing Co. (the "Company" or "Lindsay") Form 10-K for fiscal 2002.

In the opinion of management, the unaudited consolidated financial statements of the Company reflect all adjustments of a normal recurring nature necessary to present a fair statement of the financial position and the results of operations and cash flows for the respective interim periods. The results for interim periods are not necessarily indicative of trends or results expected for a full year.

(2) RESTATEMENT OF FINANCIAL STATEMENTS

The Company has restated its financial statements as follows:

The Company had previously recorded other non-operating income of \$1.7 million during its quarter ended November 30, 2002, in order to account for the previously unrecorded cumulative cash surrender value of certain life insurance policies the Company maintains on current and former executive officers that had accumulated since 1994. These policies were obtained in 1993 to insure the potential liability under the supplemental retirement plan for these executives. The Company is the sole named beneficiary and owner of these policies, which are held in trust. The annual premium payments for these policies were made from calendar years 1993 through 2000. The Company had previously expensed the premiums when paid and had not recorded the increases in the cash surrender value of the policies.

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

After reviewing this accounting treatment further, the Company has restated previously reported quarterly results for fiscal 2003 to record the cumulative cash surrender value as a correction of error in prior periods. Accordingly, the Company has restated its unaudited financial statements for each of the quarters in fiscal year 2003, reducing previously reported non-operating income by \$1.7 million. This reduction in other non-operating income did not impact the operating income or financial condition of the Company during fiscal 2003. In addition, the Company has restated the corresponding prior period financial statements presented to reflect the correction of error treatment.

The following table reflects the financial statement line items for the Company's unaudited statements of operation, showing the material effects of the previously reported and related restated amounts for this accounting issue:

In thousands, except per share amounts	THREE-MONTHS ENDED 11/30/02	
	AS REPORTED	RESTATED
Other non-operating income	\$1,787	\$ 96
Earnings before income taxes	3,405	1,714
Net earnings	2,884	1,193
Basic earnings per share	\$ 0.25	\$ 0.10
Diluted earnings per share	\$ 0.24	\$ 0.10
Net cash used in operating activities	(1,992)	(3,466)
Net cash used in investing activities	\$(6,122)	\$(4,648)

The accumulation of the cash surrender value from fiscal years 1994 through 2002 was not material to the Company's net earnings, financial position or operating cash flows for any prior year reported. The Company now records the change in the cash surrender value of these life insurance policies to other income on a current basis.

During fiscal 2003, the Company did not previously record certain components as inventory when they were delivered to the Company based on a belief that these components had been received on a consignment basis. After completing a year-

end review of the fiscal 2003 supply agreement for these components, it was determined that the Company had assumed the risk of ownership of these components upon receipt throughout fiscal 2003 and therefore should account for them as a purchase of inventory at the time of their receipt. Accordingly, the Company has restated the previously reported quarterly balance sheets for fiscal 2003 to record the inventory and related accounts payable. The value of the related inventory was \$1.9 million, \$2.9 million and \$2.8 million at November 30, 2002, February 28, 2003 and May 31, 2003, respectively. There is no impact on previously reported operating cash flows because the determining factor for timing of the payment to the supplier is based on when the Company consumes the

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

components in its normal operations. This adjustment to the balance sheets did not impact the operating income, net earnings, financial condition or operating cash flows of the Company during fiscal 2003.

The following table reflects the financial statement line items for the Company's unaudited balance sheets, showing the effects of the adjustments on previously reported and restated amounts for this accounting issue:

In thousands, except per share amounts	AS OF 11/30/02	
	AS REPORTED	RESTATED
Inventories, net	\$16,812	\$18,736
Accounts payable	7,898	9,822

(3) CASH EQUIVALENTS, MARKETABLE SECURITIES AND LONG-TERM MARKETABLE SECURITIES

Cash equivalents are included at cost, which approximates market. At November 30, 2002, the Company's cash equivalents were held primarily by one financial institution. Marketable securities and long-term marketable securities are categorized as held-to-maturity as management of the Company has determined that it has the positive intent and ability to hold these securities to maturity. Held to maturity securities are carried at amortized cost. The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents, while those having original maturities in excess of three months are classified as marketable securities or as long-term marketable securities when maturities are in excess of one year. Marketable securities and long-term marketable securities consist of investment-grade municipal bonds.

