

FLEXSTEEL INDUSTRIES INC
Form 10-Q
February 08, 2017

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 December 31, 2016

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 **0-5151**

FLEXSTEEL INDUSTRIES, INC.

(Exact Name of Registrant as Specified in Its Charter)

Incorporated in State of Minnesota 42-0442319
(State or other Jurisdiction of (I.R.S. Identification No.)
Incorporation or Organization)

385 BELL STREET

DUBUQUE, IOWA 52001-0877

(Address of Principal Executive Offices) (Zip Code)

(563) 556-7730

(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 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 definition 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 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 ..

Common Stock - \$1.00 Par Value

Shares Outstanding as of January 25, 2017 7,796,154

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS (UNAUDITED)

(Amounts in thousands, except share and per share data)

	December 31, 2016	June 30, 2016
ASSETS		
CURRENT ASSETS:		
Cash	\$40,817	\$36,780
Trade receivables – less allowances: December 31, 2016, \$1,260; June 30, 2016, \$1,300	44,053	44,618
Inventories	96,284	85,904
Other	7,419	9,141
Total current assets	188,573	176,443
NON-CURRENT ASSETS:		
Property, plant and equipment, net	68,425	64,124
Deferred income taxes	3,020	3,660
Other assets	2,880	2,669
TOTAL	\$262,898	\$246,896
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable – trade	\$20,053	\$11,023
Accrued liabilities:		
Payroll and related items	5,013	6,986
Insurance	5,720	5,252
Other	9,738	10,096
Total current liabilities	40,524	33,357
LONG-TERM LIABILITIES:		
Supplemental retirement plans	962	894
Other liabilities	2,950	2,995
Total liabilities	44,436	37,246
SHAREHOLDERS' EQUITY:		
Common stock – \$1 par value; authorized 15,000,000 shares; outstanding December 31, 2016, 7,788,654 shares; outstanding June 30, 2016, 7,700,149 shares	7,789	7,700

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Additional paid-in capital	24,916	23,259
Retained earnings	187,948	180,919
Accumulated other comprehensive loss	(2,191)	(2,228)
Total shareholders' equity	218,462	209,650
TOTAL	\$262,898	\$246,896

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

(Amounts in thousands, except per share data)

	Three Months Ended		Six Months Ended	
	December 31,		December 31,	
	2016	2015	2016	2015
Net sales	\$ 118,530	\$ 125,410	\$ 230,580	\$ 251,942
Cost of goods sold	(91,782)	(97,726)	(177,202)	(196,389)
Gross margin	26,748	27,684	53,378	55,553
Selling, general and administrative	(18,332)	(19,500)	(37,258)	(37,990)
Litigation settlement reimbursements	—	250	—	250
Operating income	8,416	8,434	16,120	17,813
Interest and other income (expense)	103	116	151	67
Interest expense	—	(24)	—	(61)
Income before income taxes	8,519	8,526	16,271	17,819
Income tax provision	(3,130)	(3,160)	(6,130)	(6,690)
Net income	\$5,389	\$5,366	\$10,141	\$11,129
Weighted average number of common shares outstanding:				
Basic	7,779	7,575	7,752	7,541
Diluted	7,906	7,821	7,865	7,774
Earnings per share of common stock:				
Basic	\$0.69	\$0.71	\$1.31	\$1.48
Diluted	\$0.68	\$0.69	\$1.29	\$1.43
Cash dividends declared per common share	\$0.20	\$0.18	\$0.40	\$0.36

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(Amounts in thousands)

	Three Months		Six Months Ended	
	Ended		December 31,	
	December 31,		December 31,	
	2016	2015	2016	2015
Net income	\$5,389	\$5,366	\$10,141	\$11,129
Other comprehensive (loss) income:				

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Unrealized (loss) gain on securities in supplemental retirement plans	(105)	669	(44)	402
Reclassification of realized gain (loss) on supplemental retirement plans to other income	84	(348)	104	(256)
Other comprehensive (loss) income before taxes	(21)	321	60	146
Income tax benefit (expense) related to supplemental retirement plans loss	8	(122)	(23)	(56)
Other comprehensive (loss) gain, net of tax	(13)	199	37	90
Comprehensive income	\$5,376	\$5,565	\$10,178	\$11,219

See accompanying Notes to Consolidated Financial Statements (Unaudited).

FLEXSTEEL INDUSTRIES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

(Amounts in thousands)

	Six Months Ended December 31,	
	2016	2015
OPERATING ACTIVITIES:		
Net income	\$10,141	\$11,129
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation	4,058	3,590
Deferred income taxes	617	1,805
Stock-based compensation expense	925	728
Excess tax benefit from share-based payments	(1,182)	(687)
Change in provision for losses on accounts receivable	(40)	(50)
(Gain) loss on disposition of capital assets	(143)	12
Gain on life insurance policies	—	(346)
Changes in operating assets and liabilities:		
Trade receivables	604	(4,628)
Inventories	(10,379)	2,645
Other current assets	1,063	(3,809)
Other assets	(73)	—
Accounts payable – trade	6,676	(2,117)
Accrued liabilities	437	301
Supplemental retirement plans	(540)	695
Other long-term liabilities	(45)	(17)
Net cash provided by operating activities	12,119	9,251
INVESTING ACTIVITIES:		
Purchases of investments	(1,699)	(1,294)
Proceeds from sales of investments	1,600	1,097
Proceeds from sale of capital assets	143	20
Proceeds from life insurance policies	—	2,836
Capital expenditures	(6,005)	(5,848)
Net cash used in investing activities	(5,961)	(3,189)
FINANCING ACTIVITIES:		
Dividends paid	(2,941)	(2,707)
Repayments of current notes payable, net	—	(5,959)
Proceeds from issuance of common stock	770	1,128
Shares issued to employees, net of shares withheld	(1,132)	(164)
Excess tax benefit from share-based payment		