

KEY TECHNOLOGY INC
Form 10-Q
February 07, 2014

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-Q

ý QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
for the quarterly period ended December 31, 2013

or

o 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. 0-21820

KEY TECHNOLOGY, INC.
(Exact name of registrant as specified in its charter)

Oregon
(State or jurisdiction of
incorporation or organization)

93-0822509
(I.R.S. Employer
Identification No.)

150 Avery Street
Walla Walla, Washington 99362
(Address of principal executive offices and zip code)

(509) 529-2161
(Registrant's telephone number, including area code)

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 (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 ý 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 ý 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

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company” in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting company

(Do not check if a 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 outstanding of the registrant's common stock, no par value, on January 31, 2014 was 6,290,459 shares.

KEY TECHNOLOGY, INC.
 FORM 10-Q FOR THE THREE MONTHS ENDED DECEMBER 31, 2013
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PART I

ITEM 1. FINANCIAL STATEMENTS

KEY TECHNOLOGY, INC. AND SUBSIDIARIES

UNAUDITED CONDENSED CONSOLIDATED BALANCE SHEETS

DECEMBER 31, 2013 AND SEPTEMBER 30, 2013

| | December 31, 2013 (in thousands) | September 30, 2013 |
|--|--|-----------------------|
| Assets | | |
| Current assets: | | |
| Cash and cash equivalents | \$11,374 | \$17,601 |
| Trade accounts receivable, net of allowance for doubtful accounts of \$346 and \$296, respectively | 12,168 | 17,725 |
| Inventories: | | |
| Raw materials | 10,669 | 10,657 |
| Work-in-process and sub-assemblies | 11,684 | 7,802 |
| Finished goods | 9,364 | 9,462 |
| Total inventories | 31,717 | 27,921 |
| Deferred income taxes | 4,156 | 5,034 |
| Prepaid expenses and other assets | 6,110 | 4,292 |
| Total current assets | 65,525 | 72,573 |
| Property, plant and equipment, net | 16,694 | 17,259 |
| Deferred income taxes | 673 | 760 |
| Goodwill | 11,968 | 11,821 |
| Investment in Proditec | 1,148 | 1,148 |
| Intangibles and other assets, net | 10,796 | 11,063 |
| Total | \$106,804 | \$114,624 |
| Liabilities and Shareholders' Equity | | |
| Current liabilities: | | |
| Accounts payable | \$5,907 | \$6,669 |
| Accrued payroll liabilities and commissions | 5,537 | 9,440 |
| Customers' deposits | 6,962 | 6,048 |
| Accrued customer support and warranty costs | 2,689 | 3,301 |
| Customer purchase plans | 1,900 | 1,731 |
| Income taxes payable | — | 430 |
| Current portion of long-term debt | 865 | 871 |
| Other accrued liabilities | 1,047 | 1,745 |
| Total current liabilities | 24,907 | 30,235 |
| Long-term debt | 5,422 | 5,612 |
| Deferred income taxes | 5,083 | 5,226 |
| Other long-term liabilities | 369 | 426 |
| Shareholders' equity: | | |
| Common stock | 30,304 | 30,086 |
| Warrants | 665 | 665 |
| Retained earnings and other shareholders' equity | 40,054 | 42,374 |
| Total shareholders' equity | 71,023 | 73,125 |
| Total | \$106,804 | \$114,624 |

See notes to unaudited condensed consolidated financial statements.

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KEY TECHNOLOGY, INC. AND SUBSIDIARIES
 UNAUDITED CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
 FOR THE THREE MONTHS ENDED DECEMBER 31, 2013 AND 2012

| | 2013 | 2012 | |
|-------------------------------|---------------------------------------|----------|---|
| | (in thousands, except per share data) | | |
| Net sales | \$22,725 | \$19,854 | |
| Cost of sales | 16,555 | 13,370 | |
| Gross profit | 6,170 | 6,484 | |
| Operating expenses: | | | |
| Sales and marketing | 4,773 | 3,857 | |
| Research and development | 2,430 | 1,736 | |
| General and administrative | 2,416 | 2,129 | |
| Amortization of intangibles | 437 | 4 | |
| Total operating expenses | 10,056 | 7,726 | |
| Gain on disposition of assets | 6 | 20 | |
| Loss from operations | (3,880 |) (1,222 |) |
| Other income (expense) | (65 |) (63 |) |
| Loss before income taxes | (3,945 |) (1,285 |) |
| Income tax benefit | (1,339 |) (411 |) |
| Net loss | \$(2,606 |) \$(874 |) |
| Net loss per share | | | |