The total amortized cost, gross unrealized holding gains, gross unrealized holding losses, and aggregate fair value for held-to-maturity securities at November 30, 2002, were \$42.7 million, \$412,000, \$72,000 and \$43.0 million, respectively. Marketable securities with an amortized cost of \$15.3 million mature within one year and long term marketable securities with an amortized cost of \$27.4 million have maturities ranging from 12 to 42 months.

The total amortized cost, gross unrealized holding gains, gross unrealized holding losses, and aggregate fair value for held-to-maturity securities at November 30, 2001 were \$28.6 million, \$415,000, \$6,000 and \$29.0 million, respectively. Marketable securities with an amortized cost of \$4.6 million mature within one year and long term marketable securities with an amortized cost of \$24.0 million have maturities ranging from 12 to 42 months.

The total amortized cost, gross unrealized holding gains, gross unrealized holding losses, and aggregate fair value for held-to-maturity securities at August 31, 2002 were \$38.7 million, \$595,000, \$56,000 and \$39.2 million, respectively. Marketable securities with an amortized cost of \$13.3 million mature within one year and long term marketable securities with an amortized cost of \$25.4 million have maturities ranging from 12 to 42 months.

(4) INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for most inventories. Cost is determined by the weighted average method for inventories at the Company's foreign subsidiary in France and at the Company's dealership subsidiary, Irrigation Specialists. The Company reserves for obsolete, slow moving and excess inventory by estimating

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

the net realizable value based on the potential future use of such inventory.

\$ IN THOUSANDS -----	NOVEMBER 2002 ----	NOVEMBER 2001 ----
	RESTATED	
First-in, first-out (FIFO) inventory	\$17,497	\$13,646
LIFO reserves	(3,153)	(2,551)
Weighted average inventory	4,801	3,079
Obsolescence reserve	(409)	(619)
	-----	-----
Total inventories	\$18,736	\$13,555
	=====	=====

8

The estimated percentage distribution between major classes of inventory before reserves is as follows:

	NOVEMBER 2002 ----	NOVEMBER 2001 ----
	RESTATED	
Raw materials	10%	12%
Work in process	4%	5%
Finished goods and purchased parts.....	86%	83%

(5) PROPERTY, PLANT AND EQUIPMENT

Property, plant, equipment and capitalized lease assets are stated at cost, net of depreciation.

\$ IN THOUSANDS -----	NOVEMBER 2002 ----	NOVEMBER 2001 ----	AUGUST 2002 ----
Property, plant and equipment:			
Land	\$ 336	\$ 70	\$ 336
Buildings	9,074	8,626	9,072
Equipment	35,775	32,512	35,242
Other	2,988	2,781	2,897
	-----	-----	-----
Total property, plant and equipment	48,173	43,989	47,547
Accumulated depreciation	(33,720)	(29,462)	(33,035)

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

Property, plant and equipment, net	\$ 14,453	\$ 14,527	\$ 14,512
	=====	=====	=====

(6) CREDIT ARRANGEMENTS

The Company may borrow up to \$10.0 million under an unsecured revolving line of credit agreement with a commercial bank. Borrowings under this line of credit, if any, are to be used for working capital and general corporate purposes including stock repurchases. At November 30, 2002 and 2001, the Company has not borrowed any proceeds from this line. Borrowings will bear interest at an annual rate equal to 1% under the bank's National Base Rate in effect from time to time (4.25% at November 30, 2002); provided that the National Base Rate will not be less than 4.00%. The revolving line of credit agreement expires on December 28, 2003 at which time the Company expects to renew the line of credit on substantially similar terms.

