Manitex International, Inc.
Form 10-Q
November 14, 2011
Table of Contents

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 September 30, 2011

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: 001-32401

MANITEX INTERNATIONAL, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan	**42-1628978**
(State or Other Jurisdiction of Incorporation or Organization)	**(I.R.S. Employer Identification Number)**

9725 Industrial Drive, Bridgeview, Illinois 60455

(Address of Principal Executive Offices)

(Zip Code)

(708) 430-7500

(Registrant s Telephone Number, Including Area Code)

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report)

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 x 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 x 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	¨	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	x

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act.): Yes ¨ No x

The number of shares of the registrant s common stock, no par, outstanding at November 10, 2011 was 11,409,533

Table of Contents

MANITEX INTERNATIONAL, INC.

FORM 10-Q INDEX

TABLE OF CONTENTS

Table of Contents

PART 1 FINANCIAL INFORMATION

Item 1 Financial Statements

MANITEX INTERNATIONAL INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(In thousands, except for per share amounts)

	September 30, 2011 Unaudited	December 31, 2010 Unaudited
ASSETS		
Current assets		
Cash	$ 773	$ 662
Trade receivables (net of allowances of $129 and $163 at September 30, 2011 and December 31, 2010)	22,833	19,557
Other receivables	1,738	1,440
Inventory (net of allowances of $569 and $319 at September 30, 2011 and December 31, 2010)	38,747	30,694
Deferred tax asset	650	650
Prepaid expense and other	1,413	1,700
Total current assets	66,154	54,703
Total fixed assets (net)	11,344	10,659
Intangible assets (net)	20,732	20,403
Deferred tax asset	4,332	5,249
Goodwill	15,302	14,452
Other long-term assets	114	51
Total assets	$ 117,978	$ 105,517
LIABILITIES AND SHAREHOLDERS EQUITY		
Current liabilities		
Notes payable short term	$ 4,935	$ 2,646
Current portion of capital lease obligations	619	564
Accounts payable	16,353	14,447
Accounts payable related parties	412	481
Accrued expenses	4,246	4,335
Other current liabilities	444	538
Total current liabilities	27,009	23,011
Long-term liabilities		
Revolving term credit facilities	25,494	20,007
Deferred tax liability	5,476	5,473
Notes payable	7,948	6,119
Capital lease obligations	4,199	4,683
Deferred gain on sale of building	2,504	2,789
Other long-term liabilities	169	161
Total long-term liabilities	45,790	39,232
Total liabilities	72,799	62,243

Commitments and contingencies

Shareholders equity				
Preferred Stock Authorized 150,000 shares, no shares issued or outstanding September 30, 2011 and December 31, 2010				
Common Stock no par value, Authorized, 20,000,000 shares authorized issued and outstanding, 11,409,533 and 11,394,621 at September 30, 2011 and December 31, 2010, respectively		46,989		46,920
Warrants		1,743		1,788
Paid in capital		65		6
Accumulated deficit		(3,657)		(6,148)
Accumulated other comprehensive income		39		708
Total shareholders equity		45,179		43,274
Total liabilities and shareholders equity	$	117,978	$	105,517

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

2

Table of Contents

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except for share and per share amounts)

	Three Months Ended September 30, 2011 Unaudited	Three Months Ended September 30, 2010 Unaudited	Nine Months Ended September 30, 2011 Unaudited	Nine Months Ended September 30, 2010 Unaudited
Net revenues	$ 36,942	$ 24,859	$ 105,730	$ 66,331
Cost of sales	29,118	19,004	83,969	50,657
Gross profit	7,824	5,855	21,761	15,674
Operating expenses				
Research and development costs	442	320	1,123	879
Selling, general and administrative expenses	5,128	4,022	14,861	11,155
Restructuring expenses	21	23	51	158
Total operating expenses	5,591	4,365	16,035	12,192
Operating income	2,233	1,490	5,726	3,482
Other income (expense)				
Interest expense	(653)	(601)	(1,924)	(1,830)
Foreign currency transaction gains (losses)	(15)	68	33	(71)
Other income	1	23	18	177
Total other expense	(667)	(510)	(1,873)	(1,724)
Income before income taxes	1,566	980	3,853	1,758
Income tax	546	323	1,362	581
Net income	$ 1,020	$ 657	$ 2,491	$ 1,177
Earnings Per Share				
Basic	$ 0.09	$ 0.06	$ 0.22	$ 0.10
Diluted	$ 0.09	$ 0.06	$ 0.22	$ 0.10
Weighted average common share outstanding				
Basic	11,409,533	11,372,467	11,407,296	11,353,849
Diluted	11,454,012	11,396,770	11,545,623	11,376,017

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

3

Table of Contents

MANITEX INTERNATIONAL, INC.

