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VSE CORP
Form 10-Q
July 27, 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 Quarter Ended June 30, 2017 Commission File Number: 0 3676

VSE CORPORATION
(Exact Name of Registrant as Specified in its Charter)
DELAWARE 54-0649263
(State or Other Jurisdiction of (I.R.S. Employer
Incorporation or Organization) Identification No.)

6348 Walker Lane
Alexandria, Virginia 22310 www.vsecorp.com
(Address of Principal Executive Offices) (Zip Code) (Webpage)

Registrant's Telephone Number, Including Area Code: (703) 960-4600

Securities registered pursuant to Section 12(b) of the Act:
Title of each class Name of each exchange on which registered
Common Stock, par value \$0.05 per share The NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act: None

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 (section 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, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer Accelerated filer
Non-accelerated filer Smaller reporting company
Emerging growth company

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If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transaction period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Yes No

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Number of shares of Common Stock outstanding as of July 20, 2017: 10,838,435

TABLE OF CONTENTS

	Page
<u>PART I</u>	
ITEM 1. <u>Financial Statements</u>	
<u>Unaudited Consolidated Balance Sheets as of June 30, 2017 and December 31, 2016</u>	4
<u>Unaudited Consolidated Statements of Income for the three and six months ended June 30, 2017 and 2016</u>	5
<u>Unaudited Consolidated Statements of Comprehensive Income for the three and six months ended June 30, 2017 and 2016</u>	6
<u>Unaudited Consolidated Statements of Cash Flows for the six months ended June 30, 2017 and 2016</u>	7
<u>Notes to Unaudited Consolidated Financial Statements</u>	8
ITEM 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	15
ITEM 3. <u>Quantitative and Qualitative Disclosures About Market Risks</u>	24
ITEM 4. <u>Controls and Procedures</u>	24
<u>PART II</u>	
ITEM 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	24
ITEM 6. <u>Exhibits, Financial Statements and Schedules</u>	25
<u>Signatures</u>	26

Table of Contents

VSE Corporation and Subsidiaries

Forward Looking Statements

This report contains statements that, to the extent they are not recitations of historical fact, constitute "forward looking statements" under federal securities laws. All such statements are intended to be subject to the safe harbor protection provided by applicable securities laws. For discussions identifying some important factors that could cause actual results of VSE Corporation ("VSE," the "Company," "us," "our," or "we") to differ materially from those anticipated in the forward looking statements contained in this report, see VSE's discussions captioned "Business," "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Notes to Consolidated Financial Statements" contained in VSE's Annual Report on Form 10-K for the fiscal year ended December 31, 2016 filed with the Securities and Exchange Commission ("SEC") on March 1, 2017 ("2016 Form 10-K").

Readers are cautioned not to place undue reliance on these forward looking statements, which reflect management's analysis only as of the date hereof. We undertake no obligation to revise publicly these forward looking statements to reflect events or circumstances that arise after the date hereof. Readers should carefully review the risk factors described in our 2016 Form 10-K and in the reports and other documents the Company files from time to time with the SEC, including this and other Quarterly Reports on Form 10-Q and any Current Reports on Form 8-K that we have filed or will file with the SEC subsequent to our 2016 Form 10-K.

-3-

Table of Contents

PART I. Financial Information

Item 1. Financial Statements

VSE Corporation and Subsidiaries

Unaudited Consolidated Balance Sheets

(in thousands except share and per share amounts)

	June 30, 2017	December 31, 2016
Assets		
Current assets:		
Cash and cash equivalents	\$717	\$ 428
Receivables, net	80,945	101,218
Inventories, net	135,812	136,340
Other current assets	10,932	20,477
Total current assets	228,406	258,463
Property and equipment, net	58,202	62,061
Intangible assets, net	118,917	126,926
Goodwill	198,622	198,622
Other assets	15,699	15,767
Total assets	\$619,846	\$ 661,839
Liabilities and Stockholders' equity		
Current liabilities:		
Current portion of long-term debt	\$23,835	\$ 21,023
Accounts payable	51,932	93,999
Accrued expenses and other current liabilities	31,638	32,772
Dividends payable	759	648
Total current liabilities	108,164	148,442
Long-term debt, less current portion	175,609	193,621
Deferred compensation	15,307	12,751
Long-term lease obligations, less current portion	21,292	21,959
Deferred tax liabilities	28,941	29,872
Total liabilities	349,313	406,645
Commitments and contingencies		
Stockholders' equity:		
Common stock, par value \$0.05 per share, authorized 15,000,000 shares; issued and outstanding 10,838,435 and 10,798,927, respectively	542	540
Additional paid-in capital	24,455	22,876
Retained earnings	245,422	231,733
Accumulated other comprehensive income	114	45
Total stockholders' equity	270,533	255,194
Total liabilities and stockholders' equity	\$619,846	\$ 661,839

The accompanying notes are an integral part of these unaudited consolidated financial statements.

-4-

Table of Contents

VSE Corporation and Subsidiaries

Unaudited Consolidated Statements of Income
(in thousands except share and per share amounts)

	For the three months ended June 30,		For the six months ended June 30,	
	2017	2016	2017	2016
Revenues:				
Products	\$89,254	\$81,994	\$178,271	\$167,265
Services	104,606	78,479	212,883	136,844
Total revenues	193,860	160,473	391,154	304,109
Costs and operating expenses:				
Products	74,222	66,827	148,928	136,117
Services	100,150	75,606	204,094	131,810
Selling, general and administrative expenses	479	2,140	923	3,521
Amortization of intangible assets	4,004	4,021	8,008	