

HURCO COMPANIES INC  
Form 10-Q  
September 09, 2015

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

Quarterly report pursuant to section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly period ended July 31, 2015 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 No. 0-9143

**HURCO COMPANIES, INC.**

(Exact name of registrant as specified in its charter)

**Indiana**

(State or other jurisdiction of incorporation or organization)

**35-1150732**

(I.R.S. Employer Identification Number)

**One Technology Way**

**Indianapolis, Indiana**

(Address of principal executive offices) (Zip code)

**46268**

Registrant's telephone number, including area code **(317) 293-5309**

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Sections 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months, and (2) has been subject to the 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 small 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 of the Registrant's common stock outstanding as of September 1, 2015 was 6,551,718.

**HURCO COMPANIES, INC.**

July 2015 Form 10-Q Quarterly Report

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Signatures

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**PART I - FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS****HURCO COMPANIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF INCOME**

(In thousands, except per share data)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Sales and service fees	\$ 52,535	\$ 55,379	\$ 153,690	\$ 160,080
Cost of sales and service	35,905	37,367	103,954	111,520
Gross profit	16,630	18,012	49,736	48,560
Selling, general and administrative expenses	11,351	11,869	32,655	33,675
Operating income	5,279	6,143	17,081	14,885
Interest expense	48	65	174	196
Interest income	32	23	75	55
Investment income (expense)	4	4	75	40
Other (income) expense, net	11	46	159	331
Income (loss) before taxes	5,256	6,059	16,898	14,453
Provision for income taxes	1,573	1,684	5,488	4,173
Net income (loss)	\$ 3,683	\$ 4,375	\$ 11,410	\$ 10,280
Income per common share				

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Basic	\$ 0.56	\$ 0.67	\$ 1.73	\$ 1.57
Diluted	\$ 0.55	\$ 0.66	\$ 1.72	\$ 1.56

Weighted average common shares outstanding

Basic	6,552	6,505	6,540	6,493
Diluted	6,594	6,548	6,584	6,529

<b>Dividends paid per share</b>	\$ 0.08	\$ 0.07	\$ 0.23	\$ 0.19
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*The accompanying notes are an integral part of the condensed consolidated financial statements.*

**HURCO COMPANIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**

(In thousands)

	Three Months Ended July 31, 2015 (Unaudited)		Nine Months Ended July 31, 2015 (Unaudited)	
	2014	2014	2014	2014
Net income	\$ 3,683	\$ 4,375	\$ 11,410	\$ 10,280
Other comprehensive income (loss):				
Translation of foreign currency financial statements	(1,658 )	(886 )	(5,694 )	(372 )
(Gain) / loss on derivative instruments reclassified into operations, net of tax \$(207), \$134, \$(3) and \$398, respectively	(377 )	243	(5 )	724
Gain / (loss) on derivative instruments, net of tax \$(88), \$340, \$931 and \$(326), respectively	(159 )	619	1,693	(592 )
Total other comprehensive income (loss)	(2,194 )	(24 )	(4,006 )	(240 )
Comprehensive income	\$ 1,489	\$ 4,351	\$ 7,404	\$ 10,040

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

**HURCO COMPANIES, INC.****CONDENSED CONSOLIDATED BALANCE SHEETS**

(In thousands, except share and per share data)

	July 31, 2015 (Unaudited)	October 31, 2014 (Audited)
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 49,998	\$ 53,846
Accounts receivable, net	36,354	45,435
Inventories, net	111,978	95,992
Deferred income taxes	954	2,062
Derivative assets	2,399	3,127
Prepaid assets	10,141	8,927
Other	1,521	1,365
Total current assets	213,345	210,754
Property and equipment:		
Land	782	782
Building	7,314	7,314
Machinery and equipment	22,982	19,432
Leasehold improvements	3,338	3,523
	34,416	31,051
Less accumulated depreciation and amortization	(22,126 )	(19,546 )
	12,290	11,505
Software development costs, less accumulated amortization	3,821	3,519
Goodwill	2,315	2,606
Intangible assets, net	1,327	1,635
Investments and other assets, net	6,807	6,912
	\$ 239,905	\$ 236,931
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 43,032	\$ 42,718
Accrued expenses and other	14,150	18,060
Accrued warranty expenses	2,303	2,048
Derivative liabilities	1,340	705
Short-term debt	1,611	3,272
Total current liabilities	62,436	66,803
Non-current liabilities:		
Deferred income taxes	1,111	993
Accrued tax liability	948	1,054



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Deferred credits and other	3,731	3,436
Total non-current liabilities	5,790	5,483
Shareholders' equity:		
Preferred stock: no par value per share, 1,000,000 shares authorized, no shares issued	—	—
Common stock: no par value, \$.10 stated value per share, 12,500,000 shares authorized, 6,650,517 and 6,589,918 shares issued; and 6,551,718 and 6,508,880 shares outstanding, as of July 31, 2015 and October 31, 2014, respectively	655	651
Additional paid-in capital	57,108	55,974
Retained earnings	121,482	111,580
Accumulated other comprehensive loss	(7,566 )	(3,560 )
Total shareholders' equity	171,679	164,645
	\$ 239,905	\$ 236,931

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

**HURCO COMPANIES, INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

(In thousands)

	Three Months Ended July 31,		Nine Months Ended July 31,	
	2015	2014	2015	2014
	(Unaudited)		(Unaudited)	
Cash flows from operating activities:				
Net income	\$ 3,683	\$ 4,375	\$ 11,410	\$ 10,280
Adjustments to reconcile net income to net cash provided by (used for) operating activities, net of acquisitions:				
Provision for doubtful accounts	(29 )	3	(49 )	(48 )
Deferred income taxes	(362 )	(71 )	(1,202 )	(57 )
Equity in income of affiliates	(89 )	(82 )	(179 )	(247 )
Depreciation and amortization	809	808	2,256	2,359
Foreign currency (gain) loss	245	2,031	3,551	664
Unrealized (gain) loss on derivatives	(119 )	(634 )	449	(106 )
Stock-based compensation	312	265	881	657
Change in assets and liabilities:				
(Increase) decrease in accounts receivable	1,805	(364 )	9,314	(1,520 )
(Increase) decrease in inventories	(1,833 )	(5,182 )	(1,651 )	(5,205 )
(Increase) decrease in prepaid expenses	609	(783 )	263	(2,107 )
Increase (decrease) in accounts payable	1,478	4,965	(2,218 )	6,633
Increase (decrease) in accrued expenses	(661 )	1,681	(3,647 )	1,125
Net change in derivative assets and liabilities	497	(510 )	569	121
Other	23	(448 )	1,104	(434 )
Net cash provided by (used for) operating activities	6,368	6,054	20,851	12,115
Cash flows from investing activities:				
Purchase of property and equipment	(454 )	(476 )	(1,508 )	(1,427 )
Proceeds from sale of equipment	(1 )	—	50	126
Software development costs	(405 )	(285 )	(966 )	(708 )
Other investments	70	147	(97 )	(68 )
Acquisition of business	(17,650 )	—	(17,650 )	—
Net cash provided by (used for) investing activities	(18,440 )	(614 )	(20,171 )	(2,077 )
Cash flows from financing activities:				
Proceeds of exercise of common stock options	—	—	257	300
Dividends paid	(526 )	(456 )	(1,508 )	(1,236 )
Repayment of short-term debt	(1,613 )	—	(1,613 )	(386 )
Net cash provided by (used for) financing activities	(2,139 )	(456 )	(2,864 )	(1,322 )

Effect of exchange rate changes on cash	(511 )	(313 )	(1,664 )	(175 )
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