

KATY INDUSTRIES INC
Form 10-Q
November 10, 2014

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: September 26, 2014

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 001-05558

Katy Industries, Inc.
(Exact name of registrant as specified in its charter)

Delaware 75-1277589
(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

305 Rock Industrial Park Drive, Bridgeton, Missouri 63044
(Address of principal executive offices) (Zip Code)

Registrant's telephone number, including area code: (314) 656-4321

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.

Large accelerated filer Accelerated filer
Non-accelerated filer (Do not check if a smaller reporting company) Smaller reporting company

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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 October 24, 2014
Common Stock, \$1 Par Value	7,951,176 Shares

KATY INDUSTRIES, INC.
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IndexPART I FINANCIAL INFORMATIONItem 1. Financial Statements

KATY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF SEPTEMBER 26, 2014 (UNAUDITED) AND DECEMBER 31, 2013
 (Amounts in Thousands)

ASSETS

	September 26, 2014	December 31, 2013
CURRENT ASSETS:		
Cash	\$ 399	\$ 708
Accounts receivable, net	11,719	7,206
Inventories, net	17,804	10,004
Other current assets	777	663
Assets held for sale	-	74
Total current assets	30,699	18,655
OTHER ASSETS:		
Goodwill	2,556	-
Intangibles, net	3,958	-
Other	1,895	1,375
Total other assets	8,409	1,375
PROPERTY AND EQUIPMENT		
Land and improvements	535	251
Buildings and improvements	6,175	3,080
Machinery and equipment	53,714	52,164
	60,424	55,495
Less - Accumulated depreciation	(50,008)	(48,533)
Property and equipment, net	10,416	6,962
Total assets	\$ 49,524	\$ 26,992

See Notes to Condensed Consolidated Financial Statements.

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KATY INDUSTRIES, INC. AND SUBSIDIARIES
 CONDENSED CONSOLIDATED BALANCE SHEETS
 AS OF SEPTEMBER 26, 2014 (UNAUDITED) AND DECEMBER 31, 2013
 (Amounts in Thousands, Except Share Data)

LIABILITIES AND STOCKHOLDERS' EQUITY

	September 26, 2014	December 31, 2013
CURRENT LIABILITIES:		
Accounts payable	\$9,507	\$5,983
Book overdraft	361	264
Accrued compensation	1,744	1,411
Accrued expenses	7,783	7,062
Payable to related party	3,525	2,750
Deferred revenue	186	186
Revolving credit agreement	22,043	7,706
Total current liabilities	45,149	25,362
DEFERRED REVENUE	170	316
OTHER LIABILITIES	3,702	3,794
Total liabilities	49,021	29,472
COMMITMENTS AND CONTINGENCIES (Note 10)		
STOCKHOLDERS' EQUITY (DEFICIT)		
15% Convertible preferred stock, \$100 par value; authorized 1,200,000 shares; issued and outstanding 1,131,551 shares; liquidation value \$113,155	108,256	108,256
Common stock, \$1 par value; authorized 35,000,000 shares; issued 9,822,304 shares	9,822	9,822
Additional paid-in capital	27,110	27,110
Accumulated other comprehensive loss	(923)	(848)
Accumulated deficit	(122,325)	(125,383)
Treasury stock, at cost, 1,871,128 shares	(21,437)	(21,437)
Total stockholders' equity (deficit)	503	(2,480)
Total liabilities and stockholders' equity	\$49,524	\$26,992

See Notes to Condensed Consolidated Financial Statements.

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KATY INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)
FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 26, 2014 AND SEPTEMBER 27, 2013

(Amounts in Thousands, Except Per Share Data)

(Unaudited)

	Three Months Ended		Nine Months Ended	
	September	September	September	September
	26,	27,	26,	27,
	2014	2013	2014	2013
Net sales	\$26,543	\$ 20,852	\$72,077	\$ 59,817
Cost of goods sold	21,549	17,246	60,020	50,364
Gross profit	4,994	3,606	12,057	9,453
Selling, general and administrative expenses	3,451	2,951	10,633	9,236
Severance, restructuring and related charges	-	-	-	321
Loss on disposal of assets	-	230	-	230
Operating income (loss)	1,543	425	1,424	(334)
Interest expense	(229)	(302)	(786)	(678)
Other, net	40	66	117	137
Income (loss) from continuing operations before income tax expense	1,354	189	755	(875)
Income tax (expense) benefit from continuing operations	(4)	(4)	2,303	(17)
Income (loss) from continuing operations	1,350	185	3,058	(892)
(Loss) income from operations of discontinued businesses (net of tax)	-	(14)	-	373
Net Income (loss)	1,350	171	3,058	(519)
Other comprehensive loss				
Foregin currency translation	(43)	(34)	(75)	(45)
Total comprehensive income (loss)	\$1,307	\$ 137	\$2,983	\$ (564)
Income (loss) per share of common stock - Basic:				
Income (loss) from continuing operations	\$0.17	\$ 0.02	\$0.38	\$ (0.11)
Discontinued operations	-	-	-	0.05
Net income (loss)	\$0.17	\$ 0.02	\$0.38	\$ (0.06)
Income (loss) per share of common stock - Diluted:				
Income (loss) from continuing operations	\$0.05	\$ 0.01	\$0.11	\$ (0.11)
Discontinued operations	-	(0.01)	-	0.05
Net income (loss)	\$0.05	\$ (0.00)	\$0.11	\$ (0.06)
Weighted average common shares outstanding:				
Basic	7,951	7,951	7,951	7,951
Diluted	26,810	26,810	26,810	7,951

See Notes to Condensed Consolidated Financial Statements.

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KATY INDUSTRIES, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

FOR THE NINE MONTHS ENDED SEPTEMBER 26, 2014 AND SEPTEMBER 27, 2013

(Amounts in Thousands)

(Unaudited)

	September 26, 2014	September 27, 2013
Cash flows from operating activities:		
Net income (loss)	\$ 3,058	\$ (519)
Income from discontinued operations	-	373
Income (loss) from continuing operations	3,058	(892)
Depreciation	1,547	1,550
Amortization of intangible assets	108	-
Amortization of debt issuance costs	272	155
Stock-based compensation	50	15
Loss on sale or disposal of assets	-	230
Deferred income taxes	(2,318)	-
	2,717	1,058
Changes in operating assets and liabilities:		
Accounts receivable	(2,985)	(1,830)
Inventories	(6,395)	(742)
Other assets	(65)	379
Accounts payable	2,912	1,390
Accrued expenses	843	265
Payable to related party	375	375
Deferred revenue	(147)	(155)
Other	(275)	(393)
	(5,737)	(711)
Net cash (used in) provided by continuing operations	(3,020)	347
Net cash provided by discontinued operations	74	1,133
Net cash (used in) provided by operating activities	(2,946)	1,480