

GENCOR INDUSTRIES INC
Form 10-Q
August 14, 2012

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 JUNE 30, 2012**
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: 001-11703

GENCOR INDUSTRIES, INC.

Delaware
(State or other jurisdiction of

59-0933147
(I.R.S. Employer

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incorporated or organization)

Identification No.)

5201 North Orange Blossom Trail, Orlando, Florida

(Address of principal executive offices)

32810

(Zip Code)

(407) 290-6000

(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 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 the definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding at August 3, 2012
Common stock, \$.10 par value	8,008,632 shares
Class B stock, \$.10 par value	1,509,238 shares

GENCOR INDUSTRIES, INC.

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Introductory Note: Caution Concerning Forward-Looking Statements	

This Form 10-Q Report and the Company's other communications and statements may contain forward-looking statements, including statements about the Company's beliefs, plans, objectives, goals, expectations, estimates, projections and intentions. These statements are subject to significant risks and uncertainties and are subject to change based on various factors, many of which are beyond the Company's control. The words may, could, should, would, believe, anticipate, estimate, expect, intend, plan, target, goal, and similar expressions are used to identify forward-looking statements. All forward-looking statements, by their nature, are subject to risks and uncertainties. The Company's actual future results may differ materially from those set forth in its forward-looking statements. For information concerning these factors and related matters, see Item 2, Management's Discussion and Analysis of Financial Condition and Results of Operations, in this Report, and the following sections of the Company's Annual Report on Form 10-K for the year ended September 30, 2011: (a) Risk Factors in Part I, and (b) Management's Discussion and Analysis of Financial Condition and Results of Operations in Part II. However, other factors besides those referenced could adversely affect the Company's results, and you should not consider any such list of factors to be a complete set of all potential risks or uncertainties. Any forward-looking statements made by the Company herein speak as of the date of this Report. The Company does not undertake to update any forward-looking statement, except as required by law.

Unless the context otherwise indicates, all references in this Report to the Company, Gencor, we, us, or our, or similar words are to Gencor Industries, Inc. and its subsidiaries.

Part I. Financial Information**GENCOR INDUSTRIES, INC.****Condensed Consolidated Balance Sheets**

	June 30,	September 30,
	2012	2011
	<i>(Unaudited)</i>	
ASSETS		
Current Assets:		
Cash	\$ 10,760,000	\$ 1,715,000
Marketable securities at fair value (cost \$76,337,000 at June 30, 2012 and \$76,275,000 at September 30, 2011)	76,238,000	72,486,000
Account receivable, less allowance for doubtful accounts of \$871,000 at June 30, 2012 and \$582,000 at September 30, 2011	1,397,000	1,573,000
Costs and estimated earnings in excess of billings	4,216,000	4,450,000
Inventories, net	11,983,000	12,878,000
Deferred income taxes		690,000
Prepaid expenses	1,364,000	1,632,000
Total Current Assets	105,958,000	95,424,000
Property and equipment, net	8,331,000	8,349,000
Other assets	97,000	602,000
Total Assets	\$ 114,386,000	\$ 104,375,000
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable	\$ 3,371,000	\$ 1,978,000
Customer deposits	2,518,000	756,000
Accrued expenses and other current liabilities	4,547,000	2,842,000
Total Current Liabilities	10,436,000	5,576,000
Deferred and other income taxes	178,000	
Total Liabilities	10,614,000	5,576,000
Commitments and contingencies		
Shareholders' equity:		
Preferred stock, par value \$.10 per share; authorized 300,000 shares; none issued		
Common stock, par value \$.10 per share; 15,000,000 shares authorized; 8,008,632 shares issued and outstanding	801,000	801,000
Class B Stock, par value \$.10 per share; 6,000,000 shares authorized; 1,509,238 shares issued and outstanding	151,000	151,000
Capital in excess of par value	10,000,000	9,860,000
Retained earnings	92,820,000	87,987,000
Total Shareholders' Equity	103,772,000	98,799,000

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Total Liabilities and Shareholders	Equity	\$ 114,386,000	\$ 104,375,000
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See accompanying Notes to Condensed Consolidated Financial Statements

GENCOR INDUSTRIES, INC.