CONSOLIDATED STATEMENT OF CASH FLOWS

(In thousands, except for share amounts)

	Nine Months Ended September 30, 2011 Unaudited	Nine Months Ended September 30, 2010 Unaudited
Cash flows from operating activities:		
Net income	$ 2,491	$ 1,177
Adjustments to reconcile net income to cash used for operating activities:		
Depreciation and amortization	2,518	2,344
Changes in allowances for doubtful accounts	(19)	56
Changes in inventory reserves	210	17
Deferred income taxes	917	(7)
Stock based compensation	95	78
Loss (gain) on disposal of fixed assets	32	(39)
Reserves for uncertain tax provisions	8	
Changes in operating assets and liabilities:		
(Increase) decrease in accounts receivable	(3,676)	(6,209)
(Increase) decrease in inventory	(8,913)	(942)
(Increase) decrease in prepaid expenses	310	106
(Increase) decrease in other assets	(63)	25
Increase (decrease) in accounts payable	1,756	1,578
Increase (decrease) in accrued expense	(59)	1,262
Increase (decrease) in other current liabilities	(81)	354
Net cash used for operating activities	(4,474)	(200)
Cash flows from investing activities:		
Proceeds from the sale of fixed assets	282	216
Acquisition of CVS assets	(1,585)	
Purchase of property and equipment	(446)	(428)
Net cash used for investing activities	(1,749)	(212)
Cash flows from financing activities:		
Borrowing on revolving term credit facilities	5,817	3,217
Repayments on revolving term credit facility		(1,023)
Shares repurchased for income tax withholdings on stock based compensation	(12)	(18)
New borrowings	12,520	1,175
Note payments (1) (2)	(11,350)	(2,468)
Payments on capital lease obligations	(429)	(392)
Net cash provided by financing activities	6,546	491
Net increase in cash and cash equivalents	323	79
Effect of exchange rate change on cash and cash equivalents	(212)	(149)
Cash and cash equivalents at the beginning of the year	662	287
Cash and cash equivalents at end of period	$ 773	$ 217

(1) On March 1, 2010, the Company issued 64,655 shares of its common stock to Terex Corporation, in lieu of $150 of the principal payment on the Term Note that was due on March 1, 2010. This transaction is a non-cash transaction. Accordingly, the cash flow statement excludes the impact of this transaction.

(2) On January 6, 2010, the Company issued 130,890 shares of common stock to settle a promissory note in the amount of $250 issued on December 31, 2009 in connection with the Load King acquisition. The note was executed to ensure the delivery to the Seller of 130,890 shares of the Company s Common Stock as provided for in the Purchase Agreement. This transaction is a non-cash transaction. Accordingly, the cash flow statement excludes the impact of this transaction.

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

Table of Contents

MANITEX INTERNATIONAL, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

(in thousands, except per share data)

Note 1. Nature of Operations

Manitex International, Inc. (the Company) is a leading provider of engineered lifting solutions. The Company operates in two business segments the Lifting Equipment segment and the Equipment Distribution segment.

Lifting Equipment Segment

The Company designs, manufactures and distributes a diverse group of products that serve different functions and are used in a variety of industries. Through its Manitex, Inc. subsidiary it markets a comprehensive line of boom trucks and sign cranes. Manitex s boom trucks and crane products are primarily used for industrial projects, energy exploration and infrastructure development, including, roads, bridges and commercial construction. Its Badger Equipment Company subsidiary (Badger) acquired on July 10, 2009, is a manufacturer of specialized rough terrain cranes and material handling products, including a 30-ton model, the first in a new line of specialized high quality rough terrain cranes that the Company will be introducing. Badger primarily serves the needs of the construction, municipality, and railroad industries.

The Manitex Liftking ULC (Manitex Liftking or Liftking) subsidiary sells a complete line of rough terrain forklifts, including the Liftking and Noble product lines, a line of electric forklifts marketed under the Schaeff name, as well as special mission oriented vehicles, and other specialized carriers, heavy material handling transporters and steel mill equipment. Manitex Liftking s rough terrain forklifts are used in both commercial and military applications. Specialty mission oriented vehicles and specialized carriers are designed and built to meet the Company s unique customer needs and requirements. The Company s specialized lifting equipment has met the particular needs of customers in various industries that include utility, ship building and steel mill industries.