(7) NET EARNINGS PER SHARE

Basic net earnings per share is computed by dividing net earnings by the weighted average number of shares outstanding. Diluted net earnings per share includes the dilutive effect of stock options.

At November 30, 2002, options to purchase 203,562 shares of common stock at a weighted average price of \$25.97 per share were outstanding, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire between September 3, 2007 and May 3, 2012.

At November 30, 2001, options to purchase 323,125 shares of common stock at a weighted average price of \$21.19 per share were outstanding, but were not included in the computation of diluted EPS because the options' exercise price was greater than the average market price of the common shares. These options expire between September 3, 2007 and September 3, 2011.

(8) INDUSTRY SEGMENT INFORMATION

The Company manages its business activities in two reportable segments:

Irrigation: This segment includes the manufacture and marketing of center pivot, lateral move and hose reel irrigation systems.

Diversified Products: This segment includes providing outsource manufacturing services and the manufacturing and selling of large diameter steel tubing.

The accounting policies of the two reportable segments are the same as those described in the "Accounting Policies" in Note A. of the financial statements included in the Form 10-K for the fiscal year ended August 31, 2002. The Company evaluates the performance of its operating segments based on segment sales, gross profit and operating income, with operating income for segment purposes excluding general and administrative expenses (which include corporate expenses), engineering and research expenses, interest income net, other income and expenses net, income taxes, and assets. Operating income for segment purposes does include selling expenses and other overhead charges directly

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

attributable to the segment. There are no intersegment sales.

Summarized financial information concerning the Company's reportable segments is shown in the following table:

\$ IN THOUSANDS -----	FOR THE THREE MONTHS ENDED	
	NOVEMBER 2002 ----	NOVEMBER 2001 ----
	RESTATED	RESTATED
Operating revenues:		
Irrigation	\$30,631	\$24,843
Diversified products	2,831	3,702
	-----	-----
Total operating revenues	\$33,462	\$28,545
	=====	=====
Operating income:		
Irrigation	\$4,080	\$3,119
Diversified products	291	375
	-----	-----
Segment operating income	4,371	3,494
Unallocated general & administrative and engineering & research expenses	3,176	2,537
Interest and other income, net	519	633
	-----	-----
Earnings before income taxes	\$1,714	\$1,590
	=====	=====

(9) OTHER NONCURRENT ASSETS

\$ IN THOUSANDS -----	NOVEMBER 2002 ----	NOVEMBER 2001 ----	AUGUST 2002 ----
		RESTATED	RESTATED
Cash surrender value of life insurance policies	\$1,723	\$1,641	\$1,691
Equity method investments	1,489	1,152	1,311
Goodwill, net	1,130	708	1,082
Split dollar life insurance	894	875	878
Intangible pension assets	511	580	511
Other intangibles, net	686	195	709
Other	360	609	224
	-----	-----	-----
Total noncurrent assets	\$6,793	\$5,760	\$6,406
	=====	=====	=====

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

(10) COMPREHENSIVE INCOME

\$ IN THOUSANDS -----	FOR THE THREE MONTHS ENDED	
	NOVEMBER 2002 ----	NOVEMBER 2001 ----
	RESTATED	RESTATED
Comprehensive Income:		
Net earnings.....	\$ 1,193	\$ 1,112
Other comprehensive income:		
Foreign currency translation.....	73 -----	5 -----
Total comprehensive income.....	\$ 1,266 =====	\$ 1,117 =====

The difference between our reported net earnings and comprehensive income for each period presented is primarily the change in the foreign currency translation adjustment. Accumulated other comprehensive loss shown in our consolidated balance sheets includes the accumulated foreign currency translation adjustment.

