

GENCOR INDUSTRIES INC  
Form 10-Q  
May 14, 2012  
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**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 MARCH 31, 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.**

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<p><b>Delaware</b> (State or other jurisdiction of  incorporated or organization)</p>	<p><b>59-0933147</b> (I.R.S. Employer  Identification No.)</p>
<p><b>5201 North Orange Blossom Trail, Orlando, Florida</b> (Address of principal executive offices)</p>	<p><b>32810</b> (Zip Code)</p>
<p><b>(407) 290-6000</b>  (Registrant's telephone number, including area code)</p>	

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 <input type="checkbox"/>	Accelerated Filer <input type="checkbox"/>
Non-accelerated Filer <input type="checkbox"/> (Do not check if a smaller reporting company)	Smaller Reporting Company <input checked="" type="checkbox"/>

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 May 11, 2012
Common stock, \$.10 par value	8,008,632 shares
Class B stock, \$.10 par value	1,509,238 shares

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<b>Introductory Note: Caution Concerning Forward-Looking Statements</b>	

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.

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

	<b>March 31, 2012</b>	<b>September 30, 2011</b>
	<i>(Unaudited)</i>	
<b>ASSETS</b>		
Current assets:		
Cash	\$ 13,502,000	\$ 1,715,000
Marketable securities at fair value (cost \$76,141,000 at March 31, 2012 and \$76,275,000 at September 30, 2011)	76,947,000	72,486,000
Account receivable, less allowance for doubtful accounts of \$784,000 at March 31, 2012 and \$582,000 at September 30, 2011	1,535,000	1,573,000
Costs and estimated earnings in excess of billings	379,000	4,450,000
Inventories, net	14,657,000	12,878,000
Deferred income taxes		690,000
Prepaid expenses	1,265,000	1,632,000
<b>Total Current Assets</b>	<b>108,285,000</b>	<b>95,424,000</b>
Property and equipment, net	8,570,000	8,349,000
Other assets	99,000	602,000
<b>Total Assets</b>	<b>\$ 116,954,000</b>	<b>\$ 104,375,000</b>
<b>LIABILITIES AND SHAREHOLDERS EQUITY</b>		
Current Liabilities:		
Accounts payable	\$ 2,769,000	\$ 1,978,000
Customer deposits	8,136,000	756,000
Accrued expenses	3,004,000	2,842,000
<b>Total Current Liabilities</b>	<b>13,909,000</b>	<b>5,576,000</b>
Deferred and other income taxes	512,000	
<b>Total Liabilities</b>	<b>14,421,000</b>	<b>5,576,000</b>
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	9,953,000	9,860,000
Retained earnings	91,628,000	87,987,000
<b>Total Shareholders' Equity</b>	<b>102,533,000</b>	<b>98,799,000</b>

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Total Liabilities and Shareholders	Equity	\$ 116,954,000	\$ 104,375,000
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*See accompanying Notes to Condensed Consolidated Financial Statements*

**Table of Contents****GENCOR INDUSTRIES, INC.****Unaudited Condensed Consolidated Statements of Operations***(Unaudited)*

	For the Quarters Ended March 31,		For the Six Months Ended March 31,	
	2012	2011	2012	2011
Net revenue	\$ 19,339,000	\$ 16,727,000	\$ 26,203,000	\$ 24,512,000
Costs and expenses:				
Production costs	15,273,000	14,052,000	21,414,000	20,861,000
Product engineering and development	556,000	534,000	1,095,000	1,063,000
Selling, general and administrative	2,523,000	2,294,000	4,320,000	4,397,000
	18,352,000	16,880,000	26,829,000	26,321,000
Operating income (loss)	987,000	(153,000)	(626,000)	(1,809,000)
Other income (expenses):				
Interest and dividend income, net of fees	553,000	511,000	1,123,000	904,000
Net realized and unrealized gains on marketable securities	2,611,000	614,000	4,838,000	3,368,000
Other	20,000	6,000	36,000	25,000
	3,184,000	1,131,000	5,997,000	4,297,000
Income before income tax expense (benefit)	4,171,000	978,000	5,371,000	2,488,000
Income tax expense (benefit)	1,405,000	(1,472,000)	1,730,000	(1,067,000)
Net Income	\$ 2,766,000	\$ 2,450,000	\$ 3,641,000	\$ 3,555,000
Basic Income per Common Share:				
Net income per share	\$ 0.29	\$ 0.26	\$ 0.38	\$ 0.37
Diluted Income per Common Share:				
Net income per share	\$ 0.29	\$ 0.26	\$ 0.38	\$ 0.37

*See accompanying Notes to Condensed Consolidated Financial Statements*

**Table of Contents****GENCOR INDUSTRIES, INC.****Condensed Consolidated Statements of Cash Flows***(Unaudited)*

	<b>For the Six Months Ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
<b>Cash flows from operations:</b>		
Net income	\$ 3,641,000	\$ 3,555,000
<b>Adjustments to reconcile net income to cash provided by operating activities:</b>		
Purchases of marketable securities (including money funds)	(22,965,000)	(45,195,000)
Proceeds from sale and maturity of marketable securities	23,339,000	42,706,000
Change in fair value of marketable securities	(4,835,000)	(1,797,000)
Deferred income taxes	1,699,000	(2,364,000)
Depreciation and amortization	514,000	407,000
Provision for doubtful accounts	240,000	100,000
Stock-based compensation	92,000	
<b>Change in assets and liabilities:</b>		
Accounts receivable	(202,000)	291,000
Costs and estimated earnings in excess of billings	4,071,000	(2,139,000)
Inventories	(1,779,000)	488,000
Prepaid expenses	367,000	544,000
Accounts payable	791,000	2,009,000
Customer deposits	7,380,000	4,442,000
Accrued expenses and other	164,000	818,000
<b>Total adjustments</b>	<b>8,876,000</b>	<b>310,000</b>
<b>Cash flows provided by operating activities</b>	<b>12,517,000</b>	<b>3,865,000</b>
<b>Cash flows used in investing activities:</b>		
Capital expenditures	(730,000)	(851,000)
<b>Cash flows used in investing activities</b>	<b>(730,000)</b>	<b>(851,000)</b>
<b>Net increase in cash</b>	<b>11,787,000</b>	<b>3,014,000</b>
<b>Cash at:</b>		
Beginning of period	1,715,000	3,004,000
<b>End of period</b>	<b>\$ 13,502,000</b>	<b>\$ 6,018,000</b>

*See accompanying Notes to Condensed Consolidated Financial Statements*

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**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 six months ended March 31, 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.