Condensed Consolidated Statements of Operations

(Unaudited)

	For the Quarters Ended June 30,		For the Nine Months Ended June 30,	
	2012	2011	2012	2011
Net revenue	\$ 22,986,000	\$ 23,015,000	\$ 49,189,000	\$ 47,527,000
Costs and expenses:				
Production costs	17,237,000	18,756,000	38,651,000	39,617,000
Product engineering and development	670,000	547,000	1,764,000	1,610,000
Selling, general and administrative	2,678,000	2,265,000	6,999,000	6,662,000
	20,585,000	21,568,000	47,414,000	47,889,000
Operating income (loss)	2,401,000	1,447,000	1,775,000	(362,000)
Other income (expenses):				
Interest and dividend income, net of fees	581,000	565,000	1,704,000	1,469,000
Net realized and unrealized gains (losses) on marketable securities	(1,290,000)	(530,000)	3,548,000	2,838,000
Other	13,000	17,000	49,000	42,000
	(696,000)	52,000	5,301,000	4,349,000
Income before income tax expense (benefit)	1,705,000	1,499,000	7,076,000	3,987,000
Income tax expense (benefit)	513,000	409,000	2,243,000	(659,000)
Net Income	\$ 1,192,000	\$ 1,090,000	\$ 4,833,000	\$ 4,646,000
Basic Income per Common Share:				
Net income per share	\$ 0.13	\$ 0.11	\$ 0.51	\$ 0.49
Diluted Income per Common Share:				
Net income per share	\$ 0.13	\$ 0.11	\$ 0.51	\$ 0.49

See accompanying Notes to Condensed Consolidated Financial Statements

GENCOR INDUSTRIES, INC.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	For the Nine Months Ended	
	June 30,	
	2012	2011
Cash flows from operations:		
Net income	\$ 4,833,000	\$ 4,646,000
Adjustments to reconcile net income to cash provided by operating activities:		
Purchases of marketable securities	(41,816,000)	(84,850,000)
Proceeds from sale and maturity of marketable securities	41,519,000	80,360,000
Change in fair value of marketable securities	(3,455,000)	(2,831,000)
Deferred income taxes	1,365,000	(2,418,000)
Depreciation and amortization	798,000	642,000
Provision for doubtful accounts	366,000	190,000
Stock-based compensation	138,000	
Change in assets and liabilities:		
Accounts receivable	(190,000)	(140,000)
Costs and estimated earnings in excess of billings	234,000	(3,642,000)
Inventories	895,000	4,159,000
Prepaid expenses	268,000	585,000
Accounts payable	1,393,000	1,064,000
Customer deposits	1,762,000	1,277,000
Accrued expenses and other	1,708,000	1,346,000
Total adjustments	4,985,000	(4,258,000)
Cash flows provided by operating activities	9,818,000	388,000
Cash flows used in investing activities:		
Capital expenditures	(773,000)	(969,000)
Cash flows used in investing activities	(773,000)	(969,000)
Net increase (decrease) in cash	9,045,000	(581,000)
Cash at:		
Beginning of period	1,715,000	3,004,000
End of period	\$ 10,760,000	\$ 2,423,000

See accompanying Notes to Condensed Consolidated Financial Statements

GENCOR INDUSTRIES, INC.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

Note 1 Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all material adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included in the interim financial information. Operating results for the quarter and nine months ended June 30, 2012 are not necessarily indicative of the results that may be expected for the year ending September 30, 2012.

The accompanying Condensed Consolidated Balance Sheet at September 30, 2011 has been derived from the audited financial statements at that date but does not include all of the information and notes required by generally accepted accounting principles for complete financial statements.

For further information, refer to the consolidated financial statements and notes thereto included in the Gencor Industries, Inc. Annual Report on Form 10-K for the year ended September 30, 2011.

Note 2 Marketable Securities

Marketable debt and equity securities are categorized as trading securities and are thus marked to market and stated at fair value. Fair value determined by using quoted closing prices in active markets is categorized as Level 1 of the fair value hierarchy. Market standard valuation methodologies used to determine fair value is categorized as Level 2 of the fair value hierarchy. Realized gains and losses on investment transactions are determined by specific identification and are recognized as incurred in the statements of operations. Net unrealized gains and losses are reported in the statements of operations in the current period and represent the change in the fair value of investment holdings during the period.

Fair Value Measurements

The fair value of financial instruments is presented based upon a hierarchy of levels that prioritizes the inputs of valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measure