

FLOW INTERNATIONAL CORP

Form 10-Q

December 16, 2002

Table of Contents

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 October 31, 2002

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 0-12448

FLOW INTERNATIONAL CORPORATION

WASHINGTON
(State or other jurisdiction
of incorporation or organization)

91-1104842
(I.R.S. Employer
Identification No.)

23500 64th Avenue South
Kent, Washington 98032
(253) 850-3500

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

The number of shares outstanding of common stock, as of November 29, 2002 is 15,358,759 shares.

Table of Contents**FLOW INTERNATIONAL CORPORATION****INDEX**

| | Page |
|--|-------------|
| Part I FINANCIAL INFORMATION | |
| Item 1. | |
| Consolidated Financial Statements | |
| <u>Consolidated Balance Sheets</u> <u>October 31, 2002 and April 30, 2002</u> | 3 |
| <u>Consolidated Statements of Operations</u> <u>Three Months Ended October 31, 2002 and 2001</u> | 4 |
| <u>Consolidated Statements of Operations</u> <u>Six Months Ended October 31, 2002 and 2001</u> | 5 |
| <u>Condensed Consolidated Statements of Cash Flows</u> <u>Six Months Ended October 31, 2002 and 2001</u> | 6 |
| <u>Consolidated Statements of Comprehensive Loss</u> <u>Three Months and Six Months Ended October 31, 2002 and 2001</u> | 7 |
| <u>Notes to Condensed Consolidated Financial Statements</u> | 8 |
| Item 2. | |
| <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u> | 16 |
| Item 3. | |
| <u>Quantitative and Qualitative Disclosures About Market Risk</u> | 28 |
| Item 4. | |
| <u>Controls and Procedures</u> | 28 |
| Part II OTHER INFORMATION | |
| Item 1. | |
| <u>Legal Proceedings</u> | 29 |
| Item 2. | |
| <u>Changes in Securities and Use of Proceeds</u> | 29 |
| Item 3. | |
| <u>Defaults Upon Senior Securities</u> | 29 |
| Item 4. | |
| <u>Submission of Matters to a Vote of Security Holders</u> | 29 |
| Item 5. | |
| <u>Other Information</u> | 29 |
| Item 6. | |
| <u>Exhibits and Reports on Form 8-K</u> | 29 |
| <u>Signatures</u> | 31 |
| <u>Certifications</u> | 32 |

Table of Contents**FLOW INTERNATIONAL CORPORATION****CONSOLIDATED BALANCE SHEETS**
(in thousands, except share amounts)

| | October 31, 2002 | April 30, 2002 |
|--|---------------------|-------------------|
| | (unaudited) | |
| ASSETS | | |
| Current Assets: | | |
| Cash and Cash Equivalents | \$ 7,419 | \$ 7,120 |
| Receivables, Net | 59,993 | 62,774 |
| Inventories | 44,745 | 48,164 |
| Deferred Income Taxes | 1,831 | 1,980 |
| Other Current Assets | 9,229 | 11,608 |
| | <u>123,217</u> | <u>131,646</u> |
| Total Current Assets | 123,217 | 131,646 |
| Equipment Held for Lease, Net | 3,387 | 5,968 |
| Property and Equipment, Net | 16,052 | 16,996 |
| Intangible Assets, Net of Accumulated Amortization of \$9,294 and \$8,735, respectively | 12,077 | 13,182 |
| Goodwill | 16,545 | 16,332 |
| Deferred Income Taxes | 229 | 5,115 |
| Other Assets | 20,388 | 17,237 |
| | <u>\$ 191,895</u> | <u>\$ 206,476</u> |
| | <u>\$ 191,895</u> | <u>\$ 206,476</u> |
| LIABILITIES, MINORITY INTEREST AND STOCKHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Notes Payable | \$ 4,084 | \$ 374 |
| Current Portion of Long-Term Obligations | 92,005 | 6,114 |
| Accounts Payable | 9,894 | 11,617 |
| Accrued Payroll and Related Liabilities | 4,936 | 4,844 |
| Other Accrued Taxes | 973 | 2,530 |
| Deferred Revenue | 3,824 | 3,613 |
| Other Accrued Liabilities | 5,071 | 14,920 |
| | <u>120,787</u> | <u>44,012</u> |
| Total Current Liabilities | 120,787 | 44,012 |
| Long-Term Obligations | | 81,625 |
| Customer Deposits | 7,991 | 7,909 |
| | <u>128,778</u> | <u>133,546</u> |
| Total Liabilities | 128,778 | 133,546 |
| Minority Interest | 2,337 | 2,246 |
| Stockholders Equity: | | |
| Series A 8% Convertible Preferred Stock \$0.01 par value, 1,000,000 shares authorized, none issued | | |
| Common Stock \$0.01 par value, 20,000,000 shares authorized, 15,358,759 shares outstanding at October 31, 2002 15,281,759 shares outstanding at April 30, 2002 | 154 | 153 |
| Capital in Excess of Par | 55,598 | 55,158 |
| Retained Earnings | 17,343 | 29,206 |
| Accumulated Other Comprehensive Loss | (12,315) | (13,833) |
| | <u>60,780</u> | <u>70,684</u> |
| Total Stockholders Equity | 60,780 | 70,684 |
| | <u>\$ 191,895</u> | <u>\$ 206,476</u> |
| | <u>\$ 191,895</u> | <u>\$ 206,476</u> |