ITEM 2 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF RESULTS OF OPERATIONS AND FINANCIAL CONDITION

CRITICAL ACCOUNTING POLICIES

In preparing the consolidated financial statements in conformity with accounting principles generally accepted in the United States of America, management must make a variety of decisions which impact the reported amounts and the related disclosures. These decisions include the selection of the appropriate accounting principles to be applied and the assumptions on which to base accounting estimates. In making these decisions, management applies its judgment based on its understanding and analysis of the relevant circumstances and the Company's historical experience. The Company's significant accounting policies are described in Note A to the Consolidated Financial Statements in the Company's Form 10-K for fiscal 2002. Certain of the Company's accounting policies have been deemed by management to be critical because of their overall importance to the presentation of the Company's consolidated results of operations and financial condition or because they require the greatest use of judgments and estimates by management. The following accounting policies are those management

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

considers critical to the Company's consolidated results of operations and financial condition. Management periodically re-evaluates and adjusts the estimates that are used as circumstances change. There were no significant changes in critical accounting policies during the three-months ended November 30, 2002.

REVENUE RECOGNITION

Revenues from the sale of the Company's products to its dealers or customers are generally recognized upon the delivery of the product to the Company's dealers or customers. The Company recognizes revenue of certain low volume products only upon the earlier of the date a product is delivered by the dealer to an end-user customer or the date the dealer makes payment on the sale to the Company. The costs related to revenues, including the allowance for doubtful accounts, are recognized in the same period in which the specific revenues are recognized. Estimates used in the Company's revenue recognition and cost recognition process include, but are not limited to, estimates for rebates payable, cash discounts expected to be allowed, and the allowance for doubtful or uncollectible accounts. The Company does not record any revenue that is contingent or that is dependent upon future performance.

INVENTORIES

Inventories are stated at the lower of cost or market. Cost is determined by the last-in, first-out (LIFO) method for most inventories. Cost is determined by the weighted average method for inventories at the Company's foreign subsidiary in France and at the Company's dealership subsidiary Irrigation Specialists. The Company reserves for obsolete, slow moving and excess inventory by estimating the net realizable value based on the potential future use of such inventory.

Footnotes to the consolidated financial statements describe various elements of the financial statements and the assumptions on which specific amounts were determined. While actual results could differ from those estimated at the time of preparation of the consolidated financial statements, management is committed to preparing financial statements which incorporate accounting policies, assumptions, and estimates that promote the representational faithfulness, verifiability, neutrality, and transparency of the accounting information included in the consolidated financial statements.

RESULTS OF OPERATIONS

The following table provides highlights of the Company's consolidated results of operations for the three-month periods ended November 30, 2002 and 2001. The information presented below should be read together with the accompanying Consolidated Statements of Operations and with the industry segment information in Note (8) to the consolidated financial statements contained herein.

(\$ IN THOUSANDS)	FOR THE THREE MONTHS ENDED		
	NOVEMBER 2002	NOVEMBER 2001	PERCENT INCREASE (DECREASE)
-----	----	----	-----

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

	RESTATED	RESTATED	
Consolidated			
Operating revenues	\$33,462	\$28,545	17.2%
Cost of operating revenues	\$26,451	\$22,935	15.3
Gross profit	\$ 7,011	\$ 5,610	25.0
Gross margin	21.0%	19.7%	
Selling, engineering & research and general & administrative expense	\$ 5,816	\$ 4,653	25.0
Operating income	\$ 1,195	\$ 957	24.9
Operating margin	3.6%	3.4%	
Interest income, net	\$ 423	\$ 437	(3.2)
Other income (expense), net	\$ 96	\$ 196	(51.0)
Income tax provision	\$ 521	\$ 478	9.0
Effective income tax rate	30.4%	30.1%	
Net earnings	\$ 1,193	\$ 1,112	7.3
Irrigation Equipment Segment (See Note (8))			
Operating revenues	\$30,631	\$24,843	23.3
Operating income	\$ 4,080	\$ 3,119	30.8
Operating margin	13.3%	12.6%	
Diversified Products Segment (See Note (8))			
Operating revenues	\$ 2,831	\$ 3,702	(23.5)
Operating income	\$ 291	\$ 375	(22.4)%
Operating margin	10.3%	10.1%	