On December 31, 2009, the Company s subsidiary, Manitex Load King, Inc. (Load King), acquired the operating assets of Load King Trailers, an Elk Point, South Dakota-based manufacturer of specialized custom trailers and hauling systems, typically used for transporting heavy equipment. Load King trailers serve niche markets in the commercial construction, railroad, military, and equipment rental industries through a dealer network. Load King complements the Company s existing material handling business.

July 1, 2010, the Company s Italian subsidiary, CVS Ferrari, srl (CVS) entered into an agreement to rent certain assets of CVS SpA on an exclusive rental basis, during the Italian bankruptcy process (concordato preventivo). CVS SpA was located near Milan, Italy and designed and manufactured a range of reach stackers and associated lifting equipment for the global container handling market, which were sold through a broad dealer network. During the third quarter 2010, CVS Ferrari, srl commenced operations and uses the rental assets in its operations. On June 29, 2011, the Company entered into an agreement which was effective on July 1, 2011 with CVS SpA in Liquidation to acquire the assets that were being rented. See Note 19 for further information.

Equipment Distribution Segment

The Company s Crane & Machinery Division located in Bridgeview, Illinois, is a crane dealer that distributes Terex rough terrain and truck cranes, Fuchs material handlers, Manitex boom trucks and sky cranes. The Company s Crane & Machinery Division provides service in its local market and also supplies repair parts for a wide variety of medium to heavy duty construction equipment sold both domestically and internationally. Our crane products are used primarily for infrastructure development and commercial constructions. Applications include road and bridge construction, general contracting, roofing, scrap handling and sign construction and maintenance.

The Company believes that in the current environment, an option to purchase previously-owned equipment is a cost effective alternative that could increase customers return on investment. In the second quarter of 2010, the Company created a new division, North American Equipment Exchange, (NAEE) to market previously-owned equipment.

2. Basis of Presentation

The accompanying consolidated financial statements, included herein, have been prepared by the Company without audit pursuant to the rules and regulations of the United States Securities and Exchange Commission. Pursuant to these rules and regulations, certain information and footnote disclosures normally included in financial statements which are prepared in accordance with accounting principles generally accepted in the United States of America have been omitted. In the opinion of management, the accompanying unaudited consolidated financial statements reflect all adjustments (consisting only of normal recurring accruals, except as otherwise disclosed) necessary for a fair presentation of the Company s financial position as of September 30, 2011, and results of its operations and cash flows for the periods presented. The consolidated balances as of December 31, 2010 were derived from audited financial statements but do not include all disclosures required by generally accepted accounting principles. The accompanying consolidated financial statements have been prepared in accordance with accounting standards for interim financial statements and should be read in conjunction with the Company s audited consolidated financial statements and the notes thereto for the year ended December 31, 2010. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. The results of operations for the interim periods are not necessarily indicative of the results of operations expected for the year.

Table of Contents

Allowance for Doubtful Accounts

Accounts Receivable is reduced by an allowance for amounts that may become uncollectible in the future. The Company s estimate for the allowance for doubtful accounts related to trade receivables includes evaluation of specific accounts where the Company has information that the customer may have an inability to meet its financial obligations.

Inventory Valuation

Inventory consists of stock materials and equipment stated at the lower of cost (first in, first out) or market. All equipment classified as inventory is available for sale. The Company records excess and obsolete inventory reserves. The estimated reserve is based upon specific identification of excess or obsolete inventories. Selling, general and administrative expenses are expensed as incurred and are not capitalized as a component of inventory.

Accrued Warranties

The Company establishes a reserve for future warranty expense at the point when revenue is recognized by the Company. The provision for estimated warranty claims, which is included in cost of sales, is based on a percentage of sales.

Litigation Claims

In determining whether liabilities should be recorded for pending litigation claims, the Company must assess the allegations and the likelihood that it will successfully defend itself. When the Company believes it is probable that it will not prevail in a particular matter, it will then make an estimate of the amount of liability based, in part, on the advice of outside legal counsel.