See Accompanying Notes to
Condensed Consolidated Financial Statements

Table of Contents

FLOW INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except per share data)

| | Three Months Ended October 31, | |
|---|-----------------------------------|-----------|
| | 2002 | 2001 |
| Revenues | \$ 44,196 | \$ 44,238 |
| Cost of Sales | 28,585 | 25,969 |
| Gross Profit | 15,611 | 18,269 |
| Expenses: | | |
| Marketing | 8,040 | 7,735 |
| Research and Engineering | 3,111 | 3,388 |
| General and Administrative | 4,537 | 4,184 |
| | 15,688 | 15,307 |
| Operating (Loss) Income | (77) | 2,962 |
| Interest Expense, Net | 2,829 | 2,464 |
| Other Expense (Income), Net | 498 | (63) |
| (Loss) Income Before Provision for Income Taxes | (3,404) | 561 |
| Provision for Income Taxes | (4,479) | (185) |
| Net (Loss) Income | \$ (7,883) | \$ 376 |
| Basic (Loss) Earnings Per Share | \$ (.51) | \$.02 |
| Diluted (Loss) Earnings Per Share | \$ (.51) | \$.02 |
| Weighted Average Shares Used in Computing Basic and Diluted (Loss) Earnings Per Share | | |
| Basic | 15,359 | 15,236 |
| Diluted | 15,359 | 16,315 |

See Accompanying Notes to
Condensed Consolidated Financial Statements

Table of Contents

FLOW INTERNATIONAL CORPORATION
CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited; in thousands, except per share data)

| | Six Months Ended October 31, | |
|---|---------------------------------|-----------|
| | 2002 | 2001 |
| Revenues | \$ 84,673 | \$ 90,840 |
| Cost of Sales | 56,123 | 53,797 |
| Gross Profit | 28,550 | 37,043 |
| Expenses: | | |
| Marketing | 16,279 | 15,244 |
| Research and Engineering | 6,628 | 7,287 |
| General and Administrative | 9,165 | 8,464 |
| | 32,072 | 30,995 |
| Operating (Loss) Income | (3,522) | 6,048 |
| Interest Expense, Net | 5,003 | 4,558 |
| Other Expense, Net | 819 | 302 |
| (Loss) Income Before Provision for Income Taxes | (9,344) | 1,188 |
| Provision for Income Taxes | (2,519) | (392) |
| Net (Loss) Income | \$ (11,863) | \$ 796 |
| Basic (Loss) Earnings Per Share | \$ (.77) | \$.05 |
| Diluted (Loss) Earnings Per Share | \$ (.77) | \$.05 |
| Weighted Average Shares Used in Computing Basic and Diluted (Loss) Earnings Per Share | | |
| Basic | 15,338 | 15,204 |
| Diluted | 15,338 | 16,243 |

See Accompanying Notes to
Condensed Consolidated Financial Statements

Table of Contents

FLOW INTERNATIONAL CORPORATION
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited; in thousands)

| | Six Months Ended October 31, | |
|---|---|-------------|
| | 2002 | 2001 |
| Cash Flows from Operating Activities: | | |
| Net (Loss) Income | \$ (11,863) | \$ 796 |
| Adjustments to Reconcile Net (Loss) Income to Cash (Used in) Provided by Operating Activities: | | |
| Depreciation and Amortization | 4,606 | 3,666 |
| Valuation Reserve for Deferred Tax Assets | 5,603 | |
| Other Non-Cash Items | 1,142 | 793 |
| Decrease (Increase) in Assets | 3,360 | (5,904) |
| (Decrease) Increase in Liabilities | (12,412) | 851 |
| | (9,564) | 202 |
| Cash Flows from Investing Activities: | | |
| Expenditures for Property and Equipment | (2,229) | |