Operating revenues for the three-months ended November 30, 2002 were \$33.5 million as compared to \$28.5 million for the same prior year period. Irrigation equipment revenues totaled \$30.6 million as compared to \$24.8 million for the same prior year period. Revenues increased due to new operations and products, and dry weather conditions. New business operations established after the three-months ended November 30, 2001 contributed \$3.4 million in new irrigation revenues for the three-months ended November 30, 2002. Diversified products revenues were \$2.8 million during the three-months ended November 30, 2002, lower than the same period prior year revenues of \$3.7 million. The decrease in diversified product revenues was primarily due to contract manufacturing customers relying less on outsourced manufacturing. The Company expects diversified products revenues to continue at these lower levels.

Gross margin for the three-months ended November 30, 2002 was 21.0% as compared to 19.7% for the same prior year period. The increase in gross margin was the result of modest sales price increases offset by higher materials costs.

Selling, general and administrative and engineering and research expenses during the three-months ended November 30, 2002 totaled \$5.8 million as compared to \$4.7 million for the same prior year period. The increase was due to primarily to incremental expenses related to new business operations established after the three-months ended November 30, 2001.

Net interest income during the three-months ended November 30, 2002 totaled \$423,000 as compared to \$437,000 for the same prior year period. Other income during the three-months ended November 30, 2002 totaled \$96,000 compared to \$196,000 for the same prior year period.

The effective tax rate during the three-months ended November 30, 2002 was 30.4% as compared to 30.1% for the same period of the prior year. The Company benefits from an effective tax rate which is lower than the combined federal and state statutory rate primarily due to the federal income tax exempt

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

status of interest income from its municipal bond investments.

Net earnings rose 7.3% to \$1.2 million, or \$0.10 per diluted share, for the first quarter of fiscal 2003 compared with \$1.1 million, or \$0.09 per diluted share, in the first quarter of fiscal 2002.

Long term, the Company believes that the agricultural irrigation equipment demand drivers remain solidly in place; farmers need to conserve water, energy and labor while at the same time improve and stabilize crop yields and increase food production for a growing world population. The Company's order backlog at November 30, 2002, totaled \$19.4 million compared with \$26.4 million at November 30, 2001, and \$18.9 million at August 31, 2002. Early domestic fiscal 2003 orders for new irrigation equipment sales have lagged somewhat despite recent dry weather conditions. While the U.S. 2002 Farm Bill legislation is generally positive for farmers, management believes some growers are simply waiting to make their purchase decisions until they know if they will receive a subsidy for the purchase under the Environmental Quality Incentive Program. Additionally, because improved commodity pricing reduced government commodity price support payments, some farmers may be feeling near-term cash flow pressure. The Company will continue to search for appropriate acquisitions that are congruent with its mission to be the worldwide leader in providing intelligent water and plant nutrient management systems, while adding incremental value for shareholders.

LIQUIDITY AND CAPITAL RESOURCES

The Company requires cash for financing its receivables, inventories, capital expenditures, stock repurchases and dividends. Historically, the Company has financed its growth through funds provided by operations. In addition, the Company maintains a \$10.0 million bank line of credit. The Company has not borrowed any funds under this line of credit and the entire \$10.0 million is available to the Company. Management believes that funds provided by operations, supplemented if necessary by borrowings under the line of credit, will be sufficient to cover reasonably expected working capital needs of the Company, including the payment of dividends, and any planned capital expenditures during fiscal 2003. The Company also held marketable securities of \$42.6 million as of November 30, 2002. Although these are liquid assets that could be readily converted into cash if needed, the Company intends to hold these as investments until maturity, and does not anticipate that the sale of any of these assets will be necessary to meet its reasonably foreseeable cash requirements. Maturities of these securities range from 0 to 42 months.