Comprehensive Income

Reporting Comprehensive Income requires reporting and displaying comprehensive income and its components. Comprehensive income includes, in addition to net earnings, other items that are reported as direct adjustments to stockholder s equity. Currently, the comprehensive income adjustment required for the Company has two components. First is a foreign currency translation adjustment, the result of consolidating its foreign subsidiaries. The second component is a derivative instrument fair market value adjustment (net of income taxes) related to forward currency contracts designated as a cash flow hedge. See Note 4 for additional details. Comprehensive income is as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2011	2010	2011	2010
Net income:	$ 1,020	$ 657	$ 2,491	$ 1,177
Other comprehensive income (loss)				
Foreign currency translation adjustments	(859)	128	(550)	(79)
Derivative instrument fair market value adjustment net of income taxes	(92)	181	(119)	39
Total other comprehensive (loss) income	(951)	309	(669)	(40)
Comprehensive income	$ 69	$ 966	$ 1,822	$ 1,137

3. Financial Instruments Forward Currency Exchange Contracts

The following tables set forth the company s financial assets and liabilities that were accounted for at fair value on a recurring basis as of September 30, 2011 and December 31, 2010 by level within the fair value hierarchy. As required by ASC 820-10, financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement.

Table of Contents

The following is summary of items that the Company measures at fair value:

	Fair Value at September 30, 2011			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Forward currency exchange contracts	$ 65	$	$	$ 65
Total current assets at fair value	$ 65	$	$	$ 65
Liabilities:				
Forward currency exchange contracts	$ 238	$	$	$ 238
Load King contingent consideration			30	30
Total long-term liabilities at fair value	$ 238	$	$ 30	$ 268

	Fair Value at December 31, 2010			
	Level 1	**Level 2**	**Level 3**	**Total**
Asset				
Forward currency exchange contracts	$ 160	$	$	$ 160
Total current assets at fair value	$ 160	$	$	$ 160
Liabilities:				
Load King contingent consideration	$	$	$ 30	$ 30
Total long-term liabilities at fair value	$	$	$ 30	$ 30

Fair Value Measurements

ASC 820-10 classifies the inputs used to measure fair value into the following hierarchy:

Level 1 - Unadjusted quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities;

Level 2 - Quoted prices in markets that are not active, or inputs which are observable, either directly or indirectly, for substantially the full term of the asset or liability; and

Level 3 - Prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable (i.e., supported by little or no market activity).

The fair value of the forward currency contracts are determined on the last day of each reporting period using quoted prices in active markets, which are supplied to the Company by the foreign currency trading operation of its bank. Under ASC 820-10, items valued based on quoted prices in active markets are Level 1 items.

The Load King purchase agreement has a contingent consideration provision which provides for a one-time payment of $750 if net revenues are equal to or greater than $30,000 in 2010, 2011 or 2012. Given the disparity between the revenue threshold and the Company s projected financial results, it was determined that a Monte Carlo simulation analysis was appropriate to determine the fair value of contingent consideration. It was determined that the probability weighted average earn out payment is $30. Based thereon, we determined the fair value of the contingent consideration to be $30.

4. Derivatives Financial Instruments

The Company s risk management objective is to use the most efficient and effective methods available to us to minimize, eliminate, reduce or transfer the risks which are associated with fluctuation of exchange rates between the Canadian and U.S. dollar. When the Company s Canadian subsidiary receives a significant new U.S. dollar order, management will evaluate different options that may be available to mitigate future currency exchange risks. The decision to hedge future sales is not automatic and is decided case by case. The Company will only use hedge instruments to hedge firm existing sales orders and not estimated exposure, when management determines that exchange risks exceeds desired risk tolerance levels.

Table of Contents

The Company enters into forward currency exchange contracts in order to attempt to create a relationship such that the exchange gains and losses on the assets and liabilities denominated in other than the reporting units functional currency would be offset by the changes in the market value of the forward currency exchange contracts it holds. The forward currency exchange contracts that the Company has to offset existing assets and liabilities denominated in other than the reporting units functional currency have been determined not to be considered a hedge under ASC 815-10. The Company records at the balance sheet date the forward currency exchange contracts at its market value with any associated gain or loss being recorded in current earnings. Both realized and unrealized gains and losses related to forward currency contracts are included in current earnings and are reflected in the Statement of Operations in the other income expense section on the line titled foreign currency transaction gains/ (losses). Items denominated in other than a reporting unit s functional currency includes U.S. denominated accounts receivable and accounts payable held by our Canadian subsidiary. Our Italian subsidiary s payable to the parent Company is also an item denominated in other than the reporting unit s functional currency. We have purchased forward currency exchange contacts in order to create a relationship such that the exchange gains and loss on intercompany balances with our Italian subsidiary are offset by changes in the market value of the forward currency exchange contracts that the Company holds.