During the three months ended November 30, 2002, the Company's net cash position decreased from \$12.4 million to \$3.9 million. The decrease in the net cash position was a result of cash used in operating activities of \$3.5 million, cash used in investing activities of \$4.6 million and cash used in financing activities of \$405,000 during the period.

The Company used cash in operating activities primarily to finance an increase in receivables and inventories, which was offset by the Company's net earnings and an increase in payables. Receivables increased \$5.2 million from the level of August 31, 2002 due primarily to the seasonality of the Company's dealer stock program. Inventories at November 30, 2002, increased \$3.2 million as compared to August 31, 2002 due to seasonal production scheduling. Accounts Payable increased \$3.8 million due to the timing of production materials purchases.

During the first quarter of fiscal 2003, the Company used cash in investing activities in order to purchase \$4.3 million of additional marketable securities and to make capital expenditures of \$784,000. These uses of cash were offset during the period by \$460,000 of proceeds from maturing marketable securities. Capital expenditures during the period were used primarily to upgrade and further automate the Company's manufacturing facilities. The Company expects that total capital expenditures for fiscal 2003 will be approximately \$3.0 to \$4.0 million and that they will be made to further improve the Company's manufacturing facilities.

Approximately \$405,000 of cash was used in financing activities during the three-months ended November 30, 2002. This use of cash was primarily for the

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

payment of dividends on the Company's common stock .

The Company's equity increased to \$93.2 million at November 30, 2002 from \$92.4 million at August 31, 2002 due to its net earnings of \$1.2 million, net of dividends paid of \$410,000. The Company's equity at November 30, 2001 was \$83.5 million.

SEASONALITY

Irrigation equipment sales are seasonal by nature. Farmers generally order systems to be delivered and installed before the growing season. Shipments to U.S. customers usually peak during the Company's second and third quarters for the spring planting period.

14

CUSTOMERS

Management believes that overall the Company is not dependent on a single customer. The diversified manufacturing segment, however, is largely dependent on a few customers. While the loss of any substantial customer could have a material short-term impact on the Company's business, the Company believes that its diverse distribution channels and customer base reduces the long-term impact of any such loss.

OTHER FACTORS

The Company's irrigation equipment sales are highly dependent upon the need for irrigated agricultural production which, in turn, depends upon many factors including total worldwide crop production, the profitability of agricultural production, agricultural commodity prices, aggregate net cash farm income, governmental policies regarding the agricultural sector, water and energy conservation policies and the regularity of rainfall. In addition, irrigation equipment sales are affected by the Company's ability to develop new products and the market acceptance of these products, expenditures on advertising and other promotions, competition from other manufacturers of these products; changes in our distributors' or dealers' purchasing practices and financial viability.

Approximately 28% and 21% of the Company's operating revenues for the three-months ended November 30, 2002 and 2001 were generated from international irrigation sales. Factors that affect the Company's international irrigation sales include, economic, political and social conditions in individual international markets; the value of the U.S. dollar against the foreign currencies, especially the Euro, Brazilian real, Australian dollar, Canadian dollar, South African rand and Mexican peso; heightened security for import and export shipments of goods and changes in tariffs, import duties and other taxes.

RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

In October 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 144 "Accounting for the Impairment or Disposal of Long-Lived Assets", replacing SFAS No. 121 "Accounting for the Impairment of Long-Lived Assets and for Long-Lived Assets to Be Disposed Of". The adoption of SFAS No. 144 has not had a material impact on the Company's consolidated financial statements.

In July 2001, the FASB issued SFAS No. 141, "Business Combinations" and SFAS No. 142, "Goodwill and Other Intangible Assets". SFAS No. 141 requires that the purchase method of accounting be used for all business combinations initiated after June 30, 2001, and eliminates the use of the pooling-of-interests method. SFAS No. 141 also provides new criteria to determine whether an acquired intangible asset should be recognized separately

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

from goodwill. SFAS No. 142 requires that goodwill and intangible assets with indefinite useful lives no longer be amortized but instead tested for impairment at least annually at the reporting unit level using a two-step impairment test. The Company has adopted the provisions of SFAS No. 142 during the first quarter of fiscal 2003, as required, and accordingly no longer amortizes any goodwill. The adoption of SFAS No. 142 has not had a material impact on the Company's consolidated financial statements.

CONCERNING FORWARD-LOOKING STATEMENTS - This quarterly report on Form 10-Q contains not only historical information, but also forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Statements that are not historical are forward-looking and reflect expectations for future company performance. In addition, forward-looking statements may be made orally or in press releases, conferences, reports, on the Company's worldwide web site, or otherwise, in the future by or on behalf of the Company. When used by or on behalf of the company, the words "expect", "anticipate", "estimate", "believe", "intend", and similar expressions generally identify forward-looking statements. For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in the Private Securities Litigation Reform Act of 1995.

Forward-looking statements involve risks and uncertainties. These uncertainties include factors that affect all businesses operating in a global market, as well as matters specific to the Company and the markets it serves. Particular risks and uncertainties that could affect the Company's overall financial position include the continuing slowdown in the global and domestic economy that began in 2000; additional economic uncertainty created by the threat of continued terrorist acts and war, both of which could further reduce growth in the U.S. and worldwide economy; the effect of the economic slowdown on the Company's customers' ability to pay amounts owed to the Company; weather conditions affecting demand, including warm winters and wet or cold spring and dry summer weather; inability to raise prices of products due to market conditions; changes in market demographics; actions of competitors; inability to achieve earnings growth in fiscal 2003; increased insurance costs; the Company's ability to develop and manufacture new and existing products based on anticipated investments in manufacturing capacity and engineering; market acceptance of existing and new products relative to expectations and based on current commitments to fund advertising and promotions; increased competition in the Company's businesses; financial viability of some distributors and dealers; the Company's ability to acquire, develop, and integrate new businesses and manage alliances successfully; changes in distributor and dealer ownership and purchasing practices; the Company's ability to cost-effectively

expand existing, open new, move production between, and close manufacturing facilities; the Company's ability to manage costs and capacity constraints at its manufacturing facilities; the Company's ability to cost-effectively eliminate any non-performing product lines; the Company's ability to manage inventory levels and fully realize recorded inventory value; the impact of unexpected trends in warranty claims or unknown product defects; the ability to hire, retain and maintain good relationships with quality employees; threatened or pending litigation action relating to patent infringement, employment, commercial disputes and other matters; government action, including budget

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

levels, regulation, and legislation, primarily legislation relating to the environment, commerce, infrastructure spending, health, and safety; availability of raw materials and unforeseen price fluctuations for commodity raw materials; and the impact of new accounting standards.

Particular risks and uncertainties facing the Company's international business at the present include weak economic conditions in global markets; political and social conditions in individual international markets; the value of the U.S. dollar against foreign currencies, especially the Euro, Brazilian real, Australian dollar, Canadian dollar, South African rand and Mexican peso; heightened security for import and export shipments of goods and changes in tariffs, import duties and other taxes.

Readers are cautioned to not place undue reliance on any forward-looking statement and to recognize that the statements are predictions of future results, which may not occur as anticipated. Actual results could differ materially from those anticipated in the forward-looking statements and from historical results, due to the risks and uncertainties described above, as well as others not now anticipated. The foregoing statements are not exclusive and further information concerning the Company and its businesses, including factors that potentially could materially affect the Company's financial results, may emerge from time to time. The Company assumes no obligation to update forward-looking statements to reflect actual results or changes in factors or assumptions affecting such forward-looking statements.

16

ITEM 3 - QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The market value of the Company's marketable securities will fluctuate inversely with movements in interest rates. However, the Company does not consider itself to be subject to material market risks with respect to its marketable securities because of the relatively short maturities (0 to 42 months) of the securities held by the Company and because the Company intends to hold the investments in these marketable securities to maturity and has the ability to do so.