The Company entered into forward currency contracts to hedge certain future U.S. dollar sales of its Canadian Subsidiary. The decision to hedge future sales is not automatic and is decided on a case by case basis. The forward currency contracts to hedge future sales are designated as cash flow hedges under ASC 815-10.

As required, forward currency contracts are recognized as an asset or liability at fair value on the Company s Consolidated Balance Sheet. For derivative instruments that are designated and qualify as cash flow hedges, the effective portion of the gain or loss on the derivative is reported as a component of other comprehensive income and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings (date of sale). Gains or losses on cash flow hedges when recognized into income are included in net revenues. Gains and losses on the derivative instruments representing either hedge ineffectiveness or hedge components excluded from the assessment of effectiveness are recognized in current earnings. The Company expects minimal ineffectiveness as the Company has hedged only firm sales orders and has not hedged estimated exposures. In the next twelve months, the company estimates $125 of pre-tax unrealized losses related to forward currency contract hedges to be reclassified from other comprehensive income into earnings.

At September 30, 2011, the Company had entered into a series of forward currency exchange contracts. The contracts obligate the Company to purchase approximately CDN $4,419 in total. The contracts which are in various amounts mature between October 3, 2011 and May 25, 2012. Under the contracts, the Company will purchase Canadian dollars at exchange rates between .9680 and 1.0399. The Canadian to U.S. dollar exchange rates was .9540 at September 30, 2011. Additionally, the Company has entered into a forward currency contract which matures on July 2, 2012 to sell 800 at 1.4214. The Euro to U.S. dollar exchange rate was 1.3503 at September 30, 2011.

The unrealized currency exchange asset is reported under prepaid expense and other if it is an asset or under accrued expenses if it is a liability on the balance sheet at September 30, 2011. As of September 30, 2011, the Company had the following forward currency contracts:

Nature of Derivative	Amount	Type
Forward currency contract	CDN$ 2,472	Not designated as hedge instrument
Forward currency contract	CDN$ 1,947	Cash flow hedge
Forward currency contract	800	Not designated as hedge instrument

The following table provides the location and fair value amounts of derivative instruments that are reported in the Consolidated Balance Sheet as of September 30, 2011 and December 31, 2010:

Total derivatives NOT designated as a hedge instrument

		Fair Value	
	Balance Sheet Location	September 30, 2011	December 31, 2010
Asset Derivatives			
Foreign currency Exchange Contract	Prepaid expense and other	$ 65	$ 101
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	$ 113	$

Table of Contents

Total derivatives designated as a hedge instrument

		Fair Value	
	Balance Sheet Location	September 30, 2011	December 31, 2010
Asset Derivatives			
Foreign currency Exchange Contract	Prepaid expense and other	$	$ 59
Liabilities Derivatives			
Foreign currency Exchange Contract	Accrued expense	$ 125	$

The following tables provide the effect of derivative instruments on the Consolidated Statement of Operations for the three and nine months ended September 30, 2011 and 2010:

Derivatives Not designated as Hedge Instrument	Location of gain or (loss) recognized in Income Statement	Gain or (loss) Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Forward currency contracts	Foreign currency transaction gains (losses)	$ (162)	$ 102	$ (130)	$ (202)

Derivatives designated as Hedge Instrument	Location of gain or (loss) recognized in Income Statement	Gain or (loss) Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Forward currency contracts	Net revenue	$ (7)	$ (44)	$ 93	$ (61)

The Counterparty to currency exchange forward contracts is a major financial institution with credit ratings of investment grade or better and no collateral is required. Management continues to monitor counterparty risk and believes the risk of incurring losses on derivative contracts related to credit risk is unlikely.

5. Net Earnings per Common Share

Basic net earnings per share is computed by dividing net income by the weighted average number of common shares outstanding for the period. Diluted earnings per share reflects the potential dilution of warrants, and restricted stock units. Details of the calculations are as follows:

	Three months ended September 30, 2011	2010	Nine months ended September 30, 2011	2010
Net Income per common share				
Basic	$ 1,020	$ 657	$ 2,491	$ 1,177
Diluted	$ 1,020	$ 657	$ 2,491	$ 1,177
Earnings per share				
Basic	$ 0.09	$ 0.06	$ 0.22	$ 0.10
Diluted	$ 0.09	$ 0.06	$ 0.22	$ 0.10
Weighted average common share outstanding				

Basic	11,409,533	11,372,467	11,407,296	11,353,849
Diluted				
Basic	11,409,533	11,372,467	11,407,296	11,353,849
Dilutive effect of warrants	42,750	&nb		