The Company has manufacturing operations in the United States, France and Brazil and is starting manufacturing operations in South Africa. The Company sells products in over 90 countries throughout the world and purchases a portion of its components from third-party foreign suppliers. Export sales made from the United States are principally U.S. dollar denominated. Accordingly, these sales are not subject to a material currency translation risk. However, a majority of the Company's revenue generated from operations outside the United States is denominated in the currency of the customer location. The Company's most significant transactional foreign currency exposures are the Euro and the Brazilian real in relation to the U.S. dollar. Fluctuations in the value of foreign currencies create exposures, which can adversely affect the Company's results of operations. The Company attempts to manage its transactional foreign exchange exposure by monitoring foreign currency cash flow forecasts and commitments arising from the settlement of receivables and payables, and from future purchases and sales.

The Company's translation exposure resulting from translating the financial statements of foreign subsidiaries into U.S. dollars is not hedged. The most significant translation exposures are the Euro and the Brazilian real in relation to the U.S. dollar.

ITEM 4 - CONTROLS AND PROCEDURES

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

A review and evaluation was performed by the Company's management, including the Company's Chief Executive Officer (the "CEO") and Chief Financial Officer (the "CFO"), of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14 under the Securities Exchange Act of 1934) as of a date within 90 days prior to the filing of this quarterly report. Based on that review and evaluation, the CEO and CFO have concluded that the Company's current disclosure controls and procedures, as designed and implemented, were effective to ensure that information the Company is required to disclose in this quarterly report is recorded, processed, summarized and reported in the time period required by the rules of the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect these controls subsequent to the date of their evaluation. There were no significant material weaknesses identified in the course of such review and evaluation and, therefore, no corrective measures were taken by the Company.

17

PART II - OTHER INFORMATION

ITEM 1 - LEGAL PROCEEDINGS

In the ordinary course of its business operations, the Company is involved, from time to time, in commercial litigation, employment disputes, administrative proceedings and other legal proceedings. While the ultimate results of any known legal matter are unknown at this time, management does not believe that these matters, individually or in the aggregate, are likely to have a material adverse effect on the Company's consolidated financial condition, results of operations or cash flows.

ITEM 6 - EXHIBITS AND REPORTS ON FORM 8-K

(a) Exhibits -

- 3(a) Restated Certificate of Incorporation of the Company, incorporated by reference to Exhibit to the Company's Report on Form 10-Q for the fiscal quarter ended February 28, 1997.
- 3(b) Certificate of Amendment of the Restated Certificate of Incorporation of Lindsay Manufacturing Co. dated February 7, 1997, incorporated by reference to Exhibit 3(b) to the Company's Report on Form 10-Q for the fiscal quarter ended February 28, 1997.
- 3(c) By-Laws of the Company amended and restated by the Board of Directors on April 28, 2000, incorporated by reference to Exhibit 3(b) of the Company's Annual Report on Form 10-K for the fiscal year ended August 31, 2000.
- 4 Specimen Form of Common Stock Certificate incorporated by reference to Exhibit 4 to the Company's Report on Form 10-Q for the fiscal quarter ended November 30, 1997.

Edgar Filing: LINDSAY MANUFACTURING CO - Form 10-Q/A

- 10(a)* Lindsay Manufacturing Co. Management Incentive Plan (MIP) 2003 Plan Year.
- 31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
- 31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
- 32.1 Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.
- 32.2 Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 18 U.S.C. Section 1350.

(b) Reports on Form 8-K -

No Form 8-K was filed during the quarter ended November 30, 2002.

* Previously filed.

18

SIGNATURE

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized on this 10th day of October, 2003.

LINDSAY MANUFACTURING CO.

By: /s/ BRUCE C. KARSK

Name: Bruce C. Karsk
Title: Executive Vice President, Chief
Financial Officer,
Treasurer and Secretary
(Principal Financial Officer)

19